

CHINA'S OIL VENTURE IN AFRICA

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Executive Summary

1. China was self-sufficient in oil before the 1980s. As its domestic economy grew and energy consumption increased, China became a net oil importing country in the early 1990s.
2. In the late 1990s, China pursued a new policy of developing its oil industry by “using two sorts of resources and markets (domestic and overseas)”, for which it began “establishing oil fields abroad” in its “going out” strategy.
3. However, China perceives the current oil production order and existing partnerships as entrenched. As it would be difficult for Chinese oil companies to enjoy equal opportunity in those markets, they felt compelled to find alternative supplies of oil.
4. Africa is believed to be one of the main growing sources of global oil supply; *The Wall Street Journal* predicted that by 2010, “West Africa will be the world’s number one oil source outside of OPEC”.
5. Since the late 1990s, China’s policies towards the region have been closely linked to the objectives of its major state-owned oil companies in seeking access to African oil. Since 1999, crude oil imports from Africa have accounted for over 20% of its total oil imports, and in 2005, this percentage increased to 31%.
6. The success of China’s oil venture in Africa should be attributed to its success in combining diplomacy and business. By the middle of 2006, the total amount of Chinese Export-Import Bank loans to Africa reached over US\$ 12.5 billion in infrastructural development alone. Most of these projects are concentrated in oil-rich countries.

7. In developing its oil venture in Africa, China has deliberately avoided a singular focus on oil supplies, and concentrated on widening the range of economic exchanges. China's goal is to create a level of economic interdependence that will lead to greater bilateral trade, including sale of oil equipment and purchase of oil and gas supplies.
8. Meanwhile, China started to adjust its approach to the Sudan issue in October 2006 when it voted in favor of a bigger UN peacekeeping presence to buttress a weak African Union force on the ground. This indicates that China has loosened its "non-interference" policy in certain circumstances.
9. However, there is little reason to believe that China will shift towards an isolation policy advocated by the U.S. In fact, China has been trying to use its "soft power" to persuade the al-Bashir's government to comply with Western requests, believing that this is the best way to maintain the current status quo that has allowed it to become the major player in Sudan's oil industry.
10. China has begun to consider and develop its energy strategy from a wider perspective, so as to reduce potential conflict with other superpowers in this region.