CHINA

into

AFRICA

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Pressured by skyrocketing demand, Chinese oil companies have branched out across the globe seeking new oil supplies to feed the country’s economic growth. By 2006, China had made oil investments in almost every part of the world, including Africa. These initiatives have not been without controversy. From the commercial perspective, Western companies complain that China’s ability to link its oil investments to government-to-government financial assistance gives its companies an unfair advantage. From the political perspective, Western nongovernmental organizations have accused China of using its investments to support some of the more abusive, corrupt, and violent governments in the world. The poster child for this argument has been China’s support for the Sudanese government and its unwillingness to condemn publicly the genocidal practices of the janjaweed militias operating in Darfur.

China’s repeated contention that it does not get involved in domestic politics and that its relationships with African governments is strictly commercial is perceived by many as hollow. Critics argue that without China’s investments and tacit support, African governments, such as the Sudan’s, would be forced to amend their behavior.

This chapter looks at the validity of these arguments and how they are manifested on the African continent. It focuses on China’s activities in the Sudan and Angola, not only because they are the largest measured, both in terms of dollar value and scope, but because they incorporate features that characterize Chinese efforts to secure incremental oil supplies from African countries.
China’s Need for Imported Oil

China is the world’s most populous country, with a population of 1.4 billion people. Its economy has grown at a pace unprecedented in modern history: more than 9 percent a year between 1978 and 2005. Energy is critical to service this growth. Despite building almost 200,000 megawatts of new electric generating plants over the last five years, increasing its coal consumption by 21 percent over the same period, and initiating one of the world’s most aggressive campaigns to increase energy productivity, China continues to be plagued by localized energy shortages. A dramatic increase in motor vehicle sales and modal shifts in the movement of freight from railroads to trucks have increased oil demand beyond China’s limited domestic supply, forcing China to rely on an ever-growing volume of imported oil. Overall, China’s reliance on imported oil as a percent of total energy remains low (approximately 8 percent), but as China becomes more urbanized and its demand for transportation services continues to grow, oil will increase in importance. Between 2000 and 2006, China’s oil consumption increased from 4.7 million bbl/d to almost 7.4 million bbl/d, 47 percent of which was derived from imports. In 2006, China’s annual growth in oil demand approached 500,000 bbl/d, accounting for one-third of the world’s incremental increase and 70 percent of the growth in the Asia-Pacific region.

Despite its vastness, China has never discovered large oil reserves. Its traditional fields in and around Daqing and Shengli are old, and their production is either flat or declining, while its newer discoveries in the Junggar and Tarim basins are modest on a global scale and are far from China’s population centers on the coast. There is no evidence to suggest that China’s domestic oil reserves will double or triple in the next decade, and thus a significant proportion of its incremental consumption will have to be met by imports. Most Chinese officials agree that the country has no choice but to venture aggressively into the global oil market. In fact, the International Energy Agency predicts that China’s oil imports will grow from 1.5 million bbl/d in 2000 to approximately 10.9 million bbl/d in 2030, at which time China will be importing about 77 percent of its crude oil, with more than half of its imports coming from the Gulf States.

Recognizing that its demand was outstripping its domestic supply, in 1997 China concluded that it must obtain significant oil supplies from outside its borders. It understood that doing so would not be easy. The Western multinational companies had a fifty-year head start in developing and nurturing relationships with most of the major producing countries. There were very
few unexplored regions left in the world. China would have to convince coun-
tries that had historically sold oil to the United States, Europe, and Japan that
they should include China among their major trading partners. More impor-
tant, China was determined to ensure that its interests would not be discarded
if supplies became tight. Shen Dingli captured the dilemma in his oft-quoted
question, "If world oil stocks were exceeded by growth, who will provide
data to China?" If supplies are scarce, are the United States and Japan likely
to share their oil?

Private oil companies in Western countries not only had strong relation-
ships with officials from producing countries, but they also had access to sub-
stantial capital through their own earnings, and through commercial banks
and other sources of private funding. What were China’s comparative advan-
tages, and how could it exploit them?

Moreover, because China’s oil industry consists of state-owned compa-
nies, its strategies for building relationships with oil-producing countries had
to be synchronized with its foreign policies, both economic and diplomatic.
This could be both a benefit and a constraint.

Given these goals, China’s global oil strategy has three basic elements:
—Differentiate Chinese initiatives from those offered by the Western gov-
dernments and their oil companies.
—Leverage China’s comparative advantages while downplaying its dis-
advantages.
—Focus on those countries in which there was a high probability that oil
reserves would grow and where China could negotiate arrangements that
catered to its long-term interests.

Differentiating from the West

Often oil-producing nations perceive Western governments as solely focused
on oil, ignoring their country’s long-term economic and social interests.
China realized that if it could offer a package of benefits that went beyond oil,
it would be able to develop partnerships as opposed to commercial relation-
ships based on one commodity. Its efforts would be in stark contrast to those
of its Western competitors. The ensuing bonds would grow to the point that
China might receive the type of preferential treatment historically given to
Western companies.

There were two elements to this strategy. First, in addition to purchasing
oil supplies or investing in oil production, China would invest in the
economies of African oil producers and would help the host governments
meet their immediate infrastructural or commercial needs. For example, in Africa, China is rebuilding Angola’s transportation network, is constructing a large hydroelectric dam in the Sudan, and has opened up hundreds of commercial enterprises throughout the continent, doing over $11.7 billion of business in forty-nine African countries.7

The thrust of China’s strategy is to create a level of interdependence that will lead to greater trade and build stronger bonds, while securing a flow of oil to China in an increasingly insecure market.

In an ideal world (from the Chinese perspective), China would be able to gain equity ownership of oil supplies through concessions. However, this outcome is difficult to achieve. Most countries have assumed ownership of their own oil and sell it on the open market through their state oil companies. Often the private oil companies are limited to managing and operating production and processing facilities, while ownership of the assets remains with the host country. China realizes that a majority of its future oil supplies will be purchased in the marketplace and subject to substantial price fluctuations. Hence, the value of equity oil has increased dramatically. China has been willing to make significant investments to capture that value. Certainly this ability is one of the principal reasons that China has been willing to commit billions of dollars in the form of aid and new investment to the Sudan.

The second element in China’s strategy is its policy of noninvolvement in the domestic affairs of host governments. China steadfastly refuses to pass judgment on the behavior of other countries with which it trades. Nor does it link its commercial relationships to any standards of conduct.

Some argue that this position is an outgrowth of China’s fierce protection of its own rights and sovereignty, and its resentment of foreign interference in its domestic affairs. The involvement of Western traders, the Boxer Rebellion, and the general humiliation at the hands of Western interests in the nineteenth century have not been forgotten. In a revealing moment, Zhou Enlai told an audience in Khartoum in 1964 that China was grateful to the Sudanese for killing British General Charles Gordon in 1885. Evidently, Gordon had supervised the burning of the old Beijing Summer Palace in 1860, twenty-five years earlier. More than a century later, Beijing still considered Gordon’s activities an insult to the Chinese people.8 This resentment of outside interference has colored Sino-Russian relations since Nikita Khrushchev and Mao Zedong split in the mid-1950s, and it certainly characterizes China’s response to U.S. criticism of alleged human rights violations. Therefore, China’s respect for a country’s sovereignty leads it to pursue more subtle and less public forms of persuasion and diplomacy.
Others argue that China’s unwillingness to criticize domestic behavior stems from more cynical and commercial goals. By continuing to aid rogue and repressive states, China obtains a competitive advantage, gaining access to significant oil supplies that are off-limits to most other oil companies. These critics point out that China’s policy of domestic neutrality is nothing of the kind. They argue that without China’s financial aid, repressive governments would not survive and almost certainly would be unable to pursue their abusive behavior. Their primary example is the Sudan, where China’s support of the Sudanese government has enabled Khartoum to purchase arms to use against the rebels in the South and to supply the janjaweed militias in Darfur, enabling them to slaughter thousands of civilians.

China’s Institutional Advantages and Disadvantages

By the mid-1990s, China realized that the dream of energy self-sufficiency was not realistic and that it needed to build a capacity to compete in the international marketplace. The country’s “going abroad” strategy was adopted in 1997. In response, China restructured its preexisting state oil and gas enterprises into two major companies: the China National Petroleum Corporation (CNPC) and the Chinese National Petrochemical Corporation (Sinopec). Both companies produce, import, trade, and process oil. While there are exceptions, CNPC has a stronger presence in the North and the West of China, and Sinopec is more visible in the South and the East. Sinopec owns more refining capacity and thus is a major buyer of foreign oil, while CNPC is more likely to enter into exploration and production contracts, both within and outside of China. The China National Offshore Oil Corporation (CNOOC), a smaller company, as its name suggests, focuses on offshore investments.

In the 1980s and early 1990s, one could think of Sinopec and CNPC as arms of the state. But in 1998, as China’s economic policies became more market oriented, the companies and associated ministries were reorganized to respond to commercial, more than social, goals. These changes, however, only went so far. The result is a mixture of decisions, some exclusively driven by commercial opportunity and others evidencing strong governmental intervention. It is not always clear which of these motives is operational, since there is little transparency. Furthermore, China’s oil companies are becoming increasingly competitive with each other as each strives to gain commercial advantages. Erica Downs, a leading U.S. expert on Chinese oil policy, argues that investment decisions often have been generated from the bottom up and have not been highly coordinated with the relevant government agencies. She
points out that the more high-quality assets a company acquired, the more likely it was to obtain diplomatic and financial support from the Beijing government for its subsequent investments.\footnote{11}

China’s government may very well leave the management of its state-owned oil companies and many of its investment decisions to the professional executives, but clearly it has the legal means to intervene, if it so decides. Further, the boards of all of its oil companies consist of senior officials, many of whom hope to be promoted to higher government posts. Their ambition makes it difficult for them to ignore “requests” made by the central government since failure to respond could decrease the probability of future promotions. However, this balance is delicate, and tensions between managers of the oil companies and their boards are increasingly common. As these companies grow and the complexities of the industry increase, the senior managers of Sinopec, CNPC, and CNOOC will become more focused on commercial goals.

China’s forays into African countries have been a team effort, involving Chinese oil companies, the country’s export-import bank, its economic and trade agencies, and key trading companies, many of which are still state run. This combination gives China the ability to offer access to significant low-cost financing and to invest in a variety of complementary economic ventures, from infrastructural projects to textile plants to department stores.

China’s oil companies are now an unusual agglomeration of modern entrepreneurial talent striving for earnings growth and ever-greater profitability, while at the same time remaining arms of a government increasingly focused on China’s long-term energy needs.

\textbf{Oil Reserves and China’s Existing Infrastructure}

In assessing its energy needs, China is aware of its existing energy infrastructure, which has relied on conventional coal-fired electricity facilities, older refineries, and very little in the way of a natural gas distribution system. China realizes that it needs to upgrade and modernize its energy infrastructure, but doing so will not occur overnight. Hence, a premium is placed on those energy resources that can be utilized by the present system.

Nowhere is this more apparent than with oil. China’s oil refineries tend to be old and relatively simple. When gasoline demand is low, simplicity is not a problem since many of the heavier oil products can be produced in local refineries. However, in recent years, there has been a large increase in the sale of passenger cars and thus in the consumption of gasoline. To meet this

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growing demand, China has three choices: import gasoline, build new refineries to maximize gasoline production, or purchase light crudes that will result in greater gasoline yields from older refineries.

China would rather not import more gasoline. It is pursuing joint ventures with Middle Eastern state oil companies to build several new refineries in China; despite this increased capacity, Chinese demand for gasoline may quickly outstrip these additions. Thus, access to light crude oil becomes extremely valuable (crudes with lighter viscosities are easier to refine into products such as gasoline, and aviation and diesel fuel). Unfortunately, the availability of light crude as compared to heavy crude is declining, and this trend is forecast to continue. The exceptions are the new discoveries in Africa, especially in the Gulf of Guinea and off the southern African coast, where most of the oil has been light. Oil from places such as Angola and Nigeria is becoming increasingly valuable in today’s market, and China is willing to go to great lengths to access it.

Furthermore, there are few areas in the world in which there are high probabilities of significant new oil and gas discoveries. Angola, Libya, Nigeria, and the Sudan are four exceptions. Obtaining a favored status within each of these countries could prove to be very valuable. Therefore, it is not surprising that China has aggressively pursued the Sudan and Angola and is attempting to gain entry into Nigeria. The one exception has been Libya, where China’s involvement to date has been limited to bidding for one or two production-sharing agreements. Oil from Libya would have to be taken out through the Mediterranean Sea, which lies within the European sphere of influence. In addition, China does not have the same levers in dealing with Libyan strongman Muammar el-Qadaffi as it has in countries that are strapped for capital and investment. In fact, Libya employs a transparent bidding process for new oil and gas licenses, which does not favor China. Hence, if security of supply is a national priority, Libyan oil is probably less valuable than supplies from the Sudan or Angola or even Mauritania or Kenya.12

Nigeria presents a different set of problems. China and Nigeria have signed multiple trade agreements. Their presidents have exchanged visits, and both have committed to building close economic ties between the two countries. Nigeria sits on significant reserves of light crude oil and forecasts a doubling of production by 2025.13 China would like to capture a portion of this additional oil, and Nigeria is eager to sell it. However, continued attacks by militant insurgents have delayed investments and have forced Nigeria to cut back its existing production. Nigeria had no incremental oil to sell in 2007 and in fact has had to reduce existing sales to China. In January 2006, CNOOC
agreed to pay $2.27 billion for a 45 percent working interest in a portion of the undeveloped Akpo field. The Nigerian National Petroleum Company would own 50 percent of this concession. In 2008, it was uncertain whether the projected dates for production start-up would be met.

Why Is China Interested in Africa?

There is a view in the West that China is an insular country that has traditionally embraced a posture of isolationism. This view stems largely from images of China from the nineteenth century and the first half of the twentieth century. However, on a longer time scale, China can be seen as one of the greatest trading nations in the world. The Mongol Empire stretched halfway around the globe, and the Silk Road was one of the great trading routes. In the early fifteen century, Emperor Zhu Di ordered the construction of what might have been the most impressive shipping fleet in the world. Commanded by Zheng He, Chinese ships reached Africa and established trading posts on the continent, decades before the Portuguese. For much of the last millennium China was a major global trader.

Kirby declares that “a defining characteristic of modern China is its incorporation into the global system.” After the decade of the Cultural Revolution, during which China turned inward, it aggressively sought to expand its economic reach beyond its borders. Western countries have found China’s entry into the world economy disconcerting, if not threatening. This reaction is magnified when China pursues strategies and arrangements different from those followed by Western governments and corporations. Nowhere has this been truer than in China’s efforts to obtain access to raw materials—especially oil.

In the eighteenth century, Africa was part of the huge European colonial empire in which countries were divided up and exploited for their potential mineral wealth. Even after the end of colonialism in the 1960s, there was little competition from non-European foreign countries. This is no longer the case. Beginning in the late 1980s, Chinese firms and state-owned enterprises have spread throughout the African continent. To a lesser degree this is also true of companies from Malaysia, Japan, and India. Furthermore, the United States, which did not have a large presence in the nineteenth century, is now the dominant foreign power on the continent.

African governments now look at foreign investments as a net benefit to their economies. The image of the exploitive foreign power ravaging their resources has been tempered. President Festus Mogae of Botswana made the point that all African countries have benefited from China’s investments,
which bid up the prices of raw materials, providing African countries with more revenue to invest in national priorities. China has been instrumental in funding infrastructural development, including 6,000 kilometers of road, 3,000 kilometers of railroad, and 8 electric power plants. The Chinese are welcome not only because they provide up-front capital for needed projects, but they also serve as a balance to European and United States interests. Host countries are no longer exclusively reliant on Western interests and are in a stronger position from which to negotiate the conditions for new investments.

As Downs points out, the value of Chinese oil companies’ investments in Africa is just 8 percent of the combined commercial value of the private multinational investments. This figure will increase as oil from the Angolan and Nigerian fields begins to flow. In fact, over the next two decades, China will likely purchase more oil from African state oil companies than it produces from its own concessions. However, under almost any scenario, Chinese companies will be some of several major oil-producing companies operating in Africa and will not have control over a significant portion of the continent’s oil production.

To understand what motivates China’s participation in Africa, it is useful to look at its activities in two countries: Angola and the Sudan. Despite the rhetoric in foreign newspapers, there are many subtle and important differences regarding how those relationships have evolved. However, in both cases, China has used two instruments to leverage its influence: a promise of greater trade across a wider range of investments other than oil, and access to cheap capital through its unregulated and government-controlled financial institutions.

**Angola**

The history of Angola is one of intrigue, corruption, and exploitation on a massive scale. Portugal established two settlements in the sixteenth and early seventeenth centuries and used them to facilitate one of the largest slave-trading enterprises in history, transporting over 3 million slaves to work large farming plantations in Brazil. In the nineteenth century, Angola’s coastal settlements, especially Luanda, were major shipping ports, exporting cotton, bananas, and coffee, as well as minerals from what is now Angola, Congo (Brazzaville), and Zambia.

Fighting between non-Portuguese Angolans and the colonial government in Lisbon broke out in April 1966 and raged for nine years before independence was granted in 1975. Peace was short lived as civil war broke out between the Movement for the Liberation of Angola (MPLA) and the National Union...
for the Total Independence of Angola (UNITA). The former was heavily supported by the Russian and Cuban governments. In the late 1970s, approximately 37,000 Cuban “technical assistants” were sent to assist the MPLA. UNITA was supported by the United States, South Africa, and, for a period of time, China. To complicate matters, UNITA obtained money to buy arms through both illicit aid from the United States and by transporting diamonds, while the MPLA bought its arms through the revenue from its Cabinda oilfields, operated primarily by U.S. multinationals. To an extent, the United States, either directly or indirectly, provided both sides with the financial capability to wage the civil war, resulting in thousands of casualties. It is important to put this chapter in Angola’s history into perspective as the world expresses outrage over China’s recent activities in the Sudan.

The civil war waxed and waned over three decades before UNITA leader Jonas Savimbi died and a final settlement was reached in 2002. The MPLA agreed to give UNITA followers blanket amnesty and to allow them full rights to participate in the government.20

Western multinationals have had a presence in Angola for over forty years. However, until the 1990s, total production remained small, and the oil companies were primarily located in enclaves. The largest of these enclaves was in Cabinda, which is territorially separated from Angola proper by a small sliver of the Democratic Republic of the Congo.

In 1986, Angola’s oil production was about 280,000 bbl/d, but by 2005 daily production had risen to 1.25 million barrels; daily production is predicted to exceed 2 million by the end of 2008 and 2.6 million by the end of 2011.21 Proven oil reserves have tripled in the last seven years. By 2007, Angola was the second-largest oil producer in sub-Saharan Africa, behind Nigeria, and in January 2007, it became the twelfth member of OPEC.22

The oil and gas sectors account for 40 percent of Angola’s GDP and have attracted many of the world’s largest multinational corporations. Exxon Mobil, BP, Eni, Agip, Total, and Chevron all have major investments in Angola, and all have historical relationships with the government of Jose Eduardo dos Santos, president since 1979. Angola’s role in the world’s oil market is significant since there are few countries in which oil reserve estimates are increasing rapidly and that produce light oil. Most oil companies understand the value of forging a relationship with the Angolan government and gaining access to its growing supply of crude. The competition is intense.

China’s task was daunting. It had to create a relationship with a government that it had actively opposed, at least through the end of the Cold War. Between 1990 and 2004, China’s involvement in Angola consisted of little
more than isolated technical assistance projects, primarily focused on agriculture. Yet, two years later, Angola supplied 47 percent of the oil that China bought from African countries or about 15 percent of China’s total imports. In addition, Angola has become China’s second-largest African trading partner. How did this situation turn around so rapidly?

When its civil war ended, Angola’s infrastructure lay in ruins. The government’s financial resources had been poured into the war instead of being directed toward its transportation, power, and economic infrastructure. The country needed capital, and the only feasible option was to appeal to the International Monetary Fund (IMF), which agreed to provide a substantial loan, conditioned on Angola committing to both transparency reforms and to the IMF stabilization program, aimed at reducing inflation as opposed to increasing capital expenditures. The IMF was particularly concerned that oil revenues were being siphoned away and were not being adequately used to support the country’s social needs. According to the IMF, over $8.5 billion in public money was unaccounted for between 1997 and 2001. It demanded that Angola open its books so that the financial records of Sonangol, the country’s national oil company, could be compared with actual oil revenues, treasury transactions, and deposits in the national bank. Since Angola ranked near the bottom of Transparency International’s Corruption Perceptions Index, this was not seen as an unreasonable request by most neutral observers. Angola, though, was reluctant to make such reforms, but it saw no alternative since it was desperate for capital to renovate its infrastructure. Enter China.

In 2004, Angola suddenly broke off negotiations with the IMF, characterizing its conditions as “humiliating” and announced that China’s Eximbank had agreed to give Angola a $2 billion line of credit to be repaid over twelve years with an interest rate based on the London Inter-Bank Offered Rate (LIBOR) plus 1.5 percent. Starting in year 5, Angola agreed to repay the loan by setting aside approximately 15,000 bbl/d. This figure would increase to 40,000 bbl/d until the loan was repaid. The Chinese pay market price for the oil, the funds go into an escrow account from which the annual debt repayments are made to the China Eximbank, and the remainder goes to the government of Angola. The loan has to be used for infrastructural projects, including roads, low-income housing, and an upgrade to Angola’s railroad. Not surprising, all of these infrastructural concessions as of mid-2007 have been awarded to Chinese companies.

This arrangement is basically a forward contract with the payments back-loaded into the later years. China provides money in year one and receives substantial oil supplies in the future.
These negotiations occurred simultaneously with the discussions around the sale of Shell’s oil share (50 percent) of Block 18, a major offshore concession. Shell proposed that it be allowed to sell its share to ONCC Videsh, one of India’s state-owned companies. Allegedly, the Indian firm offered $620 million for a 50 percent stake in the field that was scheduled to produce 240,000 bbl/d by 2007.26 In addition, India offered $200 million to rebuild Angola’s railroad. The Angolan government, through Sonangol, exercised its preferential rights under the operating agreement to match the offer. Sonangol then sold the concession to a consortium of Sinopec (75 percent) and Sonangol (25 percent). This new consortium went by the name Sinopec-Sonangol International (SSI).

The connection between the $2 billion line of credit and the sale of the 50 percent share of Block 18 is not explicit, but there is a strong suggestion that they were directly linked. The coincidence is too great.

SSI gained a second concession in October 2004, when the Angolan government decided not to renew Total’s share of the oil concession for Block 3-80, which, at the time, was producing 80,000 bbl/d. To make the concession more attractive, the government also included several additional medium-size fields.

In 2006, Angola put up for sale several deepwater blocks. The response was unprecedented. Over $3 billion was bid in up-front fees or signature bonuses. An analyst at Wood Mackenzie in Scotland claimed that these bids were the “highest ever offered for exploration acreage anywhere in the world.”27 Sinopec and Sonangol together bid a total of $2.2 billion for three tracts, in contrast to bids that were twenty times lower from Exxon Mobil and BP for the same tracts. In the end, SSI was awarded 60 percent of Block 18-06 (operated by the Brazilian national oil company Petrobras), 67.8 percent of Block 17-06 (operated by the French company Total), and 35 percent of Block 15 (operated by the Italian firm Eni).

During this same period, Angola tried to persuade Sinopec to build a 240,000 bbl/d refinery in Lobito. However, these negotiations collapsed over differences about the target market. Sinopec wanted most of the oil products to go to China, and Angola wanted the products to be sold in Africa.28 Sinopec claimed that under the conditions sought by the Angolan government, the refinery was not likely to be profitable. Furthermore, China would much rather import crude and build refineries in China than build them in Angola and import product.

In June 2006, Chinese Prime Minister Wen Jiabao visited Luanda. While in Angola, he announced an additional $2 billion line of credit as a supplement
Additional loans have been made by international banks in partnership with Chinese banks. Most of these take the form of traditional project finance loans and are given to Sonangol for projects related to offshore oil production. These have been offered at commercial rates, and Unipec—the trading subsidiary of Sinopec—is designated to receive the oil set aside to pay back these loans.

Are China’s Efforts in Angola Sustainable?

Angola’s goal has been to sell its oil in the ground, using the funds for domestic improvements, and, if possible, find financial organizations willing to securitize a small portion of its future oil revenues. Under this arrangement, Angola obtains the capital to rebuild its infrastructure, and the lenders obtain a future flow of high-quality oil, which they can consume or sell. This arrangement is not substantially different from the project finance loans supplied by European banks to Sonangol. To guarantee all of the loans from Chinese banks, Sonangol has agreed to set aside more than 80,000 bbl/d. This figure will increase to 120,000 bbl/d over the next 10 years. Given that Angola’s oil production is forecast to exceed 2 million bbl/d, commitments of 80,000–120,000 bbl/d (4–6 percent of total production) do not seem an unreasonable “amortization” payment schedule from Angola’s perspective, especially when its present need for capital is so pressing.

While there is enormous uncertainty surrounding the numbers, China is “buying” about 80,000 bbl/d of light crude oil through loans to the government, which was about 10 percent of its total purchases in 2006. Equity oil (oil to which Sinopec has ownership rights) will increase, if the 2006 offshore concessions prove to be as productive as forecast, but they will not come online for a few years. Furthermore, as China’s demand for oil continues to grow, the proportions of oil that China will obtain from forward sales, equity oil, and direct sales will not appreciably change. The last will continue to account for a majority of China’s imports from Angola.

Is China gaining competitive advantages through its arrangements with the Angolan government? This depends on whether the available data are correct. There is always the chance that the public numbers are not accurate, especially when one is examining a series of arrangements between a government that repudiates transparency and several state-owned enterprises that rarely report the particulars of their financial transactions. But if the public numbers are correct, Sinopec and China have successfully used their ability to offer significant amounts of low-interest financial credit to gain access to moderate amounts of Angolan oil. This is not the first time this has been done, and, in
fact, British and French interests are doing the same through their large commercial banks. Without providing financial assistance to the government, China would probably not have been able to receive either the Block 18 concession or a percentage of Total’s concession. Therefore, by offering credit, China has been able to secure a flow of Angolan oil for at least the next decade.

Unlike in the Sudan, China does not have a dominant position in the Angolan oil production market, and it is unlikely to seek or be granted such a position. Western companies continue to be well represented. From Angola’s perspective, China’s involvement only creates greater competition, increasing its power to leverage higher prices and gain greater access to cheap credit.

There are, however, several problems that may become more troublesome in the future. First, Sinopec does not have the significant technical knowledge required for construction and production operations in deep water. Therefore, it relies on other partners to operate the concessions in which it participates. BP operates Block 18, and Petrobras, Total, and Eni operate the other off-shore concessions in which Sinopec has a majority interest. One might argue that one of the indirect benefits of China’s investment in oil properties is the opportunity to gain experience in deepwater production technologies.

Second, China is reluctant to hire local workers, both for management and for unskilled jobs. Therefore most of the people who work in Chinese enterprises in Angola, as well as in other parts of Africa, are Chinese nationals. They live in their own enclaves, do not learn the local language, go to Chinese schools, and stand apart from the native population. The Chinese defend these practices by arguing that they allow them to ensure discipline within their labor force, increase productivity through better communication, improve morale within the workforce, and ensure quality control. It is not surprising that these practices also lead to resentment in the local populations, as witnessed by the demonstrations against the Chinese in Zambia and Namibia. It is ironic that China, a country insistent on local content requirements and the hiring of local labor in contracts with foreign firms doing business in China, ignores this issue outside of its borders.

Bolon contrasts these hiring practices with those of Chevron, which employs 2,500 Angolans—88 percent of the company’s workforce. Chevron has also aggressively provided assistance to enhance local school systems, reaching more than 8,500 students. Finally, it has worked closely with health authorities to reduce the spread of HIV in the country. Total has an equally impressive record of building local capacity to construct and operate its Angolan facilities. These agendas are very different from that of the Chinese, and while they may not significantly change the views of the central government, they certainly are
enhancing the image of Chevron and Total at the local level. Whether China’s current hiring practices will be sustainable in Angola and other regions of Africa is an open question.

Third, many experts believe China is overpaying for its access to oil. Perhaps such high payments are required to knock down the barriers to entry, and perhaps they buy security benefits sufficient to make the high prices reasonable. To some extent, Japan pursued a similar strategy after the 1973 embargo, arguing that cost premiums served the role of insurance. This rationale seemed logical at the time, but eventually the cost of those premiums became a fiscal drain. When Japan entered its prolonged recession in the 1990s, it decided to pay less and avoid redundant or overpriced contracts.

As China moves away from its quest to lock up a flow of imported oil to fuel its growing demand and trusts the marketplace, it is likely to follow in Japan’s footsteps. Given China’s continual struggles with its domestic fiscal policies and its growing confidence in its state oil companies, at some point its leaders will decide that they can effectively compete in the international marketplace with Western countries without paying above-market prices for access to oil supplies.

Fourth, Western governments have accused the Chinese of undercutting their efforts to force the Angolan government to institute reforms, specifically those related to transparency. Angola continues to rank among the most corrupt countries in the world. An implication is that this corruption is diverting massive amounts of money from the people to the pockets of a select few Angolans. China’s intervention—and subsequent alternative to the IMF’s 2004 loan—is seen as undercutting the West’s efforts to reform the dos Santos government. In addition, U.S. firms must abide by the Foreign Corrupt Practices Act whereas Chinese firms face no similar constraints. Some believe that in ignoring transparency concerns, China gains a significant competitive advantage in a jurisdiction with a perceived high level of corruption.

Finally, there is a fear that Chinese initiatives in countries, such as Angola, will undermine efforts by multilateral organizations, such as the IMF and World Bank, to promote collective efforts throughout the region. This criticism is probably less valid since there are many other issues inhibiting African collective initiatives. However, if it had a choice, China would clearly prefer to continue to pursue deals in the context of bilateral, as opposed to multilateral, arrangements.

Are Chinese investments and trade arrangements undermining Western efforts to promote progressive leadership throughout sub-Saharan Africa? For the answer to be clearly “yes,” one would have to believe that if the Chinese had
not offered the 2004 loan, the IMF would have been successful in persuading the dos Santos government to accept Western transparency requirements and that the Angolan government would have aggressively enforced those requirements. One would also have to conclude that despite its enormous growth in oil production, Angola would have been solely dependent on the IMF, or other multilateral banks, for debt relief and capital. That Angola has raised capital from European banks, as well as from Chinese banks (and more recently Indian institutions), suggests that access to capital might not have been as restrictive an obstacle going forward. If this is the case, Angola's unwillingness to make the reforms sought by the IMF might not have appreciably changed. Furthermore, in 2003 and 2004, the IMF was insisting that Angola delay the rebuilding of its public infrastructure until its fiscal condition improved and its currency inflation reduced. It is not self-evident that this course of action would have been superior to a strategy of investing up front in its energy, transportation, and communications infrastructure through obligating a small portion of its future oil revenues.

Have China's actions in Angola made reform efforts more difficult? At the margin, they probably have, but placed in the governance context of Angola in 2008, it is difficult to conclude that Chinese actions determine Angola's position on governance reforms. Furthermore, Sinopec's (and China's) influence in Angola is tempered by the reality that it is one of a number of oil companies doing business there. Angola has been very careful to sustain relationships with many companies, gaining bargaining leverage through maintaining a portfolio of investors.

The Sudan

While China is criticized in some circles for its activities in Angola, it is its conduct in the Sudan that has garnered the most attention and provoked the greatest controversy. Like Angola, the Sudan's oil reserve estimates are growing significantly; many areas remain unexplored. But unlike in Angola, CNPC, the Chinese oil company in the Sudan, faces very little competition from Western multinationals, which left the country because of the West's unwillingness to abide by the conduct of the government in Khartoum. The Sudan represents a unique opportunity to gain secure access to significant amounts of oil—particularly equity oil. Yet, those benefits have come with a high price tag in terms of international opinion and may not prove to be as beneficial in the long run as the Chinese believed at the time that they made their initial commitments.
As much as 52 percent of China’s equity oil came from the Sudan in 2005.\textsuperscript{36} While the Sudan is clearly of major importance to China, the reverse is also true. China is of critical importance to the Sudan, since more than half of its exports go to China.\textsuperscript{37} The number of Chinese workers in the Sudan has tripled since the early 1990s and reached 24,000 in 2006.\textsuperscript{38} Chinese non-oil investments are significant and include a major hydroelectric facility, a new airport in Khartoum, and several textile plants. China also operates the vast bulk of the Sudan’s oil production and has a 50 percent stake in the nation’s only major refinery in Khartoum.

To understand the factors that induced China to make these commitments, it is helpful to put them in a historical context. Chevron USA began exploring for oil in 1974 in the Muglad Basin. But when civil war broke out for the second time in the mid 1980s, Chevron abandoned more than $1 billion of private investments and sold its interests to a Canadian firm, which formed the Greater Nile Petroleum Operating Company (GNPOC). In 1997, GNPOC sold a 40 percent share to China’s largest oil company, CNPC. The goal of the newly formed company was to develop the Sudan’s oilfields in the south-central part of the country and build a 1,500-kilometer (about 930-mile) pipeline to a coastal port facility at Marsa al-Bashair, near Port Sudan.\textsuperscript{39}

Despite the fact that oil was first discovered in the early 1970s, it was not until 1999 that the Sudan actually exported a barrel of oil. Thus, when China initiated its negotiations with the Sudan, its petroleum resources were undeveloped and most of its territory was unexplored. It was one of the few areas in the world that geologists felt might still hold large unexploited resources. While proven reserves still remain low, some geologists estimate that investment in exploration and development could allow the Sudan to produce more than 600,000 bbl/d in the near future.\textsuperscript{40}

Hence from China’s perspective, the Sudan had enormous upside potential. Furthermore, U.S. and European companies had left the region, ensuring virtually no competition for access to the country’s oil resources.

By 1997, the Sudan was in desperate financial straits. Its debt was 250 percent of GDP, interest payments were $4.5 million a day, and each day the civil war was draining another $1 million from its treasury. Rural areas were devastated, undermining the Sudan’s agricultural economy. GDP was in a free fall. The only escape from this financial death spiral was to increase oil revenues. Western companies had left, and China was the only country prepared to fill this vacuum. The Sudan agreed to sell (or arranged to sell) oil concessions to China on generous terms. For example, there are no restrictions on profit reparations, and the Sudanese government exempts CNPC from all domestic
taxes on exported oil (although CNPC does pay royalties). In addition, the concession acreage is significantly larger than that awarded to other countries. Thus, from a purely commercial basis, investments in the Sudan were almost too good to refuse, especially given China’s perception that most other producing regions were tied to U.S., European, or Japanese interests, and might be less receptive to Chinese overtures.

The Sudan has been wracked by civil wars since the 1950s. While there are multiple factions, the basic split has been between the South, which is primarily Christian with close cultural links to its African heritage, and the much more populous North, which embraces a traditional Islamic culture. Northern factions have controlled the government for the last half century. In 1989, Colonel Omar Hassan al-Bashir, backed by the National Islamist Front, overthrew the elected government and escalated military actions against the Sudan People’s Liberation Army/Movement (SPLA/M) in the South. By the time the civil war ended, more than 2 million people had died and 4 million were displaced.

Oil and the North-South Civil War

While a campaign to convert the southern population to Islam was the public issue that split the two sides (in the 1970s, the national government initiated an effort to convert all Sudanese to Islam), oil played a significant, if not dominant, role. The Sudan’s oil reserves are located in the South and central parts of the country, primarily in Unity and Abyei provinces, which are close to the border with the northern part of the Sudan. Initially all oil revenues went to the autonomous southern government, but this was during a period in which reserve estimates were quite small. When it became clear that the Sudan might be sitting on major supplies, the North reasserted control. It created a new province—Benitu—that primarily consisted of the existing oilfields. Concerned about security of supply, the Sudanese government decided to locate the country’s only refinery near Khartoum, over 1,000 kilometers away, and build a pipeline from the oilfields to the refinery. This investment allowed the North to control the oil revenues, a portion of which was captured by the government and used to fund the army and various militia groups. China supplied the technical expertise and helped to make the financial investments to develop these reserves. It also provided the workers to expand, construct, and operate the oilfields, pipeline, and refinery. In other words, China agreed to serve as a total turnkey contractor.

Given that oil revenues were essential to the North’s ability to fight the war, rebel forces from the South targeted the oil facilities. In turn, the government
spent considerable resources defending the infrastructure. China was caught in a difficult position: with thousands of its citizens at risk, it was under pressure to protect its workers and the facilities that they had built. China had three choices: withdraw from the Sudan and leave its investments behind, send security personnel to protect its managers and workers, or provide technical assistance and equipment to the Sudanese army so that it could protect the Chinese workers. While the details remain sketchy, it is clear that the Chinese chose some combination of the second and third options. Although there is no hard evidence that Chinese troops were ever present in the Sudan, from the perspective of the rebel forces in the South, the Chinese had clearly sided with the North and the military government in Khartoum.

After years of bitter fighting, the two sides finally signed the Comprehensive Peace Agreement (CPA) in 2005. Under its terms, the South is well into a six-year period of autonomous self-rule, which will be followed by a vote scheduled for 2011 on whether or not to secede from the Sudan.

In the interim period, the two sides agreed to honor all existing contracts and share the net revenue from oil resources located in southern Sudan. A National Petroleum Commission (NPC) was established, with its membership divided between the North and the South. Three nonpermanent members from oil-producing provinces were added. Thus, control of the NPC board will depend in part on whether those provinces are determined to be located in the North or the South. Since the NPC approves all new oil contracts, this determination is critically important.

To set the stage for the 2011 secession vote, the CPA established several tribunals to demarcate borders between the provinces, especially the disputed areas separating southern Sudan from the North. A particular source of controversy is the future of Abyei, an area along the North-South border that also lies near Unity province. Unity and Abyei together contain a substantial portion of the Sudan’s known oil reserves.

There are several issues bearing on the future of this region that remain outstanding. First, under the CPA, the citizens of Abyei can vote on whether they would like to be affiliated with the North or the South. Second, the government of the Sudan has refused to accept the border delineations promulgated by the Abyei Boundary Commission (ABC) on the grounds that the commission did not protect the rights of the Misseriya Arabs, some of whom live in the lands that would fall within the jurisdiction of the South. Finally, the ABC placed the Heglig oilfields, previously considered to be in Unity, in Abyei. In other words, not only is the future of Abyei in play, but also its boundaries are changing in such a way that the economic stakes are much higher.
Douglas Johnson, chairman of the ABC, stated that the issue surrounding the future of Abyei is “who will own the oil.” In the fall of 2007, both Vice President Salva Kiir Mayardit and President al-Bashir ratcheted up their rhetoric on the future of Abyei, and military forces positioned themselves closer to the oilfields.

In October 2007, the South recalled all its ministers, deputies, and advisers because the North had not fulfilled its obligations under the CPA. Specifically, the North continued to allocate only half of the oil monies that the South claimed was owed to it, refused to withdraw its troops north of the border, and reshuffled the ministries without consulting the South. In December 2007, President al-Bashir negotiated a settlement, giving the South more representation in the cabinet and, at least temporarily, persuaded the southern officials to return to the government. In May 2008, fighting broke out between Northern and Southern troops in Abyei. While peace was temporarily restored, the relationship between the Southern and Northern governments continued to deteriorate.

Whether a new civil war will eventually erupt over the issue of oil is uncertain. Despite South Sudan President Kiir’s efforts to dampen cross-border tensions, unless the two sides are able to negotiate their differences and begin to develop a greater sense of trust, the potential for renewed civil war will remain, leaving the Chinese and their investments in an uncomfortable position.

Darfur

While the threat of civil war looms on the horizon, it is the conflict in Darfur that has drawn the attention of the world community. It has also placed China’s relationship with the Khartoum government in the crosshairs of human rights groups.

At first glance, one might question how Darfur is linked to China’s oil investments since no one has discovered significant amounts of oil in Darfur, nor are Chinese advisors active in the region. However, the janjaweed militias are heavily funded and supported by the Khartoum government, which in turn is heavily funded and supported by Chinese state corporations.

In 2006, a series of UN investigators found that a majority of the small arms used in Darfur were manufactured by the Chinese, despite an international ban on arms sales in the region. In addition, Amnesty International reported that China provided hundreds of military trucks to the Sudan and that those showed up in the possession of Arab militias.

China’s response was that many countries sell arms and that most of the equipment and arms cited in the UN’s report were sold to the Khartoum government during the North-South civil war. How they ended up in the hands...
of the Darfur militia groups was outside China’s control. It further asserted that the arms embargo did not restrict sales to Khartoum; it banned the transfer of weapons into Darfur itself.

These arguments may be technically correct, but they do little to blunt the searing images of the massacre of women and children with Chinese weapons. China emphasizes that it does not get involved in a country’s domestic politics and that it does not judge the conduct of other governments. Its involvement is always purely commercial. Thus, for several years it refused to support UN resolutions calling for the deployment of a peacekeeping force in Darfur because the Sudanese government was “not ready to accept peacekeepers on its soil.”50 This argument is not convincing to most observers. They point out that if China left the Sudan, the Sudanese government would lose its principal source of revenue.

Since at least the fall of 2006, China’s posture has changed significantly. Using the three-phase plan for deployment outlined by then UN Secretary-General Kofi Annan and endorsed by both the high-level dialogue in Addis Ababa and the African Union (AU) Peace and Security Council’s summit in Abuja, Nigeria, China began to lobby al-Bashir to accept the plan and adopt measures to relieve the crisis. In February 2007, President Hu Jintao visited the Sudan and enunciated five principles: respecting the Sudan’s sovereignty, insisting on dialogue and consultation on an equal basis, allowing the AU and UN to play a constructive role in peacekeeping, promoting stability in the region, and improving the living conditions of local people.51

In 2007, China’s ambassador to the Sudan expressed the hope that the Sudan would “show more flexibility to improve the situation in Darfur.”52 In April 2007, Khartoum accepted a significant portion of the Annan plan, and, in May, the Chinese government appointed a special representative for African affairs, whose near-term mandate is the Darfur issue.

In June 2007, Qiushi, the magazine of the Chinese Communist Party, stated, “Efforts made by China on the Darfur issue reflect the distinctive features of China’s diplomacy in advancing with the times. China has always advocated the proper handling of relevant conflicts by political means through dialogue and consultation. Only through dialogue and consultation among the parties and respect for an accommodation of reasonable concerns can differences be reconciled and the directions of joint efforts be identified. China has prodded the Sudanese government to adhere to the broad direction of Annan’s plan.”53 The statement ended with the following words, “China’s policy [in the Sudan] is characterized by its policy of non-interference in each other’s internal affairs and non-attachment of any conditions.”54 Yet it is clear that China did modify its prior position and has prodded the Sudanese government to
amend its position on the Darfur issue. As Andrew Natsios, former U.S. special envoy to the Sudan, said in his testimony to the Senate Foreign Relations Committee: “We have evidence at this point that the Chinese are now taking a more aggressive role than in the past. . . . I think the Chinese actually may be the critical factor that led to the Sudanese reversing their position on the Kofi Annan plan. . . . If every country behaved the way we [the United States] did, I am not sure we could always get done what we need to get done. Sometimes more subtle approaches need to supplement what we are doing. And my sense is that the Chinese are taking a more subtle approach and that is really affecting the behavior of the Sudanese government.”

Did world criticism of its prior position and the threat of a boycotted Olympics cause China to change its policies? The answer will probably never be known since China contends that its policy of noninterference remains. But clearly China’s willingness aggressively to push the Sudanese government was far greater in late 2006 and in 2007 than in earlier periods. By the spring of 2007, the differences between China and the West on the Darfur question were tactical, not strategic or substantive.

Our conclusion is that China’s interpretation of its noninterference doctrine is changing to fit its status as a superpower. A complete “hands-off” strategy is unsustainable, conceptually and practically. Yet, it would be equally unrealistic to expect China to substitute public and dogmatic tactics for the more subtle and private style of diplomacy. The former is often pursued to appeal to audiences back home. China’s need to appease domestic interests or opposing political interests on the home front remains weak, and thus its audience is often governments in other developing countries with whom China is building diplomatic and trade relations.

Remaining North-South Tensions

Will China be willing to use its powers of persuasion to influence the actions of the Sudanese government to reduce the prospect of a renewed North-South civil war? In this case, China’s energy investments could be directly affected. Moreover, China has put billions of dollars into the Sudan with the expectation that over the next two decades it will reap tangible economic benefits: a continuing flow of imported oil, mineral rights, and commercial returns on its infrastructural projects. A new civil war would put all of these at risk. Yet, these same investments limit China’s flexibility to change course without paying a very high economic penalty.

When asked about this predicament, Ambassador Liu Guijin, China’s special representative for Africa, said, “As with any investor, in any country, it is
logical that the investor hopes to have a more stable and more peaceful situation.”57 Unfortunately, “hope” by itself is unlikely to be sufficient to head off a new conflict, and China’s diplomatic skills are sure to be tested.

In the longer term, China’s experience in the Sudan exposes the risk of overinvesting in states characterized by autocratic rule and civil instability. Inevitably, such rulers will be challenged, either by external or internal sources. More often than not, the government will eventually fall since it rests on the shoulders of a small clique. Partnerships forged with the old regime will no longer be favored by the new one, and what looked like a beneficial relationship could quickly become unsustainable.

Furthermore, countries that lack stable institutions, predictable processes of governance, and popular support are subject to more volatile economic cycles, greater civil unrest, and the continual threat of hostilities, either from internal or external sources. Such an environment does not augur well for either sustainable investments or strategic partnerships.

China has used all of its diplomatic skills to persuade the Sudanese government to accept a peacekeeping force in Darfur. Even with this success, China has not recovered the credibility and trust of much of the world community, which continues to criticize it for having been slow to pressure the Sudanese government. Whether this criticism is fair or deserved is another question. There is no doubt that it exists and that China has paid and will continue to pay a price in the currency of popular opinion.

The threat of a renewed civil war between the North and South may not grip the world’s collective attention in the same way as genocide in Darfur, but it directly threatens the future of China’s oil investments. Furthermore, the issues that divide the stakeholders are even more complex and intractable than those in Darfur.

China realizes that it is in a vulnerable position and has begun to mend its relations with the South Sudanese government. It has aggressively sought to invest in new businesses and in 2007 and 2008 was constructing buildings throughout Juba, the capital of southern Sudan. The perception in many circles within SPLA/M is that the United States may promise assistance and investments, but the Chinese actually deliver; this is a far different attitude than would have been found in the South two years ago. But what is more interesting is that the Chinese are working with the Kenya Pipeline Corporation to explore the possibility of building a $1.4 billion pipeline connecting the oilfields in Unity province with the port of Lamu in Kenya, which the Chinese likewise hope to develop.58 At the moment, the only way to export oil from the Sudan is through the port of Masra al Bashair in the North. Thus, if the South
gained control of a portion of the oilfields, it would have to ship the oil to a northern port, which could prove politically untenable. The Kenyan pipeline is only in the discussion stage, but if pursued, it would significantly change the dynamic of future oil negotiations.

While China’s actions with the SPLA/M may cause some consternation in Khartoum, China is attempting to buy a political hedge to protect its investments and its future access to oil. Whether it will be successful, only time will tell, but its ability to adjust its diplomatic and economic strategy and to do so quickly and effectively is impressive.

China has made a major commitment to reach out to Africa and to develop a long-term strategy to ensure a flow of oil to meet its growing demand for energy. What has happened and what will happen over the next five years in the Sudan will represent the most complex and difficult challenge to China’s energy initiatives on the African continent. There is a danger that for all its attractiveness as a source of oil, the Sudan may end up a political and economic quagmire that will extract an uncomfortably high strategic price for years to come.

**Conclusion**

When China initially decided to make major investments in African energy supplies, it did so with the hope of acquiring secure flows of oil. Equity oil (oil owned by Chinese companies) would be the most secure. The early success in the Sudan in acquiring such oil may have wetted the appetite of the Chinese companies, but it has become clear that equity oil in the form of concessional agreements granted to foreign oil companies are a rarity. In today’s marketplace, most oil is owned by the country in which it is found, and the closest a nondomestic oil company can come to owning equity oil is either through amortization payments in the form of oil, such as those arranged in Angola, or oil from production-sharing agreements. Neither of these are technically equity oil.

A portion of China’s limited supply of equity oil is sold on the international market and not shipped to China. This is not surprising since the oil is technically owned by one of China’s state oil companies, which can either sell the oil at international prices in the world market or sell it in China at prices that are regulated by the government.

China’s enormous financial investments in the Sudan have proven to be riskier and carry with them more negative political spillovers than China realized when it made its initial commitments. Yet, while China’s investments in
Africa may not have yielded all the benefits that their designers hoped, there is no question that China has benefited overall. Most African governments see China as a reliable partner and one that allows them to offset the influence of the private multinational oil companies. The more players bidding for oil concessions and other economic investments, the greater the leverage African countries will have as they develop their resources and attempt to build their economies.

China is a player in every oil-producing region on the African continent, save Libya, and as its companies develop more technical expertise and become more experienced in the nuances of the economic marketplace, their capacity to compete for business will improve. Furthermore, China’s strategy of aggressively offering economic investment packages and trade opportunities is working, improving its ability to gain opportunities either to purchase additional oil supplies or to develop partnerships with state oil companies.

China’s oil industry has demonstrated that it can learn from its mistakes and adjust rapidly. Unless there are major shifts in political and economic conditions, China’s involvement in Africa’s oil development will be even greater a decade from now. However, in almost every case it will not be a dominant player. African governments will ensure that they, themselves, are the dominant players.

Notes


12. Kenya presently produces no oil, but geologists believe that several offshore areas may hold large deposits of oil. CNOOC has signed six production-sharing contracts with Kenya.


15. See Preface, vii in this volume.


18. Song, “In the African Firing Line,” 1


20. In 1999, UNITA signed the Lusaka Peace Agreement and was included in the government. However, it soon splintered into two groups. One stayed with the government, and the other, led by Savimbi, went back to war. Hence, there was some UNITA participation in the government as early as 1999.


22. In April 2008, Angola produced more oil than Nigeria for the first time. See Wenran Jiang, 54 in this volume.

23. In 2006, the United States imported the greatest amount of Angola’s oil, with South Korea second and China third.


29. Energy Intelligence, “Angola to Raise Another $2 Billion Oil-Backed Loan,” Energy Compass (14 October 2005). The total value of all the loans is estimated to be between $10 billion and $12 billion, but the authors could find no public documents to confirm these numbers.

30. Ibid. Standard Chartered Bank (Britain) and BNP Paribas (France) have loaned over $3.45 billion to Angola.

31. Ibid.

32. Chinese oil operations in the Sudan are a notable exception to this hiring pattern. In 2007, 93 percent of those who worked for Chinese oil operations were native Sudanese—all of whom were trained by the CNPC. See also Stephanie Rupp, 76 in this volume.


40. EIA-USDOE, “Sudan Energy Data, Statistics and Analysis.”

41. China built several munitions factories for the Sudanese government, in part to avoid being accused of exporting arms to the Sudan.


45. Ibid., 32.
46. Salva Kiir Mayardit is vice president of the entire country and president of the autonomous South Sudan.


51. “Diplomat Views China’s Role on Darfur Issue, Stresses Even-Handedness,” Qiushi Magazine (1 June 2007), as reported by BBC Monitoring International Reports (2 June 2007).

52. Ibid.

53. Ibid.

54. Ibid.


