

Chinese leader's trip to Saudi Arabia and Africa highlights growing resource rivalry

John Chan
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While the visit by Chinese President Hu Jintao to Washington last month received considerable media coverage, there was virtually none for the remainder of his extended overseas tour. Yet it was the rest of Hu's trip—to Saudi Arabia and three key African countries—that highlighted one of the chief reasons for his chilly reception at the White House—the growing rivalry between China and the US over oil, natural gas and other scarce resources.

Hu flew straight from Washington to the Saudi capital of Riyadh on April 22 for a three-day visit to bolster China's relations with the world's largest oil exporter. Hu's first visit to the Gulf State came just months after Saudi King Abdullah visited Beijing—another first for the two countries, which only established diplomatic relations in 1990.

Several major agreements were signed. Among the most important was one to extend cooperation between the giant Saudi oil company Aramco and China's second largest oil firm, Sinopec, in exploring huge gas reserves in the vast desert known as the Empty Quarter.

Hu visited the headquarters of the Middle East's largest non-oil company—Saudi Basic Industries Corporation—where he discussed the possibility of allowing it to invest in petrochemical projects to the tune of \$US5.3 billion in northeastern China.

Abdul-Rahman al-Attiya, the Riyadh-based leader of the Gulf Cooperation Council (GCC), also promised Hu that free trade agreements between China and the GCC states would be signed at the end of this year.

The growing economic ties between Beijing and the Saudi elite are based on China's burgeoning demand for oil. In 2004, China overtook Japan as the world's second largest oil consumer and Saudi Arabia currently supplies about 450,000 barrels per day or 17 percent of China's total oil imports.

At the same time, the two countries are cautiously moving towards closer political relations, well aware of the potential for friction with Washington. The US has long regarded the Saudi monarchy as a crucial political ally in the Middle East and key supplier of oil. The Pentagon used the Gulf State as a base of operations for launching the first Gulf War in 1991 against Iraq and maintains close ties with the Saudi military.

During his trip, Hu was accorded the rare honour of

addressing the king's Majlis as-Shura or advisory council, becoming only the second foreign leader after French President Jacques Chirac to do so. He said that the Middle East was vital for the world and that China was "ready to work" with Saudi Arabia. Hinting cautiously at the destabilising role of US militarism in the region, the Chinese leader declared: "When the Cold War ended... many hot issues remained without resolution, and new conflicts have caused more instability".

For the Saudi monarchy, closer ties with Beijing offers the prospect loosening of its political and economic dependence on Washington. Saudi Prince Walid bin Talal told the *New York Times* on April 23: "We are opening new channels, we are heading east. China is a big consumer of oil. Saudi Arabia needs to open new channels beyond the West."

Omar Bahlaiwa, a branch secretary general of the Saudi Chamber of Commerce, declared the US should not be alarmed about Saudi's new relations with China. "We are in a Catholic marriage with America," he said. "But we are also Muslims—we can have more than one wife."

Washington has not publicly commented on Hu's visit to Saudi Arabia, but the White House will undoubtedly have regarded it as an unwelcome intrusion in the Middle East. It came as the Bush administration is pushing in the UN Security Council for punitive measures against Iran over its nuclear program. China's opposition to sanctions is a further source of tension with Washington as each seeks to further their economic and strategic interests in the region.

From Saudi Arabia, Hu went to Africa—Morocco, Nigeria and Kenya. The first stop in Morocco on April 24 was largely for diplomatic purposes. In 1958 the country was only the second in Africa, after Egypt, to formally recognise China. The remaining two stops, however, were again primarily about resources.

The most important was to Nigeria on April 26—Africa's most populous country and largest oil producer, centrally located in the oil-rich Gulf of Guinea. The region is currently supplying 15 percent of US oil imports and the proportion is expected rise to 25 percent within a decade.

Speaking before the Nigerian National Assembly, Hu called for the establishment of a "strategic partnership" between China and Africa. The visit was to finalise a deal for China's

preferential rights in bidding for four oil drilling licenses—two in the oil-rich Niger delta and two in the largely untapped Lake Chad basin.

Beijing plans to invest \$4 billion in Nigeria's infrastructure, including a Nigerian state-run oil refinery, a railway line and power plants. Two Chinese telecommunication companies will install rural telephone services financed by \$200 million in loans from Beijing.

On the eve of Hu's visit, the China National Offshore Oil Corporation (CNOOC) paid \$2.7 billion for a 45 percent stake in a Nigerian oil field due to start production in 2008. Last year, Nigeria agreed to provide 30,000 barrels of oil per day for five years to China's largest state-owned oil company, PetroChina, in a deal worth \$800 million.

Oil was also top of the agenda in Kenya on April 27-30. In Nairobi, the Chinese president signed an agreement for licenses to allow CNOOC to explore six possible oil blocks off the coast of Kenya. Last year, China provided \$36.5 million in aid to Kenya, mainly to upgrade its power stations.

China's deals with Nigeria and Kenya, as well as other African countries, are direct challenges to the traditional domination of the continent's oil by American and European companies. (See Western concern at China's growing involvement in Africa)

China's energy diplomacy was spelled out by Yang Peidong, a foreign ministry consultant, in a recent edition of *China Economic Weekly*. Beijing is now focusing on "the extension of trade and the promotion of energy, resources and technology cooperation" as the heart of China's foreign policy, he wrote.

China's strategy is to offer infrastructure projects to the resource-rich countries in Middle East, Africa and Latin America to facilitate, and in exchange for, the export of minerals to China. China is now the world's sixth largest engineering contractor, with its new contracts up 24 percent to \$39 billion last year. In some cases, China has also financed and even armed regimes, such as in Sudan and Zimbabwe, in order to protect its resource interests.

In comments to Reuters during Hu's visit, former Nigerian foreign minister Bolaji Akinyemi attempted to play down possible tensions with Washington. "In the Middle East, the US regards China's incursion with alarm, but Nigeria is more virgin territory for suitors and Washington should not be too worried," he said.

The Bush administration, however, regards China's moves in Africa as far from benign. Its recently published National Security Strategy openly states US concerns over China as "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; and ... supporting resource-rich countries without regard to their misrule at home or misbehaviour abroad of those regimes."

China's support for various African regimes is generating

sharp tensions with the US and other major powers. Just prior to Hu's arrival in Africa, the Western media have expressed fears that China would be the greatest beneficiary of the attempted coup in April by Sudanese-backed rebels against the government of Chad. At present, China has no share in Chad's oil and the current regime recognises Taiwan, not China. French troops suppressed the rebellion.

Beijing's activities in Africa have been carried out under the diplomatic banner of China's "peaceful rise". The doctrine was developed under the Hu leadership to counter accusations by the US, Japan and even European countries that China's economic emergence is a threat. In essence, China is seeking to avoid confrontations with the major powers, while quietly pursuing its economic interests internationally.

This strategy is fraught with contradictions, however. Facing growing unrest caused by unemployment and social inequality at home, Beijing cannot afford any slowdown in economic growth. It is driven to expand production and thus to gain access to new sources of raw materials, particularly oil, and new markets. Inevitably, despite its "peaceful rise" diplomacy, China is coming into conflict with the US, Japan and the European powers in Africa, the Middle East, Latin America and other regions.

Just two weeks before Hu's visit to Washington, US Secretary of State Condoleezza Rice bluntly summed up the growing global competition for resources before the US Senate Foreign Relations Committee on April 5. "I can tell you that nothing has really taken me aback more as secretary of state than the way that the politics of energy is—I will use the word warping—diplomacy around the world," she declared.

"It is sending some states that are growing very rapidly in an all-out search for energy—states like China, states like India—that is, really sending them into parts of the world where they've not been seen before, and challenging, I think, for our diplomacy," Rice added.

The Bush administration invaded Iraq to secure US domination over its oil supplies and is mounting a campaign against Iran to further US economic and strategic ambitions in the Middle East. There is no doubt that Washington will respond just as aggressively to any challenges by China to US interests in the key strategic regions of the globe.



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