

## Comparative Analysis of China's Energy Activities in the Middle East and Africa

Lei Wu & Youyong Wang<sup>1</sup>

**Abstract:** *The Middle East and African oil have now accounted for 70% of China's total oil imports and will have to be China's major sources of crude oil imports in the future, which means that Beijing will continue to emphasize its energy requirement activities and to forge closer energy cooperation with both regions. China's energy activities in the Middle East and Africa have similar trade and investment patterns and also similar risks, the "Oil of Politics" such as the Iranian nuclear crisis and the Sudan/Darfur crisis will be the biggest challenges that Beijing faces in the Middle East and Africa. China's energy activities in the Middle East are somewhat restrained and moderate, given its limited political influence and the instable geopolitical situations in the region. However, China's energy requirement activities in Africa by means of energy diplomacy, technological and economic assistance, foreign aid and loans and debt cancellation, have and will continue to expand Beijing's presence and influence in the region, having different geopolitical implications for Beijing, Africa and the West.*

**Key Words:** *Energy Security; African oil; China's Energy Security; Middle East Oil; Comparative Analysis*

### I. Middle East Oil and China's Energy Security

China became a net oil importer in 1993 and by the end of the 1990s, the importance of Middle East oil in China's dependence on imported oil as well as its national energy security had already become prominent. In contrast to America's purchase of about 50% of its oil imports from the Western Hemisphere, China's average dependence on the Middle East oil reached 48.7% between 1998 and 2005, almost equaling that of the US oil imports from the Western Hemisphere. According to *BP Statistical Review of World Energy*, in 2007, China imported 4.11 million barrels of oil per day, out of which 1.58 million barrels per day were from the Middle East, accounting for over 38.4% of China's total oil imports.<sup>2</sup>

The Middle East ranks first in terms of proven oil reserves, oil production and oil exports. In 2007 alone, proven reserves reached 755 billion barrels, making up

---

<sup>1</sup> Dr. Lei Wu is a professor at Institute of International Studies of Yunnan University, Kunming, China and Dr. Youyong Wang is a professor at Shanghai International Studies University.

<sup>2</sup> *BP Statistical Review of World Energy*, June 2008, pp. 8-20.

61% of the world's total of 1,237 billion barrels; oil production operated at 25.17 million barrels per day, accounting for 30.6% of the world's oil supplies; oil exports registered at 19.68 million barrels per day, filling up 35.8% of the world's total of 54.8 million barrels per day<sup>3</sup>. These figures first explain one of the reasons why China, Europe and Japan are so heavily dependent on Middle East oil. Secondly, in comparison with America's advantageous oil supplies facilitated by its oil-rich neighboring countries, China is in a disadvantageous situation, considering its oil-poor neighbor and peripheral countries and regions. The Asia-Pacific is in general an oil-importing region, falling short of meeting China's ever-increasing oil demands. In the Western Hemisphere where America is geographically situated, proven oil reserves account for 23.9% of the world's total whereas in the Asia-Pacific where China geographically is situated, that figure is only less than 3%, plus 6.1% in Russia and Central Asia where energy resources are comparatively rich.<sup>4</sup> The uneven distribution of resources gives rise to China's over-dependence on Middle East oil and compels China to fortify its stronghold in the Middle East and even reach out to more far-flung regions like Africa. Thirdly, China's long-term strategy, based on its increasing demand for Middle East oil, coincides with some Middle Eastern oil-producing countries' strategy of securing long-term and stable oil market for exports. The deepened energy cooperation is illustrated not only by the continued oil exports to China by countries like Saudi Arabia and Kuwait, but also by their direct investment in China's downstream and refining sectors. This classical relationship of "co-survival", though beneficial to the development of bilateral energy ties, renders China even more heavily dependent on Middle East oil<sup>5</sup>. Of the top ten oil exporters to China in 2004, Saudi Arabia, Iran, Oman and Yemen ranked the first, second, third and fourth respectively whose oil exports together accounted for nearly 50% of China's total oil imports. Of the seven biggest oil exporters to China in 2005 and in the first half of 2006, these countries played an equally important role in exporting oil to China.

Yet, the core of the issue lies is that China's over-dependence on Middle East oil is sure to remain so. According to projections by the US Energy Department, even if Sino-Russian and Sino-Central Asia energy cooperation could be carried out in a smooth way and oil pipelines connecting China with Russia and Central Asia could be completed as planned, in 10 or 20 year to come, the amount of oil supplied to China by Russia and Central Asia is unlikely to exceed the level of 1 million barrels per day, accounting for only 9-17% of China's total oil imports<sup>6</sup>.

---

<sup>3</sup> Ibid., pp. 6-21.

<sup>4</sup> "Worldwide look at reserves and production," *Oil & Gas Journal*, No. 47, December. 19, 2005, pp. 24-24.

<sup>5</sup> Stephen P. Matthews, "China's new energy focus: strategic partnership with Saudi Arabia," *Energy Security: Implications for US-China-Middle East Relations*, The James A. Baker III Institute for Public Policy, Rice University, July 18, 2005.

<sup>6</sup> *EIA International Energy Outlook*, 2005, pp. 150-160. And also see: *US-China Economic and Security Review Commission(USCC)*, Hearing on "China's Role in the World: Is China a Responsible Stakeholder?" Testimony by Erica S. Downs, August 4, 2006.

Conservative estimates argue that taking into consideration the global energy distribution, production capacity, supply potential and import costs, most of China's oil imports, making up 50%-60% of its total, will have to come from the Middle East, the Gulf region in particular. Whatever efforts China makes to diversify its import sources, China will have to remain dependent on Middle East oil, Saudi oil, in particular.<sup>7</sup> Despite aggressive diversification efforts, the Middle East would remain dominant in China's oil imports for the foreseeable future. Diversification would reduce China's reliance on the Middle East, but it does not mean the region no longer dominates China's oil imports, or it is hard to change the dominance of the Middle East in China's oil imports and national energy security.<sup>8</sup> So, over the past decade, while making aggressive diversification efforts, Beijing has been cultivating bilateral relationships with the Middle East oil-producing countries.

Similarly for both America and China, the biggest energy award the Middle East offers is Saudi Arabia, a country that holds 1/4 of the world's proven oil reserves.<sup>9</sup> The Sino-Saudi strategic partnership has undergone a slow development. With the establishment of diplomatic relations in 1990, bilateral strategic relations have been rising steadily. As China's oil security got more and more prominent, China realized that of all the bilateral energy relationships with Middle Eastern nations, the one with Saudi Arabia is the most important because Saudi Arabia plays a unique and dominant role in the world's oil production and supplies. Therefore, China began to foster closer relationships with Riyadh in the late 1990s. In 1999, former Chinese President Jiang Zemin visited Riyadh, pushing China and Saudi Arabia to a new era of strategic partnership. During the visit, leaders of the two countries signed an energy agreement, establishing "strategic oil partnership". The agreement also stipulates that except for some upstream areas like oil exploitation and production, Saudi Arabia undertakes to open its domestic oil and gas market to China and China is committed to opening its downstream oil sectors to Aramco, the Saudi state-owned oil company, to build joint oil refining factory to process and extract crude oil imported from Saudi Arabia and other Middle East countries. In January 2006, King Abudula Aziz made his first visit to China during which he and his Chinese counterpart President Hu Jintao signed a series of agreements on further cooperation in oil and gas. As a result, the Sino-Saudi energy relationship has been developing very rapidly with China increasing its crude imports from Saudi Arabia and in 2002, Saudi Arabia became China's biggest oil supplier. This development complies to the Saudi hope "of

---

<sup>7</sup> Andrew W. Marshall etc., "The Sino-Saudi energy rapprochement: implications for U.S. national security," *The Gracia Group*, January 8, 2002, p. 2.

<sup>8</sup> Zhong Wu, "China aims to diversify oil sources," *Asia Times*, February 28, 2007.

<sup>9</sup> USCC, Hearing on China's Future Energy Development and Acquisition Strategies, Testimony by Gal Luft, July 21, 2005.

diversifying its strategic oil partnerships.”<sup>10</sup> Meanwhile, Aramco has started to invest directly in China's Fujian refining plant. After the Fujian Project, Aramco announced it would again join hands with Sinopec to invest in the Shandong Project, another refining plant worth \$1.7 billion. Earlier, Sinopec was granted the opportunity to invest in a natural gas project in Saudi Arabia (i.e. SGI-2 in Zone 2 covering an area of 40,000 square kilometers). Some \$300 million was injected in the initial stage of this project. An American scholar, Gal Luft, complained that Saudi Arabia testified to its intention to be more closely tied with China by deciding in 2004 to allow Chinese enterprises to tap into its natural gas while negotiations between Riyadh and US enterprises failed to yield similar outcomes<sup>11</sup>. Furthermore, the mutual investment between China and Saudi Arabia has extended to other sectors like telecommunications, engineering and construction. In 2005, bilateral trade volume reached \$14.5 billion and Saudi Arabia became China's largest trade partner in between West Asia and North Africa<sup>12</sup>.

Ranking the third in terms of proven oil reserves, being the second largest oil producer among OPEC, serving as the bridge between the two energy hubs of the Gulf and the Caspian, Iran's role in China's “new energy silk road” and in China's overall energy security is self-evident. Iran is a natural partner of China and its increasing demand for overseas oil.<sup>13</sup> Since the Mid-1990s, China has gradually expanded its imports of Iran's crude and oil products, bringing China-Iran energy trade to a high level. In 2004, the Iranian oil minister expressed the hope that China could “eventually take Japan's place and become the major market for oil exports of the Islamic Republic.”<sup>14</sup> Currently, Japan continues to be the first destination of Iran's oil exports followed by China. Starting from this century, while continuing to import Iran's crude oil, China has been actively seeking more direct ways of acquiring Iran's oil by involving itself in Iran's oil production and investment projects. Unlike Saudi Arabia, Iran has appealed to overseas investors by opening its upstream sectors, at least theoretically. In October 2004, China and Iran signed a memorandum of understanding so that Sinopec was granted the right to participate in the development of Iran's Yadavaran oil field. In return, China promised to buy from Iran 10 million tons of liquefied natural gas (LNG) annually in the 25 years to come. The Yadavaran oil field is said to be one of the world's largest untapped fields whose production can be as high as 300,000 barrels a day, of which 50% will be shipped to China. This memorandum also concerns the development of Iran's liquefied natural gas with negotiated investment and trade

---

<sup>10</sup> Robert Manning, “The Asian energy predicament,” *Survival*, Vol. 42, No. 3, Autumn 2000, pp. 73-88.

<sup>11</sup> USCC, Hearing on China's Future Energy Development and Acquisition Strategies, Testimony by Gal Luft, July 21, 2005.

<sup>12</sup> “China, Saudi Arabia extend energy ties,” *Asia Times*, January 25, 2006.

<sup>13</sup> Kaveh L. Afrasiabi, “China's energy insecurity and Iran's crisis,” *Asia Times*, February 10, 2006.

<sup>14</sup> Renfeng Zhao, “Iran prefers China for oil exploration projects,” *China Business Weekly*, November 10, 2004.

amounting to as high as \$70-100 billion. This is the biggest deal concerning trade and investment Iran has ever made with foreign countries.<sup>15</sup> As a matter of fact, China's cooperation with Iran has gone far beyond energy, extending to broader economic areas. At the moment, Iran is the biggest market for China's mammoth projects and labor exports and China's invested projects in Iran range from iron and steel, ship-making to the construction of dikes, airports, subways and roads. Currently in Iran, over 120 Chinese companies have investment projects under way with investment capital totaling \$6 billion and hundreds more are under negotiation concerning another billions of dollars. Bilateral trade grew from 7.5 \$billion in 2004 to 9.5 \$billion in 2005.<sup>16</sup>

So far, China's energy activities in the Middle East have been characterized by oil and gas trade and, along with its active seeking and taking part in direct oil and gas investment opportunities. In forging its partnerships, Beijing values Saudi Arabia and Iran in particular and both countries exports together now represent nearly two-thirds of China's Middle East oil imports, Beijing's energy relationships with these countries involves both trade and investment. China's energy activities in the other countries such as Oman, Yemen, Iraq, Kuwait and Qatar, while they have been limited, are increasingly progressing quite well.<sup>17</sup>

## II. African Oil and China's Energy Security

China and Africa have reported closer cooperation in oil and the strategic importance of African oil in China's energy security has been growing steadily against the backdrop that the vulnerability of China's energy security is getting worse, heavily relying on oil from the volatile Middle East. This forcefully explains why China is turning to the oil-rich African countries that keep relatively friendly and stable relations with it. According to the Chinese official customs statistics, China started oil deals with Africa in 1992, importing 500,000 tons of oil in that year, which accounted for 4.4% of China's total oil imports then. In 1993, the corresponding figures rose to 2.13 million tons and 14% respectively and since 1999, the ratio of African oil in China's total oil imports has been kept over 20%, and in 2005 hiking to 30%<sup>18</sup>. Also in 2005, two African countries, Angola and Equatorial Guinea, were among the top 7 oil exporters that sold oil to China<sup>19</sup>. In 2006, overtaking Saudi Arabia, Angola became China's biggest oil supplier. In 2007, China's oil imports increased by 15% over the same period in 2006, with Africa

---

<sup>15</sup> Jephraim Gundzik, "The ties that bind: China, Russia and Iran," *Asia Times*, June 4, 2005.

<sup>16</sup> Chietigj Bajpae, "China stakes its Middle East claim," *Asia Times*, March 24, 2006.

<sup>17</sup> "Big deals in Gulf-China trade boom," *The Associated Press*, April 11, 2007; Dongyi Chen, "China, Iraq expected to kindle oil exploration deal," *Xinhua News Agency*, July 2007; "China-Middle East energy ties," *Reuters News*, November 26, 2006.

<sup>18</sup> *EIA International Energy Outlook 2005*, Appendix A-C, pp. 83-130.

<sup>19</sup> *EIA Country Analysis Briefs: China*, August 2006, p. 5.

supplying 26%. According to China Petroleum and Petrochemical Equipment Industry Association (CPEIA), oil and gas imports from Africa will rise in the next 5 to 10 years to 40% of overall imports from 30%<sup>20</sup>.

The 1990s ushered in a new age of China-Africa relations centering on energy and other types of natural resources. Needless to say, China's endeavor to further develop relations with the African continent reflects on China's diplomatic shift to developing countries rich in resources and China's pursuit of resources, energy in particular, is an important reason why Beijing is treating Africa as an important strategic region. Ever since 1995 when Chinese National Oil Companies (NOCs) were given the right to tap oil resources in Sudan, bilateral relations between China and Africa in oil-related investment and trade have been booming rapidly. In March 2004, China and Angola reached an agreement in which Angola undertook to supply China with 100,000 barrels of oil on a daily basis and China committed itself to another \$2 billion loans for building infrastructure in Angola. Another similar agreement signed between Sinopec and the Nigerian National Oil Company in July 2005 enabled China to buy 300,000 barrels of oil daily from Nigeria in one year's time. In January 2006, CNOOC spent a sum of \$2.27 billion acquiring 45% of the shares of a Nigerian offshore oil and gas field and another 2.25 billion is going to be injected by the Chinese side to increase production of the same oil and gas field. Gabon's oil production has seen a drop in recent year and because of this, Sinopec is putting a huge amount of investment to prospect more of the country's oil both on land and offshore. At the moment, China has extended oil partnerships not only with countries like Algeria, Libya, Angola, Sudan, Gabon, Nigeria and Equatorial Guinea, but also with countries like Chad, with which China has no official diplomatic relations.

Given its priority for diversified oil imports, China has launched all of its state oil companies into the African upstream arena: China National Petroleum Company (CNPC), China National Offshore Oil Company (CNOOC), and China Petroleum and Chemical Corporation (Sinopec). Chinese oil companies are most active in Sudan, Angola, Nigeria, Algeria and Gabon, with pre-investment talks ongoing in Chad, Libya, and the Central African Republic.

CNPC's oil investments in Sudan are its largest global oil operations, currently producing 500,000 b/d, and expected to reach 750,000 b/d by 2007.<sup>21</sup> Sudan alone supplies China with 7% of its oil needs and is its fourth-largest overseas oil supplier (after Saudi Arabia, Iran and Oman). Sudan is a long-term energy partner for China, especially since the highly prospective (in oil) southern region remains virtually unexplored, and Chinese oil firms are gaining in petroleum exploration

---

<sup>20</sup> "China to import more oil and gas from Africa," *Hong Kong Commercial Daily News*, March 19, 2008.

<sup>21</sup> Florence C Fee, "Asian Oils in Africa: A Challenge to the International Community," *MEES*, Vol. XLIX, No 17, April 24, 2006.

and development operating experience in the country.

Sudan's proven oil reserves consist of 700mn barrels in the Muglad and Melut Basins in mostly northern Sudan, both discovered by Chevron in its pioneering exploration work in the 1970/80s. In the southern region, high potential for finding future oil reserves exists in the "Sudd" (Arabic meaning barrier for its dense aquatic vegetation) swamp. The Sudd is a massive clay-soiled bowl-type basin where the White Nile yearly overflows its tributaries as it flows north through Sudan and Egypt. Energy professionals believe that the Sudd likely holds an additional 5bn barrels or so in recoverable reserves. Together, these aggregate reserves (Muglad, Melut and Sudd) will be sufficient to maintain production for nearly 60 years, meaning that Sudan will be a major oil supplier for China for decades to come.<sup>22</sup>

In 1996, when CNPC entered Sudan, the country represented a perfect beachhead opportunity for China. CNPC's first investment, in the Greater Nile Producing Consortium (GNPOC), is made up of the Muglad Basin portion of the old Chevron license area. The current GNPOC partners are CNPC, Petronas, ONGC and Sudapet. The investment features that attracted the Chinese to Sudan were: (a) the presence of large discovered oilfields waiting to be developed; (b) the absence of Western oil majors competing for oil rights; and (c) huge upside exploration potential to ensure a steady flow of production into the future, when, presumably, the country would enjoy greater political stability Sudan was engaged in a civil war at the time.<sup>23</sup>

Sudan since then has been an unqualified oil production and exploration success for China. Within three years of joining GNPOC, CNPC was producing and exporting high-value, easily-refinable, light, sweet Sudanese crude from the Muglad Basin. By 2005, its crude production levels there reached 500,000 b/d and may attain 750,000 b/d by 2007. Meanwhile, further east, in the Melut Basin, another portion of Chevron's old license area, the current Petrodar consortium, made up of a nearly similar group of partners (CNPC, Petronas, Sudapet, Gulf Petroleum and Al-Thani) to GNPOC (both including CNPC) have discovered three new oilfields in the past three years. The Chinese work in both basins is built upon earlier work by Chevron.

Today the Sudan oil industry is dominated by the Chinese, Indians and Malaysians. The one major Western petroleum investor remaining is France's Total. It followed Chevron into Sudan in the 1980s and acquired equity in, and operatorship of Block B, south of Chevron's Muglad Basin area in the Sudd. The license for Block B has been renewed by the Sudanese authorities for the past 21 years despite its *force majeure* status due to the war. Block B is located in the center

---

<sup>22</sup> Ibid.

<sup>23</sup> Peter S. Goodman, "China invest heavily in Sudan's oil industry," *The Washington Post*, December 23, 2004.

of the highly prospective Sudd area. The total undoubtedly will continue to seek to hold onto such a high-potential asset, given the block's reserves potential and projected oil prices.<sup>24</sup>

Crude oil export from Sudan to China more than doubled in 2007 to top 200,000 barrels a day, with official data showing that China now takes 40% of the east African producer's total output. In 2007, Sudan exported 10.31 million tons to China, or 113% above 2006, ranking as Beijing's sixth largest crude supplier, with 6% of the total crude imports to the world's second largest oil consumer.<sup>25</sup>

To date, cooperation between China and Sudan has covered multiple sectors, including energy, human resources development, and contracting of engineering projects. Energy industry is the most important area of cooperation between China and Sudan and also the most fruitful area of bilateral cooperation. CNPC has actively invested in Sudan and made important contributions to this country's economic development and social progress, and Sudan has transformed itself from a crude oil importing country into a crude oil exporting country and has established a complete industrial chain for the oil industry; led by the rapid development of the energy industry, Sudan's overall economy is developing vigorously and entering a phase of economic boom.<sup>26</sup>

### **III. Iranian Nuclear Crisis, Darfur Crisis and China's Dilemma**

The Iranian nuclear issue does affect the China-Iran energy relationship, giving rise to conflicts between China and America over the Middle East and casting a shadow over China's overall energy security strategy. Statistics show that oil China imported from Iran accounted for 15% and 13.6% of China's total oil imports in 2004 and 2005 respectively. China is now concerned not only with the stable oil supply from Iran to China, but also with the fluctuation of oil prices and possible disruption of oil supplies on the international market as a result of the Iranian nuclear crisis. The Iranian nuclear crisis and other geopolitical risks have already added up to market fear and worsened the fluctuation of oil price. Market model analyses made by the Canadian Energy Research Institute (CERI) show that fear premium was only 40 cents in 2003, accounting for only 1.3% of the oil price. In 2004, it rose to 11 dollars, accounting for 26.8% of the oil price and it rose further to 20.65 dollars in the first quarter of 2005, pushing the percentage to 40<sup>27</sup>. Needless to say, the Iranian nuclear crisis is behind these changes.

Besides, the Iranian nuclear crisis will exert short, medium and long-term

---

<sup>24</sup> Peter Brookes & Ji H. Shin, "China's influence in Africa: implications for the United States," *Backgrounder*, published by the Heritage Foundation, No. 1916, February 22, 2006, p. 1.

<sup>25</sup> "Sudan doubles crude exports to China in 2007," *Reuters News*, January 22, 2008.

<sup>26</sup> "Sudanese minister commends energy cooperation with China," *BBC News*, July 15, 2007.

<sup>27</sup> Laueran Vincent, "The fear premium in the world oil market," *CERI Energy Insight*, No. 7, May, 2005.

negative impact on China's energy security if it is not properly handled. Although unlikely, if China votes in the United Nations Security Council for full-scale sanctions and an embargo against Iran, in the immediate future, China is likely to lose 13.6%-15% of oil imports from Iran, contracts in trade and investment worth of \$70-100 billion and opportunities to be involved in exploring, developing and producing oil and gas in Iran. Meanwhile, it is possible for China to be thrown into economic disturbances caused by oil price hikes as a result of the escalation of the Iranian nuclear crisis and the Chinese enterprises in Iran, numbering more than 120, will have to face greater investment risks in the course of undertaking giant projects like iron and steel, mining, construction of seaports, airports and roads. Bilateral trade is bound to be affected. In medium and long-term perspectives, China's "new energy silk road" program will have to be delayed and China's long-term demand for oil supplies from the Persian Gulf and Central Asia will come under Iran's interruptions and influence.<sup>28</sup> Although China will see improved relations with the United States, Israel and the EU, its established image among some Middle East nations could be damaged, to some extent.

Greater challenges and pressure come from the United States. The United States hopes that China could stand up and do something about the Iranian nuclear issue because Beijing is better able to influence Tehran if it wishes to do so.<sup>29</sup> The United States openly accuses China of impeding the efforts to settle the Iranian nuclear issue because of its economic and energy interests in Iran. Washington holds that the energy agreement between China and Iran in October 2004 disabled the US effort to submit the Iranian nuclear issue to the UN Security Council and China's energy concern outweighs its responsibilities for international cooperation in crucial global security issues.<sup>30</sup> Former US Deputy Secretary of State Robert Zoellick warned in September, 2005 that if China continued to seek more energy agreements with countries like Iran, China and the United States would develop more conflicts.<sup>31</sup> Apparently, China cannot afford to risk more conflicts with the United States. The United States is China's most important economic, investment and trade partner and China's trade surplus with the United States in 2005 was as high as \$200 billion, nearly 20 times as much as China's trade volume with Iran. Despite the fact that China does not have to oppose Iran's civilian nuclear program and that international law does not deprive any country of the right to make peaceful use of nuclear energy, it obviously does not serve China's national interest for China to encounter conflicts with the United States over the

---

<sup>28</sup> Kaveh L. Afrasiabi, "China's energy insecurity and Iran's crisis".

<sup>29</sup> Dingli Shen, "Iran's nuclear ambitions test China's wisdom," *The Washington Quarterly*, Spring 2006, pp. 55-66.

<sup>30</sup> USCC, Hearing on China's Future Energy Development and Acquisition Strategies, Testimony by Gal Luft, July 21, 2005.

<sup>31</sup> David E. Sanger, "China's rising need for oil is high on U. S. agenda," *New York Times*, April 19, 2006.

Iranian nuclear issue although Iran's energy means a lot to China's energy security. China is here put in a dilemma: If it votes in the UN Security Council for full-scale sanctions against Iran, its energy relationship with Iran will be jeopardized; if it votes against sanctions, it will definitely irritate America; if it abstains, its international image will be damaged. The Security Council passed Resolution 1747 in March 2007, intensifying the previous sanctions package. Iran has vowed to continue with its nuclear energy program, but informal talks continue. On March 19, 2009, Leonard St. Spector wrote in the *Daily Times*: "In effect, while Iran may currently possess enough low-enriched uranium that could be upgraded to make a single weapon core, the Obama administration is not embracing Israel's more fearful view that Iran has crossed a crucial threshold that could pose an imminent threat, potentially necessitating a military response."<sup>32</sup>

According to Professor Dingli Shen, the dilemma China faces is how to strike a balance between its energy security interest and non-proliferation obligations and its relations with America. To China, the Iranian nuclear issue is a test as well as an opportunity. It gives China an opportunity to demonstrate its capability of equilibrating domestic interests and acting as a responsible international power. On the one hand, China always stands opposed to the proliferation of weapons of mass destruction (WMD); on the other hand, China cannot be too tough on energy-rich countries because energy security has become a conditioning factor in China's foreign policy as a result of its rapidly growing demand for energy. With regard to the Iranian nuclear issue, China's strategy is to maintain energy and economic ties with Iran by respecting its right to make peaceful use of nuclear energy for civilian purposes and at the same time keeping Sino-US relations smooth and stable<sup>33</sup>.

Due to its growing energy activities in the Middle East and Africa, while gravely concerning about the impact brought about by China's initiatives to develop trade and energy relations with such "problem states" as Iran, Sudan and Angola, some western powers have strongly criticized Beijing for disregarding the human rights abuses and violations of international norms by Sudan and Iran, and its opposition to the imposition of sanctions by the US or UN upon these countries. Washington openly criticized China for impeding an early settlement of the Iranian nuclear issue because of China's energy and economic interest in Iran. Just like its Iran policy, China's energy policy and diplomatic policy toward Africa have resulted in geopolitical conflicts between China and America over a wide range of issues. Washington has accused China of its mercantilist practices in Sudan, attending to its oil interest only and turning a blind eye to the human rights and humanitarian crises there and on no occasions has Beijing criticized the abuse of

---

<sup>32</sup> Leonard S. Spector, "View: Obama hones Iran strategy," *Daily Times*, March 19, 2009.

<sup>33</sup> Dingli Shen, "Iran's nuclear ambitions test China's wisdom," *The Washington Quarterly*, Spring 2006, pp.55-66.

human rights by the Islamic Front regime<sup>34</sup>. However, China rejects these accusations, saying that the Darfur issue is Sudan's internal affair and China should stay outside it as China pursues the non-interference foreign policy.

The damage done to China's international reputation by the Darfur atrocities has been substantial. Western governments and rights groups have accused Beijing of ignoring the Darfur crisis and using its UN Security Council membership to protect Sudan from pressure over Darfur, where more than 200,000 people have died and 2.5 million have been displaced in three years of conflict. Hollywood actress Mia Farrow threatened to launch a worldwide campaign against the Beijing "Genocide Olympics" because of China's role in blocking international efforts to address Darfur. The op-ed targeted film director Steven Spielberg, who in April 2006 agreed to serve as an artistic consultant for the Beijing Games, also decided to quit as artistic adviser with a tough letter to Chinese President Hu Jintao, speaking about his concern concerning the Darfur genocide and hoping strongly that China would "eliminate the conditions of genocide" and push to change its policy of supporting Sudan's opposition to sending a robust UN peacekeeping force to Darfur<sup>35</sup>. The Farrow op-ed and the Spielberg letter shocked Beijing and were having an effect on July 31, when China changed its long-held position in the UN Security Council and supported sending a peacekeeping force of 26,000 to Sudan, with enforcement authority under UN Charter (Chapter 7). The US government encouraged China to demonstrate that it is a "responsible stakeholder" by using whatever leverage it might have over Khartoum to prod Sudanese President Omar al-Bashir to moderate his position on Darfur<sup>36</sup>. Europe has urged China to change its African policy, focusing on a series of changes such as greater commitment to sustainable development, more democratic reform and a transparent approach to its aid and investment policies, especially on the Darfur crisis<sup>37</sup>. More important, China cannot lose out again its international reputation in the case of Darfur in which China's noninterference in others "is being exploited as a license to kill"<sup>38</sup>. In March 2009, the International Criminal Court issued 7 indictments against President al Bashir for "war crimes" and "crimes against humanity" which he rejected.

As China has come under increased criticism for its policy, Beijing has begun to shift its policy on Sudan. The Darfur issue is a case in point where Chinese policy has made subtle, incremental shifts and Beijing has begun to realize that adhering to formal policy of noninterference and putting it into consistent practice

---

<sup>34</sup> USCC, Hearing on China's Role in The World: Is China a Responsible Stakeholder? Testimony by Eric Reeves, August 3, 2006.

<sup>35</sup> R. Scott Greathead, "Moving China on Darfur," *The Wall Street Journal*, November 6, 2007.

<sup>36</sup> USCC, Hearing on China's Role in The World: Is China a Responsible Stakeholder? Testimony by Amy M. Jaffe, August 4, 2006.

<sup>37</sup> Daniel Dombey, "Europe urges China to change African energy policy," *Financial Times*, October 24, 2006.

<sup>38</sup> "Mr. Hu's mission to Khartoum-Sudan and China," *The Economist*, February 3, 2007.

will be difficult<sup>39</sup>. For China, if what Sudan has for export were coffee or Camel cigarettes, China would not have been in such a dilemma. Also, if what Iran seeks were not nuclear ambitions, Beijing would not have been so severely criticized. The same is true with America's Iraq policy. In the first place, China's responses to these accusations are made at the state level, that is, the government itself counters these criticisms and accusations and its stance is highly consistent and compatible. This is determined by the Chinese political culture. For instance, Wen Jiabao, the Chinese Premier, once said that China's interests go beyond procuring oil and gas, "As a matter of fact, the volume of China's oil trade with African nations is less than one third of some major countries in the world", and Wen addressed Beijing's policy of noninterference while courting deals with African countries and saying "We believe that different peoples and nations have the right and the ability to tackle their internal affairs." China continues to say that its African policy is different from the old and new colonialism of the past; rather, it is a win-win policy<sup>40</sup>. Secondly, China refutes Western accusations by speaking highly of the development Africa is enjoying and by quoting African media as saying that China's presence is hailed by most African countries as beneficial to Africa's economic development and some African countries were, before the current global financial crisis, undergoing one of the best periods of economic development<sup>41</sup>. Lastly, China takes advantage of some forums and occasions such as the Sino-US Energy Policy Dialogue, Sino-US Strategic Dialogue and Sino-African Cooperation Forum to fight back accusations and criticisms on the part of the West and the international community. Yet, despite all of these factors, China has made some concessions on some concrete points only to better protect its energy and economic interests, as is shown on the issues of Iran and Sudan where China has adopted some flexibility recently.

In August 2006, the UN Security Council passed a resolution calling for a UN peacekeeping force to deploy across the Darfur, but Khartoum then declined it and warned that the existing African Union force must leave. After the earlier reluctance to pressure the Sudan government, China has lobbied Khartoum to let a UN peacekeeping force into Sudan's Darfur region. During the summit between China and Sudan on November 2006, Chinese President Hu Jintao told Sudan's President Omar al Bashir that the conflict in the Darfur had reached "a critical stage" and urged Sudan to establish its diplomacy on the matter and hoped that Sudan could strengthen the dialogue with all parties<sup>42</sup>. Since then, Chinese leaders have compelled Sudanese President Omar al-Bashir to accept the hybrid force.

---

<sup>39</sup> Bates Gill, "Assessing China's growing influence in Africa," *China Security*, Vol. 3, No. 3, Summer 2007.

<sup>40</sup> "Premier Wen defends African oil deals," *South China Morning Post*, June 19, 2006.

<sup>41</sup> Wenran Jiang, "China's booming energy ties with Africa," *Geopolitics of Energy*, Vol. 8, No. 7, July 2006, p. 2.

<sup>42</sup> Gillian Wong, "China's Hu discusses Darfur crisis with Sudanese President," Associated Press, November 2, 2006.

During his visit to Sudan, Hu Jintao delivered a rare public statement that outlined “four principles” as the basis for an international approach to Darfur<sup>43</sup>. In April 2007, Chinese Assistant Minister Zhai Jun visited Sudan to get a fuller understanding of the tense political relations between the Darfur region and the government. Shortly after Zhai’s visit, Beijing announced the appointment of Ambassador Liu Guijin as the special envoy to Africa. Liu has taken on the Darfur issue as a top priority and has visited Sudan since his appointment and conducted diplomatic consultations with concerned parties. In June 2007, Khartoum accepted an expanded peacekeeping force in Darfur, in this process of diplomacy, it was reported that Beijing had been using “very direct language” as well as its “own wisdom” to persuade Khartoum to accept the AU/UN hybrid force, showing that China has been playing an increasingly critical role in solving the Darfur issue<sup>44</sup>.

Sudan is the focus of debate among China’s foreign-policy elite. Progressives argue that Beijing should cut its ties with Khartoum because it is the right thing to do and because China’s oil interests in Sudan are not worth the cost of the country being labeled as a genocide enabler. However, conservatives say that China is being singled out as a part of a Western strategic move to drive China out of Sudan so that Beijing can get at its oil.<sup>45</sup> In Chinese scholarly circles, different voices have appeared but still seem to be weak. Some Chinese scholars such as Dingli Shen and Daojiong Zha believe that it is also equally important for Beijing to strike a balance between its energy interest and international responsibility and its relations with America. To China, the Iranian nuclear issue is a test as well as an opportunity, which gives Beijing an opportunity to demonstrate its capability of equilibrating domestic interests and acting as a responsible global power. On the one hand, China always stands opposed to the Proliferation of Weapons of Mass Destruction (WMD); on the other hand, China cannot be too tough on energy-rich countries because energy security has become a conditioning factor in China’s foreign policy as a result of its rapidly growing demand for energy. With regard to the Iranian nuclear issue, China’s strategy is to maintain energy and economic ties with Iran by respecting its right to make the peaceful use of nuclear energy for civilian purposes and at the same time to keep Sino-US relations smooth and stable.<sup>46</sup> Erica Downs also pointed out that improving China’s international reputation and at the same time protecting its oil investment, the dilemma may become more acute for Beijing as resolving the Darfur crisis moves up the foreign policy agendas of governments around the world.<sup>47</sup> Toward these harmonious interests, Beijing has to readjust some of its strategic practices on a global, regional and national basis to

---

<sup>43</sup> “Diplomat views China’s role on Darfur issue,” *Qiushi*, June 1, 2007.

<sup>44</sup> “Roundup: China’s special envoy visits Sudan’s Darfur,” Xinhua News Agency, May 23, 2007.

<sup>45</sup> Simon Robinson, “Time running out,” *Times*, September 18, 2006.

<sup>46</sup> Dingli Shen, “Iran’s nuclear ambitions test China’s wisdom,” *The Washington Quarterly*, Spring 2006, pp.55-66.

<sup>47</sup> Erica S. Downs, “The fact and fiction of Sino- African energy relations,” *China Security*, No. 3, Summer 2007.

strike a balance between energy and diplomatic interests, between national interest and international responsibility as well as between developing and developed countries.

#### **IV. Different Implications of China's Energy Activities in the Middle East and Africa**

The Middle East and African oil have now accounted for 70% of China's total crude imports. The fact that China's major sources of crude oil imports and its future oil supply have depended and will have to depend upon the Middle East and Africa means that Beijing will continue its energy activities and policies and to forge the energy links of a chain with the oil-producing countries in the regions. However, there are different implications for both China and the West.

The Sino-African energy relationship bears its own characteristics as opposed to the Sino-Middle East energy relationship. China's energy relationship with African countries involves trade as well as investment, with China actively taking part in Africa's oil exploration and production in a larger scale than it does in the Middle East. As we mentioned earlier, China has invested some 3-4 billion US dollars in Sudan, centering not only on oil exploration and production, but also on the construction of such infrastructure projects as pipelines, seaports and wharfs. This characteristic is show-cased by China's NOCs investment of billions of dollars in Nigeria and other countries.

China unfolds its energy cooperation with Africa by establishing joint ventures with African countries' state-owned as well as private-owned oil companies on a long-term basis under inter-governmental initiatives. Thanks to the long-established Sino-African friendship and the continued Chinese aid packages to Africa, plus Africa's long-term strategic considerations that overweigh short-term returns resulting from bilateral energy cooperation, China's oil investment and trade in Africa are getting increasingly competitive, posing a large challenge to Western oil companies.

Although facts available are not yet adequate to look further into the interactions between China's NOCs and their African counterparts, it is safe to say that the energy-centering activities of China's NOCs in Africa are advanced by the Chinese government with such policy instruments as foreign aid, other commercial deals, diplomatic maneuvers that together bring China and Africa even closer in energy cooperation and at the same time that push bilateral political, economic, scientific, technological and cultural relations to a new high, further building up China's influence and might in Africa. In 2004 alone, over a dozen of visits between Chinese and African top leaders were exchanged, mostly focusing on economic and energy issues. Apparently, Chinese top leaders' African visits were aimed to

seek opportunities to tap oil, minerals and renewable resources in Africa. China's robust investment and trade in energy and raw materials in Africa are conducive not only to China's energy security, but to the steady development of Sino-African relations as a whole.<sup>48</sup>

China prioritizes its national interests more than the West or international community in targeting African states as its energy partners as it does in the Middle East. In addition to Sudan, Angola is a typical example in this regard. In 2002, the 27-year-long civil war came to an end, the aftermath of which kept almost all foreign oil companies from putting in investments in Angola. It was China that first provided Angola with a loan of 3 billion dollars to help it rebuild its broken oil infrastructure. Then, a package of aid worth 2 billion dollars was made available to Angola by Chinese Premier Wen Jiabao during his Angola visit in June 2006. Today, Angola is the biggest recipient of China's foreign aid. Being the second biggest oil producer only second to Nigeria, Angola's oil production reached some 1.4 million barrels per day in 2005, nearly one third or one fourth of which was exported to China, constituting 13% of China's total oil imports.

China's role in the Middle-East affairs has developed from a disinterested "on-looker" prior to the 1980s to a mover of diplomatic ties and trade relations in labor, finished goods and a small number of arms in the 1980s and the early 1990s and further to an active seeker of closer bonds with the governments and oil companies in the Middle East. This profound transformation evidently is activated by energy<sup>49</sup>. On the other hand, China's Middle East policy and Arab countries' "look east" policy are induced by the classic relationship of "co-survival" and "a win-win game," and China's Middle East policy is shaped by Beijing reviewing, readjusting and repositioning its strategic role in the Middle East, raising the Arab and Persian countries' status in China's overall foreign strategy and giving greater prominence to the strategic value of energy security. China's energy activities in the region do pose a challenge to the West's oil and security interests; even so, it is absolutely not intended to weaken or challenge West's influence and control in an organized and planned manner<sup>50</sup>. From the energy trade and investment pattern, Beijing's activities in the region are limited and moderate in comparison with its energy activities in Africa. Given Beijing's limited political influence and the instable geopolitical situations in the region, China shows no strong interest in exploiting the energy relationships it might have to influence the Iran and Saudi Arabia, challenging America's influence and strategic interest.

The oil pattern in Africa is being changed and will continue to be changed by

---

<sup>48</sup> Howard W. French, "China in Africa—all trade, with no political baggage", *The New York Times*, August 8, 2004.

<sup>49</sup> Yitzhak Shichor, "China's economic relations with the Middle East: new dimensions", *China Report*, Vol. 34, No. 3-4, 1998, pp. 419-439.

<sup>50</sup> Lei Wu and Xuejun Liu, "China or the United States: which threatens energy security?" *OPEC Review*, September 2007.

China's oil pursuits, which also has posed a sort of challenge to the West's oil interests in African countries, Nigeria and Angola in particular, thus throwing China and the West into stronger competition for oil supplies in these countries. As these resources are being sealed away by Chinese enterprises, Washington must guard against possible long-term disruptions in supply of raw materials and energy resources. In the late 1990s, Europe and America could easily and leisurely export oil from Africa. Now, the scenario is quickly changing as China's demand for African oil increases and China's NOCs quicken their investment and trade in countries like Nigeria and Angola, previously America's important oil suppliers. America has felt and will continue to feel the ever increasing competition on the part of China. What actually happens is that China's overseas energy investments and operations are quite distributed over the region. From the early years of the 1990s to the beginning of 2005, the total sum of China's overseas investment in oil and gas was \$7 billion; the total amount of equity-oil Chinese NOCs acquired from its overseas operation became 400,000 barrels per day, in which Africa has played an important role.

Will China's extensive involvement in African affairs for the sake of its energy security by means of energy diplomacy, technological and economic assistance, foreign aid and loans, debt cancellation and even arms sales grow so substantially as to hurt and weaken the interests and influence of America and other Western nations on the African continent? Chinese leaders and scholars do not think so, arguing that China's African strategy is not targeted at the United States. Yet, from the perspective of energy economics and geopolitics, the current viable Sino-Africa interactions in politics, economy, science, technology and culture, led by energy cooperation, are bound to link the two sides closer together, expanding China's presence and influence in Africa. If China's ever-growing energy ties with the Middle East help little to expand its influence in the Middle East, China's efforts in Africa will definitely be another very different situation.

Lastly, China's changing action towards Iran, the Sudan/Darfur issue does not mean that China's noninterference policy has been fundamentally changed. China has always been opposed to international interference in what it regards as matters of national sovereignty as it puts a high premium on the sanctity of its own borders and its freedom to do as it wishes in sensitive areas such as Tibet, Taiwan and the vast Muslim areas of Xinjiang Autonomous Region in the West. On the Darfur issue, China's special envoy said that "in our own way and through various means and various channels," China has been trying to advise the Sudanese government to be more flexible, while at the same time stressing the importance of respecting Sudan's unity, sovereignty and independence.