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A NEW SCRAMBLE FOR AFRICAN OIL? HISTORICAL, POLITICAL, AND BUSINESS PERSPECTIVES

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ABSTRACT

It has been suggested that Africa is experiencing a 'New Scramble' thanks primarily to its oil and gas wealth, with the United States and the People's Republic of China actively competing for access to Africa's resources. This article aims to scrutinize the claim that Africa is facing a New Scramble, analysing the nature of the economic and political changes at work, the importance of Africa's oil, and the political and economic forces behind the new oil rush. The article starts with an overview of the phenomenon labelled by some as the 'New Scramble'. The main body of the article evaluates the existence of a New Scramble from three subject perspectives: history, international relations, and business studies. Finally, by analysing the likely impact on the economies of oil-producing states, it considers whether we should dismay or rejoice over the 'New Scramble for Africa'. It concludes that the existence of a New Scramble or a US–Chinese race for Africa should be treated with some caution and that the use of terms such as 'scramble' and 'race' is perhaps misleading, while the economic impact of oil investments is likely to be bleak.

AFRICA IS FREQUENTLY VIEWED AS A LOSER IN THE PROCESS of economic globalization. Writers have emphasized that Africa is of little relevance 'because no important economic interests are greatly affected'.[1] But Africa's oil and gas is one of the few outstanding exceptions to the perceived insignificance of Africa. The United States will soon depend on Africa for a quarter of its total crude oil imports, and Africa already accounts for more than a quarter of China's oil imports today (discussed below). According to the BP chief executive John Browne, 'Unless geologists succeed in finding new and so far unidentified provinces, as consumers we will all be dependent on supplies from just three areas — West Africa, Russia and, most important of all, the five states around the Mideast

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1. Susan Strange, *Mad Money* (Manchester University Press, Manchester, 1998), p. 116.

Gulf'.[2] Crude oil is one of the world's most important strategic resources, and Africa has attracted a lot of attention among corporate and political decision-makers because of growing global oil demand.

Indeed, it has been suggested that Africa is experiencing a 'New Scramble' thanks primarily to its oil and gas wealth, with the United States and the People's Republic of China actively competing for access to Africa's resources. But, is the term 'New Scramble' fitting to describe what is currently unfolding in Africa? This article aims to scrutinize the claim that Africa is facing a New Scramble, analysing the nature of the economic and political changes at work, the importance of Africa's oil, and the likely effects of the new oil rush.[3]

The article starts with an overview of the phenomenon labelled by some as the 'New Scramble'. The main body of the article evaluates the existence of a New Scramble from three subject perspectives: history, international relations, and business studies. Finally, by analysing the likely impact on the economies of oil-producing states, it considers whether we should dismay or rejoice over the 'New Scramble for Africa'. It concludes that the existence of a New Scramble or a US–Chinese race for Africa should be treated with some caution and that the use of terms such as 'scramble' and 'race' is perhaps misleading, while the economic impact of oil investments is likely to be bleak.

New Scramble for Africa

In 2004, *The Economist* magazine loosely used the term 'A New Scramble' in an article about China's business links with Africa.[4] Elsewhere, the term 'New Scramble' had been used to refer to the expanding interests of the United States in Africa.[5] A preoccupation with China and the United States reflects discussions in the corridors of power in Washington and Beijing about a new Sino–American rivalry in Africa, coming only less than a decade after talk of a developing US–French rivalry in Africa.[6]

There is evidence of greater involvement of the United States and China in Africa, in terms of both commercial interests and political engagement. The recent expansion of Chinese interests has caught particular

2. Quoted in 'A serious problem', *Petroleum Economist*, March 2006.
3. The current discussions around the race for African oil resources tend to focus on West Africa and the Gulf of Guinea — notably, the offshore areas of the coasts of Nigeria, Angola, and many other West African states. In this article, we refer to the entire African continent to capture developments elsewhere such as in Libya (which has the largest oil reserves in Africa).
4. 'A new scramble', *The Economist*, 27 November 2004.
5. Pierre Abramovici, 'United States: the new scramble for Africa', *Review of African Political Economy* **31** (2004), pp. 685–90.
6. Cf. Peter Schraeder, 'Cold War to Cold Peace: explaining U.S.-French competition in Francophone Africa', *Political Science Quarterly* **115**, 3 (2000), pp. 395–419.

attention.[7] China is currently Africa's third most important trading partner, ahead of the United Kingdom and behind the United States and France.[8] Foreign direct investment (FDI) to Africa from China reached US$900 million in 2004. In April 2006, China National Offshore Oil Corporation (CNOOC) announced that it had completed a US$2.3 billion deal to buy a 45 percent interest in an offshore oil-mining concession in Nigeria.[9] By 2004, 28.7 percent of Chinese crude oil imports already derived from African oil-producing countries.[10] Indeed, according to the *Economic Observer*,[11] Angola has overtaken Saudi Arabia in terms of the quantity of crude oil supplied to China in the first six months of 2006.[12] More than 800 Chinese companies are reportedly operating in 49 African countries, and Chinese trade with Africa was said to surpass US$50 billion in 2006 — a five-fold increase from five years ago.[13]

American investments in Africa have not risen at the same exponential rates over the past decade, but they are still enormous. According to the US Department of Commerce, US direct investment to Sub-Saharan Africa in 2004 amounted to US$13.5 billion, 23.4 percent more than in 2003 — and oil-producing countries (Equatorial Guinea, Gabon, Angola, Chad, and Nigeria) were the top five recipients. At the same time, oil imports (crude and non-crude) continued to dominate imports from Sub-Saharan Africa with US$40.1 billion in oil imports in 2005, accounting for 79.8 percent of all US purchases in the continent.[14] African oil imports to the United States have been steadily rising and already account for some 20 percent of total US imports; indeed, the United States already imports more oil from Africa than from the whole Persian Gulf.[15] According to a recent report by the Council on Foreign Relations, the region's importance to the United States is not only because of the scale of US investment, its share of US imports, and the US citizens

7. See Howard W. French, 'Commentary – China and Africa', African Affairs 106 (2007), pp. 127–132.
8. Esther Pan, 'China, Africa and Oil', *Council on Foreign Relations Home Page* <http://www.cfr.org/publication/9557/china_africa_and_oil> (10 April 2006).
9. 'China's Hu urges more Africa ties', *BBC News online* <http://news.bbc.co.uk/1/hi/world/africa/4949688.stm> (27 April 2006).
10. David Zweig and Bi Jianhai, 'China's global hunt for energy', *Foreign Affairs* **84**, 5 (September/October 2005), pp. 25–38.
11. An official Beijing economic journal.
12. Quoted by the Portuguese News Agency (LUSA) — 'Angola: Luanda was China's No. 1 crude supplier in first half of year' <http://www.lusa.pt/searchResults.asp?from=simple> (23 August 2006).
13. Xinhua News Agency, 19 October 2006.
14. United States Department of Commerce: International Trade Administration, 'US-Africa Trade Profile' *Home Page* <http://www.agoa.gov/resources/US-African%20Trade%20Profile%202006.pdf> (19 April, 2006).
15. United States Department of Energy, Energy Information Administration <http://tonto.eia.doe.gov/dnav/pet/pet_move_impcus_a2_nus_ep00_im0_mbbl_m.htm> (31 August 2006).

who help explore and produce those volumes, but also because the Gulf of Guinea countries produce high-quality low-sulphur oil that is highly valued by the US market.[16]

In this article, we concentrate mainly on the United States and the People's Republic of China, but one should note that the current pursuit of African oil riches extends to actors from other countries including emerging economies such as Malaysia, South Korea, Brazil, and India. In March 2006, the president of South Korea, Roh Moo-hyun, visited three resource-rich African countries, which according to a South Korean minister had a clear rationale: 'Closer cooperation with Africa's oil producers will help South Korea diversify its petroleum import sources'.[17] Brazil's president Lula da Silva has made a number of trips to Africa which are thought to help in selling Brazilian goods and services to oil-rich African countries and boosting Brazilian access to African oil. The prospect for oil in São Tomé e Príncipe has seen the Brazilian authorities opening their first embassy on the island in 2003. In addition, Brazil has opened an oil-backed loan credit line with Angola for US$580 million for the next three years paid with 20,000 barrels of oil a day.[18] Malaysia and India are also making significant investments in African oil-producing countries. In 2005, India offered lines of credit worth up to US$1 billion for infrastructure projects to West African petro-states (in the words of a senior Indian oil ministry official) 'in exchange of oil exploration rights'.[19] But does all of that newfound interest in Africa amount to a New Scramble?

New Scramble from a historical perspective

From a historical perspective, the first 'Scramble for Africa's oil' arguably started just prior to and after decolonization.[20] Algeria — which had extracted small amounts of oil from 1918 — began producing significant quantities of oil when Algeria's Edjeleh and Hassi Messaoud oil fields began production in 1957.[21] Also in 1957, the first tanker load of crude oil

16. Anthony Lake, Christine Todd Whitman, Princeton N. Lyman, Ralph Bunche and Stephen Morrison, 'More than humanitarianism: a strategic US approach toward Africa' *Council on Foreign Relations 2006 report* <http://www.cfr.org/content/publications/attachments/Africa_Task_Force_Web.pdf> (19 April 2006). The sulphur must be removed from the oil so buyers (such as oil refineries on the East Coast of the United States) prefer crude oil with a low sulphur content.
17. Sohn Se-joo, an assistant minister at the South Korean Foreign Ministry, *Yonhap News Home Page* <http://english.yna.co.kr/Engnews/20060306/610000000020060306100151E0.html> (5 April 2006).
18. Angolan Embassy in the UK newsletter, No. 105, May 2005.
19. 'Indian cash eyes West Africa oil', *BBC News Online*, 24 November 2005; BBC News website <http://news.bbc.co.uk/1/hi/business/4465962.stm>.
20. In the modern era, the first search for oil in Algeria took place in the late nineteenth century and in Nigeria before the First World War. Production started in Egypt in 1910, and Egypt became the key African oil-producing country. But Africa's role in the international oil markets was limited until decolonization (Table 1).
21. Ali Aissaoui, *Algeria: The political economy of oil and gas* (Oxford University Press, Oxford, 2001), p. 130.

was exported from Gabon,[22] and Nigeria started producing oil in December of that year,[23] while Libya started producing oil in 1961.[24] Africa's oil output increased more than 20-fold between 1960 and 1970 (Table 1). International events such as the Yom Kippur war in 1973 and the Iranian revolution in 1979 further underlined Africa's importance as an oil-producing region.

Indeed, the first oil-driven 'Scramble' was arguably of much greater significance than the current one. It led to major political, economic, and social transformations in some of the key oil-producing states in Africa, including Libya, Algeria, and — above all — Africa's most populous country of Nigeria. From a level of 20,000 barrels per day in 1960, Nigeria's daily oil production rose to over 2 million barrels in 1973; Nigeria's oil production today is only slightly higher than that achieved in the 1970s.[25] This rise in crude oil output was reflected in oil's share of Nigeria's total exports (an increase from 10.75 to 83.14 percent between 1963 and 1973) and oil's contribution to Nigeria's total government revenue (an increase from 26.3 to 82.1 percent between 1970 and 1974).[26] Compared with the deep transformations that took place in the 1960s and 1970s, the impact of today's 'Scramble' in countries such as Nigeria and Angola will be relatively insignificant.

More fundamentally, the use of the term 'New Scramble' is historically misleading, in that the original term 'Scramble for Africa' in the 1880s and 1890s signified a very different process. This period witnessed European nations including Britain, France, Germany, and Belgium turn Africa into colonies following a formal partition of Africa at the Berlin conference between 1884 and 1885. The Berlin conference provided those European nations with the legitimacy to govern Africa politically, militarily, and economically according to their spheres of control.[27] Hence, access to natural resources such as oil in the colonies was dictated by the colonial power that provided the human expertise, capital, and technology to ignite the oil boom that followed. Key characteristics of the nineteenth century Scramble are missing from the current expansion of interests in Africa. For instance, there are no clear spheres of interest or spheres of control

22. Douglas A. Yates, *The Rentier State in Africa: Oil rent dependency and neocolonialism in the Republic of Gabon* (Africa World Press, Trenton NJ, 1996), Chapter 2.
23. Jedrzej George Frynas, Matthias Beck and Kamel Mellahi, 'Maintaining corporate dominance after decolonization: the first mover advantage of Shell-BP in Nigeria', *Review of African Political Economy* **27** (2000), pp. 213–30.
24. Judith Gurney, *Libya: The political economy of oil* (Oxford University Press, Oxford, 1996), p. 91.
25. Jedrzej George Frynas, *Oil in Nigeria: Conflict and litigation between oil companies and village communities* (LIT Verlag/Transaction Publishers, Hamburg/New Brunswick, NJ/London, 2000), p. 17.
26. *Ibid*, p. 24.
27. On the nineteenth century Scramble for Africa, see e.g. G.N. Sanderson, 'The European partition of Africa', *The Journal of Imperial and Commonwealth History* **3**, 1 (1974), pp. 1–54.

Table 1. African and world oil output (million metric tonnes) (1950–2005)

	African output	*World output*	*Africa as percent of total world output*	*Africa's main oil-producing country*
1950	2.6	522.1	0.5	Egypt
1953	2.9	659.4	0.4	Egypt
1955	2.0	774.0	0.2	Egypt
1957	2.7	887.4	0.3	Egypt
1960	13.8	1,056.9	1.3	Algeria
1961	23.7	1,125.4	2.1	Algeria
1962	38.9	1,220.8	3.2	Algeria
1963	57.1	1,309.4	4.4	Algeria
1964	82.4	1,409.6	5.8	Libya
1965	106.5	1,566.3	6.8	Libya
1966	135.4	1,700.6	8.0	Libya
1967	149.1	1,824.7	8.2	Libya
1968	191.0	1,990.9	9.6	Libya
1969	242.7	2,141.2	11.3	Libya
1970	292.3	2,355.2	12.4	Libya
1971	273.8	2,492.7	11.0	Libya
1972	275.1	2,636.6	10.4	Libya
1973	287.1	2,866.6	10.0	Libya
1974	264.9	2,875.2	9.2	Nigeria
1975	242.5	2,734.4	8.7	Nigeria
1976	289.0	2,969.0	9.7	Nigeria
1977	303.4	3,073.3	9.9	Libya
1978	298.0	3,103.1	9.6	Libya
1979	326.4	3,233.1	10.1	Nigeria
1980	300.6	3,087.9	9.7	Nigeria
1981	239.4	2,910.0	8.2	Nigeria
1982	230.5	2,795.6	8.2	Nigeria
1983	233.3	2,759.2	8.5	Nigeria
1984	248.8	2,814.6	8.8	Nigeria
1985	260.9	2,792.1	9.3	Nigeria
1986	260.6	2,936.0	8.9	Nigeria
1987	260.2	2,947.2	8.8	Nigeria
1988	274.9	3,069.1	9.0	Nigeria
1989	296.7	3,102.9	9.6	Nigeria
1990	320.9	3,170.6	10.1	Nigeria
1991	328.3	3,160.4	10.4	Nigeria
1992	335.3	3,189.7	10.5	Nigeria
1993	332.0	3,188.4	10.4	Nigeria
1994	333.9	3,236.9	10.3	Nigeria
1995	339.3	3,280.9	10.3	Nigeria
1996	355.9	3,375.9	10.5	Nigeria
1997	370.4	3,480.9	10.6	Nigeria
1998	363.9	3,547.6	10.3	Nigeria
1999	361.2	3,479.3	10.4	Nigeria
2000	373.0	3,613.8	10.3	Nigeria

Table 1. Continued

	African output	*World output*	*Africa as percent of total world output*	*Africa's main oil-producing country*
2001	375.2	3,593.7	10.4	Nigeria
2002	379.6	3,572.0	10.6	Nigeria
2003	399.6	3,705.8	10.8	Nigeria
2004	441.0	3,865.3	11.4	Nigeria
2005	467.1	3,895.0	12.0	Nigeria

Source: 1950–64 data from Jonathan Baker, 'Oil and African development', *Journal of Modern African Studies* **15** (1977), pp. 175–212; 1965–2005 data from *BP Statistical Review of World Energy* (BP, London, 2006).

today.[28] Foreign investment was neither particularly important before the Berlin Conference in 1884 nor important in the immediate period afterwards, in contrast to the current expansion that is driven by foreign investment. But, above all, the role of Africans in the nineteenth century Scramble was very different, in that the process was driven and dictated by European colonial interests, whereas today African leaders act in the role of decision-makers.

If judged by the original meaning of the term 'scramble' in the 1880s and 1890s, Africa's oil boom in the 1960s had much more of a colonial imprint than the oil rush we are witnessing today. The development of oil resources in African colonies was pursued for strategic and economic interests of the colonial powers, and private and public firms of the colonial powers developed the oil sector. In Anglophone Africa, a Shell–BP venture was given an effective monopoly for oil exploration and production in Nigeria and a 1914 colonial ordinance stipulated that only British oil companies were permitted to obtain oil licences in Nigeria, allowing Shell–BP to establish an effective domination of the country's oil production.[29] In Francophone Africa, French oil interests dominated the oil industry at independence in Algeria and Gabon; the new Algerian government was even made to sign a guarantee that French oil companies would receive preferential treatment in the granting of oil concessions for six years after the country's independence.[30] The situation was perhaps less clear-cut in many other African countries, but it is less than a coincidence that, for

28. One can argue that spheres of influence exist to some extent. For instance, Equatorial Guinea and São Tomé e Príncipe are dominated by US interests, while Gabon and Congo-Brazzaville are largely French-dominated. However, these spheres of interest are not airtight and — as in the cases of Equatorial Guinea and São Tomé e Príncipe — do not have a neo-colonial imprint.
29. Frynas, Beck and Mellahi, 'Maintaining corporate dominance after decolonization'.
30. Aissaoui, *Algeria: The political economy of oil and gas*, p. 63.

instance, the Italian oil company Agip had become by far the largest foreign oil-producing firm in Italy's former colony Libya.[31]

In contrast to the first oil boom around the time of decolonization, today's oil boom has few marks of neo-colonialism, as American, Chinese, and other firms compete against each other to gain endorsement among African governments, who remain firmly in charge of decision-making. It is African governments, not external actors, who dictate terms for foreign investors today. As discussed above, from a historical perspective, the claim of a 'New Scramble' can hardly be supported.

New Scramble from an international relations perspective

In a world where both developed and developing countries require huge quantities of oil resources, Africa has once again become strategic for major actors in the international system. Strategic considerations related to Africa are, of course, influenced by global processes and rivalries, with China's great power status having recently received particular attention. There is a growing body of realist literature, which debates whether the rise of China as a world power entails an attempt to counterbalance US unipolarity in world affairs and whether this will lead to a more or less stable and peaceful world.[32] While we shall not recount those arguments here, it is apparent that there has been a major shift in China's relationship with the outside world in the last decade, and China has emerged as an active player in international affairs, as evidenced by the number of bilateral agreements, the number of trade and security accords, and China's participation in key multilateral organizations.[33] There is little doubt that access to natural resources is an important consideration in China's new active role in the international system.

There is also little doubt that the interest in Africa's oil and gas resources has spurned a rivalry between international actors in Africa, notably the American and Chinese governments.[34] The US government launched its National Energy Plan in May 2001. Authored by Vice-President Dick Cheney and also known as the 'Cheney Report', the plan set out US energy requirements over the next 25 years. To achieve it, the report encourages the White House to make oil imports 'a priority of our [US] trade and foreign policy'; it calls on the president and other top officials to

31. Gurney, *Libya: The political economy of oil.*
32. Christopher Layne, 'The unipolar illusion: why new great powers will arise', *International Security* **17**, 4 (1993), pp. 5–51; William C. Wolhforth, 'The stability of a unipolar world,' *International Security* **24**, 1 (1999), pp. 5–41; Zbigniew Brzezinski and John J. Mearsheimer, 'Clash of the titans', *Foreign Policy* (January/February 2005), pp. 46–9.
33. Evan S. Medeiros and M. Taylor Fravel, 'China's new diplomacy', *Foreign Affairs* **82**, 6 (2003), pp. 22–35.
34. Michael Klare and Daniel Volman, 'The African "oil rush" and American national security', *Third World Quarterly* **27**, 4 (2006), pp. 609–28.

find ways to meet America's growing oil requirements. In late 2002, the US president George W. Bush took an unprecedented step, welcoming 11 African heads of state — most of them oil-rich states — to the White House, while other top US officials including the US Secretary of State Colin Powell visited Nigeria, Angola, and Gabon. In May 2004, Angola's president dos Santos was welcomed at the White House by President Bush, and the visit culminated with the Angolan authorities extending Chevron's operatorship of block 0 for a further 30 years. These were just some of the key milestones in the new strategic US relationship with Africa.

The US interests in Africa are complex, and many issues such as terrorism are high on the agenda. Africa is littered with fragile states. Upcoming and existing oil-producing countries in Africa such as Mauritania, São Tomé e Príncipe, and Equatorial Guinea have been marred by coup attempts. In addition, the failure to share the revenues generated by natural resources such as oil in an equitable manner has created disenchanted and disillusioned young populations, which may provide a fertile ground for religious fundamentalism and a haven for terrorists. Therefore, Washington views it as in its interest to prevent Africa — particularly oil-producing countries — from inheriting the Middle Eastern scenario of constant political instability. Indeed, commentators have claimed that the US base in Djibouti plays the dual role of monitoring extremism in the region whilst protecting its oil interests. The Bush Administration's Pan-Sahel Initiative (PSI) and the regional establishment of associated basing rights are said to have been designed to secure US national security interests — namely oil.[35] Furthermore, the US Department of Defense has begun searching for possible sites for forward operating bases like those in Kyrgyzstan and Uzbekistan. The attractive candidates for such facilities are Senegal, Ghana, Mali, Uganda, Kenya, and São Tomé e Príncipe, with the latter being close to the major West African oil-producing countries. Although officials tend to talk mainly about terrorism when explaining the need for such facilities, they have told Greg Jaffe of the *Wall Street Journal* that 'a key mission for US forces [in Africa] would be to ensure that Nigeria's oil fields, which in the future could account for as much as 25 percent of all US oil imports, are secure'.[36]

The US initiatives were mirrored by China's new strategic relationship with Africa. In 2000, China established the China–Africa Cooperation Forum, which meets every three years, and amongst other things, it aims to

35. Jeremy Keenan, 'Terror in the Sahara: the implications of US imperialism for North and West Africa', *Review of African Political Economy* **31** (2004), pp.475–96.
36. Michael Klare, *Blood and Oil: The dangers and consequences of America's growing dependency on imported petroleum (The American Empire Project)* (Metropolitan Books Publishers, New York, 2004), p. 144.

promote economic cooperation between Africa and China. Nearly 80 foreign ministers and ministers of international economic cooperation from 45 African countries attended the first forum held in Beijing. In 2004, the Chinese president Jiang Zemin visited Tunisia, Libya, and Nigeria: the first visit to Nigeria by a Chinese head of state for 31 years. In February 2005, Zeng Peiyan, China's deputy prime minister, visited Angola and signed nine agreements on mineral resources and infrastructure, petroleum exploration and prospecting, and economic and technical assistance. In early 2006, China's president visited Nigeria. During the visit, President Hu Jintao secured four oil licences from Nigeria in a deal worth US$4 billion in investment.[37] China has also cancelled around US$10 billion in bilateral debt from African countries.[38]

For China, energy security is a primary motive for its involvement in Africa, but it has been shown that it is not the only one. Beijing's engagement with Africa is thought to have two components: diplomatic and economic. Diplomatically, China seeks African support for its status as a key power in world affairs as well as to diminish Taiwan's chances of diplomatic recognition in Africa.[39] Economically, China's rapid economic boom requires African raw materials (particularly oil) and a market for its goods. According to the US Energy Information Administration, China accounted for 40 percent of total growth in global demand for oil in the last four years.[40] In 2003, China ranked second just after the United States and ahead of Japan in oil consumption, and Beijing estimates its consumption will amount to 450 million tons in 2020, 60 percent of which would be imports.[41] It seems that the United States and China are competing to secure access for the oil riches of Africa. Therefore, it was a somewhat different motive that brought together the world's two most powerful states to get actively involved on the African continent. But oil and gas resources were undoubtedly a key motive.

Both the American and the Chinese governments were important in paving the way for American and Chinese oil interests in expanding in Africa. The US government used diplomatic instruments (e.g. re-opening its embassy in Equatorial Guinea and invitations to Washington), economic incentives (e.g. financial facilities offered by the US Export-Import Bank for doing business in Nigeria), and military aid (the largest portion of US military aid to Africa was aimed at Nigeria and Angola).[42] While the US

37. 'China's Hu urges more Africa ties', *BBC News online*.
38. Council on Foreign Relations Home Page.
39. Chris Alden, 'China in Africa', *Survival* **47**, 3 (2003), p. 151.
40. Council on Foreign Relations Home Page.
41. 'Moscow and Beijing, Asia's roaring economies: China's trade safari in Africa', *Le Monde,* 4 February 2004.
42. Total US security aid to Angola and Nigeria stood at some US$300 million in the fiscal years 2002–4, which was a substantial increase from previous years. See Klare and Volman, 'The African "oil rush" and American national security'.

government assisted private US firms in obtaining oil concessions for oil exploration and production, the Chinese government focused instead on securing oil supplies through bilateral agreements. As the most notable example, Sinopec — a Chinese state-owned oil company — acquired oil concessions in Angola's Blocks 3 and 18 on the back of a US$2 billion oil-backed credit from China's Eximbank in 2004 to rebuild the country's railways, government buildings, schools, hospitals, and roads.[43] Indeed, Block 3 once belonged to France's Total, which the Angolan authorities declined to renew to Total in favour of Sinopec. Sonangol has also recently agreed with Sinopec on a joint venture to build a new refinery on the south coast of Angola, a project that international oil companies deemed economically unviable.[44] The Angolan example demonstrates how China has adopted an aid-for-oil strategy that has resulted in increasing supplies of oil from African countries.

While foreign governments continue to intervene to safeguard their strategic interests in Africa, the US–Chinese rivalry provides a marked contrast to the externally driven Scramble of the 1880s. Indeed, the appearance of new economic powers in world affairs such as China has marginalized the Western driven economic model based on externally imposed conditionalities on issues ranging from the respect of human rights and good governance, to liberal economic reform, in exchange for financial assistance. Energy hungry nations such as India, Brazil, South Korea, Malaysia, and China have proven more supportive and have provided loans, debt relief, scholarships, training, and provision of military hardware without political or economic conditionalities, in exchange for a foothold in the oil business. In turn, incumbent African leaders have identified Chinese unconditional financial resources, cheap products, and know-how as an important tool to fend off pressure for political and economic reform from international organizations such as the International Monetary Fund (IMF) and Western governments. As one American diplomat put it: 'We [the United States] were not prepared to provide the Angolan authorities with much needed financial assistance to rebuild the country — so the Angolans had no choice but to turn to the Chinese for that assistance in exchange for oil'.[45]

It is perhaps an obvious statement to point out that the source of the new strategic alternatives for African countries is oil wealth, which gives

43. Following the end of the Civil War, Angola was desperate to organize a donors' conference to gather pledges for aid to help rebuild infrastructure destroyed by the war. The international community link aid pledges to the condition that Angola reached a formal agreement with the International Monetary Fund, particularly because of misgivings regarding the management of the massive revenues generated from oil, while China does not impose conditionality on its loans and aid.

44. 'Forward, with China', *Petroleum Economist*, May 2006.

45. Personal communication with a United States diplomat (November 2005).

these countries significant bargaining power, and not the rivalry between specific external actors itself. It is the prospect of income from oil and energy security that draws different actors to Africa — China is merely one suitor among many. Already before the current interest of new actors, Angola was able to obtain huge capital resources through oil-backed loans (loans against future revenues) and Western banks were reportedly vying for access to those lucrative deals, while Western governments were vying among themselves for access to oil riches.[46] Already before the entry of new actors such as China, the bargaining power of Africa's leading oil-producing states was very high. It is no coincidence that countries such as Nigeria, Angola, and Equatorial Guinea managed to defy the IMF and the World Bank in different ways for a long time; for instance, the oil boom radically improved the bargaining power of Equatorial Guinea, and President Obiang was able to resist calls by the IMF for major macro-economic reforms as a result.[47] African governments have already looked to diversify their sources of external support for a long time before the recent arrival of Chinese, Brazilian, and other actors. From this perspective, the influence of the recent 'Scramble' or a 'rivalry' should not be overestimated.

New Scramble from a business perspective

From the perspective of the global oil industry, the importance of Africa as a source of global oil supplies is undeniable. While African oil reserves (Table 2) are still dwarfed by those in the Persian Gulf states, the proven oil reserves of Nigeria (35.9 billion barrels in 2005) and Libya (39.1 billion) are higher than those of the United States (29.3 billion) and China (16 billion) and dwarf those of the United Kingdom (4 billion) and many important petro-states such as Azerbaijan (7 billion) and Mexico (13.7 billion).[48] Even though almost two-thirds of the world's proven oil supplies are located in the Middle East, the access to the nationalized oil resources in Saudi Arabia has been restricted for decades and a large chunk of the proven reserves are likely to remain underexploited for some time to come. In contrast, African states have been keen on developing oil production at a fast speed and have allowed multinational firms to enter, which is demonstrated by the projected increases in African oil production.

The US Department of Energy estimated that total African oil production is set to rise by 91 percent between 2002 and 2025, from 8.6 to 16.4 million

46. See e.g. Jedrzej George Frynas and Geoffrey Wood, 'Oil and war in Angola', *Review of African Political Economy* **28** (2001), pp. 587–606.
47. Jedrzej George Frynas, 'The oil boom in Equatorial Guinea', *African Affairs* **103** (2004), pp. 527–46.
48. *BP Statistical Review of World Energy*, 2006.

Table 2. Africa's proven oil reserves in 2005

	Billion barrels	*Percent of total*
Libya	39.1	34.2
Nigeria	35.9	31.4
Algeria	12.2	10.7
Angola	9.0	7.9
Sudan	6.4	5.6
Egypt	3.7	3.2
Gabon	2.2	1.9
Equatorial Guinea	1.8	1.6
Congo (Brazzaville)	1.8	1.6
Chad	0.9	0.8
Tunisia	0.7	0.6
Other Africa	0.6	0.5
Total	114.3	100.0

Source: *BP Statistical Review of World Energy* (BP, London, 2006).

barrels per day. To put this in perspective, world oil production capacity is predicted to grow by 53 percent between 2002 and 2025, from 80 to 122.2 million barrels per day.[49] Africa's oil production is therefore scheduled to grow at a faster rate than elsewhere, helping to satisfy the world's rising demand for fossil fuels.

African countries continue to be attractive to foreign investors. In a 2006 ranking of 114 oil-exploring and oil-producing countries, Africa's oil producers scored very highly in terms of attractiveness: Congo (Brazzaville) was ranked 8th, Angola 9th, Nigeria 11th, Libya 12th, Mauritania 17th, Sudan 18th, Cote d'Ivoire 20th, Gabon 23rd, and Equatorial Guinea 24th.[50]

From a purely business perspective, African — particularly West African — oil has various advantages. While it is difficult to obtain any figures because of commercial confidentiality, oil production and exploration in Africa can be very profitable by international standards. A key factor is fiscal regimes, although tax rates vary widely between African countries (e.g. Equatorial Guinea and Gabon are much more attractive than Nigeria and Angola). The commercial costs of oil exploration and production in Africa are

49. Klare and Volman, 'The African "oil rush" and American national security'.
50. The rating prepared by IHS Energy looks at the relative attractiveness of countries around the world, based on a combination of factors: oil exploration and production activity, fiscal terms, and political risk; the overall score takes each of these factors into account in a weighted average. The top five countries in the second quarter of 2006 were Brazil, Canada, Kazakhstan, the United States, and the United Kingdom (in that order); Iraq was ranked last (114th). The lowest ranked countries in Africa were Congo/DRC (108th), Uganda (109th), and Namibia (110th). We are very grateful to IHS Energy and, in particular, Andrew Hayman for his kind help in obtaining these data.

relatively low, especially if African offshore operations are compared with those in the North Sea or the Gulf of Mexico.[51] Just as importantly, a key attraction of Africa for oil companies is the high success rate in drilling operations, that is, the number of successful oil- and gas-well discoveries divided by the total number of drillings. As a key geological advantage, the quality of African oil tends to be high; African crude oil tends to be of relatively high API gravity (which stands for the American Petroleum Institute standard) and low sulphur content (which is sought after), with a few notable exceptions such as Egyptian crude.[52]

In addition to the relatively low operational costs and quality of the oil, Africa has transport advantages; this is both economically advantageous and strategically significant. In comparison with crude oil from the Middle East, crude oil from West and North Africa is closer to the markets of Europe and the United States, so an oil tanker journey from Nigeria or Angola is at least several days shorter, and the buyer can therefore save money on the payment of tanker charter and insurance. Furthermore, North Africa has a key advantage of supplying oil and gas via pipelines to Europe, and there are currently plans for expanding and building new pipelines from Libya and Algeria to Spain and Italy, as well as a pipeline from Egypt through Turkey to Europe planned for 2011. The most ambitious plan is to build the 4,300-kilometre long Trans–Sahara pipeline from Nigeria through Algeria to Europe (rumoured to require an investment of US$10 billion), for which a feasibility study has recently been completed.[53]

To sum up, while any generalizations are difficult and there are undoubtedly exceptions, African oil and gas resources offer clear commercial advantages to international oil firms. This helps to understand why African oil production over the next decade will be expanded at a quicker pace than the world average. But can we argue that there is a Scramble for Africa from a business perspective?

If a Scramble for Africa has taken place, one would expect that companies engaged in African operations have both increased in quantity and have a more diverse make-up. One measure of this commercial engagement is the number of oil companies that hold oil and gas licences in a given country. In the largest petro-state — Nigeria — the current number of companies with an Oil Mining Licence (OML) and an Oil Prospecting Licence (OPL) is 77 (as of September 2006), of which 45 are indigenous Nigerian

51. Investment costs per barrel in Africa are higher than in the Middle East and are rising because of the shift towards deep offshore oil fields. However, the Middle East does not generally serve as the main comparison for oil companies.
52. Refineries usually prefer crude oil with a low sulphur content because they must remove the sulphur from the oil. Norman J. Hyne, *Nontechnical Guide to Petroleum Geology, Exploration, Drilling and Production* (PennWell, Tulsa, 1995), p. 14.
53. 'Trans-Sahara pipeline: more than mirage', *Petroleum Economist*, May 2006.

firms.[54] To put this into context, in 1966 and 1986, 8 and 12 oil companies respectively had OMLs or OPLs in Nigeria. By 1998, and still before the current influx of Chinese and other emerging market firms, their number had already risen to over 50.[55]

In terms of the make-up of companies, there is a more readily visible diversity, given the influx of Chinese, Indian, Brazilian, and other companies — from both the public and the private sectors. In Nigeria, for instance, valuable oil licences have been awarded to Brazil's Petrobras, the CNOOC, India's Oil and Natural Gas Corporation (ONGC), the Korean National Oil Corporation, as well as smaller Western oil companies and indigenous Nigerian firms. Senior executives of Western firms privately express their concerns about the influx of new players, and they see them as a potential threat to their position. One of the most often heard complaints of Western managers is that the new Asian firms often pay little attention to social and environmental concerns. As one senior executive of a British oil firm told us, 'at the moment, there is a skewed playing field' where Western firms may spend more money on social and environmental improvements than their non-Western counterparts, while they may be excluded from certain areas altogether such as from the Sudanese oil sector.[56]

On various occasions, the new players have encroached on territories previously in the domain of the giant multinationals such as Exxon, Shell, and BP. In Angola, the authorities declined to renew an oil concession to Total in favour of Sinopec, as we previously mentioned. During the second licensing round in Libya in 2005, European and Asian companies received almost all of the oil licences with just one exception; winners included companies from Japan, Russia, Turkey, Indonesia, India, and China.[57] During

54. We are very grateful to Wood Mackenzie and, in particular, Louise Geddes and Stewart Williams for their kind help in obtaining data on Nigerian OMLs and OPLs.
55. Frynas, *Oil in Nigeria*, pp. 35–6. The increase in the number of different companies can be partly attributed to the growth of indigenous firms in Nigeria. Since the early 1990s, successive governments in Nigeria encouraged and mandated the inclusion of local Nigerian partners when new oil licences were awarded. These firms had frequently very limited technological expertise and served neopatrimonial interests.
56. Personal communication with a senior executive of an international oil company (October 2005). Nonetheless, it remains debatable to what extent there are fundamental differences between the "responsible" Western firm and the "irresponsible" Chinese or Malaysian firm. On the one hand, there are doubts about the sincerity of Western firms with regards to Corporate Social Responsibility, and, on the other hand, the nature of the oil business causes a number of severe negative political, economic, and social effects which equally apply to Western and Asian firms. See Scott Pegg, 'World leaders and bottom feeders: divergent strategies toward social responsibility and resource extraction' in Christopher May (ed.), *Global Corporate Power* (Lynne Rienner, Boulder, 2006); Jedrzej George Frynas, 'The false developmental promise of corporate social responsibility: evidence from multinational oil companies', *International Affairs* **81** (2005), pp. 581–98.
57. This provided a marked contrast to the first licensing round in 2005 when US companies secured most of the oil concessions. Economist Intelligence Unit, *EIU Country Report Libya–January 2006* (London, 2006), p. 26.

the 2005 licensing round in Nigeria, the government awarded two deep offshore oil concessions to the Korea National Oil Corporation, and the Economist Intelligence Unit commented that 'the list of auction winners was notable for the near absence of the six Western oil multinationals that operate the joint venture companies that produce almost all of Nigeria's oil output'.[58] Therefore, by the measure of the diversity of companies entering Africa, one can indeed speak of a Scramble.

However, while the entry of emerging market firms is in itself an important and underresearched phenomenon, one should caution against overemphasizing their impact. With the notable exception of Brazil's Petrobras, which is recognized as one of the world's most experienced oil firms in offshore petroleum technology, the other oil firms from emerging markets are relatively inexperienced market players. As argued by an international oil company executive:

> The Chinese have not yet got hold of the necessary technology and human expertise to challenge Western firms over the monopoly of African oil. In addition, international oil companies will only invest in an oil and gas field if it is of commercial significance in order to justify the investment required for such operations. On the other hand, the Chinese do not have those concerns while bidding for oil and gas licences because they are government funded companies.[59]

The above quotation implies that the Chinese may end up paying inflated prices for oil licences, but they threaten Western interests, to a large extent, in onshore areas and in the so-called marginal oil fields where less technical expertise is required — not in the most sought after deep offshore areas. Indeed, in a number of cases such as Gabon, the new entrants have focused on marginal fields, which have been either abandoned by major oil companies or considered commercially unviable by the established larger multinational firms. Furthermore, as mentioned earlier, the Chinese commercial engagement in the oil sector focuses on supply contracts and buying shares in existing oil fields; with the notable exception of the Sudan, the Chinese state-owned firms do not yet operate any significant oil-and-gas–producing fields of their own.[60] Deep offshore oil fields in the Gulf of Guinea are considered the greatest and most profitable prize in Africa; here, the dominant companies are Exxon, Shell, BP, and a handful of others, while most other companies lack the financial and — above all — the technical capability to seriously rival them. Therefore, the new players

58. Economist Intelligence Unit, *EIU Country Report Nigeria–November 2005* (London, 2005), p. 26.
59. Personal communication with a senior executive of an international oil company (April 2006).
60. Furthermore, the Sudanese fields are located inland, and the Chinese firms do not in any way threaten the position of Exxon, BP, and other major firms in the most sought-after offshore areas in the Gulf of Guinea.

do not necessarily directly threaten the position of the established Western firms with regard to the most attractive business opportunities. The claim of an unfolding 'Scramble' or 'US–Chinese rivalry' needs to be treated with some caution.

At this point, we should remind ourselves that competition between Western firms for oil and gas concessions in Africa has surely existed for decades. New actors such as Italy's Agip in the 1960s, which was then prepared to offer more favourable deals to African governments, have sometimes caused major concern to the established players. But beyond a number of re-negotiated deals and the excitement of the moment, one needs to wait until there are discernible shifts in the overall situation. The impact of Chinese and other emerging market oil firms on the ground is still relatively small. For instance, over 95 percent of the oil produced in Africa's largest petro-state, Nigeria, is generated by only five companies: Shell, Exxon, Chevron, Total, and Agip; this situation is unlikely to change soon either in Nigeria or in some other key petro-states. If a major shift is going to happen in future, it will take years to materialize.

While China has become one of Africa's main trading partners, its foreign investment is still lagging behind. According to the United Nations Conference on Trade and Development (UNCTAD), 'notwithstanding growing interest among Asian investors, most of Africa's FDI inflows originate mainly from developed countries (Western Europe, the United States) and South Africa'. The top five investors to Africa are France, the Netherlands, South Africa, the United Kingdom, and the United States, which accounted for 'more than half of total inflows to Africa' in 2003 and 2004.[61] The Chinese impact will be felt to a much greater extent over the coming years, but the currently available data do not yet point to a shift in investment.

The New Scramble and African economies

Investment in Africa's natural resources offers one of the very few ways for the continent to attract any significant private investment. According to UNCTAD figures, five major oil-producing countries — Angola, Egypt, Equatorial Guinea, Sudan, and Nigeria — accounted for almost half of all FDI inflows to Africa in 2004 (see Table 3 for a list of major oil-producing countries). The share of oil and gas in the total FDI was 93 percent in Angola, 64 percent in Egypt, 94 percent in Equatorial Guinea, and 90 percent in Nigeria.[62] The oil and gas sector in the Gulf of Guinea alone was forecast

61. UNCTAD, *2005 World Investment Report: Transnational corporations and internationalization of R&D*, Geneva <www.unctad.org> (10 April 2006), pp. 42–3.
62. *Ibid.* The report provided no figures for Sudan.

Table 3. Africa's major oil-producing countries (1,000 barrels per day) (1996–2005)

	1996	*1997*	*1998*	*1999*	*2000*	*2001*	*2002*	*2003*	*2004*	*2005*
Nigeria	2,145	2,316	2,167	2,066	2,155	2,274	2,103	2,263	2,502	2,580
Algeria	1,386	1,421	1,461	1,515	1,578	1,562	1,680	1,852	1,946	2,015
Libya	1,452	1,489	1,480	1,425	1,469	1,421	1,374	1,486	1,607	1,702
Angola	716	741	731	745	746	742	905	885	986	1,242
Egypt	894	873	857	827	781	758	751	749	721	696
Sudan	5	9	12	63	174	211	233	255	325	379
Equatorial Guinea	17	62	85	96	117	173	210	234	329	355
Congo (Brazzaville)	200	225	264	293	275	271	258	243	240	253
Gabon	365	364	337	340	327	301	295	240	235	234
Chad	–	–	–	–	–	–	–	24	168	173
Tunisia	89	81	83	84	78	71	75	68	72	74
Cameroon	110	124	105	95	88	81	75	68	62	58
Other Africa	62	64	63	56	56	53	63	71	75	72
Total Africa	7,441	7,768	7,644	7,606	7,844	7,918	8,022	8,438	9,266	9,835

Source: BP Statistical Review of World Energy (2006).

in 2004 to attract US$30–40 billion in investment this decade.[63] As one senior official of the US State Department suggested to one of us years ago, African oil is the 'only game in town'.[64]

The oil sector investment could potentially stimulate the economic development of oil-producing countries through its employment and supply chains as well as through its contribution to public finances. Indeed, oil-producing states from Kuwait to Gabon appear richer than many comparable non-oil-producing states. Perhaps nowhere else in Africa was the impact of an oil boom more visible than in Libya. When Libya became independent in 1951, the country was amongst the poorest in the world, with a GNP per capita of some US$35. Only about 1 percent of the country was arable in an economy reliant on agriculture, 90 percent of Libyans were illiterate, and an industrial sector was almost non-existent.[65] Libya was an 'unviable state' in the sense that its fledgling domestic economy failed to generate nearly enough revenue to sustain even the low-living standards at the time.[66] The country became essentially reliant on foreign aid. However, with the start of oil production after 1960, the country's GNP per capita jumped from over US$250 in 1960 to over US$2,000 in 1969 and over US$5,600 in 1974.[67] From being the poorest state in North Africa, Libya rose to being a serious economic and political player.

Despite major ideological differences between firmly socialist countries such as Algeria and firmly capitalist countries such as Nigeria, the economic policies of the major petro-states showed similarity. Nationalization or partial nationalization in the 1970s was seen as a means of indigenizing the oil sector and transferring technology, while oil revenues were to be channelled into industrialization initiatives to shake off the heritage of 'neo-colonial' trading relationships with Western states. But these strategies failed in Nigeria, Algeria, and elsewhere, as industrialization was mainly based on subsidies for ultimately inefficient import-substituting industries.

One of the false promises of oil relates to employment generation. The oil industry is highly capital-intensive; it means that large amounts of capital and equipment but few workers are required to run production operations and the sector generates relatively little local employment. For

63. 'West African Nations critical to U.S. Energy Security–Gulf of Guinea provides 14 percent of U.S. oil supply' *US Department of State Home Page* <http://usinfo.state.gov/af/Archive/2004/Sep/21-431810.html> (20 March 2006).
64. Personal communication with a senior official of the US State Department (October 2002).
65. Gurney, *Libya: The political economy of oil*, pp. 2–3 and 195–8.
66. The term 'unviable state' was previously used by one of the authors to characterize the islands of São Tomé e Príncipe (STP) that have been entirely dependent on foreign aid and loans for some time; Jedrzej George Frynas, Geoffrey Wood and R.M.S. Soares de Oliveira, 'Business and politics in São Tomé e Príncipe', *African Affairs* **102** (2003), pp. 51–80. However, STP is likely to undergo a similar transformation to Libya because of an anticipated oil boom.
67. Gurney, *Libya: The political economy of oil*, p. 195.

instance, the oil and gas sector in Algeria provides over 95 percent of the country's export revenues but employs perhaps some 135,000 people. In comparison, Algeria's agricultural sector and construction sector employed 1.5 and 1.1 million people by the late 1990s, respectively.[68] But Algeria is Africa's giant in the oil industry with a well-developed oil refining and petrochemicals sector. Other oil producers such as Angola and new petro-states such as Chad and Equatorial Guinea have even fewer local workers and are unlikely to achieve the Algerian levels of employment in the hydrocarbon sector in the near future. For instance, Angola's oil sector employs 19,000 Angolans; after half a century of oil production in Angola, only 50 percent of engineers are Angolans, which is still a higher share than in new petro-states such as Equatorial Guinea.[69]

Given its failures to jump-start industrialization or provide employment, the key economic impact of oil is the inflow of hard currency proceeds into an economy. But oil revenues have had many negative economic consequences. As has often been recited, many petro-states have previously suffered from the phenomenon known as the 'resource curse'. Despite being well endowed with natural resources, petro-states have experienced economic underdevelopment and political mismanagement, a finding strongly supported by many quantitative and qualitative studies and accepted by World Bank and IMF economists.[70] Quantitative studies show that states with a high share of natural resource exports have had lower economic growth rates than states without these resources. The causes of this lower growth include a phenomenon known as Dutch Disease: large inflows of foreign exchange make exports of agricultural and manufacturing goods more expensive and draw resources from non-mineral sectors, thereby stifling the development of those sectors. Natural resource exports are also said to undermine good governance and political accountability to society, not least through the neglect of non-mineral tax revenues, the relaxation of government accountability standards, and the growth of a dependency mentality. We shall not recount those arguments here, as they are well known and can be found elsewhere.[71]

68. Aissaoui, *Algeria: The political economy of oil and gas*, p. 291.
69. IPEDEX, 'Mapping Report: National education mapping and training needs in the Angolan petroleum industry 2001-2007' (Confidential report for the Ministry of Petroleum/Norwegian Petroleum Directorate and Angola's Ministry of Education, Luanda, 2003).
70. See, for instance, Alan Gelb *et al.*, *Oil Windfalls: Blessing or curse* (Oxford University Press, New York, 1988); Jeffrey D. Sachs and Andrew M. Warner, 'Natural resources and economic development: the curse of natural resources', *European Economic Review* **45** (2001), pp. 827–38; Thorvaldur Gylfason, 'Natural resources, education and economic development' *European Economic Review* **45** (2001), pp. 847–59; Carlos Leite and Jens Weidmann, *Does Mother Nature Corrupt? Natural resources, corruption and economic growth* (International Monetary Fund, Washington DC, 1999).
71. For a review, see M.L. Ross, 'The political economy of the resource curse', *World Politics* **51** (1999), pp. 297–322.

A small number of resource-rich developing countries — in particular, Botswana, Chile, and Malaysia — have not only been able to beat the 'resource curse' but have achieved high economic growth through skilful government policies, but they were mining — not oil-producing — countries.[72] African petro-states failed to establish stabilization funds, foster effective institutions or other measures to cope with some of the adverse economic consequences of oil wealth and to provide for future generations when oil riches run out. The greed of decision-makers and pressures from interest groups and the public ensured that such measures had little prospect of success. Ironically, a reserve fund was established in one of Africa's most repressive regimes — Equatorial Guinea.[73] Establishing such funds was more difficult in countries with more decentralized political power and with greater likelihood of change in government where many actors competed for the spoils of oil riches, particularly under democratic regimes. In those countries, government proposals for conserving oil revenues tended to meet with considerable resistance. When Nigeria's government proposed to put a US$1.98 billion windfall from 2000 into a reserve account (known as the 'rainy day' fund), the representatives of the 36 federal states revolted and forced the government to share the oil revenues.[74] Similarly, when Algeria's president Bouteflika proposed that, in the wake of Sonatrach's record US$20 billion in export revenues in 2000, oil and gas revenues should be channelled to a newly established stabilization fund, many interest groups lobbied against the proposal and deflected government policy.[75]

The most far-reaching attempt to avoid the pitfalls of the 'resource curse' in an African petro-state was the World Bank-imposed revenue management system in Chad. However, as Scott Pegg demonstrated in a previous issue of *African Affairs*, 'its record to date is far from impressive'.[76] Even though parts of the World Bank programme yielded some economic and social benefits, the Chadian policy experiment is unlikely to be repeated in any of the established petro-states. In Chad, external funders had relatively high bargaining power before the start of oil production, as the country needed their support. Following the inflow of oil revenues, this leverage quickly declined and the World Bank experiment did not extend to new Chadian oil fields while the Chadian government has recently forced the World Bank into a U-turn. In 2006, Chad's agreement with the World Bank was re-negotiated

72. M. Sarraf and M. Jiwanji, *Beating the Resource Curse: The case of Botswana* (The World Bank, Washington DC, 2001); D.E. Hojman, 'The political economy of Chile's fast growth: an Olsonian interpretation' *Public Choice* **111**, 1/2 (2002), pp. 155–78; R.P. Royan, 'From primary production to resource-based industrialization in Malaysia' in A. Farooq (ed.), *Development Policies in Natural Resource Economies* (Edward Elgar, Cheltenham, 1999).
73. Economist Intelligence Unit, *EIU Country Profile 2004* (London, 2004), p. 26.
74. Deutsche Presse-Agentur, 21 February 2001.
75. Aissaoui, *Algeria: The political economy of oil and gas*, p. 33.
76. Scott Pegg, 'Can policy intervention beat the resource curse? Evidence from the Chad-Cameroon pipeline project', *African Affairs* **105** (2006), p. 22.

and greatly watered down and the 'future generation fund' aimed for long-term social development was scrapped, as President Idriss Deby demanded more access to the country's oil revenues to purchase weapons for use against rebels.[77] In established petro-states, the World Bank has had even less leverage than in Chad, and alternative sources of support from China and elsewhere further reduce that leverage. In summary, oil sector investment is unlikely to generate economic prosperity short of radical solutions.

Conclusion

One cannot dispute the increased international importance of Africa, which can be attributed to the increasing demand for its natural resources and the interest from 'new' players such as China and India. China's rise as one of Africa's principal commercial partners is also of immense importance. But we have attempted to provide a nuanced view of what has been sometimes labelled the New Scramble for Africa. The conclusions we reached were somewhat different from what we expected before investigating this topic in greater depth. On the basis of our analysis of the historical, international relations, and business perspectives, we conclude that the existence of a 'New Scramble' or a US–Chinese race should be treated with some caution and the use of terms such as 'scramble' and 'race' is perhaps misleading. The existence of a Scramble can at best be framed in narrow terms as an increased international interest in African oil resources focused largely on the Gulf of Guinea, entailing greater private investment and diplomatic engagement from a larger than before number of external actors.

From a historical perspective, today's interest in Africa is markedly different from what has been termed the Scramble for Africa in the late nineteenth century; indeed, we believe that the expansion of the oil industry in the 1960s was more akin to a Scramble than the phenomenon we witness today. A crucial contrast is that Africans tend to be in the driving seat today, and future research should pay greater attention to the strategies that Africans use in channelling external sources of investment and political support instead of focusing on American or Chinese policies and strategies.

From an international relations perspective, there are most grounds to detect the effects of the increased external interest in Africa. The Chinese loans and investments in particular have opened new policy options to African leaders. Dos Santos in Angola or Obiang in Equatorial Guinea no longer have to rely on the support of either the Western governments or the Bretton Woods institutions alone. One can therefore speak of a qualitative

77. 'World Bank set to release Chad's frozen oil funds' (27 April 2006), *Alexander's Oil and Gas Connections* <http://www.gasandoil.com/> (31 August 2006).

shift in external relations, but once again it may be advisable not to overestimate it. Oil-producing states such as Angola and Equatorial Guinea have already previously sidestepped the Bretton Woods institutions thanks to the oil boom, as they were able to obtain finance through oil revenue receipts from Western firms or oil-backed loans from Western banks without any strings attached.[78] Just like all other external support, the significance of Chinese loans and investments needs to be seen in the overall context of the bargaining power of African states; booming Angola has more bargaining power than Gabon where policy options are restricted because of declining oil production.[79] The divide between states that experience an oil boom and states that experience an oil sector decline is of greater significance than the presence of specific external actors.

From a business perspective, one should also caution against overvaluing the significance of US–Chinese rivalry or, more generally, a commercial race for Africa's resources. Western managers are surely concerned, and various valuable commercial concessions have been allocated to Chinese firms at the expense of established Western rivals. However, for the most part, the new entrants do not pose a direct threat to the established companies in many areas, given their divergent focus and skills. It is possible that this may change in future, especially if new actors such as China's Sinopec are able to accumulate more expertise in oil exploration and production in deep offshore areas. For the time being, the visibility of Chinese investments in Africa does not necessarily translate into direct competition. This applies as much to the oil sector as to many other sectors, for instance tourism in Sierra Leone.[80]

Aside of the question of the existence of a Scramble or a race for Africa, what is perhaps most important is what effect the increased investments will have on African economies and ordinary Africans. As we briefly outlined above, past lessons from oil-producing states do not encourage optimism. Oil and gas investment has many proven negative economic and social effects, which often outweigh the benefits. Whatever we call them, the new investments in the African oil and gas sector may not necessarily be good news for ordinary Africans.

78. See, for instance, Frynas, 'The oil boom in Equatorial Guinea'.
79. In contrast to booming Angola, President Bongo in Gabon is forced to listen to IMF advice in trying to negotiate a re-scheduling of Gabonese debt, despite major Chinese and Brazilian interest in Gabon's iron ore and other minerals and despite efforts to open up marginal oil fields to new entrants. We are grateful to one of the reviewers for pointing this out.
80. In 2005, it was announced that up to US$200 million would be invested in Sierra Leone's hotel infrastructure by a Chinese company called Henan Guoji (this would make it the biggest foreign direct investment in the country), which provides an example where Chinese investments do not encroach on Western interests.