

China's Oil Import and its impact with specific focus on Africa
By Professor Yang Guang, Institute of West-Asian and African Studies

Part one: China's dependence on oil import and the impact on international oil prices.

Energy security is one of the critical issues for China's development. Although oil accounts for a relatively small proportion in China's primitive energy structures, it has an irreplaceable importance in the near future. Statistics show that due to the widening gap of demand and domestic oil supply capacity, the dependence on imported oil tends to enlarge. China's increased oil import including from Africa may constitute one of causes for the consistent high oil price in the international market. However, assuming that the world enjoys enough oil resources for development before reaching the peak of oil production in a distanced future, China's oil import may not be the leading cause for the higher oil prices today, as China is not the only country that have significantly increased the oil import on the one hand and most importantly, the combination of conflict crises in the oil producing areas and the decline of spare capacity of oil production plays a more fundamental role on the other hand.

Part two: The importance of African oil to China and the government and business reactions

Africa occupies an increasing importance in China's oil import structures but China's oil import from Africa is so far concentrated on a limited number of sources of supply. China's interests in African oil can be explained by various reasons. At the government level, this reflects the government's strategic concern for energy security and diversification of sources of supply. As part of the oil supply security strategy, the government encourages the Chinese oil companies to invest in African oil industries, making use financial instruments such the China Import and Export Bank and the China Export Credits Insurance Company. Chinese diplomacy is increasingly involved in peace keeping and peaceful settlement of conflicts in Africa. However, in order to maintain the traditional strategic partnership with Africa, these incentives are also combined with restrictive regulations imposed to Chinese oil companies, such as requirement on Corporate Social Responsibility, win-win solution and shared development. At the company level, investment in African oil industries is basically driven by business motivations especially by the scarcity of domestic resources and lack of business opportunities, the resources potential and quality of oil in Africa, the stimulation of high oil prices in the international market, improvement of environment of investment and profit prospects in Africa, the evaluation of comparative advantages of Chinese companies etc.

Part three: the impact of China's oil interests in Africa on the other players

China's presence in African oil market might cause some competition at the commercial level, but if we look at the resources distribution and production shares of the oil developers in Africa, it may not constitute a business threat to the American and European oil majors. On the contrary, at the strategic level it serves the shared interests of all oil importing countries in that it may increase the world production capacity. As far as the impact on the emerging African oil exporting countries is concerned, China's presence in African oil industries have contributed to their economic growth, industrialization process, infrastructure building, job creation, public benefits and environment protection.

Conclusion: China's increasing oil import from international market does produce some impact on world oil prices, but China's oil import from and the Chinese oil companies in Africa are not threatening the other players' interests. On the contrary they may produce a multi-winning effect in favor of all the players by contributing to the stability of international oil supply, to the peace in the oil producing areas and the economic and social development of the oil producing countries.

May 2008, Amsterdam and Maastricht