FUELING THE FIRE?
CIVIL WAR IN AFRICA AND THE PEOPLE’S REPUBLIC OF CHINA

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By

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Trade between the People’s Republic of China (PRC) and Africa reached US$100 billion in 2008. Africa now provides one-third of China’s oil supplies. China invests in a distinct manner – the close connection between business and the central government leads to “energy diplomacy” and state-financed infrastructure and loans given to oil-producing countries. As part of the package deal of oil investment, Beijing offers an alternative development model that contrasts with the “strings attached” Western versions. However, the unique characteristics of PRC investment also gives rise to accusations from the West claiming that China undermines stability in African countries in which it invests.

In this research, I have identified certain critical variables, as described by existing conflict literature, that connect the presence of natural resources to civil conflict. They include elements such as the geographical location of oil resources, the method of extraction, the existence of disproportionate benefit between governments and citizens, and characteristics of state weakness. Upon examining these variables in the cases of Sudan, Angola, and the Republic of Congo, it was found that these variables have limited interaction with the distinguishing characteristics of PRC investment. The “no strings attached” manner of operating allows state weakness to persist in these countries, but its influence on stability is on the periphery of a larger picture of state fragility. Additionally, while China’s practice of using Chinese nationals on oil and infrastructure projects does interact with the variable of disproportionate benefit, the Sudan case implies that the longer China invests in a country, the more locals it employs.

Policy recommendations flow from this analysis. African countries should insist on earlier employment of their nationals and write such requests into oil deals struck with the Chinese National Oil Companies. With regard to the United States, policymakers in Washington, DC should reexamine the tone with which they engage both Africa and China in the African context. On balance, the investment practices of the Chinese National Oil companies should not cause alarm with regard to stability on the African continent.
The research and writing of this thesis
is dedicated to everyone who helped along the way.

I owe special thanks to my family.

Many thanks,
Callie Amanda Wang
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Fueling the Fire?
Civil War in Africa and the People’s Republic of China

At the important historic period when both opportunities and challenges are presented, countries can only create a bright future for mankind and truly put in place a harmonious world with lasting peace and common prosperity when they rally closely together to seize the opportunities and take on the challenges.
- Hu Jintao, President of the People’s Republic of China¹

China’s goal is not to overturn the world order but instead to participate in this order and to reinforce it and even to profit from it.
- Fu Chengyu, CEO, Chinese National Offshore Oil Corporation²

Setting the Stage: The People’s Republic of China and the African Continent

Trade between China and Africa reached $100 billion in 2008; in the 1980s, it was less than $10 million.³ China is the African continent’s largest trading partner. Not only does the People’s Republic of China (PRC) sell its manufactured products there, it also acquires an increasing proportion of its natural resources from Africa. As China’s economy continues to grow at a rapid pace, a key factor in ensuring that growth is energy. In the worldwide search for energy, China has adopted a ‘go-out’ strategy, seeking to find energy sources throughout the globe. That search has led China to Africa. Involvement in Africa proves tricky because, as Linda Jakobsen puts it, “In Africa, multiple

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contradictions coexist because the continent encompasses some of the world's most resource-rich countries, most fragile states, poorest nations, most severe humanitarian crisis, and most harsh regimes.”

Africa provides Chinese oil companies with a growing percentage of imports and furthers the goal of Chinese energy security. The leadership of China believes that it must find a source of energy to maintain economic growth and domestic stability. This stability and growth is critical to the Chinese Communist Party’s (CCP) hold on power and legitimacy in China. The leadership has consequently determined that energy security is too crucial to “be left to the markets.” They believe that direct participation in extraction prevents other countries from manipulating access to something – in the minds of the leadership – so vital to the internal stability of China. They therefore have actively secured equity investments in oil and gas outside of China’s borders, often called “buying oil at the well.” The Chinese petroleum companies, namely the China National Petroleum Corporation (CNPC), Sinopec, and the China National Offshore Oil Corporation (CNOOC), have invested all over the world. (See Table 1).

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Table 1: Deals made by Chinese National Oil Companies, by Region\(^7\)

<table>
<thead>
<tr>
<th>Regions</th>
<th>CNPC</th>
<th>Sinopec</th>
<th>CNOOC</th>
<th>Other*</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td># of deals</td>
<td>% of deals</td>
<td># of deals</td>
<td>% of deals</td>
<td># of deals</td>
</tr>
<tr>
<td>Russia</td>
<td>16</td>
<td>22</td>
<td>3</td>
<td>9</td>
<td>0</td>
</tr>
<tr>
<td>Middle East</td>
<td>8</td>
<td>10</td>
<td>11</td>
<td>84</td>
<td>0</td>
</tr>
<tr>
<td>Africa</td>
<td>19</td>
<td>26</td>
<td>11</td>
<td>84</td>
<td>4</td>
</tr>
<tr>
<td>Northeast Asia</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Southeast Asia</td>
<td>15</td>
<td>20</td>
<td>3</td>
<td>9</td>
<td>11</td>
</tr>
<tr>
<td>Latin America</td>
<td>11</td>
<td>15</td>
<td>3</td>
<td>8</td>
<td>0</td>
</tr>
<tr>
<td>North America</td>
<td>4</td>
<td>5</td>
<td>1</td>
<td>12</td>
<td>1</td>
</tr>
<tr>
<td>Company Total</td>
<td>74</td>
<td>100</td>
<td>32</td>
<td>100</td>
<td>17</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Key Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russia, Kazakhstan, Uzbekistan</td>
</tr>
<tr>
<td>Saudi Arabia, Oman, Iran</td>
</tr>
<tr>
<td>Sudan, Angola, Algeria, Nigeria</td>
</tr>
<tr>
<td>Indonesia, Australia, Myanmar, Papua New Guinea</td>
</tr>
<tr>
<td>Venezuela, Brazil, Ecuador, Peru</td>
</tr>
<tr>
<td>Canada</td>
</tr>
</tbody>
</table>

The Chinese National Oil Companies (NOCs) have explored every region of the globe. As shown by Table 1, NOCs have the most deals in Africa; 37 total make up 27 percent of NOC international oil agreements, with CNPC striking the largest amount.

Although Africa possesses only nine percent of the world’s proven oil reserves, (the Middle East holding 62 percent) industry experts say that there is still much to discover. China receives one-third of its oil from Africa, primarily from the countries of Algeria, Angola, the Republic of Congo, Equatorial Guinea and Sudan.\(^8\) The type of oil China buys must be compatible with the refineries China employs – refineries that were built for use by China’s domestic oil fields. These oil fields, such as DaQing and Shengli, which are no longer sufficient for China’s oil requirements, produce crude oil that best

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\(^7\) Table from Lieberthal and Herberg, 15.

matches oil from West Africa. China is inclined to buy oil that is “sweet” and “light” – references to sulfur level and API gravity. These characteristics of oil are not as common in oil from the Middle East.\(^9\) However, Chinese refining capabilities are rapidly expanding and while this determined initial Chinese NOC investment in Africa, it is not the only reason.

China also chooses which countries to invest in based on competition. Many African countries have had oil extraction deals with Western oil companies for years. These oil “titan” such as Royal Dutch Shell, Chevron and BP have the advantage of an extended history and a head start. Therefore, China has chosen to explore lower-visibility and higher-risk countries. There is less competition in countries that are unstable or run by rogue or oppressive governments, particularly when investment in these countries is prohibited by oil companies’ home governments (such as the United States, which prohibits investment in places such as Sudan, Burma and Iran). Although China is beginning to feel the pressures and drawbacks of the choice to invest in these places, it is certainly true that part of the motivation to do so came from the heavy competition in other geographic areas produced by the presence of other IOCs.\(^{10}\) The lack of viable alternatives and fierce competition has pushed China toward less attractive governments in Africa.

Scholars and analysts point out that Africa offers lucrative financial opportunities that go hand-in-hand with resource extraction. The incentive of opening up the Africa


\(^{10}\)Rosen and Houser, 31.
market to Chinese exports and labor also adds into the decision-making calculus. China gains a secondary advantage from the spread of soft power. Through its diplomatic initiatives that accompany its investment ventures, China has gained allies in international institutions such as the United Nations, garnering support on issues related to Taiwan.\textsuperscript{11} This is made possible by the intricate ties established by China between resource extraction investment and other financial incentives such as development aid, debt cancellation and loans offered to African governments. Integrated packages of investment, aid and infrastructure building have created a strong Chinese presence in these countries. (See Table 2).

\textsuperscript{11} Jakobsen, 412.
Table 2: Chinese economic agreements with African Nations, 2002-200712

<table>
<thead>
<tr>
<th>Country</th>
<th>Main Exports to China</th>
<th>Pledged Aid, Loans, Credit Lines, and Investments</th>
<th>Major Types of Financing (as Reported)</th>
<th>Major Types of Projects Financed (as Reported)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Angola ab c</td>
<td>oil</td>
<td>$7.4 billion</td>
<td>loans, interest-free loans, credit lines</td>
<td>infrastructure (railways)</td>
</tr>
<tr>
<td>Congo (DRC) ab c</td>
<td>oil, minerals</td>
<td>$5 billion</td>
<td>loans</td>
<td>infrastructure, mining</td>
</tr>
<tr>
<td>Sudan ab c</td>
<td>oil</td>
<td>$4.2 billion</td>
<td>investment, loans, grants</td>
<td>oil refining; infrastructure, hydro power, humanitarian</td>
</tr>
<tr>
<td>Gabon d</td>
<td>oil, minerals</td>
<td>$3 billion</td>
<td>investment, grants</td>
<td>iron ore mining, infrastructure, port facilities, hydro power</td>
</tr>
<tr>
<td>Mozambique</td>
<td>wood, ores</td>
<td>$2.4 billion</td>
<td>debt cancellation, concessional loans, grants</td>
<td>dam construction, infrastructure, national stadium</td>
</tr>
<tr>
<td>Equatorial Guinea ab c</td>
<td>oil</td>
<td>$2 billion</td>
<td>concessional loans, credit lines</td>
<td>not specified</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>oil drilling rights</td>
<td>$2 billion (includes 2008 aid of $150 million)</td>
<td>loans, grants, investment</td>
<td>infrastructure, telecommunications, public buildings, hydropower, light industry</td>
</tr>
<tr>
<td>Nigeria ab</td>
<td>oil</td>
<td>$1.6 billion</td>
<td>debt cancellation, investment, grants</td>
<td>offshore oil development, infrastructure (railways), medical training</td>
</tr>
</tbody>
</table>

a. major African trading partner of China  
b. loan payments in oil  
c. major African oil supplier of China  
d. loan payments in minerals

However, resource extraction and an increased presence on the continent have serious drawbacks as well. While this friendship grows between Beijing and capitals throughout Africa, it raises concerns elsewhere, particularly in the European Union and the United States. The main arguments leveled against China are: First, that it protects “rogue states” and human rights abusers – particularly, Sudan. This undermines China’s goal of exhibiting the behavior suited to a “responsible great power.” China’s money supports this government and the noted ties between China and Sudan counteract the image that China has cultivated – or attempted to cultivate – in recent years. This last example fell under the international spotlight in the run-up to the 2008 Beijing Olympics, when China was lambasted repeatedly for its oil deals in Sudan. Second, China in Africa raises the oft-mentioned specter of the “China Threat Theory” and concerns (real or imagined) over competition between the United States and China. Third, and the question to be examined here, is that the Chinese style of investment, with a “no strings attached” manner of operating, destabilizes resource-producing countries.

Therefore, China’s decision to expand its search for energy to Africa – and to maintain its presence there, even while under heavy criticism – is a complex and difficult one. Many positive and negative aspects to each side of the argument make for a messy choice with many moving parts. In a broad sense, this decision is difficult primarily because it pits an image China seeks to cultivate – and to make a reality – of a peaceful and responsible great power, against the energy imperatives that China requires to get to that international status. Without the economic growth and domestic stability in which
that growth can occur, China cannot achieve its goal of becoming a constructive partner in the international system.

Writing on this topic has frequently descended into polemic discourse, accusing China of ruthlessly stripping Africa bare while simultaneously shielding monsters in the Security Council and destabilizing African countries. Others defend China fervently, and like scholars in China, claim China’s right to rise. Both of these approaches miss the point, by promoting black and white analyses and ignoring measurable evidence. This research strives to step back from all that.

Instead of seeking to prove the nefarious intentions of the oil-hungry PRC or to argue its right to rise to the status of a great power, I instead identify certain, critical variables that are found in countries that have experienced resource-based civil wars. I examine whether or not the unique characteristics of the PRC’s oil investments in Africa interact with those variables, increasing instability and potentially giving rise to civil war. I answer a portion of the broad question: “Is China negatively affecting Africa?” by assessing whether or not its hunt for energy is truly affecting security and stability in those oil-exporting countries. Narrowing the focus further, I answer the question: “Does Chinese oil extraction make it more or less likely that the oil exporting countries will experience civil war because of variables exacerbated by the unique nature of Chinese investment?” In doing this, I am not seeking to predict full civil war, but rather domestic

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instability that could potentially evolve into war. Whether or not instability rises to the level of civil war is in fact a reflection of the capacity of the host government and its security services, not the Chinese investments.

**Measurements of Chinese Effects: Methodology**

This research proceeds in the following manner: First, existing literature on civil war and resource-conflict connections are reviewed and summarized. From there, I draw out a set of critical variables, identified in the wealth of resource-conflict literature, that have been put forward as indicators of countries ripe for war. Then, I examine the existing conditions of three states, Sudan, Angola and the Republic of Congo, chosen on the basis of three characteristics:

1) China extracts oil in the country.
2) The economy is dependent on oil extraction and exports.
3) China’s proportion of oil purchases is greater than 25%.

This is important for two reasons. Although China has invested in more countries than those listed here, these countries depend, to a certain extent, on the PRC. Nigeria, for example, exports oil to China, but the PRC is small among many other investors there – choosing Nigeria (or a similarly diverse exporter), where China purchases less than 2% of its oil – would potentially confuse the role of China with the role of extractive industry in general.\(^{15}\) Also, China must be involved in the actual oil production – buying oil that others pump plays a different role in the economy and removes China even further from

the variables examined. Oil production involves an extensive and extended presence in
the country, whereas simply buying oil pumped by another entity does not.

The country case studies were chosen based on the percentage of oil China
purchases in countries where it was directly involved in pumping that oil. Sudan exports
55% to China, the Republic of Congo 50%, and Angola 30.9%. These also all happen
to be strife-riven places – exemplifying China’s propensity to invest in places where,
often, other countries refuse to go. However, this will make negative findings of the
variable analysis even more surprising – Chinese oil extraction would, in theory, not be
affecting these countries despite a pre-existing tilt toward civil war.

Next, conclusions are drawn from the results of the case studies. From the
conclusions derived, I determine the overall effect of Chinese oil extraction on the
potential for civil war in these African countries. Finally, policy recommendations
follow from this determination.

Data used in this analysis was made as consistent as possible across cases.
Because of the nature of the governments involved, certain pieces may be missing, and
are noted as such. Additionally, many analyses of this phenomenon are at a continent-
wide level, making country-level data difficult to obtain. Using consistent and widely
reliable sources for the case studies helped to mitigate this problem.

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16 EIA and Gjelten, Tom. “Congo and China Forge Economic Partnership.” All Things Considered,
Civil War, Resources, and China’s Global Hunt for Oil: Relevant Literature

Civil War

Civil War presents one of the most complex forms of violence on earth. It is the most brutal, most devastating in the long-term, and longest-lasting type of conflict. Because the war is for control of the country and takes place within it, discrimination between the soldier and civilian is often impossible – civil war pervades throughout the entire society. It is “development in reverse,” destroying economies and infrastructure for years.\(^\text{17}\) Civil wars are more likely to restart than other wars. They cause spillover effects into neighboring countries in the form of economic decline, disease, and refugees.\(^\text{18}\)

Several causes have been proposed to explain civil war and there exists a large body of literature concerning sources. Byman thoroughly addresses ethnic conflict in civil war, examining status concerns, hegemonic ambitions, and elite aspirations.\(^\text{19}\) Barry Posen describes the security dilemma in an internal conflict and its ties to longstanding ethnic conflict, thereby explaining why civil wars are prone to restart.\(^\text{20}\) Van Evera writes on nationalism in civil war, while Mueller argues that elite manipulation causes civil war while also confusing outside observers as to the source of the conflict.\(^\text{21}\)

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\(^{18}\) Ibid, 13.


Natural Resources and Conflict

Quite a large amount of scholarship has been generated concerning the relationship between natural resources and civil war. Paul Collier has set the standard for this topic, with several works examining the motivations of those fighting in civil wars through the lens of economics. His “The Market for Civil War” as well as his econometric work with Hoeffler find that heavy reliance on exports of “primary commodities” leads to a higher likelihood of civil war. Doyle and Sambanis show in quantitative terms that civil war in nations with such heavy reliance last longer and prove more difficult to end. However, Fearon and Laitin argue that when using a different data set of civil wars than that used by Collier and Hoeffler, the model has no statistical significance. In a later work, Collier and Hoeffler disaggregated the primary commodities variable and found that only oil links with civil war.

Research concerning the type of resource has been extensive. Both the work done by Fearon and Laitin as well as that of de Soysa find that nations relying on oil exports, as opposed to other resources, are more likely to experience civil war, particularly because oil wealth often leads to state weakness. However Ross points out that an oil

wealthy government has more resources with which to supress rebellions. Snyder and Bhavnani as well as Ross claim that the manner in which the resources are extracted affects the likelihood of rebellion (capital-intensive methods raise the likelihood in comparison with labor-intensive methods). Snyder and Bhavnani also explore the ability of the government to use the funds to deter rebellion, while Ross looks at the effect of the extraction on the population. Le Billon argues that the geographical concentration of a resource increases the likelihood of rebellion when the resource requires management by locals.

But what is the actual connection between natural resources and violent conflict? In other words, what variables should be looked for in order to determine the extent to which Chinese oil investment is interacting with the potential for conflict? Much of this literature seeks to establish a causal mechanism between resource wealth and state weakness, collapse, and the chaos of civil conflict. They are grouped here into secessionist and non-secessionist wars.

Collier and Hoeffler argue that resources in a peripheral area of the country lead potential rebels to desire ownership, making secessionist war more likely. Resource-based secessions also, according to this analysis, become more likely if the economic

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value of the resource is less easily determined or estimated. Oil is a perfect example of such a resource. Le Billon adds that secession attempts are aided when the resource is physically concentrated – thus making it easier to control and defining a new area for which to fight.\footnote{Le Billon, Philippe. “The Political Ecology of War: Natural Resources and Armed Conflicts,” \textit{Political Geography}, Vol. 20, No. 5, (2001), p. 561-584.} Further, if the resource is managed by locals, but requires foreign investment, locals will, in theory, need recognition of political legitimacy by that foreign government in order to truly benefit from the resource extraction. This, therefore, would add to their motivation to attempt secession. Alluvial diamonds, for example, do not require a large foreign investment, extraction process or extraction equipment, taking out the need for political recognition. Le Billon argues that this fact will lead potential rebels with access to diamonds to back a warlord in their area instead of seeking outright independence. Finally, Ross points to a capital-intensive extraction process – such as the one required with oil – as a critical factor. A process such as this “offers fewer benefits to local, unskilled workers and more benefits to the state and large extraction firms.”\footnote{Ross (2004), 344 and Ross (2003).}

Le Billon as well as Fearon and Laitin, contend that the value of controlling the government of the oil producing state – from the capital rather than controlling the periphery – increases the incentive of fighting a civil war.\footnote{Le Billon (2001) and Fearon, and Laitin, (2003).} A non-secessionist war, according to this, depends on the economic gain of oil rents. Fearon and Laitin also point out the importance of state weakness as a variable in a state’s potential for a resource-induced civil war. According to this logic, governments dependent on oil do not create bureaucratic systems to raise revenues, leading to institutional weakness. State weakness

is measured by the following variables: slow economic growth, high poverty rates, high corruption levels, authoritarian governance, low taxes and low education levels.\textsuperscript{34} Gylfason and Ross both find low education rates in locations with high resource revenues.\textsuperscript{35} Moreover, as Humphreys puts it, “resource-dependent states may have little compulsion to respond to the demands of their citizens or create structures that engage their citizens” because they do not have to tax their populations the way states with fewer resources do.\textsuperscript{36} Conversely, the public cannot hold the government accountable for its actions. However, as David and Gagne point out, “in the event of a significant drop in prices, undemocratic rulers will attempt to raise taxes or cut services without public consent,” increasing discontent and motivation for rebellion.\textsuperscript{37}

This leads to literature that discusses the idea of community grievances and hardships due to resource wealth. Initially, due to the newfound resources’ value, forced migration of those living in the area could cause initial grievances among the local population. This grievance would imaginably get worse if revenue from that resource never reaches the dislocated population. Income disparity due to the initial stages of resource extraction processes causes conflict between people in these communities.

Geographic distribution of resources plays a large role. As detailed above, its location on the periphery of a country can influence thoughts of secession. Furthermore, when one area – most likely where the capital is located – benefits disproportionatel

\textsuperscript{34} Ross (2004), 350.  
from revenues gained through investment located in a different area, grievances have the potential to arise. Should that location be ethnically, religiously, or politically different, a tinderbox is surely created. Examples of this exist in Sudan, Niger and Chad.\textsuperscript{38} Le Billon’s fine-tuned analysis of geography and resource distribution creates four outcomes:

1) Concentrated resources in close proximity to the capital (and therefore easier to control) induce violent attempts to control the state, such as coups d’état.
2) Concentrated resources at distance from the capital lead to secession attempts.
3) Diffuse resources in close proximity to the capital are connected to rebellions and rioting.
4) Diffuse resources at distance from the capital are connected to ‘warlordism’ and politically autonomous areas.\textsuperscript{39}

Finally, scholars also point to the feasibility mechanism connecting natural resources and civil war. Resources that fund a war, as described by Collier and, separately, Humphreys, produce revenue through sale that allows rebels to prosecute a war fueled by other grievances.\textsuperscript{40} However, this is a “permissive cause” instead of a “root cause.” If rebellion stems from motive and opportunity, these resources provide opportunity. However, in terms of oil, the money is very hard for rebels to acquire. This variable applies much more to “lootable” resources, such as alluvial diamonds. An exception exists in the idea of “booty futures,” and Humphreys writes that though the rebels do not control the resources, “it may be sufficient to extract rents from those who do, as has been done with oil extractors in Colombia, Cabinda, and Nigeria.”\textsuperscript{41}

Alternatively, however, Ross also points out that governments gaining resource revenues – particularly the high payments generated from oil sales – can better arm

\textsuperscript{38} Humphreys, 512.
\textsuperscript{39} Le Billon (2001) and Ross (2004), 350.
\textsuperscript{40} Collier, “The Market for Civil War,” 2003.
\textsuperscript{41} Humphreys, 514.
themselves against rebellions, making civil war less likely. A resource-rich state is simply too powerful to be overthrown.\footnote{Ross, Michael L. Extractive Sectors and the Poor. Washington, DC: Oxfam America, 2001.} Additionally, it can be imagined – though it has happened only rarely in practice – that a weak state would use the revenue gained from resource sales to improve its infrastructure, institutions, and the general livelihoods of its population, making civil war less likely.

\textit{Chinese Energy Imperatives}

Energy security – in the eyes of the CCP – is reliable and safe access to the sources of energy (and for our purposes, oil) that are necessary to keep the Chinese economy booming. It is the most compelling argument for Chinese decision makers when it comes to investment in Africa. China requires an enormous amount of energy to support its economic growth. The economy of the PRC, growing at an average of 9\% a year, runs on unprecedented levels of energy input. China is the second largest oil consumer in the world, having switched from a net exporter to a net importer in 1993.\footnote{Hanson, 1.} The International Energy Agency reports that China will import a projected 13.1 million barrels per day by 2030, having surpassed the imports of Europe as a whole in 2025.\footnote{Miller, Leland R. “In Search of China’s Energy Authority,” \textit{Far Eastern Economic Review}, Vol. 169, No. 1, (2006), p. 39.} China accounts for 15\% of global energy demand alone, and that energy demand grows by 13\% a year.\footnote{Rosen and Houser, 4.}

Why is energy security so vital to the Chinese leadership? Energy security is important in itself, but it is particularly crucial to the CCP. As the Chinese economy has expanded and the average lifestyle of Chinese citizens has improved, demand for goods...
such as personal cars and air conditioning has risen sharply. Fulfilling consumer demand is no doubt part of the security calculus, and stability is of utmost importance to the leadership. But it is not the whole story. The residential demand for energy is only 10% of China’s total demand; commercial demand makes up 2% and transportation demand 7%. What makes up 70% of energy demand in China is the industrial sector of the Chinese economy.\textsuperscript{46} As Rosen and Houser write in \textit{China Energy: A Guide for the Perplexed}, “China is now making for itself, rather than importing from abroad, more of the energy-intensive basic products (such as steel and aluminum) used to construct the roads and buildings investment pays for.”\textsuperscript{47} Therefore, because energy resources are vital to fueling the rapid growth of the Chinese economy, it is also vital to the CCP, for they view economic growth as “the cornerstone of China’s social stability” and therefore, the continued hold on power by the Chinese Communist Party.\textsuperscript{48} If the CCP’s legitimacy is tied to the continuance of rapid economic growth, the leadership will logically take measures to ensure that that growth persists. In order to do that, in the CCP mentality, Chinese energy sources must be secure. Lieberthal and Herberg put it as follows: “Put simply, energy insecurity has become an issue of the ‘high politics’ of national security, not just the ‘low politics’ of domestic economic policy.”\textsuperscript{49}

Because of this, Chinese oil investment will continue to grow – and quickly. China chooses to pump its own oil by acquiring equity in foreign oil fields for the following reasons:

\begin{flushleft}
\textsuperscript{46} Rosen and Houser, 8.  \\
\textsuperscript{47} Rosen and Houser, 8.  \\
\textsuperscript{49} Lieberthal and Herberg, 13.
\end{flushleft}
1) China is able to ensure it has a solid source of oil.
2) Buying equity in oilfields lowers the price of the oil to China in the long run.
3) Competition for oil in certain crisis-ridden countries is reduced by the mere fact that many Westerners either will not pursue oil interests, or they are forbidden from doing so in these countries.50

But Chinese energy imperatives are not the whole story. It is not just important that they get oil, but rather how they get oil.

What Makes China Different?

What does Chinese investment look like, compared to Western countries? In other words, why is Chinese investment different from others in these African countries? It is an important distinction to be made, for otherwise, this is simply an examination of the harmful potential of extractive industry. This analysis examines the impact of PRC investment as opposed to that of BP, Royal Dutch Shell, or other international oil companies (IOCs). In order for China to affect the situation on the ground in a different way than all of the other players, its method of investment must be different as well.

Several factors set China apart. As Alden and Davies write, “For China, these differences are linked to the historical conditions of development from a command to a market-oriented economy, the political continuity that has accompanied unbroken single party rule, and the commensurate changes to its relationship with the international community.”51 The website of China Sonangol (a joint venture between the NOC of Angola and Sinopec) lists one of the company’s goals as “to sincerely share experiences

51 Alden and Davies, 85.
and achievements of China’s economic reforms with developing countries.”52 China’s strategy and methods in their overseas investment grow out of its national history.

First, China ties oil exploration and extraction deals to diplomatic and state-level relationships, its so-called “energy diplomacy.” Chinese leaders make numerous high-level visits and host African leaders in Beijing to strengthen these relationships and strike better deals. The close nature of Chinese government and business sets the NOCs apart in this manner. The NOCs can promise much more than other IOCs thanks to the backing of the central government. This brings up the murky issue of Beijing’s relationship to the NOCs.

Several scholars have argued against the so-called “China, Inc.” myth. This is the idea that the NOCs’ investment in Africa represents a coherent and highly coordinated strategy as drawn up by the leadership in Beijing. This line of thinking presents the NOCs as being fully controlled by the central government and merely doing as they are told when it comes to where, when, and how to invest. However, the decentralization of the economy in China has given the NOCs much more freedom to choose their own investment strategies first and tell their government later. Moreover, having become part of the global financial system, the NOCs boast much more diverse and international management and shareholders than simple puppets would. Due to this, coordination with and control by the center in Beijing has declined. Also, the Ministry of Foreign Affairs has no authority in the governmental structure over the NOCs in China; their communication is frequently lacking – the NOCs act and the MFA finds out afterward.

From these facts stems the argument that therefore, the activities of the Chinese NOCs are not controlled by Beijing and therefore not part of Beijing’s decision making calculus at all.

However, several factors push back against this analysis of the situation. The “Energy Diplomacy” of the central government is tied to each of the NOCs’ dealings in Africa. While many low to mid-level diplomatic visits are made in this context, leaders at the highest level – President Hu Jintao and Premier Wen Jiabao – visited Africa five different times between 2003 and 2007, each with high-profile fanfare. Chinese authorities have been working closely in multilateral organizations such as the Forum on China-Africa Cooperation. The third Forum on China-Africa Cooperation saw 41 African heads of state in attendance in Beijing in 2006.53 Much of the infrastructure, construction and developmental aid used to gain inroads with supplier states is financed or subsidized by the government.54 Also, as a NOC acquires more assets, it receives more financial and diplomatic support from the center, showing the intricate ties between the center and the NOCs as well as indicating an incentivized structure between the two. The top executive positions of the Chinese NOCs are appointed by the Central Committee of the Chinese Communist Party, allowing a modicum of control and influence.55 Finally, and most importantly, the central government specifically directs the investments that carry the most risk (such as the holdings in Sudan) toward CNPC, the “most centrally directed of the NOCs”; (please refer back to Fig. 1). Moreover, those

53 Jakobsen, 404.
54 Rosen and Houser, 22.
risk-laden investments in CNPC are specifically held by the part of the corporation that is the government parent company, as opposed to the global arm of CNPC which is listed on the international market.\textsuperscript{56}

It seems, therefore, that although the NOCs do have a certain level of independence from the central government, the CCP decision makers play a significant role in the overseas energy investment in Africa. Granted, the NOCs do not operate solely in accordance with what the center tells them to do, but they do not operate independently either. The two entities are linked in multiple ways. By ensuring the holding of the most controversial assets of the NOCs in CNPC’s government owned arm, as well as by providing the diplomatic and financial support so crucial to the gaining of these investments, the central government seems to be tied very closely to the activities of the NOCs. While the “China, Inc.” myth is certainly exaggerated, Beijing retains significant influence over the NOCs.

Energy diplomacy, in addition to the financial backing provided by the central government, sets China apart from IOCs, which primarily operate without access to their government’s soft power or financial resources. Chinese deals are made in a different manner than the standard the West has set previously. \textit{The Economist} wrote in 2008, “Chinese aid to Africa seems to be concentrated in countries where Chinese resource firms are also investing heavily, such as Sudan and Angola.”\textsuperscript{57} Chinese investment comes alongside offers of aid, loans, and infrastructure reconstruction projects – which

\textsuperscript{56} Lieberthal and Herberg, 18.
Angola, for example, critically needs. These loans are granted at zero or near-zero interest and often repaid in natural resources.\footnote{Sautman, Barry and Yan Hairong. “Friends and Interests: China’s Distinctive Links with Africa” \textit{African Studies Review}, (2007), p. 80.} Campos and Vines write “Chinese financing offers better conditions than commercial loans, lower interest rates, and longer repayment time.”\footnote{Campos, Indira and Alex Vines. “Angola and China: A Pragmatic Partnership,” Chatham House Working Paper, (2008), p. 11.} The close connection between PRC government-sponsored development projects and the NOCs is “a prominent feature” of the oil companies’ bidding strategy.\footnote{Alden and Davies, 90.} African analysts contrast this with the West, which is seen as taking advantage of the weakness of African economies and have long ignored development projects and infrastructure.\footnote{Sautman and Yan, 80.}

Moreover, these loans, for the most part, come without the political, social and environmental conditions that often accompany deals with Western nations. Sautman and Yan point out that “worldwide, much aid from developed states is subject to conditions that benefit the donor economically and politically, including its security interests.”\footnote{Sautman and Yan, 85. For example, “during the Cold War, the US and the UK pressured Tanzania to become allied with the West and later to accept IMF/World Bank (Structural Adjustment Programs).” (Sautman and Yan, 87).} China does not attach these conditions – that primarily require economic or political reform – to their aid and investment packages. For example, when China began striking oil deals with Angola in 2004, the World Bank restricted its development projects in the country because of a poor Angolan relationship with the IMF.\footnote{Campos and Vines, 11.} China requires no such framework. As Brautigam reports,
Former Mozambican President Joaquim Chissano charged that donors frequently form “a common front in an unbalanced power relationship that may have dire consequences to the recipient country.” A Ugandan official was more charitable: “The fact that a country gives you aid makes them think they have a license to tell you how to run your affairs. These conditions are probably well-intentioned, but they are humiliating.” It is not difficult to get African government officials to expound on the contrast between China’s approach and the detailed and intrusive conditions often considered necessary by international donors.⁶⁴

Western analysts, whose countries require governmental and environmental conditions when giving aid, criticize China’s approach of “economic development without political change.”⁶⁵ The only condition attached by China is adherence to the “One China Policy”: recognition of Beijing over Taipei.

Infrastructure and construction projects funded by the PRC in return for extraction rights often have high visibility and symbolism due to China’s economic largesse. For example, in one oil deal, China offered US$2 billion to Angola to help repair its rail system.⁶⁶ The Chinese build hospitals, schools, defense ministries and football stadiums. Projects such as this have long been absent from deals with IOCs.

China has shown a willingness to invest in places that other nations or international businesses deem unsafe or unfriendly, Sudan being the prime example. This reduces competition from other IOCs that have had relations with other, friendlier places for decades. He Jun, a Beijing energy consultant, said, “China does not have a competitive edge over its Western counterparts in an open market. But in a closed

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⁶⁴ Brautigam, 149.
⁶⁵ Sautman and Yan, 84.
⁶⁶ Hurst, 10.
market like Africa’s, Chinese companies are able to gain from government influence.”

The NOCs’ state financial backing also allows them to take higher risks, such as investing in Sudan during full-scale civil war.

Finally, China insists on the right to maintain preferential hiring practices for Chinese nationals rather than locals. This allows the NOCs to bid for projects at a much lower cost than Western countries. Low-skilled Chinese labor and Chinese managerial costs are significantly lower than those of Western multinationals in Africa. China’s hiring practices are in distinct contrast to Western companies whose “own legal standing in their home countries, which imposes labour and environmental standards, from which Chinese MNCs are free, as well as obligations to fulfill development mandates such as training local staff.”

Most Western national employees in Africa are higher-level oil company professionals or NGO-employed expatriates, leaving low-skilled jobs open for local nationals.

Also, the Chinese government seeks to use energy and infrastructure in Africa as a vehicle for employment of China’s surplus labor, according to Jakobsen. For example, dealings with Angola have required that 70% of construction work be given to Chinese companies. These companies generally employ Chinese citizens, even in African

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67 Alden and Davies, 90.
69 Alden and Davies, 90.
70 Ibid, 93.
71 Sautman and Yan, 90.
72 Jakobsen, 410.
A prominent criticism of Chinese NOCs in Africa, according to Alden and Davies, is their “lack of collaborative business models, contributions to capacity building and sustainable business practices in recipient economies.”74 For these reasons, Chinese investment in Africa is distinct from traditional Western investment. But does it have different effects?

Case Studies

These case studies will examine whether the variables laid out by the civil conflict and natural resources literature are present in the nations in which the People’s Republic of China buys a greater than 25% proportion of their oil, and in which oil is that country’s primary export. The countries examined are: Sudan, Angola and the Republic of Congo.

Given all of the potential indicators listed above, it is important to categorize and streamline them, making it easier to test each case. The most important, testable indicators are therefore the answers to these questions: Where is the resource, in this case oil, located? Is it on the periphery or close to the capital? Is it physically concentrated? Were people forced to move to aid the extraction process? Does the area benefit from the resources it produces? Are the people of that area of a different ethnic makeup than the rest of the country? Who controls the resources? Is it appropriated by locals? Is the extraction process capital and technology intensive? Does it require foreign investment? (The answer in this case will always be yes). What is the level of state weakness, as measured by the indicators listed above? And, finally, is there a large income disparity

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73 Rosen and Houser, 32.
74 Alden and Davies, 89.
between the rich and poor? These variables of geography, extraction process, state weakness and income disparities will be tested against each country.

**SUDAN**

Sudan has fought a civil war, on and off, for nearly sixty years, between the northern, Muslim, Arab government and the non-Muslim Southerners. In 2005, after fighting to the point of exhaustion, the Comprehensive Peace Agreement (CPA) was brokered, providing for more Southern autonomy, better power and revenue sharing structures, and a referendum in 2011 to determine the South’s final status. Meanwhile, seeing this success, rebels in Darfur took up arms against Khartoum as well. The government responded by crushing the rebels and unleashing the *janjaweed* militia in the area. The situation has reached catastrophic levels of death by violence and disease.

As of 2008, oil provided 60% of government revenue and 95% of export revenue for Khartoum. China buys 55% of this oil and is the largest investor in the oil export industry. Sudan represents one of the first and one of the only countries that has allowed China to purchase large stakes in oilfields and manage them directly. Since 1996, Chinese firms invested over US$15 billion into Sudan, primarily in the oil industry.

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76 Ibid.
78 Ibid.
Map of Oil Fields in Sudan:  

_Geography:_

Oil is primarily located in the South of the country and along the border between North and South Sudan. Only 17% of oil resources in Sudan are in the North, and none are close to the capital, Khartoum. Abyei, the main oil producing region of Sudan, borders the North and the South; the CPA included a revenue sharing agreement between the two for these oil fields. Under the outline of the referendum, Abyei will decide which side to become part of, should the South secede. However, over the past years since oil discovery, the North has undeniably benefited from the South’s oil. Nearly all of the country’s hospitals, schools, roads and water systems are in the North. Energy

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79 EIA, Sudan.
production in the North is primarily oil-based – oil pumped out of the South. While this could be a normal situation for other, less divided countries, the exploitation of the South by the North adds to the pre-existing ethnic, religious and nationalist tensions, increasing grievances and leading to the fighting that continues today.

Extraction Process:

The government controls the oil, which requires a capital and technology-intensive extraction process. Both domestic and foreign oil companies carry out oil production, and above all others is China. During the North-South Civil War, CNPC took advantage of the high political risk and the United States’s prohibition of investment in Sudan as little competition existed.\(^{80}\) CNPC is the largest foreign investor in Sudan.\(^{81}\) As of 2006, the company’s Sudanese assets valued $7 billion; it owns 40% of the Great Nile Petroleum Operating Company, the largest oil-producing company in Sudan.\(^{82}\) Chinese NOCs in general get 81% of their actual oil production from Sudan.\(^{83}\)

State Weakness:

The Failed State Index (FSI) ranked Sudan 3\(^{rd}\) weakest state in the world and listed it in “critical condition.”\(^{84}\) It also gave Sudan a 9.6 rating in terms of uneven

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\(^{80}\) Downs, p. 58. The European Union does not specifically direct sanctions against petroleum in Sudan, but no European country purchases Sudan’s oil exports. Japan is the second largest investor in Sudan’s oil sector, followed by Indonesia and India. (EIA, Sudan: Oil.)

\(^{81}\) Ng, Eric, “PetroChina parent joins Sudan oil venture; CNPC entrenches position as top foreign investor in country targeted over rights,” *South China Morning Post*, 3 July 2007.


\(^{83}\) Downs, 46.

development.\textsuperscript{85} Oil makes up the majority of GDP, but most people survive on subsistence agriculture and do not benefit from the oil revenues.\textsuperscript{86} In terms of corruption, Transparency International ranks Sudan 4\textsuperscript{th}; the FSI ranked “delegitimization of the state” as 9.8 out of 10.\textsuperscript{87} Finally, the education levels of Sudan are low, with 39% of the male population and 45% of the female population remaining illiterate. Primary school enrollment is 43%; 79% of those enrolled complete schooling. There exists a great disparity between the schooling facilities in the North and the South, at every educational level.\textsuperscript{88}

\textbf{ANGOLA}

A former Portuguese colony, Angola underwent a vicious 27-year civil war that ended in 2002. This war, between the National Union for the Total Independence of Angola (UNITA), led by Jonas Savimbi, and the Popular Movement for the Liberation of Angola (MPLA), led by Jose Eduardo Dos Santos, claimed nearly 1.5 million lives. It ended shortly after Savimbi’s death; Dos Santos is currently President. Moreover, the civil war left the country with neither infrastructure nor a viable economy. Oil has been a key resource for Angola in its efforts to rebuild after the civil war. It represents 50% of

\textsuperscript{85} Uneven development is defined by the Fund for Peace as “Group-based inequality, or perceived inequality, in education, jobs, and economic status” and “Group-based impoverishment as measured by poverty levels, infant mortality rates, education levels.” Fund for Peace, “Sudan, 2009.” Available at \url{http://www.fundforpeace.org/web/index.php?option=com_content&task=view&id=229&Itemid=366}. Accessed 3 April 2010.
\textsuperscript{86} FFP, Sudan.
\textsuperscript{87} Foreign Policy, FSI.
\textsuperscript{88} The Economist Intelligence Unit, “Country Profile: Sudan,” (2009), p. 15.
GDP and 90% of government revenues for Angola.\(^8^9\) China buys 30% of that oil.\(^9^0\) Many of the oil deals struck by companies such as Sinopec are closely tied to the infrastructure projects described above. For example, in 2006, Beijing helped Sinopec win a bid for a former Shell oil block by simultaneously offering $2 billion in aid for infrastructure projects.\(^9^1\) Angola is now China’s largest oil supplier, overtaking Saudi Arabia in 2006.

**Geography:**

Oil is primarily located in the Cabinda region in the northern periphery of the country, as well as offshore. The on-land deposits are physically concentrated and as Sonangol, the Angolan national oil company, states on its website, “to date, it is clear that geology has favored blocks in the north of the country.”\(^9^2\) Cabinda presents a textbook example of an area with concentrated resources on the periphery of the country, whose citizens were forced to leave their homes upon discovery of the oil.\(^9^3\) The United States Energy Information Association describes the area as “home to separatist movements demanding access to oil revenues and greater participation in oil policy.”\(^9^4\) However, as


\(^9^0\) Campo and Vines, 4.

\(^9^1\) Sautman and Yan, 80.

\(^9^2\) Sonangol website, Available at: [http://www.sonangol.co.ao/wps/portal/?ut/p/c1/04_SB8K8xLLM9MSSzPy8xBz9CP0os3gDC2NnH0NjAx dHA38Pb1PDUHMjAwiQDwfpAKrAARwNoPK4TcAqH2KCX94lyBAm7-eRn5uqX5CdHeRR7giALuIM-Q1/dl2/d1/L2dJQSEvUUt3QS9ZQnB3LzZfMDgzQ0wxMzBEQTBPSEs1MTI4MjAwMDAwMDA!](http://www.sonangol.co.ao/wps/portal/?ut/p/c1/04_SB8K8xLLM9MSSzPy8xBz9CP0os3gDC2NnH0NjAx dHA38Pb1PDUHMjAwiQDwfpAKrAARwNoPK4TcAqH2KCX94lyBAm7-eRn5uqX5CdHeRR7giALuIM-Q1/dl2/d1/L2dJQSEvUUt3QS9ZQnB3LzZfMDgzQ0wxMzBEQTBPSEs1MTI4MjAwMDAwMDA!), Accessed 10 March 2010.


the map shows, a large portion of the oil is offshore, making Cabinda the most likely area of instability, but lowering the overall potential for conflict in Angola.

Map of Angola Oil Fields:

*Extraction Process:*

As can be seen from the map of Angolan oil blocks, much of its oil resources are located offshore. Because of this, Angola’s oil requires an even more capital and technology-intensive extraction process, which brings with it a heavier reliance on foreign expertise. China has the largest amount of foreign labor in Angola among all countries and investors. In 2007, 22,000 Chinese nationals lived in Angola while working on investment projects. However, Traub writes that:

The Chinese are a mysterious presence in Angola. Everyone seems to know about them and their assorted projects, but few people have actually seen them, and scarcely anyone can claim to have talked to them. The

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95 Sonangol Oil Concessions Map, Sonangol website, Accessed 10 March 2010.
96 Campos and Vines, 15.
Chinese rarely venture beyond the encampments in which they live and work.  

*State Weakness:*

The Failed State Index ranked Angola as “in danger” and the 55th weakest state in the world in 2009. It also gave Angola a 9.4 rating in terms of uneven development, as 70% of the population resides below the poverty line. GDP per capita is listed as $5,600, but some report that the average Angolan lives on $2 a day. In terms of corruption, Transparency International ranks Angola 10th, claiming that 12% of GDP disappears each year; the FSI ranked ‘delegitimization of the state’ as 9.8 out of 10. Finally, the education levels of Angola are abysmally low, ranked 159th in the world. 2.4% of GDP goes to education, but only 30.6% of enrollees finish primary school.

**REPUBLIC OF CONGO**

Congo-Brazzaville underwent a period of civil war and ethnic unrest in the 1990s, until former Marxist President Denis Sassou-Nguesso regained power by force in 1997. Rebel groups in the South signed a peace accord in 2003 but the CIA describes the situation as “tenuous.” Ethnicity determines political allegiances. After a flawed

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98 *Foreign Policy, FSI*


100 *Foreign Policy, FSI.*

101 Traub, 6.

election in July 2009, Sassou-Nguesso has tightened his hold on the central government.\textsuperscript{104} The country’s infrastructure remains in a serious state of disrepair, and its improvement tops the government’s priority list.\textsuperscript{105}

Oil makes up 70\% of GDP and 81\% of government revenue.\textsuperscript{106} As of 2007, China was purchasing half the country’s annual oil production.\textsuperscript{107} As the Economist Intelligence Unit stated in their 2008 review, China “is seeking to increase its role in oil production and exploration. As a result of this growing relationship, Congo has voted on several occasions in favour of Chinese positions in the UN.”\textsuperscript{108} In exchange, China has built the country’s foreign ministry, the headquarters of Brazzaville’s TV and radio stations and a crucial hydroelectric dam.

\textit{Geography:}

The oil of the Republic of Congo is primarily located offshore, near Pointe-Noire. The Ninjas, the main militant group from the previous struggle for power, are primarily located in the Pool region, and not close to Pointe-Noire. That the oil is offshore removes the potential conflict variables of concentration, location in relationship to the capital and benefit to those in that area, significantly decreasing the likelihood of a secessionist war.

\textsuperscript{103} The Economist Intelligence Unit, “Country Profile: Congo (Brazzaville),” 2008, p. 7.
\textsuperscript{104} The Economist Intelligence Unit, “Country Report: Congo (Brazzaville),” January 2010, p. 5.
\textsuperscript{105} EIU (2008), p. 7.
\textsuperscript{106} EIU (2008), p. 7.
\textsuperscript{107} Gjelten, 1.
\textsuperscript{108} Ibid.
Extraction Process:

Because of its offshore location, Congo’s oil requires an even more capital and technology-intensive extraction process, similar to the case of Angola. This also means that Congo remains heavily reliant on foreign expertise and workers. Sinopec is the primary Chinese investor in Congo, signing two large offshore exploration and production deals with Société Nationale des Pétroles du Congo (SNPC) in March 2005. It now operates the Marine XII and the High Sea C blocks.

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109 Map from CIA World Factbook, “Republic of Congo.”
110 Hurst, 12.
111 Hurst, 13.
State Weakness:

The Failed State Index ranked the Republic of Congo as the 30th weakest state and listed it as in “danger.” 50% of the population lives in abject poverty, despite the government’s oil revenues. The Fund for Peace gave the Republic of Congo 8.1 out of 10 for uneven economic development. The FSI ranked ‘delegitimization of the state’ as 8.6 out of 10. In terms of corruption, Transparency International ranks Congo as tied for 8th. However, in 2004, Congo agreed to become a part of the Extractive Industries Transparency Initiative, in efforts to improve its thorough and ongoing corruption problems. Finally, the education levels of Congo are high when compared to the region; adult illiteracy is only 14%. Enrollment took a significant hit due to the crisis of civil war, but has been steadily increasing since 2005. Only 1.9% of GDP is allocated to education, and only 27% of that to primary education.

Analysis of Case Studies: Implications

Through these case studies, I sought to answer the question: Are countries with large Chinese oil investment and extraction presence more likely to experience civil war based on variables laid out by resource conflict literature? And, if so, in what ways are the unique characteristics of PRC investment interacting with those variables?

112 Foreign Policy, FSI.
114 Foreign Policy, FSI.
116 Ibid.
It is clear that several of the conflict variables are present in each of these countries. In many ways, this makes sense – they are difficult places. This is one of the reasons China chose to invest in the first place, and Sudan has already risen to the level of violent conflict. In Sudan and Angola in particular, almost all of the factors favoring civil war are present, from concentration of resources to low education levels. The Republic of Congo is in a slightly better position. The offshore location of the majority of its oil resources removes the geographic variable. Additionally, its education levels are high compared to its neighbors. It still faces problems of poverty and income disparity but has made a gesture toward improving its state weakness issues by signing up for the Extractive Industries Transparency Initiative. Sudan and Angola, on the other hand, are the picture of resource-dependent countries at high risk for civil war, or at least serious internal instability.

Table 3: Conflict Variables in Case Study Countries:¹¹⁷

<table>
<thead>
<tr>
<th>Country:</th>
<th>Sudan</th>
<th>Angola</th>
<th>Republic of Congo</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concentrated</td>
<td>x</td>
<td>x</td>
<td>-</td>
</tr>
<tr>
<td>At distance from capital</td>
<td>x</td>
<td>x</td>
<td>-</td>
</tr>
<tr>
<td>Forced Migration</td>
<td>x</td>
<td>x</td>
<td>-</td>
</tr>
<tr>
<td>Disproportionate Benefit</td>
<td>x</td>
<td>x</td>
<td>-</td>
</tr>
<tr>
<td>Government Control</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Local employment</td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital/Tech-intensive</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
</tbody>
</table>

State Weakness

<table>
<thead>
<tr>
<th></th>
<th>Sudan</th>
<th>Angola</th>
<th>Republic of Congo</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income Disparity</td>
<td>9.6</td>
<td>9.4</td>
<td>8</td>
</tr>
<tr>
<td>High poverty</td>
<td>x</td>
<td>70%</td>
<td>50%</td>
</tr>
<tr>
<td>High Corruption</td>
<td>4th</td>
<td>tied for 10th</td>
<td>tied for 10th</td>
</tr>
<tr>
<td>Delegitimization</td>
<td>9.8</td>
<td>9.8</td>
<td>8.6</td>
</tr>
<tr>
<td>Low education levels</td>
<td>x</td>
<td>x</td>
<td></td>
</tr>
</tbody>
</table>

¹¹⁷ Data taken from Foreign Policy’s Failed States Index, the Fund for Peace, and the Economist Intelligence Unit.
However, the risk levels do not necessarily indicate Chinese culpability. Which of these variables are affected by PRC investment, or would be different with non-Chinese investment? In terms of geography, the variables of concentration and distance from the capital do not interact with the unique elements of Chinese investment, nor investment at all. A history of forced migration in Angola is not affected by China – the PRC entered the game much later than most regional investors and did not play a role in the pattern development of forced migration. Similarly, the government control of the resources, and the capital-intensive nature of extraction, are general facts; the distinctive elements of PRC investment do not interact with these variables.

An element in which China does play a role, though, is the variable of local benefit. China affects this marker in two ways. First, its practice of employing primarily Chinese nationals prevents locals of the area from directly benefiting from investment. Given the already high levels of unemployment in Africa, taken in combination with the connection between a lack of local benefit and internal instability, hiring practices seem like a very important factor for China to consider. Moreover, these Chinese nationals often live in closed compounds and do not bring commerce to the areas in which they work. Sautman and Yan describe one Chinese company’s employees, operating in Angola, who “receive $500 a month, live two to three to a room, and cook for themselves, while Europeans each rent a house and eat in restaurants.”

Moreover, China writes into oil deals that high proportions of contracts for oil and infrastructure must go to

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118 Sautman and Yan, 91.
Chinese companies -70 percent, in the case of Angola, for example.\textsuperscript{119} Therefore, the primary benefit (money) of Chinese oil investment goes directly to the central government of the host nation. A portion of prosperity goes to locals near the oil resources but it is both less than the amount enjoyed by the central government and less than the local benefits that would come from a Western company’s investment.

However, China often does this to make up for a shortage of local skills. In order to get a job done quickly, the Chinese companies find it easier to bring in their own workers and support them only as long as the job requires. Western companies often face development standards imposed by their own governments that obligate them to train local staff; this often undermines their ability to outbid the Chinese, but leads to local employment.\textsuperscript{120} Interestingly, Brautigam points out that the longer Chinese companies remain in a country, the less they ship in their own nationals. She writes, “In Sudan, where Chinese companies have been working in the oil industry for over a decade, 93% of workers in China’s oil operations were said to be Sudanese.”\textsuperscript{121} This unique element of Chinese oil extraction, therefore, does not necessarily push against a potential instability variable as much as it first appears to. The example of Sudan suggests that more locals will be trained and employed the longer China remains in the country. Therefore, China’s policy of using local nationals makes civil instability more likely in the short-term, but perhaps not in the long-term.

\textsuperscript{119} Rosen and Houser, 32.
\textsuperscript{120} Alden and Davies, 93.
\textsuperscript{121} Brautigam, 156.
All three of these countries are classic weak states, characterized by many – in some cases all – of the “state weakness” indicators derived from the conflict literature (see Table 3). In theory, China helps enable these countries to perpetuate situations of poverty, corruption, prosperity gaps, and low education levels by providing condition-free money and infrastructure. Admittedly, the responsibility to maintain the well-being and prosperity of a nation’s inhabitants resides with the government of that nation, not a foreign investor.

The fact remains, though, that in some ways China is making the host governments less answerable to its people. Beijing’s willingness to remain uninvolved in a country’s internal affairs, exemplified by its willingness to grant loans and provide infrastructure without transparency or governance conditions attached, provides an “alternative model of development” when compared to that of Western countries. However, this alternative model could simultaneously perpetuate state weakness and potentially undermine the work of multilateral institutions such as the World Bank or the IMF to increase transparency and reduce corruption. Mustapha Bello, head of the Nigeria Investment Promotion Commission, stated: “The US will talk to you about governance, about efficiency, about security, about the environment. The Chinese just ask: ‘How do we procure this license?’”122 Therefore, Beijing’s provision of oil revenue, in addition to these other incentives, potentially exacerbates – or at the very least, perpetuates – the state weakness variables outlined above.

122 Alden and Davies, 95.
However, the question of condition-based relationships – both investment and aid – begs the question: would “strings attached” deals make a difference in the place of Chinese style investment? The presence of oil in these countries makes this a difficult question to answer. Oil provides producing countries with a certain amount of leverage both over their populations and the international community. Oil revenues allow governments to drive hard bargains with IOCs and foreign governments seeking to shape their behavior. A state with no or less-valuable resources is more likely to accept conditions imposed by Western nations. Therefore, it is possible that such state weakness is perpetuated more by the presence of oil in the diplomatic arsenal rather than by China choosing to remove “strings” that could prove ineffective anyway. In a parallel example, Downs argues that Angola’s troubled relationship with the IMF is due not only to China but also due to high oil prices in general. Increased oil revenues, according to this argument, reduced the multilaterals’ leverage over Angola, not the role of the Chinese as an alternative benefactor.\(^\text{123}\) Moreover, Western investment in Sudan is nearly nonexistent due to the human rights abuses in the country, meaning that “strings attached” deals do not exist at all. China may be allowing the status quo to continue, but it also is providing at least some revenue and infrastructure.

Having said that, it is also important to note that Chinese behavior is changing and progressing. The PRC’s most recent reaction to the crisis in Darfur and relations with Sudan exemplifies an ability to modify its policy of noninterference when it

\(^{123}\) Furthermore, some Angolan officials have expressed a desire for increased cooperation with the IMF in the future.
threatens PRC interests.\textsuperscript{124} And, as Downs writes, the leadership has “rapidly learned that separating business from politics is easier said than done.”\textsuperscript{125} This evolution of behavior grows out of one of the unique characteristics outlined above: the close connection between the government and the NOCs, which allows the government to exercise more control over operations. Conversely, business decisions also more directly affect the international reputation of the government. Once the negative effects of NOC operations in Sudan began to be fully realized in Beijing, the government began to change its behavior with regard to the Darfur crisis. Beijing decided that should the international community choose to act in Sudan, the PRC needed to get a seat at that table early in order to protect its economic interests as much as possible.\textsuperscript{126} The Sudan case, therefore, provides an example where the Chinese government, because of its close connection with the NOCs, influences the state weakness variable – but positively.

In many ways, it could be argued that China is affecting the situations in these countries in a positive manner. China is Angola’s top export destination. Although it buys oil, it also provides significant services to Angola. It builds roads, bridges, hospitals, schools, airports, rail systems and has provided electricity access to 60,000 new clients in Luanda.\textsuperscript{127} Chinese money and expertise have allowed the rehabilitation of infrastructure and water supply systems that were destroyed by the civil war. Because of the

\textsuperscript{124} Chinese diplomats proved instrumental into pressuring Omar al-Bashir into allowing peacekeepers into the region in 2006-2007. As Downs writes, “During his testimony before the U.S. Senate Foreign Relations Committee in April 2007, U.S. Special Envoy for Sudan Andrew Natsios complimented China’s subtle behind-the-scenes diplomacy toward Sudan as a useful complement to the blunt, highly-visible approach taken by the United States.” (Downs, 61).
\textsuperscript{125} Downs, 59.
\textsuperscript{126} Downs, 60.
\textsuperscript{127} Campos and Vines, 12.
destruction wreaked upon the country during the 27-year civil war, these loans and reconstruction projects prove crucial to Angola and have the potential to truly help the country. As mentioned above, China has built the Republic of Congo’s foreign ministry, the headquarters of Brazzaville’s TV and radio stations and an important hydroelectric dam. Because of the civil war’s destruction, infrastructure is a high priority in Congo, and something that China is ready and willing to provide.

China has a national interest and security interest in maintaining peace. It needs – or the leadership believes that it needs – the oil access provided by these nations. China believes, in a manner that very much reflects its history and own developmental narrative, in peace and progress through development. Ghana’s ambassador to China, Helen Mamle Kofi said in 2010 that China provides an “example to follow in terms of economic, financial, social, technological and cultural integration.”

Having come from being a broken and desperately poor state in the late 1970s to where it is today, China sees political and economic development as two entirely separate issues. Therefore, it addresses difficult issues in these countries in a different manner than the West, but it still addresses them. Governance conditions are not attached because China does not believe them to be necessary.

Chinese oil investment affects two major variables: benefit disparity between the center and the local oil-producing region, and, to a lesser extent, state weakness. However, on balance the role China plays is not enough to ignite internal instability.

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129 Alden and Davies, 89.
not affecting the variables of geography and extraction process, such as location, concentration and capital and technology intensity of the process. It seems that while Chinese investment in Africa is different from Western investment, the effects of this difference are not quite as stark as the difference itself. And, while some characteristics of the PRC’s investment interact with the conflict variables outlined above, China’s unique approach also provides positive influence in these countries. Moreover, these effects are not sufficient to push a country into internal instability or civil war. The effects are different at the margins, but not enough to affect the bigger picture. While the situation in these case study countries is tenuous, the characteristics generated by PRC investment are only a small part of the larger puzzle. Overall, while the situation may not be quite as “win-win” as Beijing seeks to portray it, the People’s Republic of China is not fueling potential wars in Africa through oil extraction.

Policy Recommendations

Civil war represents what can be the most brutal, pervasive, and devastating type of conflict for countries. A situation such as this benefits neither China nor the African countries where it invests. Stability on the African continent is also in the United States’s security interests. Policy recommendations here are directed toward the United States and the African nations – but require the involvement of outside, neutral actors such as the United Nations, the World Bank, and the IMF. These recommendations are based on
a study of oil, but could be broadly extrapolated to other nations and similar resources as well.\footnote{But not all resources have the same characteristics--as mentioned above, so-called `lootable' resources, such as alluvial diamonds, create a different dynamic and have a different effect on stability.}

The United States must separate the alarmist dialogue regarding Chinese investment in Africa from the fact-based analysis of the situation. The activities of the Chinese National Oil Companies in Africa are not a threat to United States interests with regard to stability.\footnote{For an excellent analysis of NOC competition with other oil companies, including American ones, see Downs’s “Fact and Fiction.”} It has been shown that Chinese-style investment is not affecting conflict variables in these countries. United States policy makers should therefore shift their focus and energy to engaging the Chinese on Africa through reasoned and evidence-based dialogue.\footnote{For example, Representative Christopher Smith of New Jersey stated “China is playing an increasingly influential role on the continent of Africa, and there is concern that the Chinese intend to aid and abet African dictators, gain a stranglehold on precious African natural resources, and undo much of the progress that has been made on democracy and governance in the last 15 years in African nations.” (Klare and Volman, 623). As Downs describes it, ending “fuzzy thinking” is vital to addressing Sino-African engagement’s implications.} Secure supplies of energy, as well as the maintenance of stability on the African continent are both shared interests between the two countries. By clearly separating the rhetoric from the facts, the United States can more comfortably focus on what is important and what is not. The United States should proceed in the following approaches.

The United States should consider revising its attitude toward development and aid to the African continent. Many African leaders and officials have described the negative effect created by the patronizing overtone of Western condition-based aid. Though reforming governance and promoting transparency remain crucial to preventing the outbreak of instability and civil war, the developed world, led by the United States,
should reexamine the tone with which it conducts relations with Africa. The African perception of condescension on the part of the United States often undermines good policies that aim to improve quality of life in African countries. Furthermore, it is important that the United States not ignore infrastructure projects as part of the aid given to Africa. As examined here, Angola and Congo, having undergone extended civil wars, are in dire need of infrastructure repair as they rebuild their countries. This makes Chinese investment very attractive to these countries and the United States should not allow this gap to be so glaring. This is not to be undertaken as an effort to make Chinese investment less attractive, but rather to avoid alienating African leaders and populaces in general. Any effort to promote good governance and stability may be undermined if the United States is perceived as patronizing.

It is important to take into account this new perspective on the role of Chinese National Oil Companies in the stability of these African countries when making strategic decisions about how and when to engage China in the African context. A spokesperson for the Chinese Foreign Ministry stated: “China stands ready to cooperate with the United States and other countries . . . on the basis of equality and mutual benefit.”133 This shared interest provides an opportunity for the United States to engage China, and through cooperation, promote good governance, transparency, and corruption-fighting practices in Africa. The United States and the PRC have an important shared interest in stability on the continent. Both parties require stable, strong states that can guarantee continued

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access to resources on the continent. Because both countries have citizens and companies in country (with the exception of the United States in Sudan), investments would be endangered by civil war. Finally, stable states in the African continent play an important role in the security calculus of both countries because of international terrorism concerns that both share. While the United States has certainly been more active and vocal about the international threat of terrorism, the PRC has signed on in support of the US efforts.\textsuperscript{134} While other aspects of the Sino-African relationship may not be as amenable to cooperation between the United States and China, the fact that China is not affecting the stability of these countries significantly should provide an area of potential cooperation in the African context. In this way, the United States can engage China and use this topic as a confidence-building step in this important relationship.

With regard to the hiring practices of China, it is crucial for African countries to negotiate deals that proactively involve African firms in Chinese production and retain a significant portion of revenue within the African economies. The African governments should recognize and further develop the capacities of their locals by investing in education and training programs. This would allow the Chinese companies to use this human capital on projects in relation to oil, giving these locals a stake in the process. In locations where a dearth of local capacity exists, the African governments should insist upon the inclusion in oil contracts of employment clauses and immediate capacity building programs. Finally, if these fail, governments could take the example of

Tanzania and enforce expensive work permits, forcing China to employ locals. The Chinese economic counselor in Tanzania, Liu Yulin, described the situation as follows:

Tanzania doesn’t want to give work permits. And it’s more expensive now to bring people from China. Some don’t want to come. It costs a thousand dollars a month for a Chinese worker now. This is ten or twenty times what it costs for local salaries. Localization is the only way.135

The role of the African government is paramount in regard to local employment. When deals for these projects are struck, the government must, in order to protect itself in the long run, negotiate with China for the use of local nationals. This policy shift will ensure that Chinese hiring practices – a unique quality of Chinese investment – do not exacerbate the key conflict variable of local benefit. If those living in the area endowed with natural resources are employed by China, the appearance of disproportionate benefit to the center may be eased, reducing the likelihood of instability due to extraction.

Concluding Thoughts

Beijing’s practice of “energy diplomacy” – the combination of oil investment, infrastructure building, debt cancellation, and high-level diplomatic visits – makes China very visible on the African continent. Chinese research and discourse on the burgeoning relationship with Africa emphasizes a shared history of rising from poverty after decades of being taken advantage of by colonial powers.136 This is stressed so strongly in order to further build trust and relationships between China and the African states. China furthers this by offering to African countries a development model that is different from the

135 Brautigam, 157.
136 Jakobsen, 405.
“strings attached” versions offered by the Western liberal democracies. However, the unique characteristics of PRC investment often lead to accusations from the West that China undermines the stability of these countries.

In this research, I have identified certain critical variables, as described in detail by existing conflict literature, that connect the presence of natural resources to civil war. They include elements such as: the geographic location and physical concentration of oil resources, the method of extraction, large benefit disparity between governments and citizens, and characteristics of state weakness. Upon examining these variables in the cases of Sudan, Angola, and the Republic of Congo, it was found that these variables have limited interaction with the distinguishing characteristics of PRC investment. This Chinese-style investment does not affect any of the geographic or extraction process variables. China’s practice of using Chinese nationals on oil and infrastructure projects does, however, interact with the variable of disproportionate benefit. However, the Sudan case implies that the longer China invests in a country, the more locals it employs. Additionally, the “no strings attached” manner of operating allows state weakness to persist in these countries, but its influence on the potential for instability is on the periphery of the larger picture of fragile but oil-rich states.

Policy recommendations flow from this analysis. African countries should insist on earlier employment of their nationals and write such requests into oil deals struck with the Chinese NOCs. With regard to the United States, policymakers in Washington, DC should reexamine the tone with which they engage both Africa and China in the African context. The conditions attached to aid, as well as the neglect of infrastructure building
in Africa, lead to an overtone of condescension. This overtone is felt strongly by the African leaders, and undermines the US’s goals on the continent.

Given that the phenomenon described here combines both failed states and the growing influence of the PRC – two highly important security interests for the United States – special attention to the topic is vital. The findings of this analysis can help focus that attention on the main drivers of instability on the continent and lead to increased cooperation with Beijing. As two key players in the international system, the United States and China have the potential to have serious positive effects, through cooperation, regarding the shared interest of African stability.
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