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Frauke Urban, Johan Nordensvärd, Yu Wang, Deepika Khatri and Giles Mohan
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and Giles Mohan[5]

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Summary

Recently China has experienced high economic growth and increased urbanisation. At the same time, it has become known as the 'factory of the world'. This puts pressure on scarce domestic natural resources which are essential for powering China's growing economy. Consequently, China is increasingly engaging with low income countries to ensure access to overseas natural resources, such as energy resources. In search of affordable oil resources, China turns to Africa. Today, China is Africa's third largest commercial partner after the USA and France. In recent years, about 30–40 per cent of Chinese crude oil imports were drawn from African oil-producing countries such as Sudan, Angola and Nigeria. This paper aims to assess the channels of engagement, motives, actors, beneficiaries and the direct and indirect impacts of China's engagement in the oil sector in Africa. The authors use the 'Rising Powers Framework' for assessing these issues and to elaborate the links to trade, investments and aid.

Keywords: China; Rising Powers; European Union; international development; aid.

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Introduction

China hosts one fifth of the world's population. It has a rapidly growing economy and significant political power. The emergence of China as a major player on the world stage challenges the pre-existing dominance of the Organisation of Economic Cooperation and Development (OECD) countries and will continue to be a crucial force for global change in coming decades. China's rise has direct implications for Low Income Countries (LICs) and indirect implications in terms of changing the architecture of international aid (Cook, Mohan and Urban 2009). To sustain its economic and political power, China is increasingly engaging with LICs through aid, trade, investment, diplomacy, migration and environmental processes, albeit in a decentralised and at times contradictory fashion. In turn, this has provided LICs with an alternative to traditional donors (Urban, Mohan and Zhang 2010).

While China's economy and its ties with LICs have constantly increased, the Chinese engagement in the oil sector in Africa has also increased year after year. Today China is Africa's third largest commercial partner after the USA and France. China imports at least a quarter of its oil from 9 African countries (African Labour Research Network 2009). Between 1995 and 2005 China's oil consumption has doubled (Taylor 2006), while Chinese oil imports from African countries rose significantly, for example oil imports from Angola rose by 8 times and from Sudan 18 times during the same time (LBNL 2008). We therefore use China's engagement in the African oil sector as an example for this study.

Today China is considered a Rising Power within global governance. Leading thinkers in the field of China and international development, such as Henderson (2008) and Kaplinsky and Messner (2008), argue that China might return to its former position of power[6] and that the dominance of the US and Europe might be fading. Henderson even suggests we are facing a 'Global-Asian Era' (Henderson, 2008). This change in global governance involves fundamental questions for development. One of the key questions to address in this paper is whether and in which ways the Chinese way of engaging with LICs is different to the engagement of established donor countries and what the impacts of China's engagement will be. This issue is of even more importance when we take the situation of Africa into account.

The aim of this paper is therefore twofold: **1** to develop a new framework to analyse the motives and consequences of China's influence on Africa, **2** to provide an analysis of the channels of interaction, actors, motives and impacts through which China engages with the African oil sector. The paper particularly aims to address the indirect impacts of China's engagement in Africa for which very little analysis is currently available. The authors develop and use the 'Rising Powers Framework' for assessing these issues. For this paper we have distilled four dominant channels of interaction: Trade, Investment, Aid and Politics[7]. The paper intends to clarify these issues by presenting a case study from China's engagement in the African oil sector as an example.

There is a growing body of literature about China's engagement in the oil sector in Africa (e.g. Taylor 2006; Houser 2008; Frynas and Paulo 2007; Corkin 2009 etc). However, this paper adds value by assessing the channels of interaction, motives, actors, beneficiaries and the direct and indirect impacts of China's engagement in the oil sector in Africa by using the Rising Powers Framework.

Section 2 discusses China's rise and its implications, section 3 presents the methodology and the Rising Powers Framework, section 4 analyses China's engagement in sub-Saharan

[6] It is suggested that China had the 'most powerful and most advanced civilisation on earth' until the end of the 18th century, notably until 1793, when the old dynastic cycle began to come to an end (Seitz, 2006:23).

[7] The Rising Powers Framework has been developed based on an adapted version of the Asian Drivers Framework by Kaplinsky and Messner (2008). The Asian Drivers Framework and the work of Kaplinsky has been the inspiration for the Rising Powers Framework. Section 3 describes in detail how the two frameworks are related and how the Rising Powers Framework has been developed and tested.

Africa by using the case study from the oil sector, section 5 discusses the finding and section 6 concludes the paper.

1. China's rise and its implications

China makes an unprecedented case when it comes to its rapid development over the last three decades, its economic reforms from a centrally planned economy to a market economy with Chinese characters and its booming economy. The Chinese economy transformed from an agrarian economy into an industrial and service economy during the last three decades, shifting from support for Maoist inspired revolution to prioritising 'economic modernisation and to maximising access to foreign markets, technology and capital' (Mohan and Power 2008:30). Since then, China has witnessed an average annual Gross Domestic Product (GDP) growth of 9.4 per cent through China's 'state-orchestrated market' economy (Ampiah and Naidu 2008: 330). Chinese Gross National Income (GNI) per capita, measured in Purchasing Power Parity (PPP), has increased 24-fold between 1980 and 2008, which had a strong positive effect on income levels and prosperity, particularly in the urban areas, less so in the rural areas (World Bank 2010). Today, China is a global player in the economy, politics and environmental affairs. However, the high economic growth, rapid modernisation and industrialisation has taken its toll on the Chinese environment. China faces huge environmental challenges such as climate change, resource scarcity, water pollution, soil pollution and air pollution (Watts 2010). We will here address some of the environmental implications of China's rise.

Since 2007, China has been the world's largest carbon dioxide (CO_2) emitter measured in absolute terms (IEA 2010). Consequently, Western media and Western climate change negotiators often accuse China of being the world's largest contributor to climate change. This is however strongly contested by the Chinese as Chinese per capita emissions and their historic emissions are significantly below the emissions of major emitters such as the US and the EU. In per capita terms, the average Chinese emits twice less than the average European and four times less than the average American, while historic emissions from China are between three and four times lower than those of the EU and the US, respectively (Urban and Wang 2009). Nevertheless, Chinese total CO_2 emissions have increased by four times between 1980 and 2007 and have been rapidly increasing since 2000 (IEA 2010). Watson and Wang however found that 23per cent of Chinese CO_2 emissions are due to its strong export market and fuelled mainly by exports to the US and EU (Watson and Wang 2007). While China's economic growth is rapid; its per capita natural resources are relatively small. This puts pressure on scarce natural resources, particularly due to a large population, high economic growth and a large export market. According to China Economic Net (2004, cited in Pamlin and Baijin 2007: 25):

> […] the per capita area of arable land in [China] is only one fifth of the world average, the level of per capita water resources is one fourth of the world average, and that of forest is one seventh of the world average. The per capita reserves of key mineral resources that support the growth of the national economy like petroleum, natural gas and coal in China are only 11 percent, 45 percent and 79 percent of the world average.[8]

China's rapidly growing economy, its high rate of industrialisation and urbanisation, its large population, the high amount of embodied carbon emissions due to its exports and its strong dependence on coal have brought China into the position of a major polluter. 'Fuelling the

8 The world average is calculated by dividing the total amount of resources available globally by the total global population.

dragon' has become a major challenge as China's growing economy and its high population can only be sustained using enormous energy resources. China is endowed with cheap, though mostly low-quality coal which comes from indigenous supplies. China also imports higher quality coal from other developing countries, such as South Africa, and oil from various developing countries in Africa, Asia and Latin America. China's energy mix consisted of 87per cent fossil fuels in 2007, of which coal accounted for 66 per cent, oil for 18 per cent and gas for 3per cent (IEA 2010).

2. Rising Power Framework

For this project we are using the 'Rising Powers Framework', which is an updated version of the Asian Drivers Framework developed by Humphrey and Messner (2005), Humphrey and Messner (2006), Schmitz (2006), Kaplinsky and Messner (2008). The Asian Drivers Framework was developed to help understand the rise of Asian 'tiger economies' such as Korea, Taiwan and later China. The Asian Drivers Framework focussed on impacts of economic channels of interaction, such as trade, aid, investments, as well as non-economic channels such as global governance, individuals/migrants and the environment (Kaplinsky 2008). It also assessed direct and indirect impacts as well as competitive and complementary dimensions of these impacts for the Asian 'tiger economies'. The competitive and complementary aspect responded mainly to issues around international economic competitiveness. The framework was aimed at assessing the impacts of these emerging economies and their impacts on other countries, including developed and developing countries.

While acknowledging the substantial contribution that the Asian Drivers team has made to this field of research, this project attempted to rework and update the framework according to the needs of this project. This project added further dimensions to the Asian Drivers Framework, namely the motives, actors and beneficiaries engaged in Chinese overseas activities. The motives, actors and beneficiaries have been largely neglected by most studies on the Asian Drivers, emerging economies and oil developments. In addition, rather than discussing competitive and complementary impacts the framework was updated to discuss positive and negative impacts of China's engagement in LICs. The Asian Drivers Framework was therefore reworked into the 'Rising Powers Framework'. This framework has been updated and tested throughout the ESRC-funded Rising Powers project. The framework assesses the motives, actors, channels of interaction and the impacts of Chinese involvement in LICs. In the Rising Powers project, we started out to disaggregate China's engagement in LICs by focussing on the channels of interaction such as aid, trade, foreign direct investment (FDI), governance, innovation, policy, environment and migrants; and to assess the motives, actors, beneficiaries and the direct and indirect impacts. We further assessed whether the impacts are positive or negative. Throughout the project, we noticed that most of the existing research has been on direct impacts rather than indirect impacts, as the latter are more complex and less clear to analyse. We also noticed there was a gap in assessing environmental and social impacts such as migration, innovation and policy processes, as most primary research has been done on trade and aid. The environment and migrants are impacts or vectors of other channels, rather than channels themselves. As a consequence of these considerations, we used the Asian Drivers Framework as a starting point, but have since then amended it into the Rising Powers Framework which takes these issues into account. The framework has been tested throughout the project for two case studies: China's engagement in the African oil sector (this paper) and China's investments in the hydropower sector in the Greater Mekong Sub-region (paper in progress).

The Rising Powers Framework is displayed in table 2.1. There are four separate channels, namely 1 trade, 2 investments, 3 aid, 4 politics. Trade, investments and aid relate to the economic interactions between China and LICs and relate to trade agreements and deals, investments made by Chinese stakeholders to stakeholders in LICs and aid dispensed between China and the host countries. The next channel is politics which relates to policies made or influenced by China in LICs and the way China influences national and international governance through its political power. We further assess the motives which drive this engagement, such as economic growth and energy security. We assess the actors at the Chinese side which often include various authorities, regulators, state-owned and private companies at the national, provincial and local level. We assess the beneficiaries in the China and LICs and finally we assess the impacts. The impacts are divided into positive and negative impacts and direct and indirect impacts, whereby we give particular attention to indirect impacts and impacts on social and environmental issues.

Table 2.1 Rising Powers Framework for assessing China's engagement in Low Income Countries and its impacts

Channel	**Motives**	**Actors**	**Beneficiaries**	**Impacts**			
				Positive		Negative	
				Direct	Indirect	Direct	Indirect
Trade							
Investment							
Aid							
Politics							

In addition to table 2.1, we assess the impact of each channel on other key issues, including environmental issues and social issues. This is due to the fact that many channels are overlapping and touch on various other key issues. While table 1 indicates the details of each channel, table 2 is intended to show the overlaps between and the influence of various key issues.

Table 2.2 Rising Powers Framework for assessing the impacts of China's engagement in LICs on other channels

Channel				
	Trade	Investment	Aid	Politics
Trade				
Investment				
Aid				
Politics				

The information used for populating and analysing the Rising Powers Framework for this specific case study is based on literature review from academic journal articles, book chapters and scientific reports about China's engagement in the African oil sector. Key literature comes from the following sources: Ampiah and Naidu (2008); Brautigam (2009); Chen (2009); Corkin (2009); Frynas and Paulo (2007); Gu (2009); Houser (2008); Naidu and Mbazima (2008); Taylor (2006); UN (2007); Vines (2007).

Rather than focussing on one case study from one country, we used a broader scale of assessment which enabled us to assess the overarching and reoccurring actors, motives, impacts and processes behind China's engagement. There may be variations for specific countries and/or projects, however it has been found that most actors' engagement on the Chinese side and most of their motives and impacts are consistent even when various countries and projects are compared. We argue that there are four main channels where China's influence in Africa could measured be: 1 Trade, 2 Investments, 3 Aid, and 4 Politics. We will discuss each of these channels below.

3. The relationship between China and Africa

In this section we discuss the results of the framework analysis. This aims to elaborate our key research question: in which way is the Chinese engagement different to the engagement of established donor countries in the African oil sector and what are the impacts? We evaluate each channel according to the Rising Powers Framework, so taking into account the motives, actors, beneficiaries, direct and indirect positive and negative effects. We do not represent them in the table form as presented in table 1, because the information is too lengthy and would be visually rather inaccessible. We rather describe each of the columns and rows in keywords and a narrative below. Below we discuss in detail the results of the analysis for each of the channels. Before addressing its channel separately, it has to be remarked that China often bundles aid, trade and investments and that it is rather difficult to disentangle these three channels as the following examples indicates:

Exim Bank provided a US$ 2 billion loan to Angola in exchange for 10,000 barrels a day of oil (Tull 2006) and the award of substantial construction contracts for Chinese companies in Angola (Taylor 2006). Officially there were 'no strings attached' to this deal, however 70per cent of the workers engaged in this project are Chinese and major contracts were awarded for Chinese firms and bilateral trade agreements between China and Angola (Houser 2008). Data reveals that over the past 50 years, China dispensed foreign aid to Africa to the tune of 44.4 billion Yuan RMB and engaged in more than nine hundred infrastructural and social projects (Zhan 2006 cited in Lagerkvist, 2009). This combination of aid, trade and investment reflects both China's short term strategic goal to secure raw materials and energy supply, as well as to foster strong diplomatic ties with African countries in the long term.

Below we aim to disentangle some of these channels by using the Rising Powers Framework.

3.1 Trade

Motives: 1 Access to natural resources for domestic and international use; **2** New market for Chinese goods as the Chinese domestic market seems to have become saturated

Actors: State-Owned Enterprises (SOEs) like China National Petroleum Corporation (CNPC), the China Petrochemical Corporation (Sinopec) and the China National Offshore Oil Company (CNOOC); financiers like Exim Bank, Sinosure and China Development Bank; regulators like the Ministry of Land and Resources, MOFCOM, Ministry of Finance and others; African companies

Beneficiaries: SOEs, private companies like those in the manufacturing, construction and engineering industry, African companies.

Direct positive impacts: Import of affordable crude oil, access to new markets, export of Chinese manpower and services, new trading partners and trade deals for African firms and governments

Indirect positive impacts: Building long term international trade relations with Africa; building competitive capabilities in overseas oil and natural gas resources, creation of employment opportunities in Africa

Direct negative impacts: Creating a dependent economy based on a partner that offers cheap resources and labour – similar to how the industrialised Western countries are dependent on China

China needs these partners to access resources at a minimum price – it could be argued that it is in the interest of China to keep its African trading partners reliant on resource extraction rather than in a more advanced position in the global value chain.

Indirect negative impacts: Chinese imports on African markets can crowd out indigenous African goods and local trading partners in favour of cheaper Chinese goods.

China's cooperation with African governments is not based on political objectives or standards. This has resulted in an increase in bilateral trade between China and the African continent. Between 1989 and 1997, the bilateral trade volume grew by 430 per cent and since then has more than quintupled. In the first ten months of 2005, Chinese–African trade grew by 39per cent to $32.17 billion (BBC 2006). However, as Frynas & Paulo (2007) observe, the participation of China has created a qualitative shift in external relations between Africa and the West. There are two main motives for China to engage in **trade** with the African continent.

1 China needs natural resources for its growth but also for its domestic consumption. China has witnessed high growth rates over the past three decades. Even during the global financial crisis and the corresponding contraction of the world economy in 2009, China had an 8 per cent growth rate (De Haan 2009:20). The dominant motive for China to do trade with Africa is its richness in natural resources. Over the past few years, China has become Africa's third largest trading partner with figures touching over 100 billion USD in 2008 (De Haan 2009:21). While oil continues to remain the predominant import, China also imports other minerals, metals and agro-forestry products (Broadman 2007 cited in Mohan and Power 2008:32), reflecting China's strategic interests in securing energy and accessing raw materials. Currently, China is primarily dependent on coal for generating power. However, if the entire economy were to depend on powering with coal, the annual quantity of raw coal to be burnt would be 2150 million tons (Chang *et al.* 2009:1) which has serious consequences for energy resources, security of supply, climate change and social and environmental well-being (Urban *et al.* 2009; Urban 2009). With China's energy consumption estimated to increase by more than 150 per cent between 2002 and 2025 (Klare and Volman 2006 cited in Mohan and Power 2008: 30), other natural resources such as oil are becoming of vital importance to fuel the economy. This is reflected in China's relationship with Africa. According to Ampiah and Naidu (2008: 335):

> About 85 percent of Africa's exports to China are derived from five oil exporting countries. Correspondingly, 50 per cent of China's investments are concentrated in a handful of countries, which have natural resources that Beijing needs.
> (Urban, Mohan and Zhang 2010)

Bach (2008: 285) adds that in 2005, 20 per cent of sub-Saharan Africa's exports of raw materials and 15 per cent of fuels were to China. It is therefore unquestionable that China's role as the manufacturing hub of the world is driving its motivation for trade and investments in Africa and South Asia (Wissenbach 2010: 5). So much so, that 23 per cent of CO_2

emissions are a result of producing goods exported to other countries (Wang and Watson 2008). This implies that approximately 20 per cent of all energy and materials consumed in China is used for manufacturing export goods for other countries, primarily from the OECD. The high demand from developed countries for Chinese products is another cause behind its pursuit of resources in Africa (Urban, Mohan and Zhang 2010).

2 One of China's motives for engaging with Africa is to gain access to new markets for its products and cheap local labour. China needs access to non-domestic markets to export its mass-produced and cheap commodities. The economic boom in China has brought about significant investment opportunities for China's state and private enterprises, but has also created the need to seek a new market due to the domestic market becoming saturated. China maintains trade relations with most African countries, including Angola, Sudan, Congo, Nigeria, Libya and South Africa, while China is exporting manufactured goods into local markets (Urban and Mohan 2010).

As Kaplinsky (2006 cited in Naidu and Mbazima 2008: 755) notes, 'China-sourced imports have substituted traditional suppliers, often providing much cheaper and more appropriate products than those sourced from high-income economies of Europe, North America and Japan.' On the flip side, however, Chinese imports are crowding out traditional African goods in favour of cheaper Chinese products. The corresponding effect this will have on the indigenous industry and the impact on African people's livelihoods must be considered and policies need to be designed at the state level to address these indirect consequences. A boom in Chinese-African trade has nevertheless proved mutually beneficial for both sides (Tull 2006).

China also has an interest in engaging in technology cooperation and technology transfer with other countries, which relates to both trade issues and investments. It is often assumed that Chinese technologies are more suitable for LICs and sub-Saharan African countries as they are often cheaper, less high-tech and therefore easier to maintain and repair. This has been proven to be the case in some circumstances. Technology cooperation and technology transfer could create a market advantage for China as it might lead to increased innovation and technological development. This is of particular relevance for low carbon technologies such as wind and solar energy technology, but of less relevance to the oil sector.

3.2 Investments

Motives: 1 Access to affordable oil imports, energy security, economic growth **2** 'Outward investment' strategy is geared towards making Chinese corporations more competitive in the international economy

Actors: SOEs like China National Petroleum Corporation (CNPC), the China Petrochemical Corporation (Sinopec) and the China National Offshore Oil Company (CNOOC); financiers like Exim Bank, Sinosure and China Development Bank; regulators like the Ministry of Land and Resources, MOFCOM, Ministry of Finance and others; African companies, African ministries like the Ministry of Finance

Beneficiaries: SOEs, financiers like Exim bank, Sinosure, private companies and African companies

Job creation for Chinese workers; possibility of higher incomes and savings for Chinese workers; job creation for African workers

Direct positive impacts: Access to new markets, high return on investments, accumulation of foreign exchange in the State Administration of Foreign Exchange (SAFE), creation of sovereign wealth funds like the China Investment Corporation (CIC). Access to overseas jobs for Chinese workers.

Indirect positive impacts: Establish Chinese competitive advantage in the African oil market. Training opportunities for African students, researchers and civil servants in China.

Bargaining power of China in international fora such as United Nation bodies, the G20 and the World Trade Organisation (WTO)

Direct negative impacts: Accusations by Western scholars and media that Chinese approaches may be 'neo-colonial' in Africa. Some Western scholars suggest job opportunities for local African workers are limited in Chinese investment projects as mainly Chinese workers are employed, although other scholars suggest the investment projects increase the employment opportunities for local African workers security issues like the kidnapping and killing of Chinese oil workers in Nigeria and Ethiopia. Environmental degradation, depletion of finite natural resources

Indirect negative impacts: Crowding out other FDI. Local workers are reported to be given mainly low-skilled jobs with low wages, unsafe working conditions and have been reported to be sometimes discouraged from joining labour unions.

Increased greenhouse gas emissions by the oil industry in Africa and its consumption in China and other countries who buy the oil which in turn contributes to climate change.

There are two dominant motives why China **invests** in oil in Africa.

Motive 1 The first motive relates to China's need for affordable natural resources. China's limited domestic natural resources force it to invest in natural resources overseas. The 10th Five-Year Plan for National Economic and Social Development (2001–2005) laid the platform for China's 'Going Out Strategy', the push to invest in overseas natural resources and simultaneously to maintain national energy security (McNally *et al.* 2009: 291). In its search for overseas resources, China has turned to Africa on many occasions as African countries have abundant natural resources and can offer cheap production costs and cheap labour.

China's oil diplomacy is grounded in the robust economic growth the country has witnessed and its subsequent demand for securing energy resources. It is projected that China's energy demand will at least double during between 2005 and 2030 to sustain current economic growth rates (Urban *et al.* 2009: Urban 2009). One major motive for China's engagement in overseas resources is therefore to ensure energy security and thereby economic growth. Chinese FDI goes to more than forty African countries with the largest investments by far going to Sudan as investment in oil (UN 2007).

Motive 2 The second motive is the interest of China to make its corporation more competitive in the global market. According to Naidu and Mbazima (2008) the 'Going Out Strategy' is also geared at making Chinese corporations more competitive in the international economy and enabling China to learn from global commercial practices.

However, even though China is emerging as an important player in the African market, Frynas and Paulo (2007) observe that its foreign investment does not pose a large-scale competition to Western countries as most of Africa's FDI inflows originate directly from Western Europe and the United States. According to the United Nations Conference on Trade and Development (UNCTAD), the top five investors in Africa are France, the Netherlands, South Africa, the United Kingdom, and the US, which accounted for more than half of the total inflows to Africa in 2003 and 2004. While China is rapidly making its presence felt in the global market, the current data does not yet point to any shift in large-scale investment patterns (Frynas and Paulo 2007: 245).

China also has an interest in engaging in technology cooperation and technology transfer with other countries, which relates to both trade issues and investments. It is often assumed that Chinese technologies are more suitable for African countries as they are often cheaper, less high-tech and therefore easier to maintain and repair. Technology cooperation and technology transfer could create a market advantage for China as it might lead to increased innovation and technological development.

The main Chinese actors involved in the overseas oil industry can be broadly classified as State-Owned Enterprises (SOEs), regulators and financiers. The main SOEs involved are the China National Petroleum Corporation (CNPC), the China Petrochemical Corporation (Sinopec) and the China National Offshore Oil Company (CNOOC) (Taylor 2006; Chen 2009; Vines 2007). To improve productivity, these SOEs were developed from the Ministry of Petroleum Industry and Ministry of Chemical Industry in the 1980s (Houser 2008) in an oligarchic monopoly structure. CNOOC was established in 1982 with a mandate to explore, develop and produce new oil and gas resources overseas. Sinopec, on the other hand, was formed in 1983 to take the reins on downstream assets of oil refining, marketing and petrochemical manufacturing (Houser 2008). While these SOEs are subject to the regulatory authority of the State Energy Administration (Taylor 2006) and State Planning Commission, they are modelled along the lines of western multinationals which in turn reflects in their functioning as corporate entities (Chen 2009). China's Exim Bank plays a major role in investing in African oil projects as the example from Angola shows. Table 3.1 indicates the main Chinese actors involved in the oil sector in Africa. In addition, while it is believed that Beijing is closely controlling and monitoring China's national oil companies, differing institutional interests at the ministerial, provincial and agency level often cause friction with the interests of oil companies themselves (Houser 2008).

Table 3.1 Chinese main actors involved in the oil sector in Africa. Amended from Houser (2008)

State-Owned Enterprises (SOEs)	Regulators	Financiers
China National Petroleum Corporation (CNPC)	Ministry of Commerce (MOFCOM)	ExIm Bank
China Petrochemical Corporation (Sinopec)	Ministry of Land and Resources	Sinosure (insurance)
China National Offshore Oil Company (CNOOC)	Ministry of Finance	Other banks like China Development Bank (CDB)
	State Energy Administration	
	National Development and Reform Commission NDRC	
	State Environmental Protection Agency	

Chinese investments in the African oil industry have both direct and indirect impacts, with the direct impacts being easier to analyse and understand than the indirect impacts. Direct impacts include both positive and negative effects. Positive impacts include local employment creation, but the migration of Chinese higher-skilled workers limits the number of jobs available for local workers; the building of infrastructure like roads, schools and hospitals which can lead to community development; sources of revenue for the local and national government in oil-producing countries. Negative impacts include alleged poor working conditions for locals workers such as low wages, unsafe working conditions, reported discouragement to join labour unions; ethical implications such as the engagement with dubious regimes like in Sudan (Vines 2007; African Labour Research Network 2009).

These concerns are valid both for China, but also for OECD countries which buy the oil China produces (e.g. Sudanese oil for Japan). It also has to be recognised that many OECD countries also invest and trade with dubious regimes, most notable with Libya. Other negative impacts are security issues such as the recent kidnapping and killing of Chinese oil workers in Nigeria and Ethiopia (Houser 2008); the depletion of finite resources and environmental degradation. The African Labour Research Network (2009) argues that there is a virtual absence of employment contracts and Chinese employers unilaterally determine wages and benefits. It is reported that African workers are often employed as 'casual workers', depriving them of benefits that they are legally entitled to. In many instances, the rights infringements by Chinese businesses have been supported by African host governments who have defended Chinese investments against the demands of labour and employment (African Labour Research Network 2009).

China's stance against interfering in the internal affairs of African governments has resulted in criticism from Western countries in cases where its dealings may have supported authoritarian regimes. Western media and Western scholars have accused China that its policy of non-interference has geopolitical consequences. The Western standpoint is most dominantly portrayed by Darfur. The humanitarian crisis in Darfur, Sudan is reported to have resulted in the death of about 200,000 people and more than 2 million are said to have become internally displaced since 2004 (Chen 2007: 42). The Western media and Western scholars argue that the role of oil investments in this situation is crucial as China has been the highest investor in Sudan's energy interest. Western media thus accuses China of having indirectly contributed in providing Khartoum with the means to expand its military and finance military activity in Southern Sudan. It is estimated that as much as 80per cent of the revenue generated by Sudan's oil fields has been invested in fighting the recently resolved north-south civil war, the ongoing conflict in Darfur, and the mounting conflict in the country's northeast (Vines 2007: 216). Western media and Western scholars argue that China has also vetoed or opposed UN Security Council measures to hold Sudan accountable. Thus, the common Western perception is that while China is apolitical in practice, its means of securing foreign oil to meet its growing energy demand is unwittingly creating unintended geopolitical consequences. Nevertheless Western media and scholars might be 'throwing stones in a glasshouse' on this occasion as similar accusations can be made to Western countries and their geopolitical involvement in oil-rich countries, most prominently in Iraq.

The Western standpoint is very different from the Chinese standpoint in this case. The Chinese standpoint is represented here: First of all, the large scale armed conflict between rebels and government army broke out in 2003 in Darfur due to tribal clashes about limited water and land resources. The Darfur conflict started because of lack of natural resources and poverty, which have to be resolved through local economic rebuilding and development. Darfur is Sudan's internal affairs, not China's, and not caused by China. Second, 'non-interference' is the basic role said by United Nations Charter, which has been well practiced by the China government. The aim of the Chinese government is to respect the sovereignty and territorial integrity of Sudan, and to resolve the problem through conducting dialogue, consultation and negotiation on an equal footing. Third, the Chinese government consistently abides to the UN Security Council resolution, and never exports armaments to nations or regions subjected to an UN Security Council armament embargo. China keeps a 'normal cooperation' with Sudan in the routine military trade field. the Chinese viewpoint is that all exports from China belong to routine military products with limited scale, which only make up a a small fraction of the entire imports of Sudan. Furthermore, China's government requests that military products imported from China must not be used in the Darfur region. Forth, the crude oil imported from Sudan only makes 6 per cent of China's total crude oil importing. Furthermore, the cooperation in the oil industry is based on win-win strategies and common development. Up to now, China has built 27 million ton oil production capacity, and 3,500 km oil transportation pipelines in Sudan. China also helped Sudan to build up the complete oil industry system, training more than 6,000 management staff and skilled labour. In addition, China built schools, hospitals and various infrastructures in Sudan, and donated more than 36 million USD cumulatively.

Above all, the Chinese standpoint is that the Chinese large scale investment in the oil industry in Africa maybe feels Western countries threatened. Nevertheless, oil exported from Africa to China makes up only 13 per cent of its total export, while Europe and the US each account for more than 30per cent of Africa's oil exports. On the other side, China's investment in the oil industry in Africa only represents one sixteenth of all FDI in the oil industry in Africa, which is much lower than Europe and the US. Furthermore, China's investment is mainly in countries with high risk under arduous conditions, because the most profitable less – risky energy resources have been monopolised by Western countries. In addition, 85 per cent oil products from China's investment in Africa were sold to the international market. The Chinese government integrates investment and aid in Africa, focuses on resource development and local development at the same time. As we mentioned before, as developing countries, there are many similar circumstances between Africa and China, which provide opportunities for technology transfer from China to Africa. The Chinese viewpoint is further that the binding of loans and aid for infrastructure projects reduces local corruption. Many African governments prefer China's investments to Western investments, because China's investments often supply them with lower loan rate than the Western countries and even the World Bank. Most importantly, Chinese investments are not tied to political requests. Nevertheless the Chinese view point acknowledges problems such as firms that ignore social and environmental responsibilities, lack of environmental awareness, low costs which lead to low-paid labour and limited communication with local civil society.

Indirect impacts include greenhouse gas emissions from the oil industry in Africa and the consumption of oil in China and elsewhere, which contributes to climate change; the bargaining power China has in UN bodies like the UN Security Council and the United Nations Framework Convention on Climate Change (UNFCCC) climate change negotiations and implications for potentially restructuring the OECD's International Energy Agency as China is not a member, despite being the world's largest energy consumer. Another positive impact is that China is developing a competitive advantage in the African oil market over other countries.

3.3 Aid

Motives: 1 Building international cooperation and multilateral ties, **2** Building political support for mainland Chinese politics in the international community, **3** access to new markets, access to natural resources, energy security, economic growth

Actors: SOEs like China National Petroleum Corporation (CNPC), the China Petrochemical Corporation (Sinopec); financiers like Sinosure, Exim Bank and regulators like the Ministry of Commerce (MOFCOM), Ministry of Finance and Ministry of Foreign Affairs

Beneficiaries: African countries and potentially their people, Chinese SOEs when aid projects are commercially mutually beneficial

Job creation for Chinese workers; possibility of higher incomes and savings for Chinese workers

Direct positive impacts: Benefits for African countries, Chinese companies and the state as agreements are potentially of mutual economic interest when linked to construction and infrastructure development, debt cancellations

Indirect positive impacts: 'No strings attached' agreements differ from the West's approach of aid conditionality, structural reforms and military enforcement; and present an alternative for African countries

Bargaining power of China in international fora such as United Nation bodies, the G20 and the World Trade Organisation (WTO)

Direct negative impacts: Aid allocations may be driven by China's interest in the natural resources or the market potential of specific African countries

Indirect negative impacts: Allegations that China's motivations may be driven by a 'neo-colonial' agenda in Africa

While China's relationship with sub-Saharan Africa is what has received the most attention in the West on the basis of its perceived lack of liberal conditions, there is, in fact, no single or 'typical' pattern of engagement between China and other LICs and regions. When it comes to **aid**, Chinese aid levels are well below the OECD, and are mostly concentrated on Africa. China has given aid to every country in Africa except from Swaziland, which alone has never switched allegiance from Taiwan (Brautigam 2009). While acknowledging that China's 'no strings attached' policy provides an alternative to the aid conditionality, structural reforms and military enforcement imposed by the West on African countries, the repercussions of such a policy approach also have to be considered. There are three motives for China to give aid to Africa:

Motive 1 Through China's engagement with Africa it aims to build international cooperation and multilateral relations. China's relationship with Africa began in the 1960s and 1970s when it presented itself as an alternative to both the West and the Soviet Union, offering support for liberation struggles. Since then, the relationship with Africa has undergone significant changes with China presenting itself as an economic partner and political ally, offering support without interfering in internal affairs. Thus, while some in the West now consider China a threat, African nations view China as an opportunity (Vines, 2007: 213) and a viable alternative to the 'often neo-colonial relations they [African countries] have had with the West as exemplified by […] the Washington Consensus' (African Labour Research Network 2009: 2). According to Naidu and Mbazima (2008), this arrangement gives Africa some leverage in its dealings with the West, while also making it vital for the nation to undergo structural reforms in order to meet the requirements of demand and supply that support China's new role in global governance. As a consequence of the nature of China's influence in Africa, some scholars and the Western media seem to view China's interest as a challenge to the Washington Consensus. This accusation should be viewed with caution and by studying China's foreign policy from the 1960s till date. In contrast to the donor-beneficiary relationship between the West and African countries, China is courting Africa with the promise of an equal footing within global politics while asserting its leadership status. In 2000, China established the China-Africa Cooperation Forum (CACF) which aimed to promote economic cooperation between Africa and China. The first forum held in Beijing saw a contingent of nearly 80 foreign ministers from 45 African countries (Frynas and Paulo 2007:237–238). Chinese loans have also opened up new avenues for African leaders. For example China has decreased the influence of the World Bank and the International Monetary Foundation (IMF) in Africa by lending nearly three times the amount offered by them in 2006 (*ibid.*).

Motive 2 Another motive of China's engagement in the African oil sector is its demand for access to new markets and access to natural resources for ensuring energy security and economic growth. The modes of China's interaction with the African oil sector are manifold as the example of Angola in section 4 and the bundling of aid, trade and investment shows.

Some of the direct positive impacts are related to the increase in aid which has also increased the amount of debt cancellation for Africa. China is reported to have cancelled the bilateral debts of 31 African countries, totalling some $1.27 billion (BBC 2005) and a boom in Chinese-African trade has proved mutually beneficial for both countries (Tull 2006). Indirect positive impacts are the 'no strings attached' approach which does not limit China's engagement to democratic countries. The main negative impacts are related to aid allocations that may be driven by China's interest in the natural resources or the market potential of specific African countries and the often suggested accusation by Western media and countries that China's motivations might be driven by a 'neo-colonial' agenda in Africa. This accusation is strongly rejected by Chinese scholars and the government. In Angola, the non-interference policy has been reported to be used to excuse mal-governance in fiscal transparency and accountability vis-à-vis reconstruction projects under the terms of the $2billion credit line extended to Angola by China (Global Witness (2005 cited in Taylor, 2006:946). Taylor (2006) observes that this relationship tends to allow the elite in Luanda to continue to be corrupt and ignore governance norms – all in the name of non-interference in domestic affairs. On the one hand, organisations like the World Bank have been criticised for granting loans based on non-negotiable demands. However, at the other end of the spectrum, China's stance of unconditional grants also poses a number of serious challenges for African countries. The support of authoritarian regimes in African raises a number of questions regarding the consequences of China's involvement in Africa. Nevertheless similar consequences have been created by the involvement of OECD countries such as the US, UK, Germany, France and Italy in the oil sector in Libya, before Gaddafi fell from grace.

Motive 3 In return for aid, China expects political support from African countries for mainland Chinese politics in the international community. China expects support from African countries for its 'One China' Policy, which refers to the recognition of the Chinese government in Beijing as the sole legitimate government of Taiwan and mainland China, , and leverages its activities in Africa and other LICs to exert influence in key multilateral forums such as the G20 or the WTO. The key lesson here is that China's motives are not singular or uniform, but rather multiple and complex, and vary from country to country (Urban and Mohan 2010). Key approaches by China are the policies of 'non-interference' and 'no strings attached.'

4. Politics

Motives: 1 Long term diplomatic relations, increased bi-lateral cooperation at the international level. **2** Increased influence at other governance levels such as at the multilateral and international level

Actors: Chinese government departments like the Ministry of Foreign Affairs (MFA), Ministry of Finance, Ministry of Commerce (MOFCOM), African national governments, African provincial governments, Chinese provincial governments, Chinese companies and SOEs like China National Petroleum Corporation (CNPC), the China Petrochemical Corporation (Sinopec) that can influence policy-making in African countries

Beneficiaries: Chinese government agencies like the Ministry of Foreign Affairs (MFA) and others, African governments, Chinese companies

Direct positive impacts: Emphasis on mutuality or South-South cooperation; 'No strings attached policy' and 'no interference' – an alternative to aid conditionality of the West; Increased influence in multilateral forums such as the WTO, G20 and UNFCCCC. Establishment of environmental and social guidelines, for example for Environmental Impact Assessments, oil drilling and exploration

Indirect positive impacts: Development cooperation; cooperation in different aspects of governance like education, infrastructure, trade and technology; safeguarding against the exploitation of environmental and social conditions

Direct negative impacts: Ethical implications of engaging with authoritarian regimes like for example in Sudan, guidelines may be violated in the absence of monitoring

Indirect negative impacts: Implications of dealing with authoritarian regimes

Motive 1 China has long been aware that African countries carry significant weight in global development. By proclaiming 'economic rights' and 'rights of subsistence' as the priorities of developing nations, it has subtly aligned itself with the African continent. In addition, it emphasises the commonality of experiences that link China and Africa in terms of historical oppression by the West. Although an emerging economic superpower, China is still a developing nation and a middle income country. This position creates a convergence between 'the biggest developing country and Africa, the continent with the largest number of developing countries' (*Jiang Zemin People's Daily* 2000 cited in Tull 2006: 462). By practising a policy of non-interference in African politics and a 'no strings attached' policy in the dispensation of aid, it presents itself as an alternative to the West which gives aid based on non-negotiable demands. Thus, while this provides African countries with a certain measure of leverage in dealing with the West, it raises a number of ethical considerations. This includes China's support of authoritarian regimes like the Sudanese government which is building its military prowess from profits made by supplying oil to China and other countries. China's policies are viewed as a welcome change from those imposed by Western countries (Aguilar and Goldstein 2009: 1557), and are helping China to gain diplomatic support to defend its international interests. However, this relationship seems to mirror previous African-Western patterns and the support of authoritarian factions in the African government raises a number of questions on the consequences of China's involvement in Africa (as does the (former) engagement of OCED government with authoritarian regimes in Africa, most notably Libya).

Motive 2 China is subtly gaining diplomatic support from Africa. This in turn is increasing its influence in forums like the WTO, G20 and UNFCCC. In addition, China uses its permanent seat in the UN Security Council to position itself as a mentor to African countries. This includes China's claims to support an enlarged UN Security Council, and Africa's various reform-oriented institutions such as the New Partnership for Africa's Development (NEPAD) and the African Union (AU) (Tull 2006: 462).

5. Discussion

We have discussed the motives, actors, beneficiaries and the direct and indirect impacts of China's engagement in the African oil sector. We have done this through an analysis of the different channels that China engages in such as aid, trade, investment and politics. We have found that many of the channels are overlapping and have an impact on other channels. This is due to the bundling of aid, trade and investments and the role that politics plays in each of these areas. Table 5.1 shows the overlapping impacts between these different channels.

Table 5.1 Rising Powers Framework for assessing the impacts of China's engagement in African's oil sector on various channels

Channel	**Impact on**			
	Trade	Investment	Aid	Politics
Trade	-	Bundling of aid, trade and investment	Bundling of aid, trade and investment	Trade plays major role for political relationships between Chinese and African governments and companies
Investment	Bundling of aid, trade and investment	-	Bundling of aid, trade and investment	Investments play major role for political relationships between Chinese and African governments and companies
Aid	Bundling of aid, trade and investment	Bundling of aid, trade and investment	-	Aid plays major role for political relationships between Chinese and African governments and companies
Politics	Politics influences trade	Politics influences investment decisions	Politics influences aid	-

Resource security, the need for new markets and investment opportunities, symbolic diplomacy and development cooperation, and forging strategic partnerships have intensified China's involvement in Africa (Alden 2005, cited in Naidu and Mbazima 2008). It is clear that the expansion of China to Africa is fuelled by China's enormous appetite for natural resources such as oil. Nevertheless, the developed country's craving for Chinese low cost products would not be possible without Africa and other LICs. In turn, China's growth in the world economy has to be seen in the broader framework of structural changes in the global capitalist economy. David Harvey (2006: 35) notes that 'China's extraordinary (…) economic evolution would not have taken the path and registered the achievements it did, had not the turn towards neo-liberal policies on the world stage opened up a space for China's tumultuous entry and incorporation into the world market. China's emergence as a global economic power must in part be considered, therefore, as an unintended consequence of the neo-liberal turn in the advanced capitalist world'.

While true this is true, Arrighi (2009: 382) nuances this view by arguing that China's 'unparalleled economic expansion' draws on deep roots, amongst others the 'long-standing East Asian practice' of relying on 'trade and markets to regulate relations among sovereigns and subjects' and a massive overseas 'Chinese diaspora'. But whatever the exact cause, it is certain that these rapid transformations imply a redrawing of global trade and power, especially due to the rising importance of South-South political and economic relations (Fernandez-Jilberto and Hogenboom, 2007; Kaplinsky and Messner, 2008) and reflect the emergence of a new global system for the provision of natural resources, with significant development implications (Gallagher and Porzecanski 2008; Jenkins *et al.* 2008; Ademola *et al.* 2009). We define such a system as the institutional and organisational setting that frame the way natural resources are accessed, exploited, traded and consumed at the global level.

The emerging situation is characterised by the following features:

1. The rise of large and state-owned Chinese firms specialised in the exploitation and trade of natural resources, which operate in a policy framework characterised by the principle of 'no intervention' and a 'bundle' of Chinese aid, financial flows, labour migration, investment, infrastructure projects and trade to China (Li 2007; Carmody 2009; Kragelund 2009);

2. High levels of economic growth in resource-rich countries and a reversal in the secular trend in terms of trade (Kaplinsky 2006);

3. Expansion of the extraction frontier to less productive, more risky and more vulnerable areas (in the economic, social and ecological sense);

4. A rising importance of state-state relations for the exploitation and trade of resources. These features are contrary to the features employed by traditional Western donors. However these features have been observed in the engagement of other Asian powers, such as Korea and Japan.

Despite its rapid rise, China is uncomfortable with the mantle of 'Rising Power' or a hegemon in the classical sense. Rather than practise bullish conditionality in its dealings with Africa countries and other LICs, China prefers notions of a 'peaceful rise' and 'harmonious development' based rhetorically, at least, on the idea of partnership, cooperation and mutual benefit. It is often argued that China needs LICs, particularly in Africa, for achieving its development process and for fuelling its high economic growth. In addition to accessing natural resources for its industrialisation and urbanisation, and ensuring energy security, access to trade markets and low cost labour are key to China's own development.

Although there is a common consensus on economic growth as being important for international development, China's approach to development differs from the traditional Western approach: while the West focuses more on aid, China focuses on business relations with African countries, and while the West focuses more on human development and a rights-based approach, China focuses more on growth and mutual benefit between China and Africa. This partly reflects China's own recent and rapid development. However, one major challenge of this, also reflected in its engagement with African countries and other LICs, is the serious environmental impact resulting from high growth and modernisation (Urban, Mohan and Zhang 2010). For many developing countries, China provides an alternative to traditional donors. China's engagement with African countries differs from that of the West as it advocates a 'no strings attached' policy of non-interference in international relations. This is reiterated by the Chinese President Hu Jintao who emphasises countries' sovereignty as a key principle for engaging with Africa and consequently denies the use of hegemonic control over other countries, especially given China's recent history as a colony (Urban and Mohan 2010). Unlike the West, China thus emphasises mutuality or South-South cooperation in its dealings with other countries. The central pillar of this policy of non-interference is the Five Principles of Peaceful Coexistence of Premier Zhou Enlai that were established in 1954 and prescribed: '[…] mutual respect for sovereignty and territorial integrity; mutual non-aggression; non-interference in each other's internal affairs; equality and mutual benefit; and peaceful coexistence (De Haan 2009: 5)' (Urban and Mohan 2010).

China's engagement in overseas natural resources and the oil sector in Africa often challenges the common perception of the Beijing Concensus as a multiplicity of actors are involved with often contradictory aims and approaches. Direct impacts are mainly observed at national level in African countries and range from critiques about poor labour conditions in the oil sector to praises for infrastructure; whereas indirect effects are mainly observed at multilateral level such as China's increasing influence in UN bodies.

6. Conclusion

The aim of this paper was twofold: **1** to develop a new framework to analyse the motives and consequences of China's influence on sub-Saharan Africa; **2** to provide an analysis of the channels of interaction, actors, motives and through which China engages with Africa in the oil sector and its impacts.

We find that key motives are related to market access, access to natural resources and cheap labour, exercising influence at the bilateral and multilateral level and building international political and economic support. Key actors engaged in the African oil sector are SOEs like China National Petroleum Corporation (CNPC), the China Petrochemical Corporation (Sinopec) and the China National Offshore Oil Company (CNOOC); financiers like Exim Bank, Sinosure and China Development Bank; regulators like the Ministry of Petroleum Industry, Ministry of Chemical Industry, Ministry of Land and Resources, MOFCOM, Ministry of Finance and others; and African governments and African companies.

One of the key questions we asked in this paper is whether and in which ways the Chinese way of engaging with Africa's oil sector is different to the engagement of established donor countries and what the impacts of China's engagement will be. We find in our analysis of the African oil sector that the Chinese way of engagement is different from the traditional engagement of established donors and has different impacts. China refrains from direct philanthropy as a motive for aid, while aid is often bundled with investments and trade. Practices emphasised by traditional donors such as participation, empowerment, good governance and democratisation are only of secondary nature. On the other side, Chinese discourse claims that Chinese business practice is fairer, less patronising and more efficient than its Western / Northern counterparts. We argue that these practices are not only typical for China as a Rising Power, but are shared by other Asian powers like South Korea and Japan. It is therefore questionable to argue that China alone pursues a unique development model; however its model should be seen as a transition from the Western / Northern Washington-Consensus dominated discourse towards a more East Asian model (China, Japan, South Korea). One of its main characteristics is an intended ambiguity, for example no clear distinction between aid and investment, no clear distinction between state-owned and private enterprises and also an ambiguity in leadership and accountability of the 'aid industry'.

The Rising Powers Framework has been proven useful for analysing different entry points for China's engagement in the African oil sector. It could also be used for other sectors and other 'Rising Powers'. At the same time the framework conceals some of the overlap between the different channels and reveals that many of the actors engaged are the same for various channels. It might therefore be useful to do this analysis along the lines of motives rather than channels; and to assess which motives drive aid, trade, investments, politics rather than the other way round. We also find that the environmental and social implications of China's engagement in LICs have been under-researched and need to be assessed in more depths in the future.

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