# China’s growing trade with Africa indicative of Sino-Western energy conflicts

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The rate of increase in Sino-African trade could see China threatening the United States’ predominant position in the next period. US-Africa trade was $44.5 billion in 2004.

Energy is China’s main concern and over the last few years it has struck or expanded on existing oil deals with Angola, Algeria, Chad, Equatorial Guinea, Gabon, Nigeria and Sudan. Africa now supplies around one quarter of China’s energy imports.

China is expected to overtake both the UK and France this year to become the world’s fourth largest economy, and is growing at around 9.3 percent per year. China’s trade surplus was $90.8 billion for the first 11 months of 2005, three times the level of 2004. This was boosted by textile exports following the end of the quota system. China’s excess capacity and reliance on exports is antagonising both the US and European Union.

In 2003 China overtook Japan to become the world’s second largest consumer of oil after the US. Demand is increasing rapidly and its oil consumption is growing by 7.5 percent per year, seven times more than the US. China’s energy needs accounted for 40 percent of the total growth in global oil demand over the past four years. It currently imports about one third of its consumption, but is projected to import two thirds by 2025.

By 2010 China is expected to have 90 times more cars than it had in 1990, and is projected to surpass the total number of cars in the US by 2030. China is also attempting to increase and diversify supplies, particularly away from the Middle East, where it currently sources about 58 percent of it oil. Areas of interest include Russia, the Caspian Basin, the Americas, the East China Sea and particularly Africa.

Africa contains about 8 percent of the world’s proven oil reserves, 70 percent of which is off the west coast in the Gulf of Guinea, which stretches from the Ivory Coast to Angola. The low sulphur content of West Africa’s oil makes it of further strategic importance.

Last year China displaced Japan as the second largest importer of African oil after the US, which currently imports about 15 percent of its oil from Africa. China first established a presence in Sudan’s Muglad oilfields 10 years ago, and filled the vacuum when the US broke diplomatic ties with Sudan in 1997. Currently between half and 60 percent of Sudan’s oil exports go to China, amounting to around 7 percent of China’s imported oil.

China has invested more than $8 billion in joint exploration contracts in Sudan, including the construction of a pipeline from the southern oilfields to the Red Sea and a tanker terminal at Port Sudan. About 10,000 Chinese people work in the country.

China has greatly increased its investments throughout the continent in booming sectors such as mining, fishing, precious woods and telecoms, but also in less profitable sectors neglected or abandoned by the West, e.g., Zambia’s Chambezi copper mines and the supposedly exhausted oil reserves in Gabon.

There are currently around 700 Chinese firms operating in 49 African countries. According to the IMF Africa should experience growth of 5.8 percent this year, the highest for 30 years, fuelled in large part by China’s trade with the continent.

“China is competing for anything and everything at this stage,” explains Dianna Games, a South African economic and political analyst. “They know Africa is wide open to them.”

China also exports manpower and technical expertise, sends doctors and nurses to the continent, establishes scholarships for African students at Chinese universities, trains African businessmen and trade officials, and encourages Chinese businessmen to invest in Africa.

China has invested heavily in privatisations and infrastructure projects intended to aid trade and the movement of goods, including: trains, roads, buildings, electricity and phone lines, mining prospects and oil refineries. It has also invested in tourism and has launched Nigeria’s first satellite.

Since the China-Africa Forum in 2000, China has scrapped

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tariffs on 190 kinds of imported goods from 28 of the least developed African countries, and cancelled $1.2 billion in debt.

China’s export bank has recently given a soft loan to Angola, which has given it a stake in oil exploration in shallow waters off the coast. The loan is to be used for infrastructure projects, many of which facilitate the development of the petroleum industry and wider trade.

Projects under way include railways, roads, a fibre-optic network, schools, hospitals, offices and housing developments of up to 5,000 units. A new airport with direct flights from Luanda to Beijing is also planned.

The deal guarantees Angola just 30 percent of the construction contracts, with Chinese companies expected to win the remainder. This has caused some concern in Angola’s unions, but not in the government. “Why would you stop these guys coming?” asks Isaac Maria dos Anjos, a ruling party MP. “It absolutely will help the ruling party. We have to build hospitals. We have to build bridges. And we will do a lot of it in just one year,” i.e., before the next election.

Angolan Finance Minister Jose Pedro de Morais explained that Angola’s infrastructure is being rebuilt quickly, which has helped it to normalise relations with other banks who are now ready to expand their lines of credit.

China’s loan, and its policy of non-interference, has made Angola less interested in accepting an IMF conditional loan, which calls for economic transparency and the opening up of its books to corporate governance concerning its oil contracts.

The multinationals who have traditionally and historically exploited the continent’s resources are alarmed at China’s rapid incursions into African trade, as are US policymakers and the Western press.

Western analysts have criticised China by claiming that Chinese money is enriching corrupt leaders, buying influence, gaining access to resources, and is being used as a means to garner support regarding Taiwan and United Nations Security Council issues.

Gal Luft of the neo-conservative think tank Institute for the Analysis of Global Security, complains along these lines, saying that “it will be much easier for [some African] countries to work with Chinese companies, rather than American and European companies, which are becoming more restricted by the publish-what-you-pay initiative and others calling for greater transparency.”

The US Council on Foreign Relations has also issued a bipartisan report accusing the Bush administration of lacking a comprehensive, long-term strategy for dealing with Africa and urging policymakers to give it greater attention. It calls for an upgrade in diplomatic and intelligence capabilities by appointing an ambassador to the African Union and opening more missions in key African cities, particularly in energy-producing countries.

The report criticises the shortcomings of a humanitarian approach, and calls for a comprehensive elaboration of US interests. “The United States must recognise and act on its rising national interests on the continent through a far higher mobilisation of leadership and focused resources that target Africa’s new realities.”

It lists a hierarchy of US interests: oil and gas; growing competition with China; war on terrorism; HIV/AIDS pandemic; conflict resolution and peacekeeping; democracy and human rights; and long-term economic development.

The report hypocritically bleats that China “does not share US concern for issues of governance, human rights or economic policy.” Duncan Innes-Ker, of the Economist Intelligence Unit, concurs. He believes “Chinese firms are a little less ethically constrained” than their Western counterparts.

China has become more forthright in its arms sales in line with its growing economic influence. It sold an estimated $1 billion worth of arms to Ethiopia and Eritrea during their border conflict between 1998 and 2000, comparable to the US selling arms to both sides during the Iran-Iraq war. It has also sold arms to both Zimbabwe and Sudan whilst they have been under Western arms embargoes, and has sold helicopters to Mali and Angola, arms to Namibia and Sierra Leone, and army uniforms to Mozambique.

In 2004 China contributed more than 1,500 troops to UN peacekeeping across the continent, primarily in the Democratic Republic of Congo and Liberia. Chinese peacekeepers were sent to Liberia two months after Liberia switched its diplomatic recognition from Taiwan to China. “The centre of gravity of oil is shifting,” believes Daniel Yergin, chair of the Cambridge Energy Research Associates. “Last year, Asia consumed more oil than North America”.

This shift is having an impact on Africa where it will stimulate more intense rivalries for access to that continent’s resources.

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