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## THE COMPETITION FOR OIL AND GAS IN AFRICA

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### ABSTRACT

China and the US are two key players in the recent round of 'scrambling' for Africa. They compete for control over oil and other strategic resources, for markets, and for political influence. To understand the concerns of many who have been alarmed by the competition, this article identifies what the US and China are actually doing in Africa and explains how they perceive each other's activities. It argues that alarmists often consider the ambitions of both China and the US in isolation; when laid out side by side, the extent to which their activities in Africa overlap or clash can be seen more clearly. That is, China and the US are seeking different things at different places in the continent and are careful not to step on the each other's toe. Their activities do not support the dire prediction. The 'scramble for Africa' may irritate; it is unlikely to cause direct confrontations because competition remains by and large economic and economic competition in an integrated global market creates networks of constraints that ameliorate potential confrontation.

### INTRODUCTION

Africa, though never the primary terrain, has always been a chessboard for the manoeuvres of major powers. In the 17<sup>th</sup> and 18<sup>th</sup> century, European slave traders built their posts along the African coast and started nibbling at the mysterious continent. The second scramble came in the 1880s when old and new European colonists grabbed the territories in Africa whether impenetrable jungle or waterless desert to secure their trading routes and establish their prestige. By the end of the century, "Africa was sliced up like a cake, the pieces swallowed by five rival nations."<sup>1</sup> Recently, China and the US are engaging in what some have called the '*Third Scramble for Africa*' - competition over the control of strategic resources. Oil is a focal point for competition. The world now consumes about 85 million barrels of oil daily and over half are supplied through international trade. Almost 80 percent of this trade comes from just three areas: Russia, the Persian Gulf and West Africa where new discovery is under the way and production has been on the rise. To compete for this strategic resource, international oil companies from the developed countries, have been joined by a group of new players from developing countries: Petrobras (Brazil), China National Petroleum Corporation (CNPC) and China National Offshore Oil Corp (CNOOC),

India's Oil and Natural Gas Corporation (ONGC) and Petronas (Malaysia). They are often backed by their governments one way or another. China and the US are the key players in this round of scrambling for Africa. Neither was involved in the first two rounds of scramble for Africa; Africa had been marginal to their foreign policy as recently as the 1990s. Now both are pursuing much broader objectives than just securing access to oil and gas in the continent. The US adds another gulf - the Gulf of Guinea - to its strategic map as a part of broader effort to secure its diversification of energy supplies, to extend the war on terrorism to Africa, and to prevent rising powers, particularly China, from dominating the continent. China is cashing in the good relationship it had built with many African countries over the years to secure access to energy and other natural resources, expand its economic activities and its political influence in the continent. To achieve their objectives, the US is increasing military spending, presence and activities while China is wielding its economic muscles by expanding bilateral trade, pouring in investment and increasing its foreign aid. In this process, both are courting "some of the world's most egregious regimes,"<sup>2</sup> supplying weapons to the most dangerous places, and protecting their oil interests with whatever the means that are available. At the background of the current scramble for Africa is a larger question: how the dominant and rising powers can adjust each other in a changing world. Is competition for strategic resources in Africa part of the process of reshaping the global political and economic order? Is Africa a testing battlefield for both powers to decide their global position? Will this rush to Africa for strategic resources, especially oil, precipitate conflicts among major powers? To most American commentators, "China is actively expanding its influence in Africa to secure supplies of natural resources, to counter Western political and economic influence while expanding China's global influence."<sup>3</sup> The Chinese expansion in Africa will lock the US out of African resources and markets and endanger the US interests in the continent. China is also challenging "the supposed consensus built around governance and development policies"<sup>4</sup> and therefore undermining the American goals and vision of Africa. Their prediction therefore is, "the United States and China are likely to engage in an intense security competition with considerable potential for war."<sup>5</sup>

This paper seeks to test these alarmist interpretations by identifying what the US and China are doing in Africa and why. More significantly, it seeks to understand how they perceive each other's activities. Their ambitions are often considered in isolation. It is true that even though no war between states has yet been fought over oil, oil is a natural resource with a high propensity to heat up conflict. It is also the case that, as competition between the two major powers for strategic resources and political influence is intensifying, Africa by and large serves as a commercial playing field where economic interests, rather than ideological, religious or military interests, are fought over. Furthermore, its needs for investment and development assistance mean that Africa remains a relatively open field where there is room for competition. The question for many African countries is how to take advantage of the competition between two major powers, but this is not the subject for this project. What is important for this study is that the opportunities in Africa are sufficient for major powers to come in.

### **SHIFTING AND SHIFTED POSITIONS: THE US**

Historically, Africa was marginal to US foreign policy. The continent was ignored by politicians - until the end of the Cold War, only two presidents had ever visited Africa - Franklin D. Roosevelt went to Cairo in 1943 to attend the war summit and Jimmy Carter visited Nigeria and Liberia in 1978. It was neglected by the military - "Africa was never really a big part of the strategic plan," according to General Charles Wald, Deputy Commander, US European Command (EUCOM). "It was always there, but it wasn't a strategic 'there'," and so we really didn't recognize it."<sup>6</sup> Even in diplomatic circle, it was regarded as a 'backwater', a continent where old European colonial powers competed for control. After WWII, though supporting decolonization, the US by and large left the struggle for independence to African people and their colonial powers so long as the Soviet Union did not intervene. In the 1990s, the US intervention in Somalia seemed to signal a significant shift of its policy toward Africa. The ill-fated military operation in Mogadishu and the concern of its domestic economic situation, however, brought this involvement to an end and deterred the Clinton administration from taking any pro-active policies in helping relieve the suffering of millions of Africans, including halting the genocide in Rwanda. Indeed, the US bilateral aid to Africa in the 1990s declined by roughly one third.<sup>7</sup> As late as 2000 during the presidential campaign, George W. Bush declared that Africa "does not fit into the national strategic interests as far as I can see them."

By the beginning of the new millennium, some politicians in the US clearly showed much more interest in Africa because of its rich resources. In his second week in office, President Bush established the National Energy Policy Development (NEPD) Group led by Vice-President Dick Cheney, to "develop a national energy policy." In the *National Energy Policy*, the NEPD Group emphasized the importance of African oil and recommended making "the energy security a priority." It also recommended the President direct the Secretaries of State, Commerce and Energy to promote geographic diversification of energy supplies and to "continue supporting American energy firms competing abroad and use our membership in multilateral organizations ... and our bilateral relationships to ... level the playing field for US companies."<sup>8</sup> Increasingly unstable situation in the Middle East prompted some think tanks and anxious politicians in Congress to look to Africa for alternative energy supplies.

#### **The search for oil**

In January 2002, a symposium was convened on "African Oil: A Priority for US National Security and African development," attended by various officials in the Bush administration, politicians in the Congress, international consultants, oil companies and think tanks.<sup>9</sup> In July 2003, another task force on Rising US Energy Stakes in Africa was struck under the auspices of the Centre for Strategic and International Studies (CSIS), funded by the US Institute of Peace, a government institution created and funded by Congress. Two years later, another task force was organized by the Council on Foreign Relations to study the oil situation in Africa as an issue of current and critical importance to US foreign policy. All these efforts led to the similar conclusion that 'the Gulf of Guinea is a nexus of vital US foreign policy priorities' and it was high time to develop a comprehensive and long-term strategy for dealing with

Africa. Their arguments can be summarized as the following: (a) Africa is too important to be left alone; (b) African oil should be treated as a priority for the national security after 9-11 (oil=security); (c) the Gulf of Guinea is an area of 'vital interest' of the US, and (d) the US should mobilize all forces - political, diplomatic, intelligence, military and economic - to secure its control of the region.<sup>10</sup>

Among the combination of interests in Africa, "a fundamental and abiding concern for, and involvement in, the geopolitics of oil"<sup>11</sup> was highlighted as the top priority because of three developments: the rising domestic energy demand, new discoveries and production of oil in Africa, and new players moving into the continent. First, already consuming over 25 percent of the world's total oil production (with more than half of it imported), American domestic oil consumption rose much faster than all OECD countries except Canada. Looking for more secure energy supplies became ever more urgent.

#### Oil Consumption of G-7 (thousand barrels daily)

Country	1994	2004	change
Britain	1777	1756	-1%
Canada	1742	2206	27%
France	1878	1975	5%
Germany	2880	2625	-9%
Italy	1920	1871	-3%
Japan	5746	5288	-8%
US	17719	20517	16%

Source: BP, Statistical Review of World Energy, June 2005, 9.

Second, new oil discoveries and production in Africa, especially the Gulf of Guinea, made the continent more attractive to the US. Sub-Saharan Africa holds 9.5 percent of world oil reserves and comprises 12 percent of world production in 2005. West Africa was expected to be one of the fastest growing sources of oil supplies. In addition, (a) "the region's light, sweet grade crude articulates closely with US environmental considerations and the design of US refineries;"<sup>12</sup> (b) "much of West Africa's oil is offshore, insulated from domestic political or social turmoil;"<sup>13</sup> (c) "the Gulf of Guinea benefits from the absence of narrow shipping maritime lanes known as chokepoints"<sup>14</sup> and is also closer to the US - it takes about 6 weeks for oil to be transported from the Middle East to the US market, but only 2 weeks to get oil from the Gulf of Guinea to the US; and (d) Africa is one of the few places where international oil companies, particularly American oil companies, have retained access to exploration of large oil reserves whereas most world's oil supply is dominated by national oil companies.<sup>15</sup>

Third, US interests in Africa rose because the new players were pursuing oil interests in Africa. EUCOM Commander, General James L. Jones, stated: "the United States is not unchallenged in its quest to gain influence in and access to Africa. We face continuing competition by other nations seeking international political support

and access to natural resources.”<sup>16</sup> China is clearly identified as the competitor that the US must ‘work aggressively’ to compete in order to advance its interests. Sudan is often quoted as the best example of the challenges China presents to the US and international community. After having invested millions of dollars, trying to find major oil reserves in the country in the 1970s, Chevron had to withdraw from the country after several of its employees were killed by the southern forces. The US government imposed sanctions against the country. The Canadian company, Arakis Energy, acquired Chevron’s lost concessions in 1992, succeeded in making several new discoveries and began shipment of crude oil to a domestic refinery. In 1996, Arakis put together the first African consortium of Asian state oil companies: Malaysia’s Petronas, and China National Petroleum Corporation (CNPC), with the Sudan state oil company as a silent partner, called the Greater Nile Petroleum Operating Company (GNPOC). In August 1998, Talisman Energy acquired Arakis subsidiary which by then only owned 25 percent of the interest of GNPOC. When Talisman had to pull out of Sudan under the strong domestic political pressure in 2001, CNPC, Petronas and ONGC took over the operation while the American oil companies were shut out due to the sanctions.<sup>17</sup> Once it gained access, China had expanded its activities in Sudan. The presence of the new players, particular China, was seen as a real threat to America’s energy security because of the potential for these new players to stop providing “America, or the rest of the world for that matter, with an exponentially increasing supply to match their increasing demand.”<sup>18</sup> To take advantage of the new discoveries in Africa and prevent other new players from dominating African oil, the US would have to “deepen bilateral and multilateral engagement to promote more receptive environment for US oil and gas trade, investment, and operations,” as recommended the NEPD Group.<sup>19</sup>

In addition to the oil interests, there is serious concern of increasing terrorist threat in Africa. It is argued that Africa, with vast ungoverned spaces and unprotected borders, has increasingly become a breeding ground for terrorists. As the ‘soft underbelly for global terrorism’, Africa, particularly West and Central Africa, concentrated in, but not restricted to, Nigeria and Angola, “is critical not just to the security and diversification of US energy supply, but also to regional peace and US global counterterrorism efforts.”<sup>20</sup> Consequently, the US has the moral obligation to ensure stability and good governance in Africa and ensure African oil producing countries keep supplying sufficient oil to the global market, from which, of course, the US would benefit the most. It is not a surprise to see the issue is presented at a high moral ground because, as some analysts commented, “most members of the Washington foreign policy elite do tend to see themselves as masters of a universe in which the United States has a very special part to play by virtue of its unique history, its huge capabilities and its accumulated experience of running the world for the last 50 years.”<sup>21</sup>

Motivated by the interests in oil and other strategic materials, such as manganese (for steel production), cobalt and chrome vital for alloys (particularly in aeronautics), vanadium, gold, antimony, fluorspar and germanium and concern of terrorists, the Bush administration engaged in a series of diplomatic, military, and economic activities. Diplomatically, it orchestrated a series of shuttle diplomatic activities with

visits of high-rank officials to the African oil-producing countries: in September 2002, Secretary of State, Colin Powell visited South Africa, Angola and Gabon. Two months earlier, Carlton Fulford, deputy commander of EUCOM, paid a visit to São Tomé & Príncipe to discuss the safety of oil workers in the Gulf of Guinea and, it was reported, the possibility of establishing a branch of US military base, similar to the one in South Korea. In the same year, President Bush hosted heads of state of 10 African oil-producing countries, including Cameroon, Equatorial Guinea, Chad, Congo, and São Tomé & Príncipe, for a breakfast gathering to secure their promises to back the US campaign against terrorism and protect American oil interests in the country. In July 2003, President Bush visited five African countries: Senegal, Nigeria, Botswana, Uganda and South Africa, a clear indication of increasing American interests in Africa. In the next two or three years, Secretary of State Condoleezza Rice and Secretary of Defence, Donald Rumsfeld also visited Africa. During the visits, American leaders promised African countries that the US would 'help' them with weapon supplies, military training and other kinds of joint activities.

It is difficult to argue that these official visits were requested by American oil companies, which had started investing in African oil long before their government showed any interest. It is, however, not difficult to see American oil companies benefit from the frequent official exchanges in their expansion of oil production in Africa. For example, a tiny country, Equatorial Guinea, which used to be a laughingstock in the US, suddenly drew all the US attention and investment when several oil companies found significant petroleum reserves off its coast. They collectively invested more than \$5 billion in a country with only half a million people. According to the report in the *Nation magazine*, "sweetening the deal for the oil companies is the fact that the Obiang regime gave them as much as 87 percent of the oil receipts."<sup>22</sup> This figure eventually dropped to 75 percent, but it is still much higher than they normally get in developing countries (50 percent or less). In July 2003, an attempted coup in São Tomé and Príncipe triggered US intervention in this small state rich in oil reserves. "Three months later, oil companies, mostly US ones, offered more than \$500 million to explore the deep waters of the Gulf of Guinea, shared by Nigeria and São Tomé and Príncipe."<sup>23</sup> It was expected, by 2008, Chevron Texaco would produce 250,000 barrels per day (bpd) from oil field in Nigeria and another 200,000 bpd of new production in Angola by the end of the decade.<sup>24</sup> Investment in West and Central African oil operation was estimated to be \$30 to \$40 billion in the 1990s and according to the study of the CSIS in 2005, "additional \$33 billion in investment will come on stream."<sup>25</sup> The investment brought a high return for the US when countries, such as Equatorial Guinea, now send more than two-thirds of its new oil to the US market.

### **Military aid and humanitarian assistance**

The US has also increased its military activities in Africa. These military activities in Africa can be categorized into three groups: increases in spending, increases in military presence and increases in joint military activities. First, its military spending in Africa doubled from \$296 million in 1998-2001 to \$597 million in 2002-05. Much of it went to the sales of weapons to African countries to build up their military capacity in fighting rivals. Second, even though the US military does not have a



separate regional command for Africa, it established full military bases in Africa in the new millennium. One of the better known is the military base established in Djibouti in 2002 “to oversee counterterrorism activities in the Horn, East Africa, Yemen, and adjacent stretches of the Indian Ocean.”<sup>26</sup> EUCOM helped create the Gulf of Guinea Guard to protect natural resources in the region. American warships that were on patrol in the Mediterranean have now spend between 50 and 75 percent of their time and resources off the West African coast, in what General Jones called “a fairly focused engagement in that part of the world.”<sup>27</sup> It also “engaged in the creation of a comprehensive maritime security initiative for Africa” through the US Naval Forces Europe (NAVEUR) and “developed a robust maritime security strategy and regional ten-year campaign plan for the Gulf of Guinea region.”<sup>28</sup> Moreover, to provide its military ‘freedom of action’ in responding to internal conflicts, the US expanded the existing military bases, secured access to the African airfields or other facilities. Under the ‘lily-pads’ programs, the US signed a series of bilateral agreements with some African countries, such as Ghana, Kenya and Tanzania, to allow American military airplanes to land and refuel. Third, there has been increasing joint military activities to help African countries improve their anti-terrorism capacity.

Foreign aid is another major component of this endeavour for control in Africa. In March 2002, at the Monterrey Summit for the UN Development Conference, the Bush administration announced that it would double the US foreign aid budget over the next 4 years with a special focus on Africa. In 2001, the NEPD Group recommended the President to use multilateral organizations to promote its energy interests and think tanks and politicians in Congress echoed such demands. For example, Exxon-Mobil had found major petroleum reserves in Chad’s Foba Basin in the south in 1993. In 2001, an international consortium assembled by Exxon-Mobil and Chevron proposed to develop a 1070 pipeline to transport Chad’s oil to an offshore loading installation near Kribi, off the Atlantic coast of Cameroon. The World Bank was asked to back this project and eventually with the World Bank’s blessing, \$4.1 billion project has been on its way, the largest infrastructure project in Africa which would eventually export 250,000bpd. [Ed.: The WB withdrew its support in 2008]

It is debatable whether these diplomatic, military and economic efforts have helped the US secure its access to African oil. Some oil experts are sceptical of such an effort not because of the quality or quantity of African oil, but because of the instability in the region. Nigeria, for example, as the 5<sup>th</sup> largest supplier of oil to the US, suffered more than a 40 percent reduction in oil production in 2006 alone because of conflicts. These commentators do not believe the US military presence in the Gulf of Guinea would be able to deal with such local discontent. Meanwhile, these efforts seem to have born their fruits - US oil companies are expanding their exploration and production in Africa and US crude oil imports from Africa have gone up over 34 percent between 2002 and 2005. Politically, current US policy is supported by politicians whose main concern is the potential spread of terrorists to the poverty-ridden Africa, those who see the challenges from new powers as a threat to the US interest in the continent and those who have close ties with oil interests. Little opposition has been expressed even among those who do not feel comfortable with the pursuit of natural resources but can justify the American military presence by the war



on terrorism or the righteousness of American foreign policy - spreading the democratic principles and protecting the human rights.

### **SHIFTING AND SHIFTED POSITIONS: CHINA**

China's involvement with Africa goes back to the early days of independence movements in the 1960s and before. In those days, China's intensions were primarily diplomatic to shore up the votes for the eventual rejection of Taiwan's position at the United Nations and to compete with superpowers for influence in Africa. African states were seen as natural allies that had suffered under colonial rule and had similar levels of economic underdevelopment. In the early 1960s the Chinese Premier Zhou Enlai became the first Chinese leader to set foot on the Africa continent. The principles of peaceful coexistence became the bedrock of Sino-African relations. China's presence in Africa in those days could easily be identified with the large projects, such as the railroad linking Lusaka, capital of Zambia and Dar es Salaam, capital of Tanzania, or the Benin Friendship Stadium in 1982, and with technical experts, doctors, scholarships and various forms of aid. In much of the 1980s, the 'good-will' projects faded when China became preoccupied with its domestic economic reforms. The value of its trade with Africa shrank from the peak of \$412 million in 1981 to \$60.4 million in 1988.<sup>29</sup>

In 1989, the 'honeymoon' with the West halted; China again was isolated. African countries came back on the scene.

In the past, China's relations with Western countries have been overheated, giving cold-shoulder to the Third World countries and old friends (meaning Africa). Judging from the events in this turmoil, it seems that at a critical moment, it was still those ... old friends who gave China the necessary sympathy and support. Therefore from now on China will put more efforts in ... developing relations with these old friends.<sup>30</sup>

Conscious efforts to re-build its ties with Africa after 1989 brought the value of trade back up to \$345 million in 1992, still trailing behind that of early 1980s.<sup>31</sup> In 1996, President Jiang Zemin visited Kenya, Ethiopia, Egypt, Mali, Namibia and Zimbabwe to restore the relationship and expand the commercial ties with these African countries. Western analysts viewed Jiang's visit as a special effort to seek energy sources in Africa after China became a net oil importer in 1993. The decision made by the CNPC in Sudan to purchase the four blocs in the Sudanese oil field, sold by the Canadian oil company, Talisman, confirmed the Chinese inroad to Africa and this was only the first step for the Chinese oil companies' expansion in Africa. It involved low risks, limited scale and had a low profile. Since the mid-1990s, China has paid increasing attention to Africa for three main reasons: (i) to seek access to energy and other natural resources; (ii) to expand markets; and (iii) to build and expand its reputation as a major player in the world, and as an undertone, to promote China's preference for a multipolar world.

First, since China became a net oil importer in 1993, its domestic energy demand has been rising steadily and at a much faster pace than other countries. The size of the country also means any slight increase in energy consumption per capita has a

significant impact. At the moment, petroleum consumption per capita in China is only 40% of that in Brazil, 17% of German's, 13% of Japan's and 7.4% of the US's. Even though the country consumes only a little over 8 percent of the world's total oil consumption, its growth rate of oil consumption with flat domestic oil production has caused significant international and national concerns.

### Oil Production and Consumption (1,000 barrels daily)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
China	3145	3390	3672	3935	4047	4416	4985	5030	5379	5791	6684
Annual increase		7.8%	8.3%	7.2%	2.8%	9.1%	12.9%	0.9%	6.9%	7.7%	15.4%
World	68219	69346	70869	72786	73232	74847	75751	76252	77046	78294	80757
Annual increase		1.7%	2.2%	2.7%	0.6%	2.2%	1.2%	0.7%	1.0%	1.6%	3.1%
China as % of world	4.6%	4.9%	5.2%	5.4%	5.5%	5.9%	6.6%	6.6%	7.0%	7.4%	8.3%
Production in China	2930	2989	3170	3211	3212	3213	3252	3306	3346	3401	3490
Import in China	215	401	502	724	835	1203	1733	1724	2033	2390	3194
Import dependence	6.8%	11.8%	13.7%	18.4%	20.6%	27.2%	34.8%	34.3%	37.8%	41.3%	47.8%

Source: BP, Statistical Review of World Energy, June 2005.

The desire to secure energy supplies was one of the main reasons for China to target some African oil producers where either the US was not present or with whom China had had a good relationship. Furthermore, African oil producing countries were attractive to the oil companies from China and the US for the same reason - that is, they are still open for competition and allow foreign oil companies to own drilling shares. There are no restrictions on production or export in these countries except Nigeria which is a member of OPEC.

Second, Africa is rich in resources - copper in Zambia, cooper and cobalt in Angola, timber in Cameron and Gabon, cotton in Ghana and Mali, bauxite and diamonds in Guinea - which are badly needed in China for its rapid economic growth. China rushed into Africa not only with the demand but also with the financial resources to invest in discovering and extracting these raw materials. Consequently, China's imports from Africa in all major primary commodity categories, except ore and metals, grew significantly.<sup>32</sup> Third, there was a clear sign that in the new millennium, markets in China were saturated and its traditional export markets in Europe and North America became increasingly difficult. Opening new markets for its exports and finding economic opportunities for its firms to expand are almost as important as securing access to key natural resources. In late 1990s, when the Chinese government called for 'creating the Chinese Fortune 500' by 'going global', Chinese oil companies and others responded immediately.<sup>33</sup> Africa became one of the natural places for such economic expansion because:

Oil rich nations in these regions [Africa and South America] are generally less developed and some of them are suffering from long-term sanctions by the US. Their oil industry is poor. And they have strong incentive to export oil for

forex to alleviate poverty, they generally offer favourable terms for their oil export trade. So this gives China possibilities of spotting new or big oil supplies.<sup>34</sup>

Fourth, China has been striving for equal status as a major power. While having no intention to challenge the US, China, like all major powers, is unwilling to accept passively the established rules and order created and preferred by the US. It has argued for a 'multipolar' system where China would participate in international affairs as a major player. Ironically, this was the official policy of the Clinton administration - to "seek increased engagement in the belief that China's emergence as a secure, open and successful nation promotes the well-being of both of our nations."<sup>35</sup> To the US, such an engagement might require China to "continue to abide by Washington's rules."<sup>36</sup>

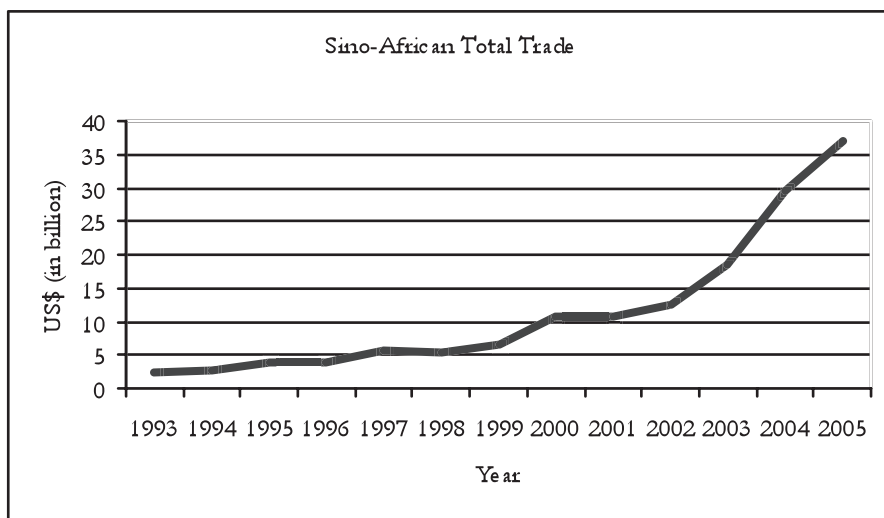
To achieve these objectives, the Chinese government also adopts a combination of policies with the emphasis on its traditional line of its African policy - "China adheres to the Five Principles of Peaceful Coexistence, respects African countries' choice in political system and development path suited to their own national conditions, does not interfere in internal affairs of African countries, and supports them in their just struggle for safeguarding their independence, sovereignty, and territorial integrity, and their efforts in maintaining their countries' stability, unity, and in promoting the development of society and the economy."<sup>37</sup>

On the diplomatic front, China has done exactly what the US government has been doing - strengthening its relationships with African countries with official visits from both sides. Since 2003, China seems to have picked up its speed with its official exchanges with African countries - in January 2004, the Chinese president, Hu Jintao visited Egypt, Gabon and Algeria; in December 2004 Wu Bangguo, Chairman of People's Congress visited Africa; in 2005, Vice Premier, Zeng Peiyuan, Vice-President, Zeng Qinghong, and Vice-Premier, Huang Ju visited Africa with 6 months intervals. 2006 was identified as 'African Year' by the Chinese government. Following the visits of its Foreign Minister Li Zhaoxing and President Hu Jintao, in January and April, Premier Wen Jiabao made his trip to seven African countries in June. African leaders were brought to China. The message is that China will "shape a new Sino-African partnership based on long-term stability, equality and mutual benefit."<sup>38</sup>

Unlike the US military presence, China has rushed into Africa with its economic strength - expanding its bilateral trade with African countries, increasing its investment not only in resources but also in other sectors, and pumping in foreign aid in all forms (debt relief, education programs, medical teams and medicines) and providing Sub-Saharan African countries with duty-free access for their exports to China. The Chinese government insists that China and Africa have complementary economic and commercial needs. Africa is short of investment capital, has low manufacturing base, and is highly import-dependent. China can easily make capital, manufactured goods and markets available. It is willing to invest, build infrastructures and open markets in Africa in return for access to African oil and other resources. Promoting economic ties with African countries has been the cornerstone of its relationship with African countries since the mid-1990s. These economic interests, rather than the ideological appeal, eventually brought China back to Africa in full

swing in the new century. In other words, it is all for business. Indeed, ‘business is business’ has become a fashionable phrase for the Chinese leaders and those doing business with African countries.

These joined diplomatic and economic efforts have produced concrete results. Sino-African trade increased from \$8.9 billion in 2002 to \$29.5 billion in 2004 and reached \$32.2 billion in the first ten months of 2005. An average annual growth rate of trade was 38 percent. This figure should not be overstated since Chinese total trade has expanded significantly and the proportion of trade with Africa has remained steady, about 2-2.5 percent of its imports and exports.



Source: China Statistics Bureau: China Statistical Yearbook, various years.

China at the moment runs trade deficits with African countries in general - the total imports in 2005 ran up to \$21 billion while exports were \$18.6 billion. The trade pattern with African countries explains the China’s interests in natural resources: all trade deficits were the result of oil and other natural resources imports from Angola, Sudan, Congo, Equatorial Guinea, Gabon and Zambia. It ran trade surpluses with countries, such as Egypt, Algeria, Morocco, Benin, Ghana, Togo and Tunisia. Chinese exports of cheap consumer goods, such as textiles, apparel, electronic appliances, and machineries, has caused resentment in some better-off countries, such as South Africa and Ghana where trade unions argue that the influx of cheap goods from China has deprived African countries the opportunities for developing their own manufacturing industries.

China has also increased its share of oil imports from Africa. In the early 1990s, much of China’s imported crude oil was from three countries, Indonesia, Oman and Iran. By 1997, another 7 countries came to the list, Yemen, Saudi Arabia, Angola, Congo, Russia, Argentina and the US, with Oman taking over from Indonesia as the

largest supplier of crude oil and oil products.<sup>39</sup> In the following decade, oil imported from Africa grew tenfold and in 2001-2005 alone, these imports tripled. In 2005, 28 percent of China's oil imports came from Africa.

Total Chinese investment in Africa has steadily increased as well, not only in the oil and gas but also other sectors. It is well known that China has been the major recipient of foreign investment in the world in the past two decades. Its investment outflow increased steadily as well. Its overseas investments amounted to \$2.1 billion in 2003, an increase of 112 percent on the previous year. "China's foreign direct investment in Africa represented \$900 million of the continent's \$15 billion total in 2004."<sup>40</sup> China is investing heavily in raw material deposits in Africa, from oil and gas in Nigeria and Angola, copper in Zambia, to copper and cobalt in Congo. In addition to natural resources, China has also invested in transportation, tourism, engineering, construction services, mechanics, light industry, household electrical appliances, textile and agriculture. It invested in a pharmaceutical plant in Uganda, producing a new anti-malarial drug and invested in servicing mobile phone networks in Kenya, Zimbabwe and Nigeria. By the end of 2003, the number of Chinese firms in Africa with approval or registration from the Ministry of Commerce had totalled 638, with a contractual Chinese investment volume of US\$925 million. "By 2005, China's foreign direct investment in Africa totalled \$1.8 billion with more than 800 Chinese enterprises established in Africa."<sup>41</sup>

China has also expanded its foreign aid programs and promoted a variety of economic activities: building roads in Equatorial Guinea, a dam in Morocco, an airport and a nuclear reactor in Algeria, government offices in Cote d'Ivoire and Uganda, operating a petrochemical plant in Sudan, rehabilitating farms in Tanzania, modernizing railways in Angola, investing in forestry in Equatorial Guinea and Mozambique; and having taken a controlling interest in a mobile phone operator in Zimbabwe. It continued its traditional programs with many African countries - sending experts, doctors, teachers and engineers to support the construction of African countries. In 2003, it provided 27 SSA countries with debt relief of \$1.3 billion and committed to train 10,000 qualified personnel in different areas in 2004-2006.

Economic ties need political support and they also promote political influence. Domestically, by early 2004, the Chinese government through its Ministry of Commerce had set up 11 centres for investment and trade promotion in Africa, providing business information and consultation to local Chinese enterprises, such as in Zambia, Nigeria, Mozambique, Mali, Kenya, Cameroon and Egypt. Externally, the government has not hesitated to use its political influence to ensure the expansion of economic ties in the same way as the US uses multilateral institutions. Indeed, to promote its economic expansion in Africa, in November 2004, China and the United Nations Development Program (UNDP) jointly established the China-Africa Business Council. The organization would support China's private sector to promote business in Cameroon, Ghana, Mozambique, Nigeria, South Africa and Tanzania.

## **THE POLITICS OF COMPETITION IN AFRICA**

Comments on competition in Africa vary greatly. In the US, there are three sets of concerns: (1) China's interests in Africa will directly affect the interests of the US in

securing access to African oil; (2) the way China expands its influence in Africa undermines democratic norms and practices, particularly human rights, transparency, and other good governance practices; and (3) China's expansion in Africa is part of its global strategy of challenging US leadership. The first concern is expressed by those who follow the traditional realist argument that international competition is a zero-sum game, especially when non-renewable and non-replaceable energy is concerned - if China takes one barrel of oil from Africa, it would mean one barrel less for the US and if China expands its trade with African countries, the US would lose out in those markets. Investment by the Chinese oil companies in Africa is interpreted as deliberate efforts to 'lock up oil supplies in producing countries'<sup>42</sup> and lock the US out of the African markets. In a zero-sum game, the only way for the US to ensure its interests in the continent is to expand its military and economic presence and to use its political, economic and military resources to prevent China from dominating the oil producing countries.<sup>43</sup>

The second concern is the way China conducts business in Africa - "spreading capitalism and a model of development in which human rights, democracy and welfare are distractions from the main business of economic growth."<sup>44</sup> Without attaching conditions to its investment or foreign aid concerning transparency, accountability, governance, fiscal probity or human rights, China not only challenges the fundamental values of the West, but also threatens the open and competitive international markets by providing advantages to Chinese firms. No-strings attached foreign investment and aid "counter the liberalizing influences of Africa's traditional European and American partners"<sup>45</sup> and undermine the efforts of the international community to 'help' or 'force' many corrupt governments in Africa to adopt 'proper' practices and allows some African countries to escape from the disciplines set by the IMF and donor countries to restructure their economies or improve their political accountability.

One example is that in 2004, in the middle of the difficult negotiations between the Angolan government and the IMF and other donor countries for a loan to rebuild its war-torn infrastructure, China offered \$2 billion line of credit with the interest rate fixed at 1.5 percent for 17 years; Angola would repay the loans with oil exports. This, some argue, allowed China to purchase a 50 percent share on Block 18 oilfield and gain extraction rights in Block 3/80 in the northern part of the country in October that year while French Total lost its license because of the unconditional aid offered by the Chinese government. Consequently, China secured a substantial amount oil import from Angola. Sudan is another well-quoted case to indicate the 'bad' behaviour of China. At the moment, oil imports from Sudan constitute about 7 percent of China's total oil consumption.

In addition to the no-strings-attached investment and foreign aid that gave Chinese firms an 'unfair' advantage in competing for the continent's resources, the Chinese government also subsidizes its firms in their expansion in Africa, with long-term, low-interest loans from the China Export Import Bank (Eximbank), loans from the China Development Bank, another policy bank in China, or foreign aid through budget allocations. One example is that in January 2006, CNOOC announced its largest-ever \$2.7 billion overseas acquisition of a 45 percent stake in a major offshore field in Nigeria. In early June, CNOOC secured a 12.8 billion yuan (\$1.6 billion) loan from

the China Eximbank at a fixed interest rate of 4.05 percent for 10 years to fund its ongoing capital need in Nigeria and to meet the general capital expenditure requirements of other projects.<sup>46</sup> The Chinese government argued such assistance was necessary: Chinese firms, particularly its oil companies, are “at a disadvantage in competition for global oil reserves because of their relatively late arrival to the international oil business [and] state finance is a tool commonly employed by other governments to benefit their oil companies.”<sup>47</sup>

The third concern is that even though China’s activities in Africa do not automatically make China an enemy or a threat to the US, its rising economy nonetheless changes the strategic and economic playing field in Africa and the world.<sup>48</sup> In a strategic context, a redrawing of power map is under way and China’s advance in Africa is part of its move to the global stage. It is a clear indication that “Beijing has begun to look beyond the Asia-Pacific region, knowing full well that if the growth in its power is to proceed unhampered over time, China will have to make its presence felt beyond its immediate environs.”<sup>49</sup> Its demand for energy and other strategic resources has only brought such a need to the forefront. To ensure an access to and transportation of these resources, “China is likely to continue making large investments in high-end, asymmetric military capabilities, emphasizing electronic and cyber-warfare; counter-space operations; ballistic and cruise missiles; advanced integrated air defence systems, next generation torpedoes; advanced submarines; strategic nuclear strike from modern, sophisticated land- and sea-based systems; and theatre unmanned aerial vehicles for employment by the Chinese military and for global exports.” These developments have changed regional and global military balance and created serious uncertainty, which is always the cause for major conflicts. China does not necessarily need an equal capacity with the hegemonic power to trigger conflicts. So long as it expands, it brings potential for conflicts. Competition in Africa is an integral part of this whole game.

While alarmists are calling for aggressive policy of the US and other Western powers to make sure that they are not shut out from African resources and that the continent would not turn into a hotbed for terrorists, encouraged by the Chinese practices,<sup>50</sup> others are calling for caution. The more moderate view is that the Chinese are not doing anything so different from what the Americans or others are doing in the world - grabbing as much oil and resources as they can, wherever they can and by whatever means they can find. Moreover, “the current state of *China-Africa links is not a significant foreign policy threat to America’s interest in Africa* [italics original] [because] the Chinese level of political and economic engagement is still sufficiently modest so as not to constitute a threat.”<sup>51</sup> Some have gone even further, arguing that “China’s participation in the upstream oil market, in fact, can help increase supplies and lower prices, benefiting all consumers,” and may consequently reduce the opportunity for conflicts.<sup>52</sup> Finally, competition in Africa by and large is an economic one, which creates its own constraints for conflicts. For now, at least, the more moderate view holds the upper hand in American government despite occasional rhetorical complaints about the Chinese activities in Africa.

Similar diverse views exist in China as well. Some argue that hiding behind the global war on terrorism, the Americans are engaged in a much broader effort to



“restructure US armies’ global strategic deployment,” “relocate military bases” and “shift its strategic emphasis to the so-called ‘arch of instability’ ranging from the coastal Caribbean, North Africa, Caucasia, Central Asia, South Asia and Southeast Asia and to the Korean Peninsula.”<sup>53</sup> Its African policy has been built on a combination of ‘anti-terrorism, oil and garrisoning’. To secure its predominant position in the world, it would be willing to engage in ‘nuclear war,’ ‘new containment’ and ‘conversion’.<sup>54</sup> The view may be extreme and does not have much weight in government; it, however, represents those who want to see China play a more assertive role in international affairs. The so-called ‘utilitarian realists’ have the ear of the government at the moment and represent the mainstream. They prefer to enjoy the stability created as the result of extensive US military assistance programs while building up a comprehensive power base for the country, including securing the access to strategic resources in Africa, and avoiding any unnecessary direct conflicts with the US.<sup>55</sup> This may be the main reason that China and the US have not crossed each other on their way of extending their presence in Africa. China, particularly, is making “a deliberate effort to convey a kinder, gentler face abroad even as Beijing works to reshape the international environment to expand the opportunities for increasing its great power capabilities and status.”<sup>56</sup>

Given these diverse views in each country, the governments in Washington and Beijing have been pursuing active, yet cautious moves into Africa. While they may aggressively pursue their commercial interests in the continent, they have done so under the veil of moral superiority. The American government appeals to war on terrorism, war against corruption and struggle for good governance. The Chinese government appeals to ‘south-south cooperation’, economic development and non-intervention in domestic affairs of African countries. It repeatedly tells the public that “Chinese investment in Africa has resulted in a win-win outcome for both China and Africa ... while Chinese firms profited, they helped increase jobs and fuelled local economic growth.”<sup>57</sup> These claims may be rhetoric; they seem to be necessary to satisfy domestic critics. Indeed, the opposition to the African policy in both countries has so much in common, as one scholar at the Chinese Academy of Social Sciences expresses: “Since we are mainly there to make money and get hold of their resources, it’s hard to see the difference” between the Chinese and Americans, and even the former colonists.<sup>58</sup>

The domestic diverse views may also explain the conciliatory official positions taken by Beijing and Washington and their self-imposed constraints on criticising each other: “I don’t think China’s seeking oil in Africa is a threat to the United States’ interest,” stated the Assistant Secretary of the State for African Affairs, Jendayi E. Frazer. “China has invested its resources in Africa, it’s primarily in oil-producing countries and the other place is in South Africa ... [we] would hope that China’s investment would be broader and that it would contribute not only to China’s development and growth ... but it would also contribute to Africa’s growth and development.”<sup>59</sup> The Chinese government expressed the similar view: “China has no intention and capacity to compete with America for anything ... China and America have lots in common in the world; one of such interests is the maintenance of world peace and the promotion of economic development.” While the US played an

important role in helping bring peace in some African countries, “China is for the poor countries.”<sup>60</sup>

## CONCLUSION

Competition for African resources is not new and the current scramble for Africa has not developed the similar features as the previous one, which is known for its four Cs - commerce, Christianity, civilization and conquest.<sup>61</sup> Ideology is clearly not an issue: indeed, “China’s ideological fervour is exhausted; politicians from the Middle Kingdom expend no energy on trying to persuade African countries to adopt their political or economic model.”<sup>62</sup> Neither is religion or conquest. China and the US are competing for commercial interests and on a commercial playing field in Africa. Their diplomatic, political or military efforts have been made more to assist their economic interests than to engage in political or military conquest. This may explain why both sides are more willing to compromise than when ideology or religion was involved. Competing for commercial interests also makes it much more difficult to disentangle their complex interdependent relations. Even if China’s increasing presence in Africa is seen as a direct threat to American interests; prohibiting the Chinese from making inroads into Africa (if this could ever be accomplished) will not only deprive Africa an opportunity to get investment, expand its trade and develop its economy but will also seriously affect the economic growth and stability in China which in turn will have profound impact on the economy in the US and many other countries in the world.

It is true that by 2006, both China and the US have openly claimed that Africa is of rising significance to their energy security and both saw an urgent need to develop a coherent strategic policy toward Africa. Their desire to secure access to strategic resources has taken them to every corner of the world, not just Africa. As a late developer, Africa is attractive to major powers with its less controlled oil reserves and reserves of other strategic resources. Sub-Saharan Africa, meanwhile, has only limited oil reserves (4.8 percent of the world’s total) but plenty of complicated problems. Africa is one piece of a large game; it may be another point of tension one day, but will not by itself be of sufficient strategic or economic importance to drive them to direct confrontations. With tight oil market, every drop indeed counts. Oil, however, is only one of the several basic sources of energy. While competition for oil in Africa may have significant impact on African development, it is difficult to see the major powers will fight over Africa.

Moreover, since much of the competition between China and the US in Africa is over commercial interests, their willingness to invest in resources industries and to provide the necessary help to create stable environments for their businesses may produce positive impacts for the continent. Finally, since China still has a long way to go, it will need a peaceful environment for its rise. Competition will likely be limited and restrained. China and the US are seeking different things at different places in the continent and trying not to step on each other’s toes. All in all, the alarmists are unjustified; when described side by side, the limited likelihood for competition and conflicts becomes more apparent. The activities of China and the US in Africa do not yet support such a dire prediction.

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