

CHINA-US OIL RIVALRY IN AFRICA

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Executive Summary

1. With limited opportunities to increase upstream production domestically and thin margins on down-stream activities because of price controls, Chinese oil companies are compelled to scour the world for investment opportunities in untapped energy reserves, seeking income and rent from the upstream sectors.
2. China's increasing oil investment in Africa has aroused concerns of some American officials. They feel that China will pre-empt U.S. firms in the development of promising oil fields and compete with the U.S. for the loyalty of local governments.
3. As a result of growing American reliance on African oil and the uncertain security climate (partly due to China's growing influence there) in the region, the U.S. Department of Defense is paying closer attention to Africa.
4. It is possible for China and the U.S. to confront each other over oil in Africa. China's increasing oil investment and trade breakthrough with Sudan obviously clashes with U.S. sanction on Sudan.
5. China has been paying a price and even running a risk in its oil-related diplomacy in Africa. China has been criticized for doing business with "rogue states" and labeled as "new colonialism to plunder resources".
6. To reduce potential conflict, it is essential for U.S. to see that China's political influence in Darfur should not be overestimated. At the same time, though Beijing's investment in Sudan provides it with an economic leverage, it also makes Beijing a hostage.
7. Beijing will lose its credibility and *de facto* influence if it overexerts its will politically, as "the effective influence that Beijing can exert over the Darfur

crisis lies in its delicate balance between practicing an influence-without-interference strategy and maintaining the hard-won trust of the Sudanese government.”

8. China also needs to consider changing and improving its ways of support, helping African countries find a new development model. Donation can relieve some urgent needs, but it cannot eradicate the roots of poverty and underdevelopment in African countries.
9. More importantly, China’s decision makers needs to keep in mind that energy security is a global issue, and in an era of globalization, a single nation’s policy no longer works well in addressing oil security. In the future years, a strategy based on international cooperation may look more attractive than one on special arrangements with a few rogue states.
10. China and the U.S. are finding more common interest with regard to oil affairs in Africa, as both countries are becoming increasingly dependent on imported energy. China and U.S. have both the foundation and reason to turn oil in particular and energy in general to a cause for confidence building between them.