

**When Do Commodities Problems Become Security Problems? China's Energy
Security Activity in Africa in Historical Perspective**

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Dissertation Prospectus – DRAFT
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Dear CPW Participants,

Amid fears that my original dissertation project would take a lifetime to complete, I began working on a brand new project in August. The paper you currently hold in your hands is the first ever written record of the existence of this new project.

As this project is very young, this paper is very short. The good news is that this means you don't have a lot to read for Friday. The less-good news is that to describe what you have to read as "imperfect" would be a tremendous understatement. What follows is riddled with all the uncertainties and ambiguities you might expect in a paper as infant as this.

For Friday I'd be especially grateful for suggestions on nailing down the most interesting puzzle (I waver between a few, I know). Ideas about other cases would also be quite helpful. Finally, if anyone is familiar with theoretical work on international resource competition and/or the politicization of commodities markets, I very much welcome cites. (Most of the work I've been able to find tends to be from policy perspectives and is largely descriptive.)

Thanks for reading, and I look forward to our conversation on Friday.

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To much attention, debate, and speculation, China's activity on the African continent has increased dramatically over the years. The most notable activities in Africa are related to China's efforts to secure access to raw materials on the continent. Oil is the most prominent resource, but China also has relationships with African countries over timber, platinum, copper, and other base metals, and timber (Naidu and Davies 2006). In exchange for exclusive contracts on African resources, China provides many African countries with no-strings-attached aid, including development loans, assistance with infrastructure projects, and in some cases, arms sales (Trinh et al. 2006).

While China has not attempted to keep secret its interests in Africa's raw materials, it has made concerted efforts to demonstrate a broad commitment to Africa's development beyond just oil interests. In 2006 China's President Hu Jintao called for increased "unity and cooperation" between China and the "brotherly African people" (Hu 2006 address to FOCAC). In 2006 China hosted leaders from 35 African countries in Beijing at the third Summit of the Forum for China-Africa Cooperation (FOCAC). Established in 2000, FOCAC was designed to encourage open communication between African countries and China on issues related to development and trade cooperation.

Many analysts see this involvement as simply China's efforts to secure access to resources. Indeed, most of China's activities are in major oil producing countries and the agreements themselves in those countries are specifically and unapologetically about oil. China became a net importer of oil in 1993 and in 2003 surpassed Japan as the world's second largest oil importer after the United States (Herberg 2004). Many scholars of Chinese politics point out that this is a major source of concern for Chinese authorities who are uncomfortable with the vulnerabilities associated with foreign oil dependency.¹ In this view China's actions are driven purely by objective calculation – any state in its position would do the same.

Alternatively, others argue that China's activity is more malevolent than this more economic explanation lets on. Many US and EU foreign relations and policy analysts have become alarmed at China's pursuit of ties with Africa. One reason for this alarm is that much of China's activity has been in countries with poor relationships with the United States, such as Sudan, Congo, and Zimbabwe. Many with this concern speculate that China's interests in these countries are more than just oil; rather, it is trying to spread its influence in Africa for political leverage as it carves out its position in the international system. Foreign relations publications by United States agencies and think tanks have issued many reports citing the negative implications of China's involvement in Africa for US strategic interests on the continent. Similar publications from the UK, Germany, Sweden, and France have all also hinted at alarm at China's activities and their potential disruptive effects for their own development and trade programs.

In defense of this stance, China's diplomatic efforts do indeed extend beyond the mere acquisition of raw materials; however, this observation also supports a middle

¹ Insert any quotation of your choosing about oil and energy from any of the recent US presidential and vice-presidential debates and it's clear this is something that bothers the US, too!

position. This position posits that while China's interests in Africa are indeed both economically and politically motivated, this does not mean they are expressly ill intentioned. For example, China's pursuit of diplomatic ties with African countries means that it has squeezed Taiwan out of all but five African countries. In addition, a fleet of African countries backing China is advantageous at UN bargaining tables. Certainly these activities could be interpreted as malicious – that is, with the intent of undermining US and EU strategic interests in the region – but that does not mean they necessarily are. As with the purely economic explanation for China's interest in Africa, the combined political and economic motivations explanation says that China is just attempting to do the best it can with the opportunities it has.

An example that supports this third view is in the case of Nigeria, where China has been investing very heavily in expensive – *and currently still very risky* – offshore deepwater oil drilling. There already are less expensive and guaranteed onsite drilling locations established in Nigeria in which China could partake. The US, for example, currently gets all its oil from Nigeria from these onshore sites. However, one explanation for why China is willing to pursue a much more expensive and uncertain strategy of deepwater drilling is that China is deliberately not encroaching on US interests in the region. If China were out to undermine US access to oil, we should see China attempting to access oil sites currently under the control of the United States. In addition, the argument that China is deliberately creating a coalition against the US by striking oil deals with other countries with whom the US has poor relations could be alternatively interpreted as China simply capitalizing on opportunities for investment. The US pulling out of a region, such as Sudan, is a perfect opportunity for China to secure newly available resources. That the outcome of such an action is the appearance of a political affront does not mean that its agenda was such.

This debate over China's attempts to secure energy sources in Africa is not unprecedented. All states have to face the issue of another state requiring access to a crucial resource, and thus infringing on the security of that state's existing supply of the resource. That this dynamic is zero-sum, however, is not guaranteed – under certain circumstances states can cooperate over access to a resource, or in the discovery of new sources of that resource as readily as they can compete over it.² The alarm over China's energy security activities in Africa is fundamentally rooted in uncertainty over whether its activities will tip the game over strategic resources in Africa in a zero-sum or non-zero-sum direction. The goal of this project is to understand the circumstances under which competition for resources becomes a security problem and when it remains an economic problem.³

² For example, some analysts claim there to be “vast potential” for energy cooperation between China and India (*Energy Bulletin*, 2008).

³ I acknowledge the point that economic security and military security are fundamentally the same (depending on your perspective on the fungibility of power). I'm not entirely sure how best to treat this – ultimately I mean to ask something to the effect of when a dispute becomes the business of the military and when it becomes the business of trade negotiators. Conflict doesn't even need to be involved – when is it a political problem (say, in which the UN would be involved), and when is it an economic problem (in which the WTO would be involved)?

Strategic resources are scarce commodities, and actors who need them can either compete or cooperate to secure access to them. A unifying characteristic of resources over which most states compete is that they are predominantly raw materials traded in commodities markets, which tend to be characterized by cartels, oligopolies and duopolies, exclusive agreements, and other strategic partnerships. Actors who depend on commodities such as oil, grains, and precious and industrial metals have incentives to attempt to secure long-term contracts with the suppliers of that resource as it not only guarantees supply, but guarantees that supply at stable prices.

A major current worry for most Asian countries in terms of oil security, for example, is supply disruption, intentional or otherwise, from the US or the Middle East (Herberg 2004). To reduce this vulnerability, China is making long-term exclusive contracts with African countries. Currently, Africa only supplies about nine percent of the world's oil, but the possibility for discovery of new oil and of limits on access to oil in the Middle East due to political instability in the region could mean a greater share coming from Africa in the future. See Tables 1 and 2 and Figure 1 in the Appendix for comparative data on proven oil reserves in Africa and in other major oil supplying countries.

Thus, we effectively have a market where actors (states) are trying to guarantee access to long-term contracts over a resource. In light of this and the above comments, we can generate several questions: (1) Under what conditions are suppliers likely to agree to long-term contracts? (2) Under what conditions do third party actors need to worry about their own access being compromised by these contracts? (3) Under what conditions will an “arms race” for exclusive contracts break out? (4) What are the security externalities of this competition over exclusive contracts? To answer these questions I will examine historical cases of resource competition. Historical cases will be helpful in answering the second and third question of when we see a race for contracts and what the outcomes of those races might be, as we already know how they turned out.

I'm currently woefully ill equipped to offer any kind of respectable model for answering these questions. For now, I present the following as a bit of a “flavor” of what the IVs for the first question would look like (where the DV is “suppliers offer a long-term contract”):⁴

- Expected stability of the regime. If regime expects to be there for a long time (as opposed to temporary rule in democracy) it will be less likely to offer long-term contracts.
- Risk aversion. If a leader is risk averse it will be more likely to offer a long-term contract

⁴ I'm sorry this is so incomplete – and I realize the sketchiness of all of this will stymie our discussion about the project. I'm presenting what I have in order to give as much information as I can about the project I envision, but I expect the thrust of our conversation will be more broad – e.g., about the framing of the puzzle itself – rather than about the specifics of the variables (and never mind measurement!). I'm afraid I'm simply not far enough to afford the luxury of debating variables.

- Multiple sources of the resource. If the supplier is competing with other suppliers, it is more likely to offer long-term contracts.
- Availability of substitutes for the resource. The supplier will be more likely to offer long-term contracts if there are (or are likely to be) available substitutes for the good.

In addition to asking in general what kinds of characteristics of suppliers and resources contribute to different outcomes in commodities markets, the project will also undertake the issue of *China's* participation in these markets. Thus, a secondary goal of the project is to contribute to our understanding of whether China's current activities are likely to result in security problems. Part of the answer will come from our understanding in the first part of the project on commodities markets in general, and a second part of the answer will come from comparing China's behavior across several contemporary cases.

Thus, the research design I envision will first consider historical cases to address the first part of the project, and it will consider contemporary, ongoing cases to understand China's behavior. The cases I have in mind would look something like this, though note that I'm not ready to defend case selection yet – I need to do more research on these resources. These should be read more like placeholders:

Historical / Contemporary → ↓			
OIL	Timber	Platinum	Copper
Industrial-Grade Diamonds			
Iron			
Grain			

Again, the purpose of the historical cases would be to understand the conditions under which commodities markets become competitive, while the contemporary cases could be to compare China's behavior in those markets. If China's behavior in the oil sector is particularly aggressive (optimistically presuming I could quantify "aggression") in the oil sector compared to the others, then we might have more reason to be concerned about conflict over oil. If China's behavior in all sectors is roughly the same, then we might have more confidence in arguments that China's behavior is just it attempting to maximize its access to oil as it is any other resource. Our answers to the first part of the problem, then, would inform our predictions about the likelihood of conflict over any of these resources, rather than any arguments that it is something inherent in China or China's rise that would contribute especially to a conflict any more than a French or Brazilian rise would.

Summary and General Motivation

Energy security is an issue that has been central to international relations and states' foreign policies for over a century (in terms of oil), and perhaps as long as the

state system has existed (in terms of state foreign policy), and, in supremely general terms, as long as humans have existed and required resources for survival.

In international relations work on conflict and cooperation often centers on the strategic decisions of the states, which is driven by cost-benefit analyses weighted by risks. This actor-centered debate has left out the core element of any quarrel, which is the thing itself over which states have disagreements. War erupts because of a disagreement over relative power, but bargaining takes place in the first place over a disagreement about a particular thing, issue, or piece of territory. Whether we see conflict, cooperation, or some form of competition in between those two extreme relationships is as much a function of the interests and capabilities of the actors as it is a function of the thing itself over which they are competing.

Energy security is one of the more common of these things. All nations need energy, and the bigger they are, the more they generally need. The rise of China, as the rise of Japan before it, and the rise of others before that, has caused alarm bells to sound among other major players. The US is worried that China's increasing demand will drive up oil prices. It is worried about China's strategic interests in the Middle East. It is worried about China's ties with the US's enemies. And it is worried about China's snapping up of contracts in Africa.

But, is the US worried about these things because the other actor infringing on its resources is China? Or is it because of the importance of the resource at stake? To what extent are the US's policies driven by fears about an actor, or about the issue over which they disagree? Is there something special about how China is handling energy security that is particularly threatening to the US and its allies? To answer these questions, I am planning to study historical cases of competition over resources in order to understand when competition is characterized by conflict or cooperation. I'm also planning to compare across current ongoing cases to understand China's strategy in different sectors.

As a very general final note, arguments today about energy security tend to be quite overblown in their alarmism. In addition, fears about China's rise and security issues associated with it tend to similarly be the subject of much doomsday speculation. Thus, the motivation for this project is to pare both of those issues down by demonstrating they have more in common with past cases than is often appreciated – and then using that commonality to systematically examine the circumstances under which such rivalry over resources spirals into conflict.

Appendix: Tables and Figures

Table 1

China's Involvement in Oil Business Deals in Africa

Country/Region	Proven Oil Reserves (Billion Barrels)
Algeria*	11.350
Angola*	5.412
Benin	0.008
Cameroon*	0.400
Chad*	1.500
Congo (Brazzaville)*	1.506
Congo (Kinshasa)	0.187
Cote d'Ivoire†	0.100
Egypt*	3.700
Equatorial Guinea*	0.012
Ethiopia†	0.0004
Gabon*	2.499
Ghana	0.017
Libya*	39.126
Morocco†	0.001
Nigeria*	35.876
South Africa	0.016
Sudan*	0.563
Tunisia*	0.308
Africa	102.580

* China currently has oil deals

† China is currently negotiating oil deals

Source: Hurst (2006, p. 5)

Table 2

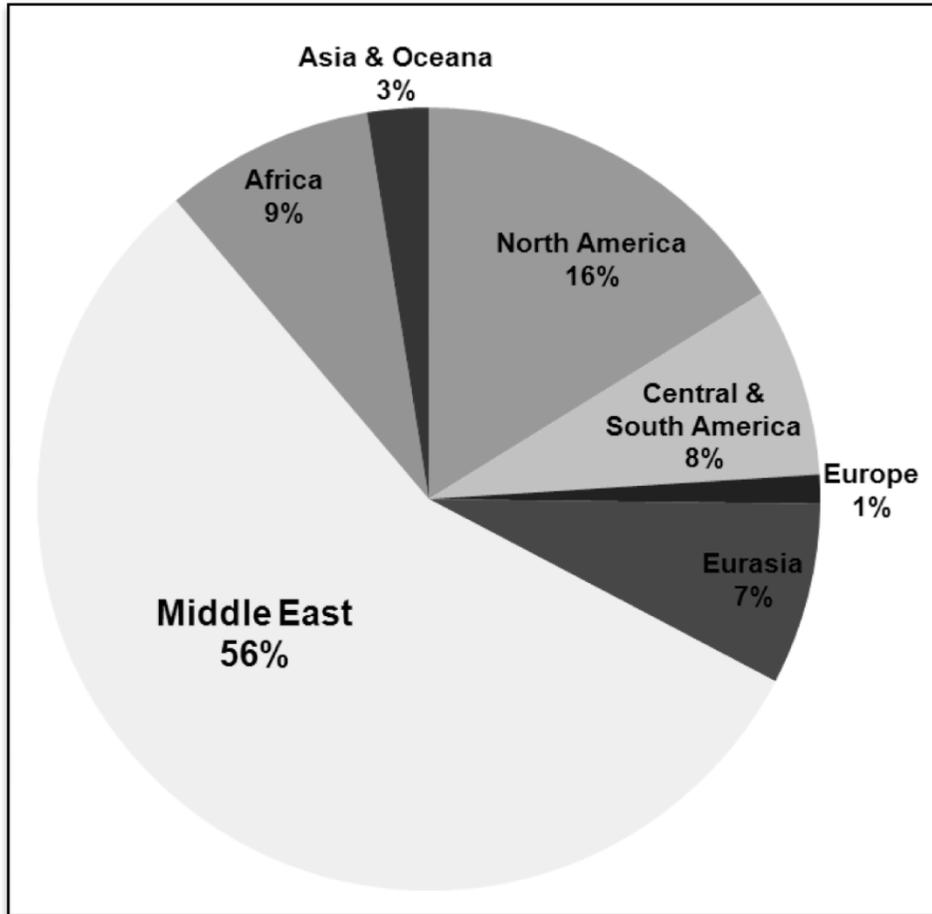
Comparison: Proven Oil Reserves in Other Major Supplying Countries

Country	Proven Oil Reserves (Billion Barrels)
Saudi Arabia	260
Iran	136
Iraq	115
Venezuela	80
Russia	60

Source: *Oil and Gas Journal*, January 2007.

Figure 1

World Oil Reserves by Region



Source: Oil and Gas Journal (2007)

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