CHINA'S THIRST FOR AFRICAN OIL

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Abstract

China's amazing economic growth over the last three decades has dramatically increased the country's demand for natural resources, particularly oil. China became a net importer of oil in 1993. It now ranks as the second largest consumer of oil in the world behind the United States. China's national oil companies are searching the globe for the energy reserves to meet this growing demand. However, they must compete with the giant western oil firms for access to those reserves. Failures like the bid for Unocal encourage Chinese firms to do business in countries where they can compete on level terms with their western counterparts. African pariah states and the nations around the Gulf of Guinea provide such opportunities. Two of the largest African suppliers of oil for China are Angola and Sudan. Beijing provides numerous benefits to the governments of these countries in order to support its company's bids for energy contracts. In addition, China sells arms to Khartoum, provides loans worth billions of dollars to Luanda, and subsidizes the construction of massive infrastructure projects in both countries. Meanwhile, it ignores the egregious human rights violations in the Sudan. It showers Angola with money while turning a blind eye to the fact that Luanda has already made billions of dollars disappear without a trace. Western nations, the United States in particular, criticize Beijing's willingness to do business under these circumstances. However, western oil firms have, and still do, operate in countries that act in similar ways. In comparison, China's behavior does not stand out. In the end, it is in China's interest to modify its policies concerning the conduct of business relations with African nations.

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China's Thirst for African Oil

Introduction

In 2002, China adopted a "going out" policy that encouraged the three main Chinese national oil companies (NOCs) to purchase equity shares in exploration and production projects around the world. The Chinese Communist Party (CCP) fears that the economy will fail to acquire sufficient oil to continue the impressive rate of growth experienced over the last three decades. Chinese leaders rely on that economic growth for legitimacy among their increasingly materialistic population. Therefore, energy security sits at the top of the CCP's agenda.

China's search for oil in Africa continues to deepen. In 1995, China relied on Africa for only 11 percent of its crude oil imports compared to 46 percent from the Middle East. A decade later, Africa's share of imports rose to 31 percent, as Middle East imports remained at 46 percent.[1] At the same time, China's oil consumption increased from about 3.5 million barrels per day (b/d) to 7 million b/d.[2] Despite the dramatic increase in China's purchases of African oil, they still only accounted for 9 percent of Africa's exports in 2006, compared to 33 percent for the United States.[3] Why have Chinese imports of African oil increased so dramatically?

Economic nationalism in the U.S. destroys China's trust in the fairness of competition with western oil firms. It encourages the Chinese NOCs to operate in countries where government support can help them beat their western rivals. China's oil firms have made

[1] Downs, Erica. *China*. The Brookings Foreign Policy Studies: Energy Security Series. The Brookings Institution, December 2006. p. 31.
[2] Energy Information Administration. *Country Analysis Brief: China*. Last Updated August 2006.
[3] Shinn, David H. "Africa, China, the United States, and Oil." Center for Strategic and International Studies. May 8, 2007.

successful purchases of energy reserves in many African countries. Those countries include nations ruled by authoritarian leaders known for their egregious violations of human rights and staggering misallocations of oil revenue. How does China help its NOCs acquire the energy contracts they seek?

The Sudanese government has been at war with portions of its population for decades. Beijing provides Khartoum with protection from sanctions, along with plenty of development aid and military equipment. In Angola, China offers billions of dollars in aid to a government known for its ability to make massive amounts of money disappear without a trace. How do Beijing's actions in support of its oil firms compare to those of western governments? Have western firms operated in countries with similar problems? Will Chinese behavior in Africa improve over time?

China's Growing Role in Africa

China's economy has experienced rapid economic growth for the past three decades. Hundreds of millions of Chinese citizens have risen out of poverty. However, the Chinese economy fails to create the tens of millions of jobs necessary to provide work for the increasing number of Chinese that join the labor force each year.[4] A fundamental problem for the Chinese Communist Party (CCP) is the creation of jobs. 150 million migrant workers seek employment. The growth of industries, primarily in the manufacturing sector, provides the opportunities these

[4] Kynge, James. *China Shakes the World: A Titan's Rise and Troubled Future- and the Challenge for America.* New York, N.Y.: Houghton Mifflin Company, 2006. p. 52.

people seek. Beijing scours the globe in search of the natural resources that power these industries. Economic growth is crucial to social stability, and therefore, also to the rule of the CCP.

Oil tops the list of needed resources. Twenty years ago, China exported more oil than any other country in East Asia.[5] However, in 1993, China became a net oil importer. The Energy Information Administration (EIA) estimated that China produced roughly 3.8 million barrels per day of oil in 2006, while consuming 7.4 million barrels per day. From 2002 to 2006, China accounted for 40 percent of the growth in world demand for oil.[6] By 2004, it became the third largest importer in the world, after the United States and Japan.[7] The Middle Kingdom consumes more oil each year than any other country besides the U.S. Susan Shirk proclaims that the "burgeoning automobile society and its [China's] surging industrial growth" fuels consumption.[8]

In 1995, Africa provided just 11 percent of China's oil imports. By 2005, Africa accounted for 31 percent. China's NOCs have worked hard, not only to expand the number of countries that provide oil to China, but also to decrease reliance on Middle East suppliers. As of 2005, 4 of Beijing's top 10 suppliers were African (Angola, Sudan, Republic of Congo, and Equatorial Guinea).[9] China imports roughly a quarter of Angola's oil, about 60 percent of Sudan's, and portions of supplies from Chad, Libya, Nigeria, Algeria, and Gabon. In 2004,

[5] Zweig, David and Bi Jianhai. "China's Global Hunt for Energy." *Foreign Affairs* 84, no. 5 (Sept./Oct. 2005).
[6] Energy Information Administration, 2006.
[7] Downs, 2006.
[8] Shirk, Susan. *China: Fragile Superpower*. New York: Oxford University Press, 2007. p. 136.
[9] Downs, 2006, p. 30-31.

China became the second largest importer of African oil after the United States.[10] The surge in purchases of African assets has been led by the three main Chinese national oil companies (NOCs): China National Petroleum Corporation (CNPC), China National Offshore Oil Corporation (CNOOC), and China Petroleum and Chemical Corporation (Sinopec).

Only 10 percent of the world's proven oil reserves reside in Africa.[11] The conditions on the ground are less than ideal. Civil war, ethnic conflict, poor infrastructure, weak governance, and tough environmental conditions make extraction difficult. Why has Africa become so important to China's search for energy security?

Why Africa?

Unocal

China began purchasing African oil assets years before CNOOC's failed bid for the Union Oil Company of California (Unocal), a large American company. However, the story of CNOOC's attempted purchase highlights the appeal for China's NOCs of doing business in Africa.

The Chinese knew from the start that CNOOC's bid for Unocal required more tact than the average hostile takeover. They referred to the deal as Operation Treasure Ship in reference to the adventures of Zheng He during the Ming dynasty. CNOOC hired Goldman Sachs and J.P. Morgan as advisers for the deal. The architect of the bid, Fu Chengyu, could not have been more cosmopolitan. He started his career at the domestic oil field Daqing. In the 80s, he went to the

[10] Eisenman, Joshua and Devin T. Stewart. "China-Japan Oil Rivalry Spills into Africa." *Asian Times*. November 17, 2005.
[11] Hanson, Stephanie. "Vying for West Africa's Oil." Council on Foreign Relations. May 7, 2007.

University of Southern California for his master's degree. Upon his return to China, he worked for CNOOC alongside many of the international oil majors.[12] His extensive experience with westerners suggested he would be well equipped to lead CNOOC's bid.

Fu knew the attempt to purchase Unocal would spark fear in Washington. The deal would be the largest overseas acquisition ever made by a Chinese company. Even more damaging, Unocal could easily be viewed as a strategic asset at a time of heightened national security due to the war in Iraq. Therefore, Fu attempted to separate himself from his connections with the CCP. The Party's personnel department had placed him at the head of CNOOC. In addition, Fu led the government-owned parent along with CNOOC's listed company. To downplay these connections Fu stressed, at every opportunity, his time at USC, and his early exposure to working with Western oil firms. However, nothing could save the deal from the political backlash against the CCP's involvement with CNOOC's operations.[13]

Fu's first meeting with Unocal's CEO took place on December 26th, 2004. Attempts to win support from his bosses in the Communist Party began the following February. On March 7, CNOOC made a bid that valued Unocal between $16 and $18 billion.[14] Unfortunately, CNOOC's board did not hear about the bid until March 30.[15] This gave Chevron, which put in a competing bid of $16.4 billion, time to gain the recommendation of Unocal's board. CNOOC eventually fought back, even raising its initial bid to $18.5 billion.[16] However, the delay allowed

[12] Kynge, 2006, p. 140-141.
[13] Kynge, 2006, p. 140-141.
[14] Kynge, 2006, p. 142.
[15] Guerrera, Francesco. "Twists and Turns in Log of Treasure Ship's Transglobal Journey." *Financial Times.* July 14, 2005.
[16] Shirk, 2007, p. 250.

Chevron to mount an immense lobbying campaign that played up the national security risk of CNOOC's bid. The deal's critics claimed that the purchase would lead to greater U.S. dependence on supplies from foreign oil firms. In addition, Peter Robertson, vice president at Chevron, leveled the most effective argument. "We are not competing with this company. We are competing with the Chinese government."[17]

In response, CNOOC stressed that 70 percent of Unocal's reserves were in Asia. Meanwhile, the American company provided less than 1 percent of the oil consumed in the U.S. The Chinese firm even promised to keep all oil produced in the United States in the country. In addition, it assured that no U.S. employees would be let go.[18]

CNOOC's arguments and promises could not sway Congress. The U.S. House of Representatives voted 398 to 15 that the Unocal bid posed a danger to national security, referring the deal to President Bush for consideration.[19] By this point, the Chinese Embassy in Washington began to fear that political backlash from the Unocal deal could have a negative impact on President Hu Jintao's visit to Washington that fall. Shortly thereafter, CNOOC withdrew the bid, citing difficulties in the political environment.[20]

In September, Deputy Secretary of State Robert Zoellick urged China to act like a responsible stakeholder in international affairs. He laid particularly harsh criticisms on China's

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[17] Kynge, 2006, p. 142-143.
[18] Shirk, 2007. p. 250.
[19] Lohr, Steve. "The Big Tug of War over Unocal." *New York Times.* July 6, 2007.
[20] Barboza, David and Andrew R. Sorkin. "Chinese Company Drops Bid to Buy U.S. Oil Concern." *New York Times.* August 3, 2005.

purchase of oil assets in countries like Burma and Sudan.[21] This just rubbed salt in the wounds of CCP officials and CNOOC executives. They had just tried to do the very thing Zoellick claimed the U.S. wanted. The response from Washington introduced Beijing to market capitalism the hard way. It seemed obvious to Chinese leaders that the U.S. would do whatever it had to in order to ensure a Chinese NOC could not become a major player in global oil markets.

For years, the U.S. stressed the need for Beijing to abide by international norms. Washington spoke of market principles and the benefit China would receive if it played by normal commercial rules. The failure of the Unocal deal undermined the credibility these arguments had gained within China.

CNOOC tried to increase its assets through the purchase of a respected player in the energy world and got its nose bloodied in the process. Many in the CCP became convinced that people in the American oil industry with links to Dick Cheney had a major role in the eventual collapse of the deal.[22] The whole episode solidified Beijing's belief in the efficacy of business deals in countries where western firms hold less influence, or even those where their operations are forbidden. A Center for Strategic and International Studies Report released in January of 2007, states,

> Chinese analysts asserted repeatedly that this [the Unocal deal] was proof of the U.S. determination to prevent the rise of a Chinese global energy firm and that the outcome directly prompted Chinese authorities to intensify its push for a strategic partnership in Africa.[23]

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[21] Sanger, David. "China's Oil Needs Are High on U.S. Agenda." *New York Times.* April 19, 2006.
[22] Shirk, 2007, p. 251.
[23] Gill, Bates, Chin-hao Huang, and J. Stephen Morrison. "China's Expanding Role in Africa: Implications for the United States." *Center for Strategic and International Studies Report.* CSIS, 2007. p. 8.

Erica Downs argued that the response Congress gave to the proposed deal for Unocal had three results. It proved to Beijing that the U.S. would remain inhospitable to foreign acquisitions by China's NOCs. In addition, it showed that Washington would move to thwart attempted deals whenever possible. It also suggested that the U.S. sees the procurement of energy reserves as a zero-sum game.[24]

The Unocal fiasco showed Beijing that the Chinese NOCs were not ready to compete with the large international oil companies, especially in the developed world. Instead, the CCP should continue to encourage its NOCs to seek assets in African countries such as Sudan, where western governments have banned the oil majors from doing business. In addition, countries like Angola, Congo-Brazzaville, and Equatorial Guinea provide favorable opportunities for the NOCs to compete with the likes of BP, Royal Dutch Shell, and ExxonMobil. CNOOC, CNPC, and Sinopec's connections to the CCP do not harm their ability to compete in Africa. Beijing's willingness to use foreign policy to benefit the NOC's business interests helps the Chinese firms acquire energy assets in Africa. Esther Pan writes:

> Beijing aggressively courts the governments of those countries [oil producers] with diplomacy, trade deals, debt forgiveness, and aid packages. The strategy is working: China has gained access to key resources around the world, from gold in Bolivia and coal in the Philippines to copper in Chile and natural gas in Australia. And, of course, oil from Africa.[25]

Sweet African Crude

Crude oil from the Middle East contains more sulfur, is heavier, more sour, and harder to refine than oil from Sudan and the countries surrounding the Gulf of Guinea.[26] China lacks

[24] Downs, Erica and Jeffrey A. Bader. "Oil-Hungry China Belongs at Big Table." *Calgary Herald.* September 8, 2006.
[25] Pan, Esther. "China, Africa, and Oil." Council on Foreign Relations. January 26, 2007.
[26] Nigeria, Congo-Brazzaville, Equitorial Guinea, Angola, and Gabon.

adequate refining capacity for the heavier crude of its Middle Eastern suppliers like Saudi Arabia, which make up a substantial portion of its imports.[27] Saudi Aramco has showed interest in expanding its supply of oil to China. Therefore, Aramco has teamed up with ExxonMobil and Sinopec in an attempt to expand Chinese refining capacity. A refinery in Fujian will see its capacity raised from 80,000 barrels per day (b/d) to about 240,000 b/d.[28] Aramco has also shown interest in improving a refinery in Shandong Province.[29] Alternatively, African crude oil is light, sweet, and contains less sulfur.[30] Chinese refineries can handle African supplies much easier and more cheaply than those from the Middle East.

Arms Deals

As Africa's supply of oil to China has increased, Beijing has actively promoted sales of Chinese military equipment to the continent. The CCP sees Africa as a significant growth market for Chinese arms. In addition, the new energy assets the Chinese oil firms have attained require protection to prevent the disruption of production. Chinese leaders happily send military trainers to improve the capabilities of the African militaries that protect the energy reserves owned by China's NOCs.[31]

China's willingness to supply arms to Sudan is well known. Beijing has provided everything from military trucks, to tanks, aircraft, and howitzers.[32] However, many other African oil producers have received Chinese weapons as well. Angola has ordered at least eight

[27] Energy Information Administration, 2006.
[28] Ebel, Robert E. *China's Energy Future: The Middle Kingdom Seeks Its Place in the Sun.* Significant Issues Series, Volume 27, No. 6. Washington D.C.: Center for Strategic and International Studies Press, 2005. p. 14.
[29] Ebel, 2005, p. 17.
[30] Hanson, 2007.
[31] Pan, 2007.
[32] Human Security Baseline Assessment: Sudan Issue Brief. "Arms, Oil, and Darfur: the Evolutions of Relations between China and Sudan." *Small Arms Survey.* No. 7, July 2007.

Su-27 SK fighters. The country is also China's largest supplier of oil.[33] Nigeria purchased 12 F-7 NI and 3 FT-7 NI fighters in 2005. African military observers believe Nigeria paid for this equipment with oil.[34] The military forces of Congo-Brazzaville possess 30 Type 59 tanks, along with other military equipment.[35] Obviously, Chinese arms have found a receptive audience in Africa.

The Growth of Africa's Oil Supplies

Africa remains largely unexplored by the major oil corporations. It could possibly be the site of numerous oil discoveries in the future. Two years ago, IHS Energy, an oil and gas consulting firm, released a statement claiming that Africa will supply 30 percent of the world's growth in hydrocarbon production by 2010.[36] In addition, new technologies in deep-water drilling have made the extraction of previously unreachable deposits in the Gulf of Guinea possible. Over the next 20 years, Africa's production of oil is expected to double while remaining stagnant, or even declining, in other parts of the world.[37] The potential growth in African supplies offers ample temptation for Beijing's involvement.

Case Studies: China's African Oil Suppliers

A review of all of China's African oil suppliers would require multiple volumes. Instead, case studies of key suppliers, including Sudan and Angola, will be provided. Furthermore, the idea of locking up energy reserves is discussed. These case studies highlight some of the actions

[33] Chang, Andrei. "Analysis: Chinese Arms and African Oil." *United Press International.* November 5, 2007.
[34] Chang, 2007.
[35] Chang, 2007.
[36] Mobed, Ron. "Africa to Supply 30 Percent of the World's Liquids Capacity Increase and 25 Percent of Global LNG Capacity by 2010." *IHS, Inc.* Press Release, February 13, 2006.
[37] Traub, James. "China's African Adventure." *New York Times: Magazine.* November 19, 2006.

and policies that cause concern in the west. Among other things, China's involvement in these countries affects western attempts to improve the governance, human rights situations, and transparency of the African governments. In addition, some Americans argue that Beijing's encouragement for the Chinese NOCs to purchase equity shares in energy reserves threatens U.S. energy interests by taking oil off the international market.

Sudan

NOC Operations in Sudan

Sudan is home to China's largest base of overseas oil production.[38] In 1994, the CNPC accepted an invitation from Khartoum to conduct preliminary surveys for the development of Sudan's oil sector.[39] It now owns the largest share, roughly 40 percent, of the Greater Nile Petroleum Operating Company (GNOC), a consortium that operates Sudan's oil fields in tandem with the Sudanese national oil company.[40] CNPC also holds shares worth: 40 percent in Block 13, 41 percent in the Petrodar Operating Company (PDOC, set up to develop Blocks 3 and 7), 95 percent in Block 6, and 35 percent in Block 15.[41] Since 1999, the large Chinese NOC has invested about $3 billion to build refineries and a pipeline in Sudan.[42] CNPC's operations have helped Sudan create a viable oil export industry from exploration and production, to sales of final products.[43]

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[38] Zhang, ZhongXiang. "China's Hunt for Oil in Africa in Perspective." East-West Center. Released September, 2006.
[39] Jakobson, Linda, and Zha Daojing. "China and the Worldwide Search for Oil Security." *Asia-Pacific Review*. Volume 13, No. 2, 2006.
[40] Goodman, Peter S. "China Invests Heavily in Sudan's Oil Industry." *Washington Post.* December 23, 2004.
[41] Human Security Baseline Assessment: Sudan Issue Brief, 2007.
[42] Brookes, Peter and Ji Hye Shin. "China's Influence in Africa: Implications for the United States." Backgrounder #1916. The Heritage Foundation. February 22, 2006.
[43] Anshan, Li. "China and Africa: Policy and Challenges." *China Security* 3, no.3 (Summer 2007).

The GNOC venture provides roughly 15 million tons of crude oil annually for CNPC. The entire project covers an area of about 50,000 square miles. Total proven reserves for the project are about 220 million tons.[44]

The pipeline project CNPC undertook in Sudan connected the GNOC fields to the Red Sea. It spanned a distance of approximately 930 miles. The construction branch of the company also constructed a $215 million export tanker terminal at Port Sudan, along with another pipeline connecting that facility to the oilfields.[45] In total, CNPC has invested more than $8 billion in the country's oil sector.[46]

The methods used by Chinese NOCs in their pursuit of energy reserves aid their ability to succeed in African nations. CNPC prefers a long-term approach in which it can hunker down and simply wait out the internecine violence often seen in southern Sudan. This approach has granted the Chinese firm success where western oil companies once failed. Chevron and Total previously held concessions in the same region. However, the grisly north-south civil war that broke out in the early 1980s eventually forced the western firms to give up their claims. More recently, Talisman, a Canadian firm, felt the wrath of a fervent campaign against its involvement in Sudan's oil industry. Human rights activists claimed that the Sudanese military received access to airstrips owned by the company, from which its aircraft carried out bombings of southern rebels. Talisman eventually gave up its exploration program.[47]

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[44] Taylor, Ian. "Unpacking China's Resource Diplomacy in Africa." *Currenct African Issues No. 35: China in Africa*. Stockholm, Sweden: Elanders Gotab AB, 2007. p. 18.
[45] Taylor, 2007, p. 19.
[46] Energy Information Administration, 2006.
[47] Ghazvinian, John. *Untapped: The Scramble for Africa's Oil*. Orlando: Harcourt, Inc., 2007. p. 286-87.

Chinese firms do not face the same pressure from domestic interest groups as their western counterparts. While building the 900-mile pipeline connecting the southern oilfields to the Red Sea, numerous villages were removed in a brutal manner. According to local sources, Sudanese bombers would bomb the village, followed by bulldozers that cleared the land. Reports suggest Chinese drivers operated the vehicles. Sudanese government soldiers would finish the destruction by setting fire to anything that remained. Numerous sources suggest that as many as 4,000 plainclothes Chinese soldiers now guard the pipeline to stave off potential attacks. Despite the nature of these allegations, CNPC continues to operate its holdings in southern Sudan.[48]

However, China's NOCs do not enjoy complete freedom from outside influences. The companies face substantial pressure from international financiers. In 2000, CNPC considered a public listing on Wall Street. The Chinese firm expected the initial offering to raise approximately $10 billion. A strident publicity campaign by human rights activists forced CNPC to create a subsidiary removed from direct involvement in Sudan. The subsidiary, PetroChina, guaranteed that none of the money raised in the listing would go to Sudan.[49] When the offering finally occurred, it managed to raise only $300 million.[50] Chinese NOCs must take potential damage to their fundraising abilities into consideration. They remain more insulated from such pressures than western firms, but they do not have complete freedom of action.

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[48] Ghazvinian, 2007, p. 287.
[49] Alden, Chris. *China in Africa: African Arguments.* London: Zed Books Ltd., 2007. p. 113-14.
[50] Eisenman, Joshua, and Joshua Rogin. "China Must Play by the Rules in Oil-rich Sudan." *Alexander's Gas and Oil Connections.* Volume 8, No. 6. August 21, 2003. p. 1.

Sudan's 5 billion barrels now ranks fifth among the African nations with the largest proven oil reserves. In 2006, crude oil production averaged only 414,000 b/d. By the end of 2008, the Minister of State for Mines and Energy predicts that Sudan will produce one million b/d.[51] China's desire for access to these reserves will remain for some time.

Beijing helps its NOCs obtain contracts in Sudan in several ways. It has encouraged Chinese banks and companies to undertake projects to build up Sudanese infrastructure. China uses its seat on the United Nations Security Council to protect Khartoum from resolutions over its actions in the Darfur region. In addition, Beijing supplies equipment to Sudan's military.

Building Infrastructure

Chinese companies have greatly expanded Sudan's power generation capabilities. Two power stations north of Khartoum now provide 330 megawatts (MW) of power. China's Central Bank helped finance the construction of these sites with $149 million. Credit loans from the Chinese government financed the $1.73 billion, 2,500 MW Merowe Dam. The project should dramatically increase Sudan's capacity to generate electricity, as well as expand the amount of land available for cultivation by roughly 50 percent. In connection with the dam project, China built a 1,745km power transmission line, including transformation stations, for roughly $470 million. These projects build good relations with Khartoum, while simultaneously improving

[51] Energy Information Administration. *Country Analysis Brief: Sudan*. Last Updated April 2007.

infrastructure that serves both the Sudanese and the oil industry that China has done so much to expand. Beijing often promises such construction in return for contracts being granted to Chinese NOCs. [52]

Support in the United Nations

In 2004, when then Secretary of State Colin Powell used the word genocide in reference to Darfur, the Chinese Ambassador to the United Nations suggested Beijing might decide to veto any resolution that called for sanctions.[53] China obviously worried that such actions would hinder its own economic activities in Sudan. The CCP opposes intervention in what it considers the internal concerns of a sovereign nation. It argues that Khartoum should resolve the Darfur issue itself with support from the African Union. This line reflects China's longstanding opposition to outside meddling in its own problems with separatists in Tibet, Xinjiang, and Taiwan. China's deputy foreign minister, Zhou Wenzhong, summed up Beijing's feelings on connecting economic decisions to Sudan's record on human rights. "Business is business. We try to separate politics from business. Secondly, I think the internal situation in the Sudan is an internal affair, and we are not in a position to impose upon them."[54] The message is clear. Especially when it comes to the acquisition of vital resources, business and politics do not mix.

However, evidence began to emerge in 2006 that portrays a new approach by Beijing. It seems that China has changed its course in Sudan as African leaders continue to issue condemnations of Khartoum's actions in Darfur. In August of 2006, China abstained on the vote

[52] Shichor, Yitzhak. "Sudan: China's Outpost in Africa." The Jamestown Foundation- China Brief. November 4, 2005.
[53] Weisman, Steven R. "Powell Says Rapes and Killings in Sudan are Genocide." *New York Times.* September 10, 2004.
[54] French, Howard W. "China in Africa: All Trade, With No Political Baggage." *New York Times.* August 8, 2004.

for U.N Resolution 1706, which called for the replacement of an African Union force already in Darfur by a larger, better-equipped, United Nations contingent.[55] Before the official start of the Forum on China-Africa Cooperation (FOCAC) summit in Beijing that November, Hu Jintao reportedly spoke privately with Sudan's leader, Omar al-Bashir. The Chinese government reported that the Chinese leader had pressured his Sudanese counterpart to consider allowing the U.N. force into Darfur.[56] Khartoum finally accepted a joint U.N.-African peace force a few weeks later. A United Nations official that attended the final talks credited the Chinese Ambassador, Wang Guangya, for helping to convince the Sudanese of the agreements merits.[57]

In February of 2007, Hu Jintao visited Khartoum. Days before his visit, the African Union decided against allowing Sudan to assume the chair of the organization.[58] This decision pressured Hu to address the Darfur issue during his visit. Reuters reported that Hu told Bashir, "Darfur is a part of Sudan and you have to resolve this problem."[59] As the genocide continues to tarnish the possibility that the U.S. and other nations will see China as a responsible stakeholder in international affairs, Beijing has actively engaged Khartoum on the issue. The CCP even named Liu Guijin as special representative for African affairs. His duty is to develop a political strategy to deal with the Darfur crisis.[60]

Protests about Darfur grow ever louder in the United States. Steven Spielberg recently announced he would not be the artistic adviser for the Beijing Olympics. A campaign is under

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[55] Wolfe, Adam. "China Adjusts Its Approach in Africa." Power and Interest News Report. February 5, 2007.
[56] Alden, 2007, p. 122.
[57] Worth, Robert F. "Sudan Says It Will Accept U.N.-African Peace Force in Darfur." *New York Times.* November 17, 2006.
[58] Wolfe, 2007.
[59] McDoom, Opheera. "China's Hu Tells Sudan it Must Solve Darfur Issue." *Reuters.* February 2, 2007.
[60] Human Security Baseline Assessment: Sudan Issue Brief, 2007, p. 9.

way labeling this summer's games the Genocide Olympics. The criticism seems to have an effect. Chinese pressure on Khartoum continues to mount.[61]Even more recently, the former special envoy of President Bush to Sudan, Andrew S. Natsios, commented, "China in my view has been very cooperative. The level of coordination and cooperation has been improving each month." Mr. Liu recently claimed, "I conveyed China's grave concerns about the deterioration of conditions in western Darfur." He went on to say that China is actively pursuing an agreement to end the delays in the establishment of the peacekeeping force for the area.[62] However, China will continue to provide financial and military support to Sudan. It considers such support necessary for the maintenance of the security of CNPC's oil production.

Supplying Arms

For some time, Beijing has helped Khartoum purchase weapons on the international arms market using its revenues from oil sales. It has sold weapons to Sudan directly, and aided in the building of domestic arms factories. In the 1970s, Beijing supplied equipment including eight MIG-17 fighters, and at least ten tanks. China transferred roughly $300 million of military equipment around 1991, including helicopters, ammunition, and high-altitude bombs. In 1996, Sudan received Changhe Z-6 troop-transporting helicopters. A year later, China offered six F-7M Airguard jets, worth $66 million. During this same period, large numbers of small arms and other weapons flowed into Sudan. Weapons discovered in bases in South Sudan that Khartoum once controlled included artillery pieces, tanks, anti-personnel mines, anti-tank mines, rifles, machine guns, light support weapons, anti-aircraft guns, and plenty of ammunition.[63] Chinese weapons in active service with the Sudanese military include Type 54 122-mm howitzers, Type

[61] Polgreen, Lydia. "China, in a New Role, Presses Sudan on Darfur." *New York Times.* February 23, 2008.
[62] Yardley, Jim. "China Defends Sudan Policy and Criticizes Olympics Tie-In." *New York Times*. March 8, 2008.
[63] Human Security Baseline Assessment: Sudan Issue Brief, 2007, pp. 4-5.

59-I 130-mm cannons, Type 81 122-mm rocket guns, Type 59 57-mm air-defense guns, different caliber mortars, eight J-6 fighter aircraft, and several J-7 fighters.[64]

According to a former minister in the Sudanese government, China now provides more arms to Khartoum than any other country.[65] Data from UN Comtrade supports this claim. It shows that the value of Chinese arms sales between 2002 and 2005 rose from $1 million to $23 million.[66] Amnesty International USA reported sales closer to $83 million for 2005.[67] Either way, it appears that China took over as Sudan's largest arms supplier just before the Darfur conflict began.

Beijing has adamantly denied sending weapons directly to the Darfur region. However, a report produced by a panel of U.N. experts said that Chinese weapons were finding their way to the area anyway. China's special envoy to Sudan responded by stating that Beijing has no control over where the weapons end up once they are sold to Khartoum legally. He also pointed out that American weapons had ended up in the hands of Iraqi insurgents.[68] Beijing will continue to offer military assistance to Sudan. It considers cooperation necessary for the security of its oil assets. Attempts to persuade the CCP to cut off Khartoum completely will most likely not succeed.

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[64] Chang, 2007.
[65] Eisenman, Joshua and Joshua Kurlantzick. "China's Africa Strategy." *Current History* (May 2006). P. 222.
[66] Human Security Baseline Assessment: Sudan Issue Brief, 2007, p. 5.
[67] Kristof, Nicholas D. "China's Genocide Olympics." *New York Times.* January 24, 2008.
[68] Yardley, 2008.

Angola

Oil

Angola is the third largest producer of oil in Africa, behind Nigeria and Libya. It currently pumps approximately 1.7 million b/d, compared to Nigeria's 2.12 million b/d. Angola exports roughly 90 percent of its oil.[69] In February 2006, Angola replaced Saudi Arabia as the largest supplier of crude oil to China. In May 2006, it exported about 750,000 b/d to the Asian giant.[70]

On average, 25 percent of Angola's oil ends up in China. Much of it is procured through oil-backed loans meant to improve the infrastructure of the petroleum industry.[71]

The Angolan economy relies on the oil sector for 40 percent of its GDP and 90 percent of its government revenues. Since 2003, foreign investors poured roughly $20 billion into the oil and natural gas industries.[72] Despite the increased prevalence of Chinese NOCs in Angola, western firms continue to be the primary investors. Chevron, ExxonMobil, BP, and Total, all operate massive oil projects.[73]

Loans and Infrastructure

Unlike in Sudan, Chinese NOCs face immense competition from American and other western oil firms in Angola. Despite the presence of these other companies, the Chinese firms have been able to purchase expansive exploration acreage. Beijing offers huge loans and

[69] Energy Information Administration. *Country Analysis Brief: Angola*. Last Updated March 2008.
[70] Energy Information Administration, 2006.
[71] Eisenman, 2005.
[72] Pan, 2007.
[73] Energy Information Administration, 2008.

development projects that come with no strings attached. It does not demand details on how the money is spent or lecture Luanda on fiscal responsibility. This strategy appears to be working.[74]

In early 2004, the China Export Import Bank (ExIm Bank) offered a $2 billion line of credit to the Angolan government. The funds had been intended for the reconstruction of the country's railways, administrative buildings, and its ability to produce ample supplies of electricity. Angola agreed to provide China with 10,000 b/d of oil in return. Months later, Global Witness reported that the Angolan government had already diverted some of the funds from their intended purpose. Instead, the government used the money to produce propaganda for the 2006 general election. In a rare case of Chinese meddling in the internal affairs of another country, Beijing forced the secretary of the Angolan council of ministers to resign. The episode caused little, if any, noticeable rift in Sino-Angolan relations.[75] It is likely that the CCP reacted so harshly because the deal included a stipulation that required a majority of the reconstruction contracts to go to Chinese state-owned firms approved by Beijing. The ExIm Bank had gathered a list of 35 companies that the Chinese government would allow to do business in Angola.[76] In essence, the diversion of funds toward general election expenditures took that money away from Chinese firms that would have received it otherwise. This provision in the deal caused some discontent among Angolan economists. One such economist, Jose Cerqueira commented:

> There is a condition in the loan that 30 per cent will be subcontracted to Angolan firms, but that still leaves 70 per cent which will not. Angolan businessmen are very worried about this, because they don't get the business, and the construction sector is one in which Angolans hope they can find work.[77]

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[74] Ghazvinian, 2007, p. 276.
[75] Servant, Jean-Christophe. "China's Trade Safari in Africa." In *Africa in China's Global Strategy*, edited by Marcel Kitissou. London: Adonis & Abbey Publishers Ltd, 2007. p. 101.
[76] Broadman, Harry G. *Africa's Silk Road: China and India's New Economic Frontier*. Washington D.C.: The International Bank for Reconstruction and Development/The World Bank, 2007. p. 272.
[77] Taylor, 2007, p. 17.

Despite some local discontent with the agreement, Luanda seemed to appreciate the terms. A short time later, Angola refused to renew a license on an offshore oil block for Total, a French oil company. Luanda gave the license to Sinopec instead.[78] The loss surprised the French firm, considering the previous influence it once held in Angola. It seems that a French court's prosecution of an arms trafficker that had ties to President Dos Santos had affected Luanda's decision.[79] This worried other western firms that now began to fear the rise of Asian competition. Angola's Angop news service posted a story around this time that said:

> Certain developed countries and international financial institutions condition their support on the constant question of transparency, which is only imposed on the weakest countries… With the Chinese agreement, no degrading conditions were attached… The loan probably marks a turn to the East.[80]

At about the same time, a 50 percent stake became available in Angola's Block 18, located off Angola's coast in the Atlantic Ocean. Shell had dropped its Angolan assets and the Oil and Natural Gas Corporation (ONGC) of India seemed poised to gain the shares. However, India's $200 million railway loan paled in comparison to Beijing's $2 billion loan. Angola awarded the contract to Sinopec. A consortium of five Chinese banks provided a $1.4 billion project finance loan, allowing a joint venture between Sonangol, the Angolan national oil firm, and Sinopec to develop the concession.[81]

Since then, Beijing has provided even more money for the reconstruction of Angola's infrastructure. It helped finance the $300 million project to repair the Benguela railway. China

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[78] Chan-Fishel, Michelle, and Roxanne Lawson. "Bankrolling the 'Going Out' Strategy: China's financing of African Aid and Investment, and Implications for Africa's Debt and Development." In *Africa in China's Global Strategy,* edited by Marcel Kitissou. London: Adonis & Abbey Publishers Ltd, 2007. p. 118.
[79] Ghazvinian, 2007, p. 150.
[80] Shaxson, Nicholas. *Poisoned Wells: The Dirty Politics of African Oil.* New York, NY: Palgrave Macmillan, 2007. p. 219.
[81] Chan-Fishel, 2007, p. 118.

provided $2 billion towards construction on the railway linking Menongue with the port of Namibe. Luanda received $450 million to pay for a new airport, as well as $3 billion for a refinery near Lobito.[82] Chinese Vice Premier Zeng Peiyan announced several other projects during his visit to Angola in 2005. They included a $6.3 million loan, a plan to invest $400 million in the telecommunications sector, and $100 million to upgrade the communication network for Angola's military.[83]

Once again, many of these deals went to Chinese firms. Those firms brought workers with them from China. The companies claim that the high usage of immigrant labor reflects the complete lack of the necessary expertise among the indigenous population.[84] It appears that the bulk of the immigrants settle in Cabinda, near the main land-based oil installations and numerous infrastructure projects. Estimates suggest that around 40,000 Chinese now live in Angola.[85]

Luanda's state budget has increased dramatically as oil companies ramped up production in response to rapidly rising oil prices. The deluge of Chinese money helped swell the budget. The funds at the Angolan government's disposal grew to $23 billion by 2006, roughly doubling the amount taken in the year before. Meanwhile, the economy chugs along, growing at about 15 percent a year.[86]Chinese investment has no doubt helped.

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[82] Alden, 2007, p. 44.
[83] Horta, Loro. "China and Angola Strengthen Bilateral Relationship." Power and Interest News Report. June 23, 2006.
[84] Alden, 2007, p. 46.
[85] Alden, 2007, p. 53.
[86] Shaxson, 2007, p. 184.

Unfortunately, Angola remains near the bottom of Transparency International's Corruption Index.[87] Nicholas Shaxson describes the structure of the economy as follows:

> Envisage a giant network of pipes shaped like a Christmas tree, with life-giving liquid flowing in through a big pipe at the top and being subdivided at different nodes… The fat cats perch at the top, sucking from the fattest pipes; at the bottom thousands jostle for access to the tiniest ones, while millions crowd around them hoping to get something. Each node has a tap, controlled by a gatekeeper, often a bureaucrat, who drizzles the liquid down to underlings, in exchange for their loyalty.[88]

The International Monetary Fund (IMF) has pressed Luanda to improve this situation. It required the government of President Dos Santos to make numerous reforms before it convened a donor's conference on Angola's behalf. However, the influx of Chinese loans seemed to lessen Luanda's interest in the IMF's demands. After all, why undertake extensive reforms when Beijing offers large funds with no conditions attached.[89] Angola's finance minister, Jose Pedro de Morais, commented, "When we ask our Chinese counterparts if they are willing to provide more loans, they say yes."[90]

China Attempts to Lock Up Energy Supplies

The National Security Strategy of the United States of America encourages China to turn away from old ways of thinking that include:

> Expanding trade, but acting as if they can somehow "lock up" energy supplies around the world or seek to direct markets rather than opening them up – as if they can follow a mercantilism borrowed from a discredited era.[91]

Washington seems to think that Beijing's desire to buy equity shares in energy supplies around the world poses a major threat to the security of the United States. In reality, the concept

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[87] Hanson, 2007.
[88] Shaxson, 2007, p. 44.
[89] Lyman, Princeton N. "China's Rising Role in Africa." Council on Foreign Relations. July 21, 2005.
[90] Eisenman, 2006, p. 223-24.
[91] *National Security Strategy of the United States of America*. March, 2006.

of locking up energy reserves makes little sense. Despite the numerous equity oil deals already signed, China has received relatively few barrels of oil from these operations. Numerous experts believe that the willingness of China's firms to develop fields that would otherwise be ignored by the oil industry, may actually benefit the United States as it serves to increase the world supply of oil. Chinese officials have started to debate the efficacy of purchasing equity shares in exploration and production projects.

So far, acquisitions of equity oil contracts have contributed relatively little to China's imports. Equity oil is foreign oil that China actually owns even before pumping it out of the ground. It does not refer to oil sold on the international market. In 2005, China's NOCs produced only 450,000 b/d of equity oil abroad. In addition, the Chinese market does not receive all of this oil. The quality of the oil, as well as the modes of transportation available for its delivery, determines how much goes back to China. In 2004, CNPC sent 116,000 b/d of the 135,000 b/d produced in Sudan back home. The oil from Blocks 3 and 7 is more acidic, making it harder for Chinese refineries to process. CNPC exported supplies from those fields to nearby consumers, instead of the Chinese market.[92] Furthermore, China's NOCs can attempt to purchase equity oil in only 23 percent of the world's oil reserves. The governments that control the other 77 percent do not allow foreign investors to acquire equity shares.[93]

China's attempt to lock up energy reserves, along with its willingness to operate in countries shunned by western firms and fields that produce little profit for its oil firms, does not threaten the energy security of the United States. In a 2006 report, the Department of Energy

[92] Downs, Brookings, 2006, p. 43.
[93] Downs, *Calgary Herald*, 2006.

stated that Chinese purchases of international energy assets were "economically neutral" and not damaging to the United States, despite the anxieties of some members of Congress. It noted that Chinese investments in developing new fields "may actually enlarge the global oil supply."[94]

Chinese oil companies have signed contracts for production of equity oil in Algeria, Angola, Cote D'Ivoire, Equatorial Guinea, Gabon, Kenya, Libya, Mauritania, Morocco, Niger, Nigeria, Sudan, Tunisia, and 19 non-African countries. Sudan accounts for approximately 36 percent of the oil produced through these ventures. The U.S. bans its oil companies from the development of exploration in Sudan. Therefore, none of the Chinese contracts comes at the expense of American firms. As mentioned above, CNPC does not send all of this oil back to its home market. China's equity oil purchases actually increase the total supply of oil on the international market, making prices cheaper for U.S. consumers.[95]

The only way Beijing's attempts to lock up supplies could have a negative effect on U.S. energy interests is if the domestic price of oil within China falls below the world price for a long period of time. This could occur if the CCP sets long term price controls for oil. Artificially low prices would increase the growth of Chinese demand for oil, thus making international demand even higher. As demand expands, the international price raises. However, it seems unlikely that Beijing will keep price controls in place for an extended period. Such policies distort the market and lead to shortages as they did in 2005 when the CCP last decided to install price controls.

[94] Shirk, 2007, p. 24.
[95] Downs, Brookings, 2006, p. 43.

A debate over China's policy for the acquisition of energy supplies rages on in Beijing. Some officials support the continuation of purchases of equity shares in oil exploration and production operations. Others stress the benefits gained from the international market.

In 2005, China's top economic and energy planner, Ma Kai, claimed that high oil prices cause less damage to the American economy because the main U.S. oil firms make huge profits that balance the losses experienced in other sectors. On the other hand, countries like China have nothing to offset the huge losses they suffer when the cost of oil skyrockets. Another Chinese energy expert stated that Beijing happily paid outrageous prices to purchase foreign energy assets in the hope of lessening the potential damage of expensive oil imports.[96] Several oil executives, despite their belief that the purchase of foreign oil assets does nothing to improve China's energy security, have made public statements in support of such acquisitions. They do so to prove their commitment to the interests of the Chinese state.[97]

Current and former employees of China's oil firms have commented that support for the idea that equity oil benefits energy security rests with people outside the oil industry. CNOOC's executives have publicly declared that China does not need foreign investments to meet its energy demands. One former executive compared the policy to Japan's failed attempts of the last few decades. He commented that investments spurred by political considerations often bring little reward at far too great a cost. Furthermore, a group of Chinese experts that participated in a forum on China's energy security argued that Beijing should depend on international trade to meet its energy needs.

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[96] Kahn, Joseph. "China's Costly Quest for Energy." *New York Times.* June 27, 2005.
[97] Downs, Brookings, 2006, p. 38.

U.S. criticism of China's equity oil purchases does not help change the practices of the Chinese NOCs. If anything, it slows the pace of potential modifications in their actions. Beijing interprets U.S. criticisms and actions as proof of Washington's desire to undermine China's economic growth. Episodes like the Unocal deal do nothing to assuage pessimistic beliefs. He Jun, an energy consultant in Beijing commented that China simply wants to have its turn at the trough. "But if the West treats China as a threat, it [China] will inevitably have to find its own path to meet its energy needs."[98] Washington likes to respond to such statements by pointing out that any country can freely purchase oil from the international market. Mr. He's response typifies the effect such statements have in Beijing. "A popular saying abroad is that oil is just a commodity that anyone who has money can buy. But this saying is most popular in the countries that already control the supplies," Mr. He said.[99] Critical U.S. statements do not convince the Chinese to believe American arguments. They usually just provoke critical statements concerning western approaches to energy security.

Is China's Behavior Unique?

The term 'Washington Consensus' refers to the belief that privatization, trade liberalization, and shifts to free-market economics will lead to rapid economic growth for developing countries. This track to development involves the acceptance of painful economic reforms pushed by the World Bank and the IMF. The reforms can include restrictions on the use

[98] Kahn, 2005.
[99] Kahn, 2005.

of macroeconomic policy, reductions in government spending, improvements in government transparency, and agreements to make democratic reforms.[100]

Beijing, on the other hand, focuses on non-interference in the domestic affairs of other nations and respect for the sovereign integrity of countries that receive Chinese aid. Obviously, this approach to the distribution of aid appeals to many African leaders. China's meteoric economic growth over the last three decades, achieved through development guided by the state, has encouraged doubt in the efficacy of the Washington Consensus.

> Increasingly, in the developing world, one hears wry references to the "Beijing Consensus" — the idea that states should deal with one another as business partners, and then be left alone to manage their own affairs.[101]

The U.S. National Security Strategy proclaims:

> Our [Washington's] goal is an African continent that knows liberty, peace, stability, and increasing prosperity… Our strategy is to promote economic development and the expansion of effective, democratic governance so that African states can take the lead in addressing African challenges. Through improved governance, reduced corruption, and market reforms, African nations can lift themselves toward a better future.[102]

Beijing's support for Khartoum disrupts U.S. efforts to apply tough economic sanctions in response to human rights offenses. The infrastructure projects built by the Chinese may threaten economic development and further destabilize already unstable countries. China sells arms that end up in the war torn region of Darfur. Chinese loans undercut attempts by the International Monetary Fund to improve the transparency of Angola's government expenditures and cut down on official corruption. It would seem that China's behavior fails to conform to the U.S. idea of acceptable practices in Africa.

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[100] Alden, 2007, p. 105.
[101] Ghazvinian, 2007, p. 289.
[102] *National Security Strategy of the United States of America.* March, 2006.

> The Chinese also offer a tradition of reserve with regard to democracy, good governance, and transparency that is appealing to some African leaders. As Western governments increasingly see these elements as essential underpinnings of development, the Chinese are willing to engage African governments even if they have poor records on political and economic reform and respect for human rights.[103]

However, both past and present U.S. participation in the African oil industry calls the truthfulness of America's stated goals on the African continent into question. Beijing's actions mirror those of the U.S. It appears that China's behavior is not unique.

China Supports Unsavory Regimes

U.S. National Security Strategy chastises Beijing for "supporting resource-rich countries without regard to the misrule at home or misbehavior abroad of those regimes."[104]

In addition, the Deputy Assistant Secretary for African Affairs, James Swan, criticized China's willingness to work with corrupt regimes:

> [China's] preferred hands-off approach to human rights and democratic governance increasingly puts China at odds with the African consensus that these are important matters. The approach adds to the perception that China is willing to coddle authoritarian regimes…[105]

As described above, China has supported Khartoum for a long time. The U.S., along with other western nations and international organizations, has watched as Beijing worked to water down numerous U.N. resolutions and blocked attempts to install economic sanctions on Sudan. Recently, the Chinese leadership has modified its approach. Chinese officials have started to pressure the Sudanese government to resolve the situation in Darfur. However, as long

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[103] Swan, 2007.
[104] *National Security Strategy of the United States of America.* March, 2006.
[105] Swan, James. "Africa-China Relations: the View From Washington." School of International and Public Affairs. Columbia University, New York. February 9, 2007. Accessed January 13, 2008. http://www.state.gov/p/af/rls/rm/80453.htm.

as Beijing considers Sudan's oil vital to its energy security, it will continue to undermine U.S. attempts to pressure Khartoum to improve the treatment of its people.

Chinese leaders scoff at Washington's pronouncements on the importance of putting consideration for human rights before economic interests. After all, the U.S. has no problem ignoring the human rights abuses of a leader from a country that provides oil to the American market.

A good example is the U.S. relationship with President Obiang Nguema of Equatorial Guinea. American oil firms, including Triton and ExxonMobil, operate large offshore concessions in his country. Obiang toppled his own uncle to take the country over in 1979. To be fair, his uncle ruled more brutally than he does. However, reports from Amnesty International and the U.S. State Department rank his regime among the worst dictatorships in the world. A book by three respected academics classified Equatorial Guinea as a criminal state.[106]

In 1998, the killing of three soldiers by ethnic Bubis provoked horrible government retribution. Men had shoulders dislocated. Soldiers raped women in the streets and forced them to swim naked in the mud. One poor woman had her clothes torn off and a cigarette thrust into her vagina.[107] Other victims had the tips of their ears cut off with scissors, forming the tips into points. When asked about the mutilations, the government claimed that they were birth defects.[108]

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[106] Shaxson, 2007, p. 123.
[107] Amnesty International. *Equatorial Guinea: A Country Subjected to Terror and Harassment*. January 1, 1999. Available at http://web.amnesty.org/library/Index/ENGAFR240011999?open&of=ENG-380.
[108] Shaxson, 2007, p. 124.

In the decade from 1990 to 2000, the per capita GDP of Equatorial Guinea increased substantially from $368 to over $2,000. At the same time, it fell further down the United Nations' Human Development Ranking. Nicholas Shaxson commented,

> It [Equatorial Guinea] now has the dubious distinction of being the country with the greatest negative difference — 93 places — between its ranking in terms of human welfare and its income per capita. Agriculture and manufacturing have fallen to less than two percent of GDP between them, while oil claims 93 percent.[109]

In 2005, Equatorial Guinea became the third largest recipient of U.S. investment in Africa, behind Nigeria and South Africa. The following year, the U.S. embassy in the capital, Malabo, reopened. The former ambassador to Equatorial Guinea under the Reagan Administration, Frank Ruddy, declared,

> I have no doubt that the only reason there has been interest from the State Department is oil. Why else would we build an embassy there? How else do you explain it? Everyone knows [Obiang] is a thug and a gangster and we are giving him all this praise. That is just shocking to me.[110]

In 2004, President Bush issued a presidential proclamation that barred corrupt foreign officials from visiting the United States.[111] Just two years later, Obiang Nguema visited the White House. "You are a good friend and we welcome you." Condoleezza Rice held Obiang's hand as she said these words in April 2006.[112] In 2006, the United States imported a paltry 60,000 b/d from Equatorial Guinea.[113]

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[109] Shaxson, 2007, p. 142.
[110] Ghazvinian, 2007, p. 179.
[111] The White House. "Proclamation by the President: To Suspend Entry as Immigrants or Nonimmigrants of Persons Engaged in or Benefiting From Corruption." A Proclamation by the President of the United States of America. Available at http://www.whitehouse.gov/news/releases/2004/01/20040112-3.html.
[112] U.S. State Department. "Remarks with Equatorial Guinean President Teodoro Obiang Nguema Mbasogo before Their Meeting." Secretary Condoleezza Rice. April 12, 2006. Available at http://www.state.gov/secretary/rm/2006/64434.htm.
[113] Energy Information Administration. *Equatorial Guinea Energy Profile*. Last updated March 24, 2008. Available at http://tonto.eia.doe.gov/country/country_energy_data.cfm?fips=EK.

Senator Carl Levin said it best,

> The photograph of you [Secretary Rice] and Mr. Obiang will be used by critics of the United States to argue that we are not serious about human rights and democratic reforms.[114]

Beijing's Loans Cause Numerous Problems in Recipient Nations

In the speech quoted above, James Swan denounces the effectiveness of Chinese infrastructure projects:

> The Chinese government offers generous loans to African governments for development projects and other domestic investments. The Chinese offer aid with no-strings-attached… While the Chinese are engaged in large infrastructure projects across Africa, there is little transfer of technology. There is also little local job creation; Chinese projects typically employ Chinese workers.[115]

Several African governments greatly appreciate the leverage Chinese loans give them in dealing with international financial institutions (IFIs) like the IMF. Before Beijing's offer of a $2 billion credit for infrastructure projects, the Angolan government had to figure out how to clean up its finances so that western aid donors would convene a donor's conference. The IMF's terms called for the production of a Poverty Reduction Strategy Paper. Upon the news of the Chinese loan offer, the Angolan Embassy in London highlighted the benefits of the deal.

> It is a well known fact that many developed countries make the support and aid they give conditional on the recurrent issue of transparency. In the case of the agreement recently signed with the Chinese bank, no humiliating conditions were imposed on Angola. The agreement therefore greatly surpasses the contractual framework imposed on the Angolan government by European and traditional markets and opens up a practical means of sustained and mutually advantageous cooperation with one of the world economies with the highest growth rates.[116]

The money that China has invested in Angola's infrastructure has provided much needed resources to help rebuild the country. The loans will help build passable roadways and railways

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[114] Shaxson, 2007, p. 143.
[115] Swan, 2007.
[116] Embassy of Angola. "Angola-China: An Example of South-South Cooperation." Press Releases. March 26, 2004. Available at http://www.angola.org.uk/press_release_china.htm.

that Angola's numerous resource industries will benefit from. In 2005 and 2006, a Chinese contractor built a 230-mile road from Luanda to Uige province for just $211 million. In comparison, the infrastructure projects undertaken by western firms cost a fortune. A Portuguese company added two lanes to a 16-mile road connecting Benguela and Lobito. The cost of the project added up to approximately $24.2 million.[117]

In addition, Beijing fills in where western firms will not venture. Other major aid donors abandoned many of the projects undertaken by Chinese firms today. Chinese leaders have even hinted at the creation of a government institution similar to the United States Agency for International Development (USAID). The creation of this organization would likely increase the accountability of Chinese aid projects in Africa. It would be an independent organization, as opposed to the Ministry of Commerce (MoC). The MoC only cares about political and economic interests when deciding on the disbursement of aid money.[118]

On the other hand, the immense flow of funds into Luanda provides fertile ground for the rampant corruption for which Angola is known. During the civil war that raged during the previous decades, the ruling class lived in private enclaves near the coast. The money flowing into Angola's coffers lined their pockets as they used the government treasury as their own private piggy bank. Global Witness, an international NGO that focuses on matters like poverty, corruption, and human rights abuses, reported that between the years of 1997 and 2001, approximately $4.2 billion disappeared from the national treasury.[119]

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[117] Ghazvinian, 2007, p. 151.
[118] Kurlantzick, Joshua. *Charm Offensive: How China's Soft Power is Transforming the World.* Binghamton, N.Y.: Yale University Press, 2007. p. 202.
[119] Ghazvinian, 2007, p. 135.

Washington is quick to criticize Beijing for its willingness to provide funds to such a corrupt regime. Once again, Chinese leaders find such complaints hypocritical. After all, several U.S. oil firms have reportedly given funds to disreputable recipients, undermining good governance and encouraging corruption.

In the 90s, the ruling party of Angola, the MPLA, no longer enjoyed the ideologically driven economic support of the Soviet Union. Instead, it depended on revenues from the production of oil at offshore sites run primarily by Chevron. Furthermore, the United States Export-Import Bank provided hundreds of millions of dollars in credit to the Angolan government. At the time, the civil war raged on as it entered its bloodiest phase.[120]

In Equatorial Guinea, at least four U.S. oil firms gave funds to numerous members of the ruling family. The children of government officials had received their educations from American institutions at a cost of roughly $4 million, paid by American oil companies. ExxonMobil rented a building that served as a residence for workers for an inflated $175,000. The payments were made to a company owned by President Obiang's wife. Meanwhile, a 14-year-old relative of Obiang earned $445,800 from rental fees paid by Amerada Hess, another American oil firm. Furthermore, payments that U.S. firms had put directly into government accounts controlled by Obiang immediately moved to accounts in offshore banks.[121]

[120] Ghazvinian, 2007, p. 136-37.
[121] Ghazvinian, 2007, p. 182-83.

China Sells Military Equipment to Countries with Poor Human Rights Records

American officials have asked their Chinese counterparts to do more to make sure that Chinese arms do not find their way to Darfur. Beijing responds by pointing out that it sells arms to Khartoum legally. Once the arms get to Sudan, it is nearly impossible for the Chinese government to keep track of where they go from there. However, the fact remains that Beijing provides all sorts of military equipment to a regime that is perpetrating genocide against the people of the Darfur region.

The Chinese leadership ignores the U.S. chastisement. After all, the U.S. remains the largest arms supplier to the developing world. In 2006, U.S. arms sales to developing countries accounted for 36 percent of the total. In comparison, China provided only 3 percent of the arms received by developing nations.[122]

The U.S. has a history of selling weapons to Africa. Fore example, the head of the UNITA rebels in Angola's civil war was a man named Jonas Savimbi. He was articulate, multilingual, intelligent, and charming. He convinced the U.S. to support his uprising against the Soviet-backed MPLA government. The administration of Ronald Reagan provided his movement with all the guns and missiles it could use. Unfortunately, America did not recognize the true character of the man.

Savimbi's rebel forces would carve holes in the sides of their captives. They referred to them as pockets and enjoyed shoving their hands down into them. They would beat pregnant

[122] Shanker, Thom. "U.S. Leads Arms Sales to Developing Countries." *International Herald Tribune*. September 30, 2007.

women face down, having first dug a hole for the woman's belly. Any UNITA fighters that Savimbi labeled dissidents found themselves, along with their families, burning on public bonfires. To keep his subordinate officers in line, Savimbi would sleep with their wives. A former U.S. ambassador to Angola, Donald Steinberg, called Savimbi "the most articulate, charismatic homicidal maniac I've ever met."[123]

Meanwhile, the American company Gulf Oil, now owned by Chevron, managed a large operating facility near Cabinda City. That facility received protection from Cuban soldiers that worked with the MPLA. They protected Gulf Oil from attacks because the Angolan government depended on the production of oil to raise the revenues it would use to purchase weapons from the Soviet Union.

> In other words, for years in Cabinda, a revolutionary Marxist government depended on money from an American oil corporation whose operations were defended by Cuban soldiers against attacks by an American-backed rebel army [UNITA].[124]

Or, in the words of Nicholas Shaxson,

> The West's hypocritical stance generated one of the Cold War's supreme ironies: communist Cuban forces defending American facilities in Cabinda, whose oil was sold to the United States, enabling a Marxist-Leninist government to buy guns from the Soviet Union to fight U.S.-backed rebels.[125]

Conclusion

Chinese demand for oil has outpaced the increase in domestic production, forcing Beijing to look abroad for energy supplies. Africa's contributions to China's imports have grown considerably and for several reasons. Chinese refineries can process African oil more cheaply than supplies from the Middle East. Experts predict that a substantial portion of future oil

[123] Shaxson, 2007, p. 48-49.
[124] Ghazvinian, 2007, p. 159.
[125] Shaxson, 2007, p. 49.

discoveries will occur in Africa. Most importantly, it is easier for Chinese NOCs to compete with western oil firms in African nations. China's no strings attached approach to business gives its oil firms an advantage.

Beijing encourages the Chinese NOCs to gain access to energy reserves in any country they can, regardless of the nature of that nation's government. China provides diplomatic support for leaders that wantonly violate the human rights of their own people. It offers aid packages worth billions of dollars to governments that routinely secrete large portions of the national budget into the personal bank accounts of their officials. Chinese weapons flow into any country that can pay for them, especially when that payment is made with barrels of oil. Chinese aid undermines attempts by the international community to force African leaders to accept economic and political reforms in return for financial support. In return, the Chinese oil firms have had considerable success acquiring contracts to explore and develop oil concessions throughout Africa.

China's actions in Africa have also inspired criticism from western sources, including the United States. However, western firms and countries have acted in much the same way on the African continent. Ricardo Soares de Oliveira, a fellow at the Global Public Policy Institute and associate of the Centre of International Studies at Cambridge University, interviewed hundreds of people about the politics of oil in Africa. He traveled to numerous countries, including Angola, Nigeria, Sao Tome and Principe, Chad, Cameroon, and Congo-Brazzaville while carrying out his interviews. In his latest book, he commented,

> At least at the present, the general standard for oil company activity is so low that one cannot claim there are major differences between the newcomers [China's NOCs] and the Western companies.[126]

The U.S. government has also supported African dictators in countries with large reserves of oil.

Current trends show that China is already modifying its policies in country's like Sudan. The long-term security of China's energy supplies will benefit from good governance and responsible leadership in Africa. As more leaders in Beijing take this concept to heart, China's African policies will evolve. The African policies of western governments changed in a similar manner. In another ten years, Beijing may even work with the west to improve the governance of African countries.

[126] Oliveira, Ricardo Soares de. *Oil and Politics in the Gulf of Guinea.* New York, NY: Columbia University Press, 2007. p.
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