Facultad de Ciencias Humanas y Sociales

Effects of Chinese international trade on African OPEC members

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Director de TFG: Gonzalo Gómez Bengoechea

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Agradecimientos

A mi padre Miguel por apoyarme siempre en todos mis proyectos, sin importar lo descabellados fuesen o cuán lejos me llevaran.

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Summary

Oil has always played a key role in China's industrial and economic development. The Asian giant's economic development is in the take-off period of and extremely rapid industrialization. Thus, the issue of resource scarcity is particularly important for China, and with the rapid development of political and economic development, the conflict between oil supply and demand is likely to escalate if left unattended. At present, China's foreign trade in oil is facing a wide range of challenges, namely the security of oil imports, fluctuations in international oil prices, competition from multinational companies, as well as the restraint of major powers. (Collins, 2016)

The development of the country's foreign oil trade has become one of the most important issues facing China's political and economic development in the 21st century. Especially since 2002, the gap between the country’s oil supply and demand has expanded sharply, oil imports have increased rapidly, and the degree of oil dependence has been rising. The world's oil resource endowment and the current political and economic development of the world have jointly contributed to the unique international oil trade pattern today. Although China's oil resource endowment has a certain proportion of the world's total oil resources, the country's foreign oil trade still needs to be further accelerated in the international oil market in view of its large population and the fact that it is in a critical period of political and economic development. Traditionally, the focus of oil-seeking nations has been on the Gulf region, as it is believed to contain two-thirds of the world's oil reserves. However, in recent years, Africa has become a new opportunity for the international oil industry due to the continuous discovery of new oil fields and the accelerated pace of oil and gas development, which is in contrast to the neighboring oil-rich areas of the Gulf. Africa's oil resources are concentrated in North Africa and West Africa.

The People’s Republic of China started off as an oil-exporting sate, selling crude oil to Japan in 1973, as demand grew, and began offshore exploration. Exports reached 20 million tons in 1985, before domestic demand started to outpace production. By 1993, China's internal demand for oil had outpaced domestic output, and the country had become a net importer of oil. By 2008, the majority of China's oil imports came from Southeast Asia, but the country's increasing demand forced it to buy oil from all over the world. (Brookings, 2016)

As of 2019, China was the biggest importer of crude petroleum, with imports amounting to $204B, as well as $47.8B worth of petroleum gas.

As of 2019, crude petroleum made up 12.9% of Chinese total imports, which would become almost 16% if we were to add the 3.09% represented by petroleum gas. Moreover, 93% Chinese crude petroleum imports coming from Africa had their origin in OPEC member countries. (Brookings, 2016)

The African continent furnishes China with 19.56% of its total crude imports, $39.9B in total. Out of the total crude exports bound for China in the continent, 94.07% of these are sold by OPEC member countries, thus amounting for $37.53B out of the total $39.9B. Non-OPEC African crude exports bound for China are relatively small, with only South Sudan's totaling over a billion dollars at $1.51B. (OEC, 2019)

Many claim that China's presence in Africa has undermined the aspirations and dominance of Western, developing countries on the continent. Some argue that China's oil firms, which are seen as the vehicle for executing China's concerted energy policy and are backed by the Chinese government, are undermining American and European attempts to keep foreign investment on a level playing field. It is believed that China's acquisition of African oil poses a challenge to Western oil interests while also eroding Western dominance in Africa, especially American hegemony. Since it is one of the world's most fertile areas for potential oil supply, some experts say the African continent has now become a vital arena of strategic and diplomatic rivalry for old and new forces.

Angola is China's most significant African trade partner. Last year, China was busy securing long-term oil contracts with Angola. During his visit to Angola in March 2005, China's Vice Premier Zeng Peiyang signed nine cooperation agreements with the region. The bulk of these pacts had to do with electricity. In fact, Sinopec and Sonangol have agreed to a long-term oil supply agreement. (非洲石油业的新发展, 2021)

OPEC: The Organization of the Petroleum Exporting Countries
African OPEC members: Algeria, Angola, Equatorial Guinea, Gabon, Libya, Nigeria, the Republic of the Congo.

Out of 13 members, 7 are African states. (OPEC)

	Value $	% Total crude Chinese-bound exports	% Total crude Chinese-bound exports from Africa
Total crude petroleum exports to China	$204B	100	
Total crude Chinese-bound exports from Africa	$39.9B	19.56	100
Chinese-bound crude exports **from OPEC African states**	$35.48B	17.39	88.93
Angola	$20B	9.8	50
Republic of the Congo	$4.89B	2.4	12.2
Libya	$4.21B	2.06	10.5
Gabon	$3.04B	1.49	7.61
Nigeria	$1.14B	0.56	2.86
Equatorial Guinea	$1.1B	0.54	2.76
Algeria	$0.266B (266M)	0.13	0.67
Chinese-bound crude exports **from non-OPEC African states**	$4.42B	2.17	11.07
Ghana	$2.05B	1	5.14
South Sudan	$1.51B	0.74	3.78
Cameroon	$0.44B (440M)	0.22	1.1
Chad	$0.385B (385M)	0.19	0.96
Democratic Republic of the Congo	$0.364B (364M)	0.18	0.91
Sudan	$0.312B (312M)	0.15	0.78
Egypt	$0.204B (204M)	0.1	0.51
Cote d'Ivoire	$0.063B (63.1M)	0.03	0.16

(Figure 1, List of OPEC and Non-OPEC African Countries' production of crude oil and relevance to China and in the global crude oil market)
(Source: Table elaborated with data from the Observatory of Economic Complexity, 2019)

93% Chinese crude petroleum imports coming from Africa had their origin in OPEC member countries. 37.53B

1. Introduction

1.1 Research question and hypothesis

In recent years, as the Chinese economy continued to steadily grow at a rapid rate, its energy demand, far surpassing domestic production, has become a central problematic for the state. Thus, the Asian giant shifted its attention to oil-rich African states, which showcased fairly unexploited investment opportunities for Chinese companies to venture into. (非洲石油业的新发展, 2021)

Since the start of the Afro-Chinese rapprochement in 1990s with trade increasing sevenfold between the regions, many African countries have experienced an economic boost. African OPEC members in particular have displayed a constant growth in GDP as well as oil rents as a percentage of GDP, despite interruptions in the growing trend due to political instability. This raises several questions: Is the People's Republic of China to thank for the economic growth of these countries? Is this economic growth sustainable? Has a higher volume of oil trade helped or worsened wealth redistribution? Is this development exclusive to the oil industry? This paper will focus on the main drivers of development and economic growth, with a special focus on Chinese trade and investment in the oil and energy sectors in African OPEC states.

For this purpose, a range of key economic indicators will be employed: real GDP, , Current Employment Statistics, , Investment and Oil rents in terms of GDP. Borensztein (2018) determines that Foreign Direct Investment is closely related with economic growth and development, especially in those countries with a considerable stock of human capital, partly due to diffusion in technology. However, studies such as Mehdi Nejati's looking at the effects of FDI in the oil and gas sector in Iran warn that if said investments do not lead to technological and productivity spillover into the domestic, they can have detrimental effects in the long run within the economy.(Haji Ghasemi, Nejati & Salehi Asfeji, 2021)

Thus, the following research question arises: How has international trade with China affected the economic development of African OPEC member states?

Thus, we shall establish the following hypotheses to provide a framework for the research question:

1st Scenario: Chinese trade and FDI affects GDP positively, reducing unemployment and social development, as well as boosting other sectors.

2nd Scenario: Chinese trade and FDI do not clearly display positive effects in GDP, unemployment, social development and other sectors.

3rd Scenario: Chinese trade and FDI does affect GDP and unemployment reduction positively to some extent, but proves detrimental to other sectors thus damaging the economy in the long term.

1.2 Objectives

In order to evaluate the present problematic and test the proposed hypotheses, the following objectives have been determined:

Main objective

- Evaluate how increasing economic relations with China have impacted the economic growth and social development of African OPEC members.

Specific Objectives

- Assess and describe development, economic and oil sector-specific indicators for Algeria, Angola, Equatorial Guinea, Gabon, Libya, Nigeria, the Republic of the Congo.
- Examine the influence of Chinese FDI and trade on the economic growth of Algeria, Angola, Equatorial Guinea, Gabon, Libya, Nigeria, the Republic of the Congo.
- Relate the economic development of the aforementioned countries with the developmental theories of modernization, dependency, globalization and world-systems.
- Compare the influence of China's economic ties between the aforementioned countries
    - Determine whether the investment in the oil and gas industry has proved detrimental to other domestic industries (Dutch disease)

- Identify and isolate possible confounding variables which may disturb economic trends (e.g. civil war, political instability, etc.)

1.3 Methodology

For this paper, a range of reliable databases will be employed, namely that of the World Bank, United Nations, UNDP, UNCTAD, International Labor Organization and the Observatory of Economic Complexity.

Using the information retrieved for said sources, several graphs and tables will be elaborated for a clearer comprehension and visualization of the matter at hand. The gathered information will be employed to:

- Describe the macroeconomic situation of each of the African OPEC member states.
- Analyze the aforementioned theories of development in relation to these countries.
- Measure and evaluate the positive or negative effects of economic relations with China on the economy and development of said countries.
- Respond to the research question, adopting one of the described hypotheses or rejecting all three.

1.4 Structure

I will proceed to briefly explain the features and consequences of the Dutch disease theory. After which, we shall review the unique features of the African economic ecosystem and how it has been affected by globalization.

This will be followed by a description of the peculiarities of the African economic growth in the last decade and its strong connection and dependence to the oil industry in OPEC countries.

Next, we shall review data from each of the African OPEC members individually, starting with a contextualization of their economic situation, followed by data on their oil rents as part of their GDP percentage, which shall indicate how dependent they are on oil exports, which shall help tie in the rest of the data. Then, I will include the general FDI data for each country, which will be followed by a progression of crude export oils over time to

China, from each country, if available in open sources. There will also be a progression for unemployment for each country, to try to find correlations with each.

2. Theoretical frame

The Dutch disease theory

The term "Dutch disease" refers to an economic phenomena in which strong growth in one area of the economy (especially natural resources) leads to a decrease in other sectors. It is also often accompanied by a significant increase in the value of the local currency. The Dutch disease is a paradox in which a beneficial shift for one area of activity, such as the discovery of natural resources, has a detrimental effect on the entire economy of the nation. According to the concept of comparative advantage , each nation should focus on the industry where it has a competitive edge over others. (Chen, 2018)

It does not, however, work well with nations that export natural resources. Commodity price volatility, for example, cannot support a country's economy over extended periods of time. Furthermore, an overreliance on natural resource exports leads to the economic stagnation of other economic sectors such as industry and agriculture. Foreign investment may result in increased demand for the country's currency, causing it to appreciate. The country's exports in other sectors will become more costly as the local currency appreciates, while imports would become cheaper. As a result, domestic manufacturers will experience decreased demand for their goods in international markets, as well as increased reliance on foreign producers. As a result, the economy's underperforming sectors will confront even more difficulties. (CFI, 2016)

The African economic ecosystem

Globalization in the African continent

As far as economic growth and development is concerned, African nations have benefitted less from globalization's beneficial impacts than other regions of the globe, particularly in contrast to East Asia. The majority of African nations failed to take advantage of the possibilities offered by the dynamic economic impulse associated with globalization in the 1970s and 1980s, due to an almost isolationist development strategy in the years following their gaining of their independence from Western colonial powers. Due to the fact that they were mainly excluded, most African suffered a sluggish development and overall stagnation instead of being increasingly integrated into the global economy. (Ouattara, 1997)

Despite this, many African nations have also stepped up their attempts to attract foreign direct investment by implementing a variety of fiscal and other incentives, as well as liberalizing their trade laws. Foreign direct investment flows to the area, however, have mainly been confined to oil and various other natural resource exploitations thus far.

The recent uptick in economic development seen in many African countries rich in natural resources is strongly linked to the rise in global oil and mineral commodity prices. Failure of these countries to diversify and achieve systemic change, and so profit from the infrastructure and the rapidly evolving elements of ongoing globalization, has come at a great cost to the area, not just in terms of poor economic development but also in terms of chronic poverty. (Nissanke, 2007)

Evidently, economic development is unquestionably necessary for long-term poverty alleviation. The rate of poverty reduction, nevertheless, is not always positively influenced by the growth pattern. In this perspective, it might be claimed that Africa's development has been distinctively anti-poor, not just in terms of its capacity to provide the necessary growth rate for the poor to benefit from economic expansion, but also in relation to the aim. Economic development has not resulted in substantial poverty reduction in Africa, when it has happened. Critically, Africa's type and rhythm of international economic integration, as well as local circumstances, have not been favorable to creating a strategy to take advantage of globalization to power national economic development, as seen in Asia. (Nissanke, 2007)

Economic Growth

After Asia, Africa is the second fastest growing continent on the planet, with an average annual GDP growth rate of 4.6 percent in the last twenty years. Africa's real GDP was actually expected to increase at almost 4 percent per year over the next five years, until 2022. However, in order to enhance well-being and encourage industrialization, better employment, sustainable development, and reduced disparities must be at the center of policymaking. (World Bank, 2021)

Africa has, without a doubt, benefitted from the rise in overall prices over the last two decades. Said oil prices have risen from about 20 USD per barrel in right before the new millennium to over 145 USD per barrel in 2008, when it reached its peak price. On the back of increasing global demand, prices for minerals, livestock feed, and other raw commodities have also risen. In addition, African countries are progressively adopting market-boosting policies. They privatized state-owned businesses, expanded trade openness, reduced corporate taxes, reinforced national structures devoted to regulation, and built vital social infrastructure. (Leke, 2010)

Poverty reduction in Sub-Saharan Africa has been insufficient to meet the United Nations' 2030 target of reducing poverty to 3% or less, which was established in line with their first Sustainable Development Goal. Although World Bank (2021) estimates show that over 20% of the people in sub-Saharan Africa will still be living below the poverty line in ten years unless the both the governments of Africa and ODA grantors increase their poverty reduction efforts. Even though Africa's economies have seen some of the world's greatest growth rates, people on the ground have not seen much benefit from that development. In fact, according to Oxfam, inequality is the world's leading cause of poverty in the region. (Willhelm, 2020)

The African oil industry

Africa has significant oil and gas reserves that, if properly used, may help the continent develop faster. Even though extra resources are found on a regular basis, they are not evenly distributed. In fact, 38 nations in the continent (out of Africa's 53 countries) are net oil importers at the moment. Moreover, high and fluctuating oil prices pose a problem for the whole continent, being both an opportunity for exporting nations and a barrier to overcome for importing ones.

Furthermore, the rising demand in developing economies, particularly in China and India, decreasing spare capacity in key producing nations, production peaking in many significant oil-producing regions, and a lack of refinery capacity development are some of the factors driving up oil prices. (Botes, 2019)

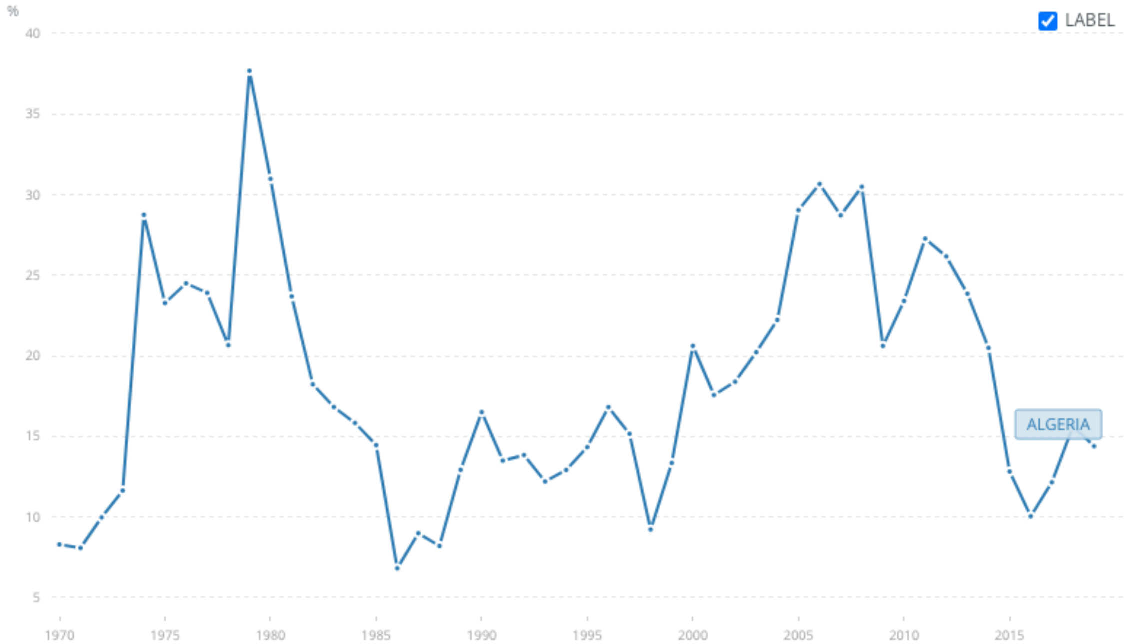
Global energy consumption is projected to increase by more than 50% by 2025, driven by continuing high demand in the Western world and substantial and increasing new demand from developing countries such as China, India, and Brazil. Africa is rich in both fossil and green energy resources. In addition, it is the world's primary continent for regular and significant new oil and gas discoveries. In fact, oil reserves in Africa have increased by more than 25% in the last two decades, while gas reserves have increased by more than 100%. Africa's abundant oil resources, as well as the potential for additional discoveries, have made it a major participant and desirable market in global oil production and resource exploitation. Regarding future prospects, oil output on the continent is projected to increase at a pace of 6% per year on average. The bulk of Africa's oil reserves, as well as its exploitation, are found in Sudan, Angola, Algeria, Nigeria, and Libya, which collectively account for over 90% of the continent's reserves. (African Development Bank, 2017)

Algeria

Economic context

Algeria's economy is driven by petroleum and natural gas exports, which account for approximately one-third of the country's gross domestic product each year, notwithstanding the ups and downs in global prices. The economy was mainly dependent on agriculture until 1962, supplementing France's economy. Since then, hydrocarbon extraction and production have been the most significant activities, allowing for fast industrialization. In the first two decades following independence, the Algerian government implemented a centrally planned economy under a socialist framework, nationalizing key businesses and executing long-term economic plans. Since the early 1980s, however, the emphasis has moved toward privatization, and thus Algeria's socialist course has been somewhat altered. Although living standards have improved to those of a fairly developed nation, food production, leaving Algeria quite far from being self-sufficient. (Britannica, 2021)

Dependence on Oil Exports



(Figure 2, Oil rents as % of GDP in Algeria)

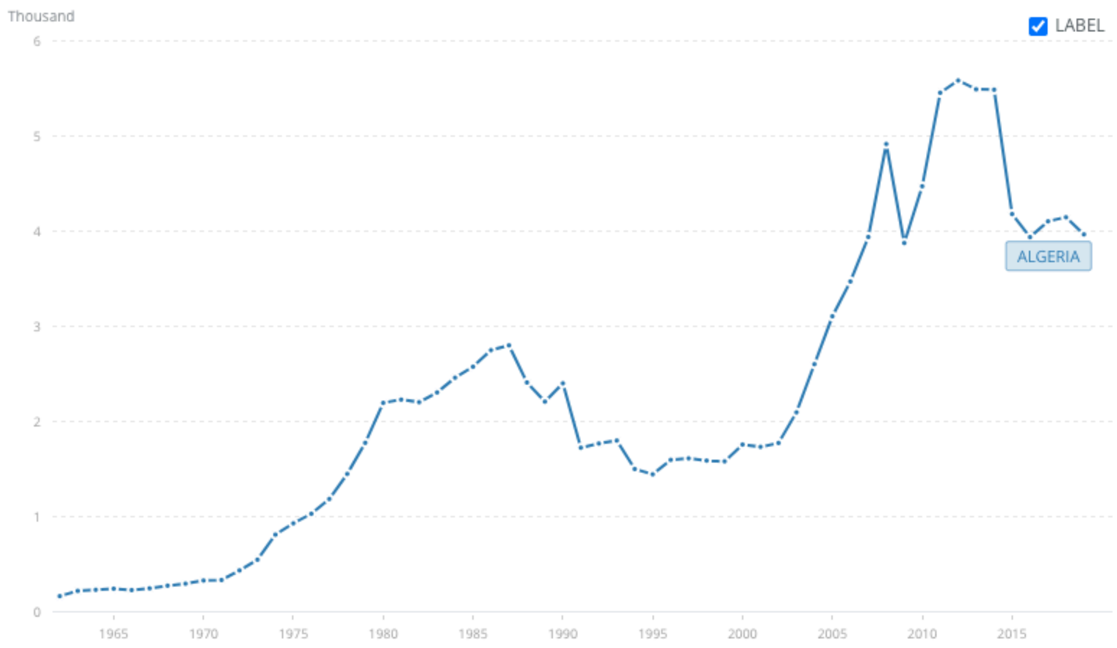
(Source: World Bank)

Algeria is one of the most hydrocarbon-dependent nations in the world, with non-hydrocarbon exports accounting for around 2% of overall exports. However, the International Monetary Fund estimates that the country's existing oil and gas reserves would be exhausted by the mid-2030s and mid-2050s, respectively. Algeria, like other resource-rich countries like Indonesia and Malaysia, should have started a major diversification strategy two to four decades ago. However, the government may still undertake changes if it lowers the rate of domestic consumption growth by reducing hydrocarbon subsidies, postponing the depletion dates somewhat. (Mimoune, 2021)

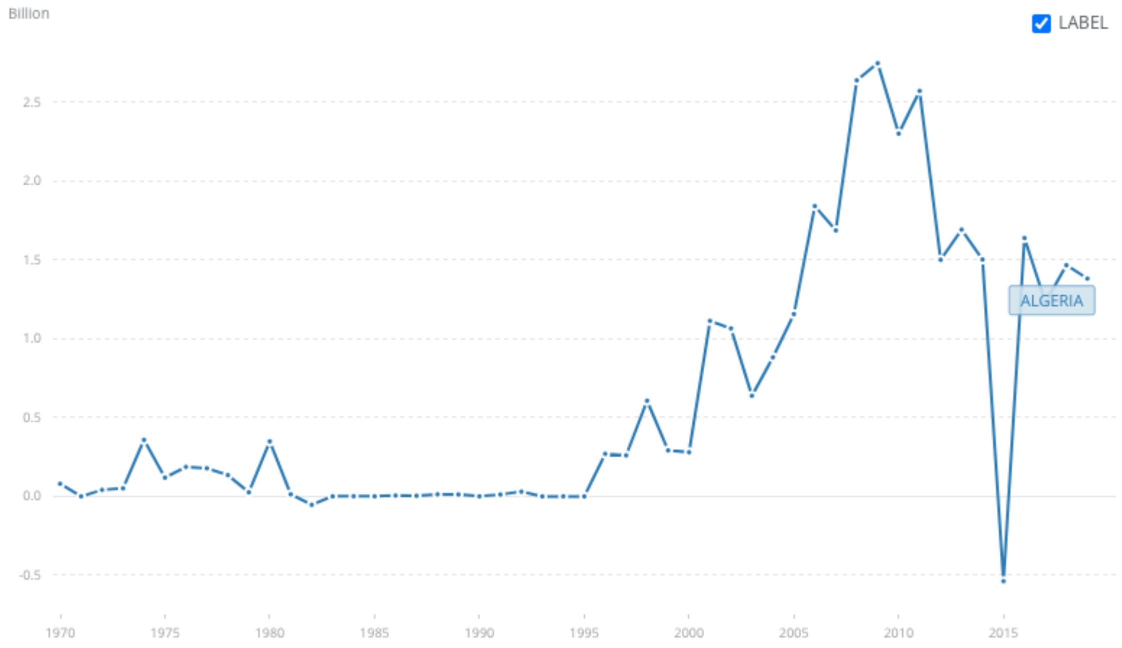
Trade with the People's Republic of China

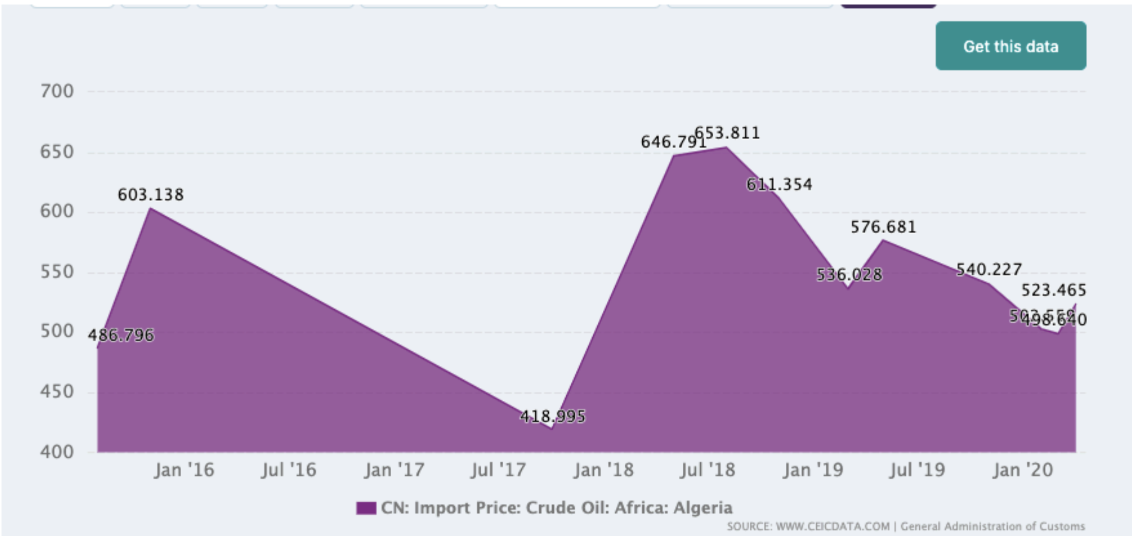
China has evolved from an external, sometimes apathetic backer of anti-colonial movements to the most important economic partner of many African nations. Algeria is the North African nation with the strongest economic connections to China, and it ranks third in Africa after South Africa as well as the Democratic Republic of the Congo. There were about 9 Chinese government development financing projects recognized in Algeria between 2000 and 2011. China's exports to Algeria are primarily manufactured commodities, while crude oil and hydrocarbons dominate China's purchases from Algeria. This deal satisfies China's growing need for raw resources, while Chinese consumer products have grown essential in Algerian daily life. There is also the benefit that this influx of products has no negative impact on Algerian local manufacturing. Algeria has just joined China's Belt and Road Initiative, which aims to improve transportation logistics platforms in order to deal with increased traffic from global commerce.

GDP and GDP/capita annual growth

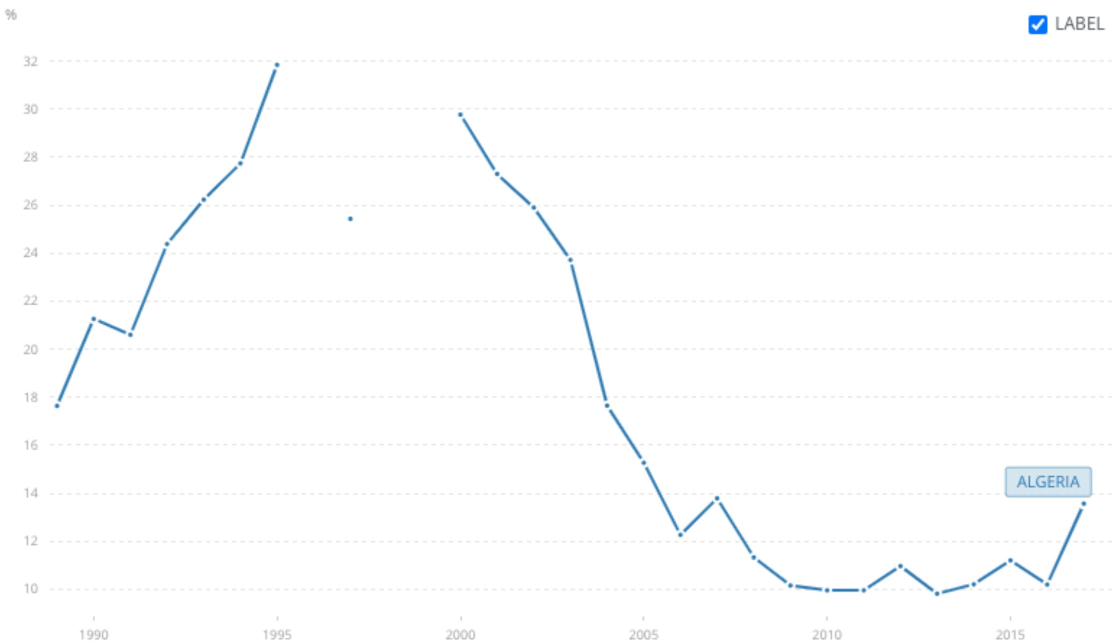


Foreign Direct Investment

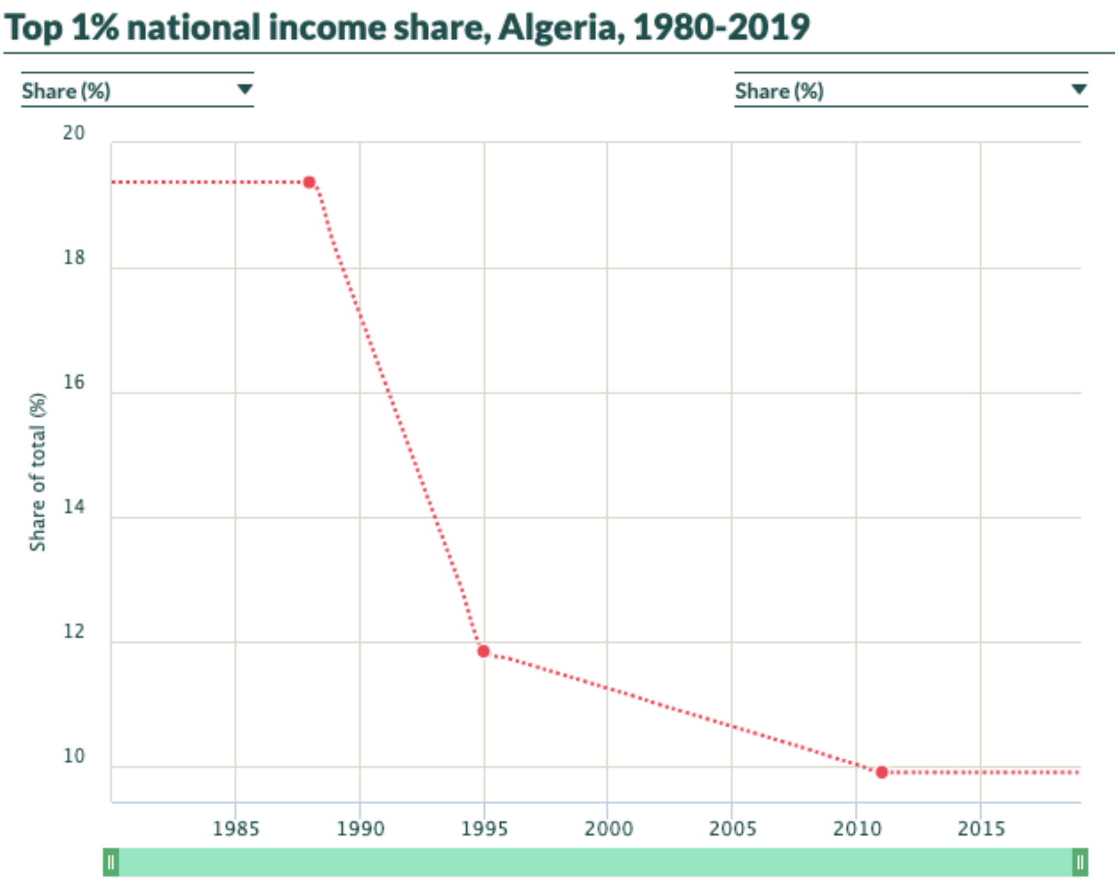




Unemployment rate



Inequality



Angola

Economic Context

Following a crippling post-independence civil war, a combination of economic restructuring and fighting resulted in a virtual economic catastrophe that hasn't alleviated since. Defense expenditure, for example, accounted for almost half of the entire budget in the late 1980s, while annual inflation rates topped 2,500 percent in 1995. Food shortages persisted in most of the nation until the conclusion of the civil war in 2002, necessitating the importation of food or the provision of food aid by foreign assistance and humanitarian agencies. Other agricultural exports, like as coffee, were virtually stopped until after the war ended. Only the petroleum sector, which was neither nationalized or controlled (and was not subject to military action), was able to provide consistent revenue. The petroleum sector, on the other hand, still employs few Angolans and invests little in the country's economy, with the majority of royalties going to the government. (Britannica, 2021)

Dependence on Oil Exports

(Figure 3, Oil rents as % of GDP in Angola)

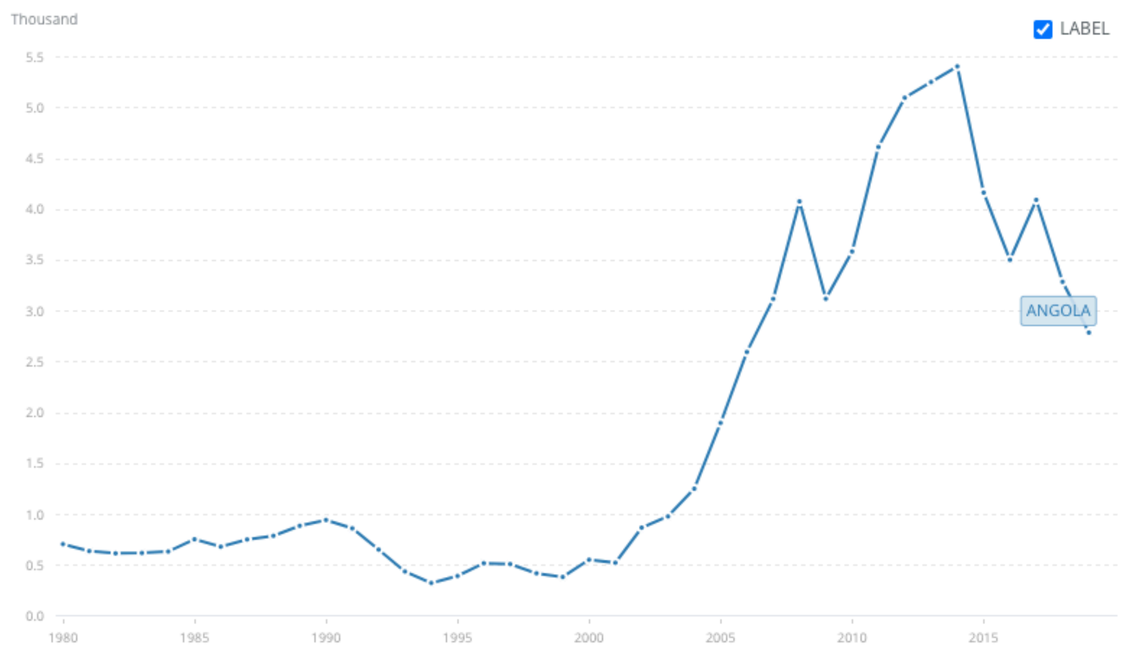
(Source: World Bank)

Although Angola is one of the largest economies in Sub-Saharan Africa, oil used to account for over half of GDP, virtually all foreign-currency profits, and three-quarters of state income. Because of this reliance, many nations are susceptible to commodity price changes. The oil price shock of 2008-09 had an immediate negative effect on the Angolan economy, which is extremely susceptible to oil price shocks. One of the major issues facing African nations is a lack of infrastructure, which leads to a reliance on natural resources in their international commerce. A more diversified export structure will decrease susceptibility to demand shocks, opening up additional possibilities in regional and worldwide markets. (Baumgarner, 2016)

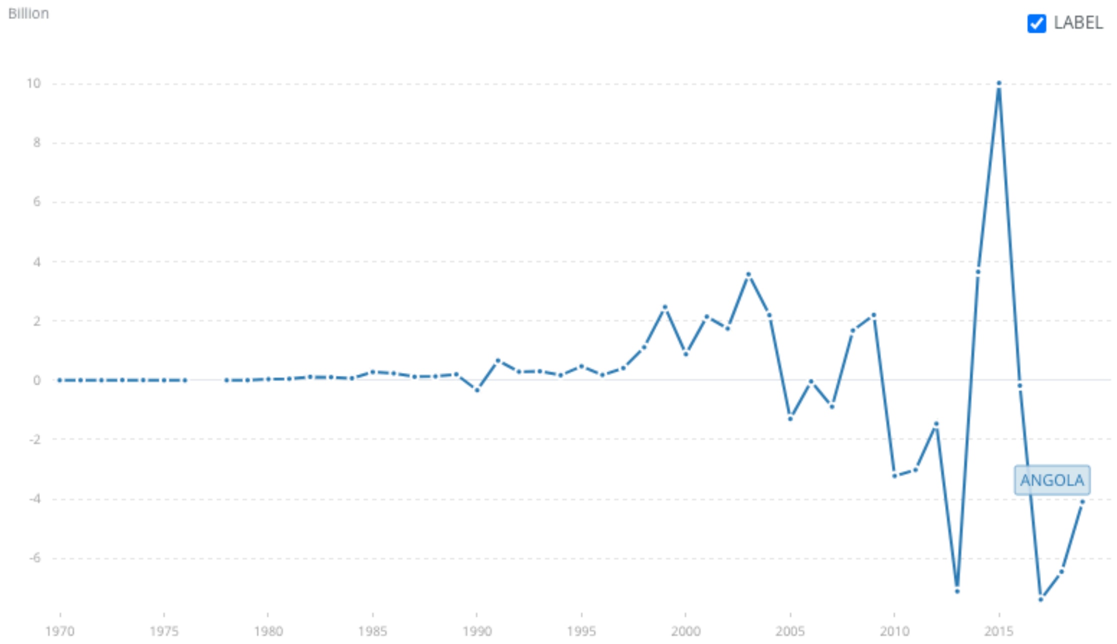
Trade with the People's Republic of China

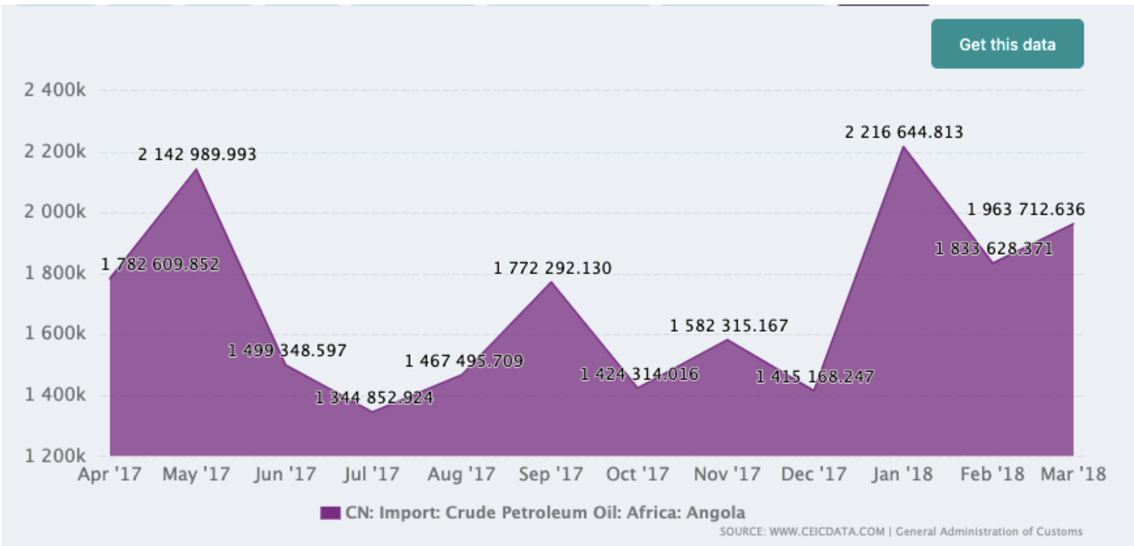
Angola was China's largest African trade partner in 2007. In 2010, trade between the two nations was 24.8 billion dollars. After South Africa, it was China's second biggest trade partner in Africa in 2011 and the first eight months of 2012. The value of commerce between the two nations was 15.6 billion USD in 2016. Angolan exports to China were 13.97 billion USD, while Chinese exports to Angola totaled 1.68 billion USD. China has delivered 465 million USD in official development aid financing projects in Angola since the inaugural Forum on China-Africa Cooperation meeting in 2000. In addition, China's Exim Bank has provided a $90 million loan for the repair of the Luanda train and the building of a 45-kilometer national grid line from Quifangondo to Mabubas. Angola has also secured a 1 billion dollaroil-backed line of credit from China Exim Bank to rebuild its infrastructure.

GDP and GDP/capita annual growth

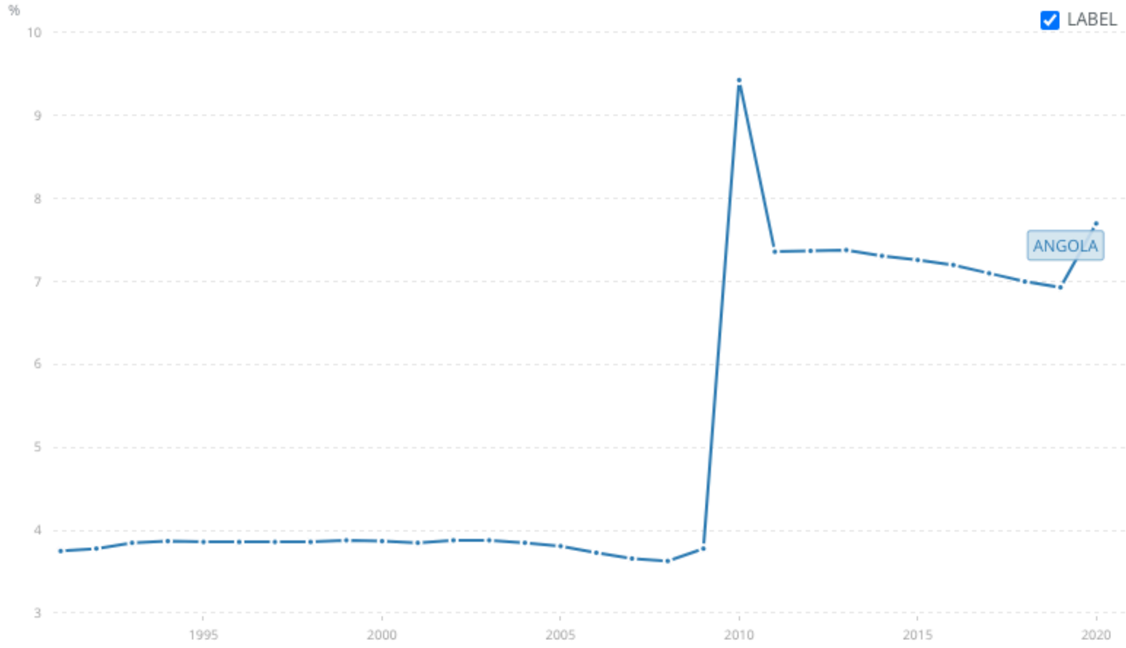


Foreign Direct Investment





Unemployment rate



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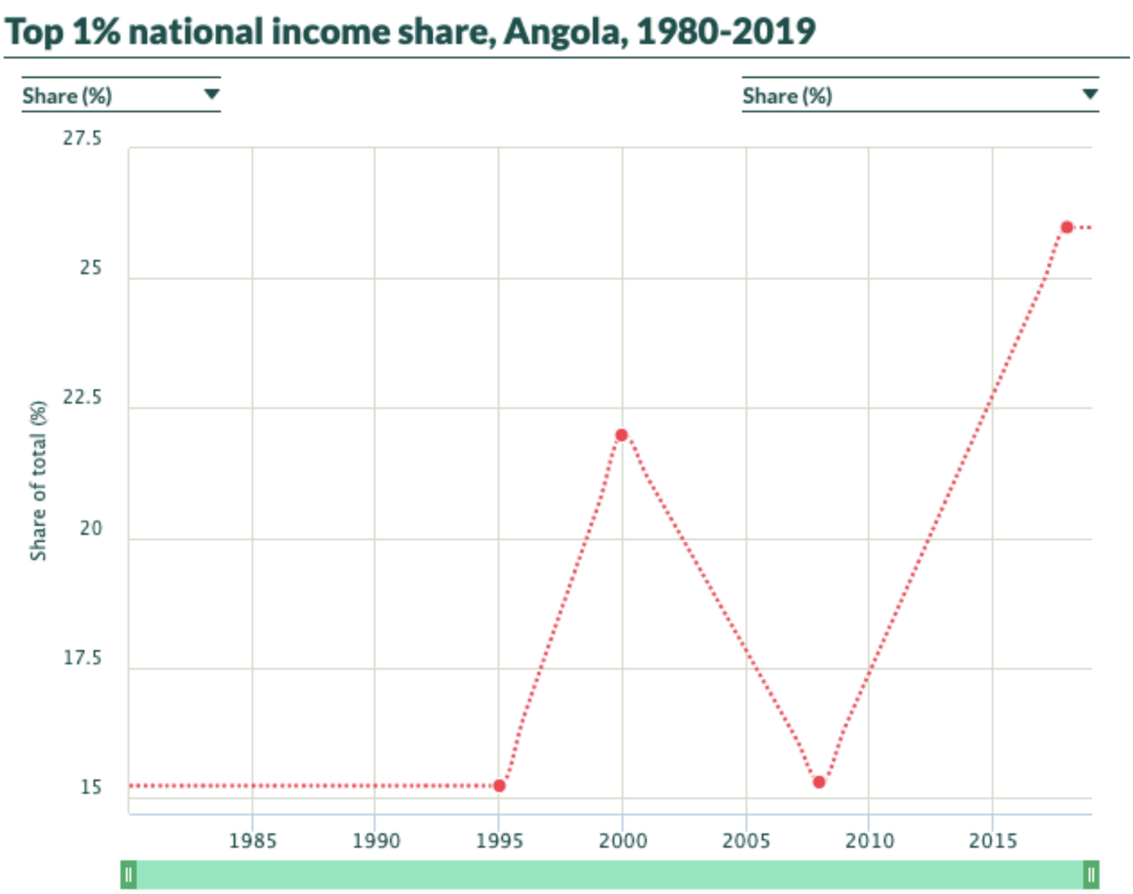


Equatorial Guinea

Economic Context

Coffee, cocoa beans and wood used to be the main products of Equatorial Guinea's economy. However, hydrocarbons soon dominated the economy after significant quantities of petroleum and natural gas discovered (located under the seabed of Equatorial Guinea's offshore seas started) to be tapped into in the late twentieth century. Thus, petroleum quickly became the country's main export, causing its GDP to grow rapidly in less than a decade, as it continued to expand in the early twenty-first century. Consequently, there is very little diversification, with petroleum currently accounting for more than four-fifths of Equatorial Guinea's gross domestic product and providing for the overwhelming bulk of the country's exports. Nonetheless, most people's living standards have not changed much, and farming remains the most common profession. (Britannica, 2021)

Dependence on Oil Exports

(Figure 4, Oil rents as % of GDP in Equatorial Guinea)

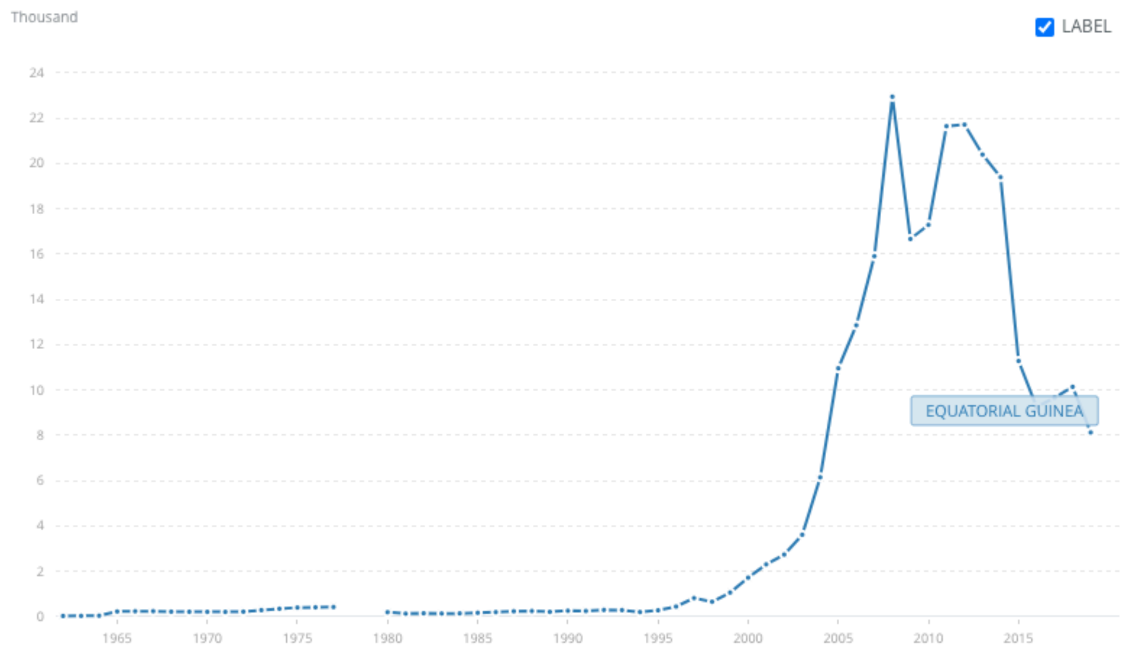
(Source: World Bank)

Equatorial Guinea's economy is heavily reliant on oil. The economic effect of the recent decrease in worldwide oil prices has highlighted the need of boosting non-oil growth and improving expenditure efficiency. In May 2017, Guinea joined the Organization of Petroleum Exporting Countries (OPEC). In fact, joining OPEC may be an effort by the government to boost international investment and technology transactions from other member nations, particularly from the Gulf. Nevertheless, the Equatorial Guinean government still remains oblivious to the dire consequences of not diversifying its economy and exports. (World Bank, 2020)

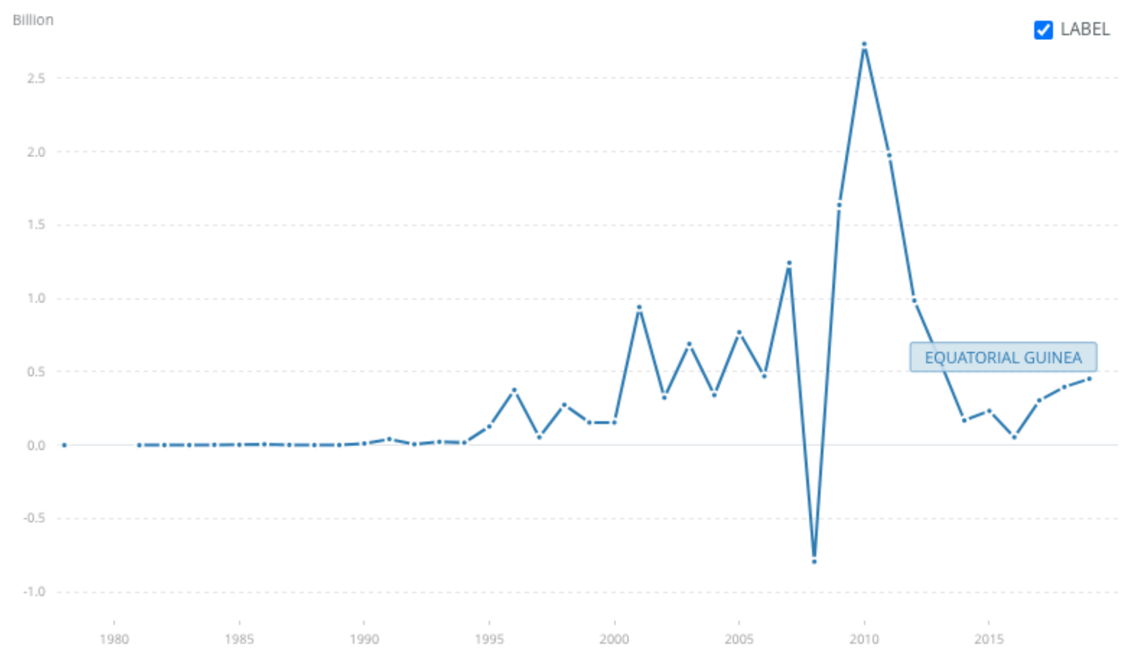
Oil trade with the People’s Republic of China

Equatorial Guinea is most definitely not China’s biggest partner in the continent. Although it exports a third of its production to the Asian country, it is a relatively small volume, considering that it is one of the smallest producers in OPEC. However, regarding Chinese investments, various media sources have identified close to 20 Chinese government development financing projects in Equatorial Guinea between 2000 and 2011. These projects vary from a debt reduction program worth 75 million USD in 2006 to the building of the Djibloho Hydroelectric Station Transmission Line.

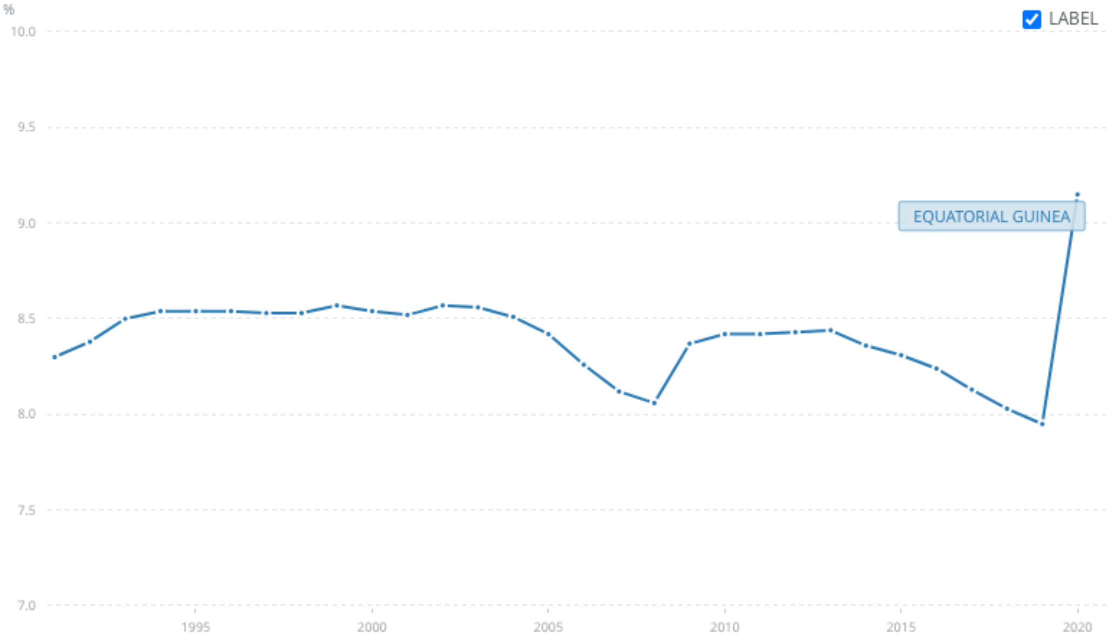
GDP and GDP/capita annual growth



Foreign Direct Investment



Unemployment rate



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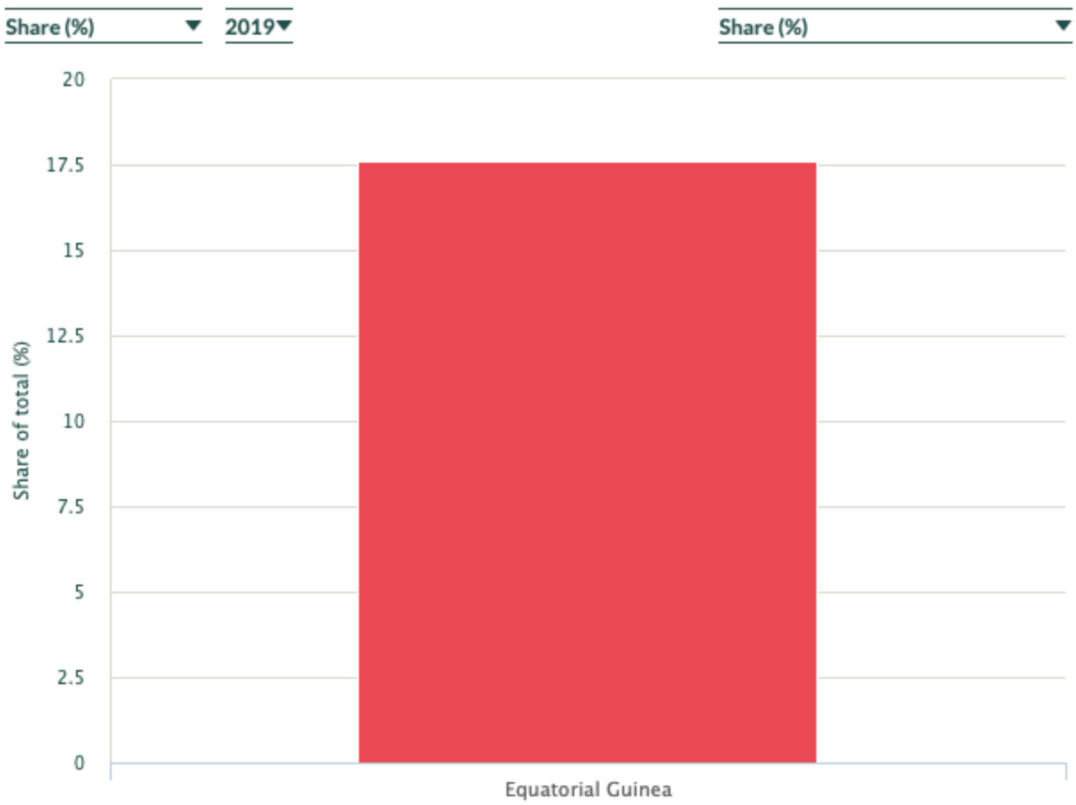
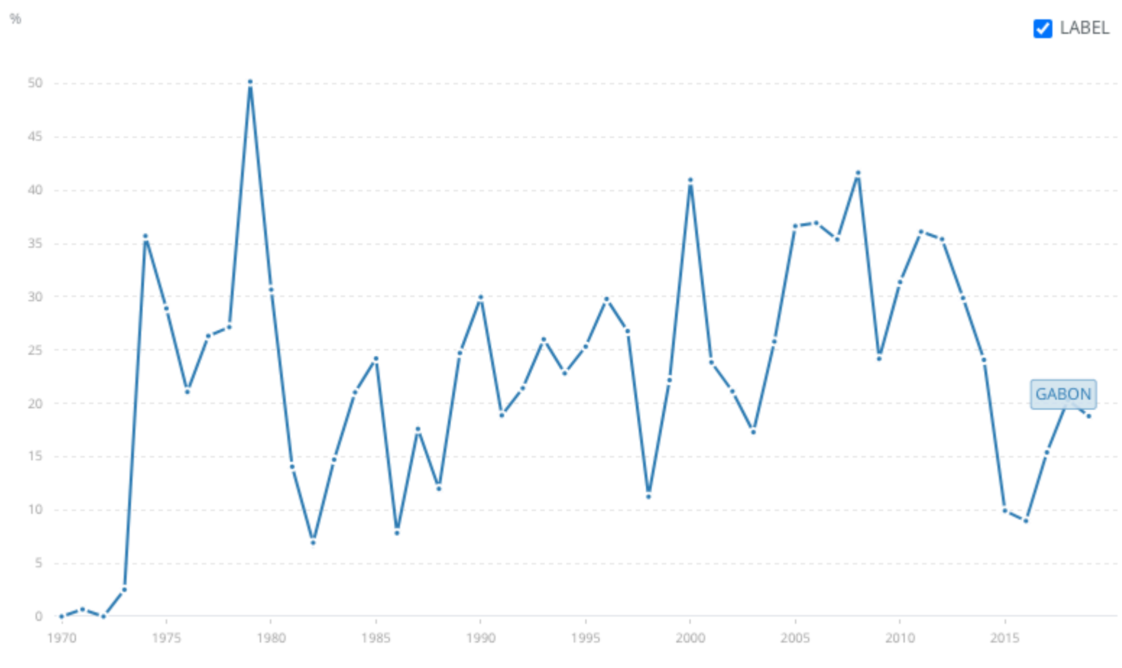


Gabon

Economic Context

Agriculture employs approximately one-third of the active population, although it contributes just a tiny portion of the country's overall GDP. Furthermore, unlike most of its neighbors, Gabon relies on tens of thousands of wage laborers from other African nations to augment its own limited supply of employees in retail, artisanship, and domestic transportation. Petroleum earnings have provided Gabon's government with unprecedented wealth since the late 1960s, which it has used to build infrastructure and finance the development of education and health facilities. However, corruption among government officials has limited the benefits of these resources. All in all, despite changing prices and resulting output cuts, petroleum earnings continue to fund the bulk of national budgets. (Britannica, 2021)

Dependence on Oil Exports



(Figure 5, Oil rents as % of GDP in Gabon)

(Source: World Bank)

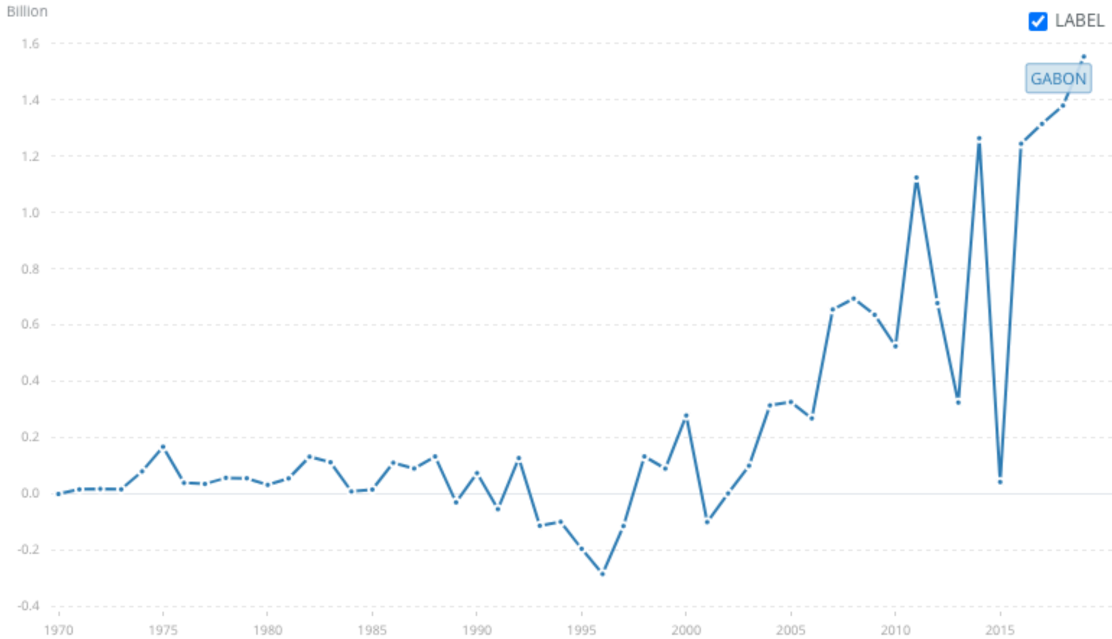
Unlike other African OPEC members, Gabon is looking for investment in its mining, industrial, and tourist industries as it seeks to diversify its economy away from oil exports and attract money from nations other than its old colonial metropole, France. The Central African nation is largely dependent on oil exports, around 80% of exports, but the government recognizes that if it is to accomplish its objective of becoming an emergent economic power by 2025, it must diversify its economy. (Farge, 2018)

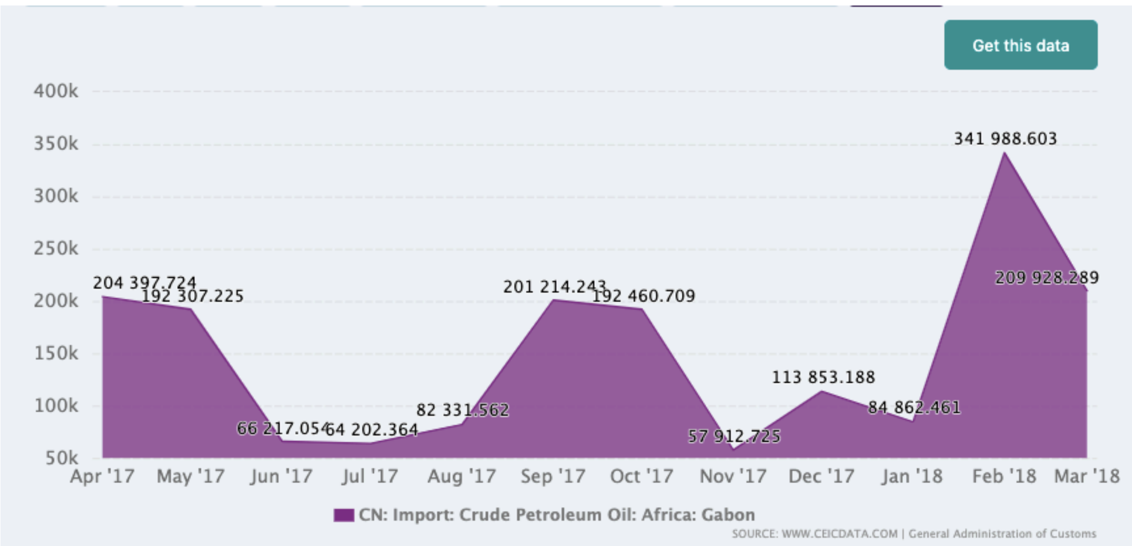
Trade with the People's Republic of China

China has supported Gabon's main projects, which include a health work center, a primary school, and a national assembly building. Chinese investors have mainly invested in the forestry and mining industries. (Oilprice, 2019)

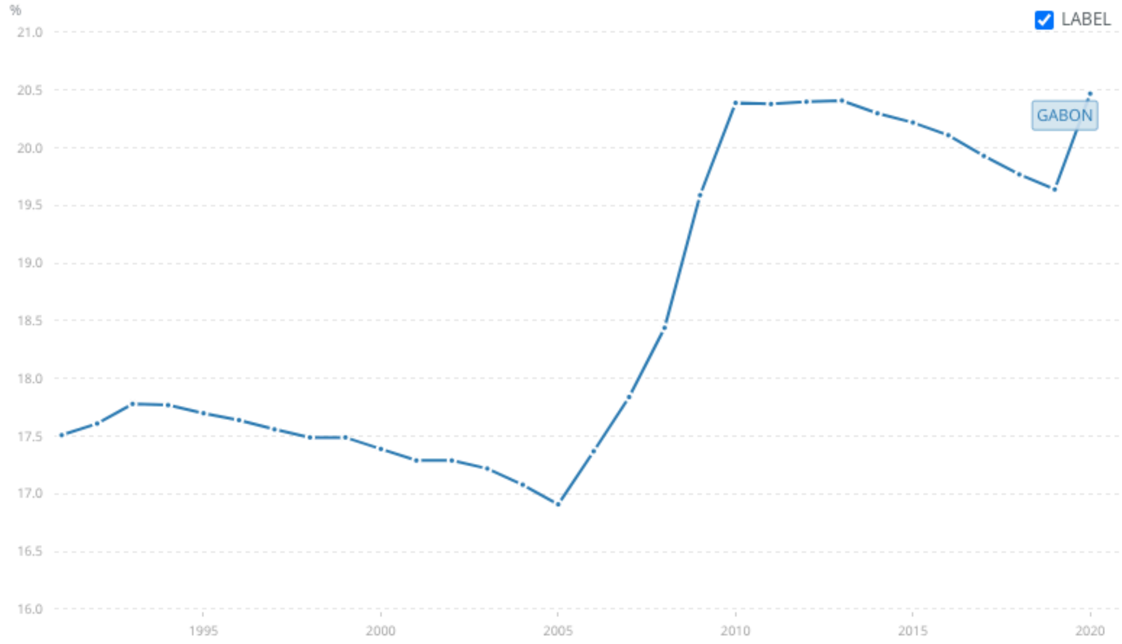
GDP and GDP/capita annual growth

Foreign Direct Investment





Unemployment rate



Libya

Economic Context

Libya has one of the highest per capita incomes in Africa. Libya's primary source of income continues to be oil earnings. Oil and natural gas combined accounted for almost three-quarters of national revenue and virtually all of the country's export profits at the turn of the century, while employing fewer than one-tenth of the workforce. Economic policy has prioritized agricultural and industrial growth in order to decrease the country's significant reliance on oil. In the 1980s, however, falling oil revenues necessitated repeated modifications and delays in planned projects. (Britannica, 2021)

Dependence on Oil Exports

(Figure 6, Oil rents as % of GDP in Libya)

(Source: World Bank)

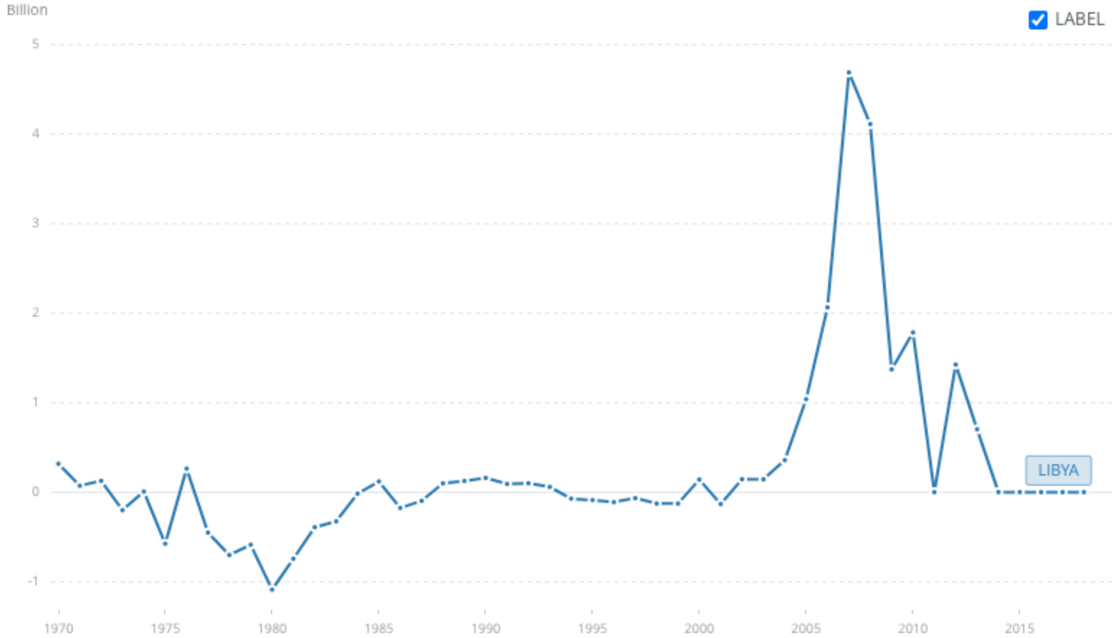
Libya's sole major source of dollar revenue is oil sales, which brought in $22.5 billion in 2019 for a nation with a population of six million people. The majority of Libya's oil facilities are under the hands of troops loyal to eastern-based commander Khalifa Haftar, who has steadily extended his authority over the last six years with the assistance of international allies such as the UAE, Egypt, and Russia. However, given Libya's reliance on oil income, a reduction in oil production as a result of political instability may have a major humanitarian effect. In fact, previous oil output variations have indeed harmed Libya's economy and contributed to a fast decline in living standards. (Reuters, 2020)

Trade with the People's Republic of China

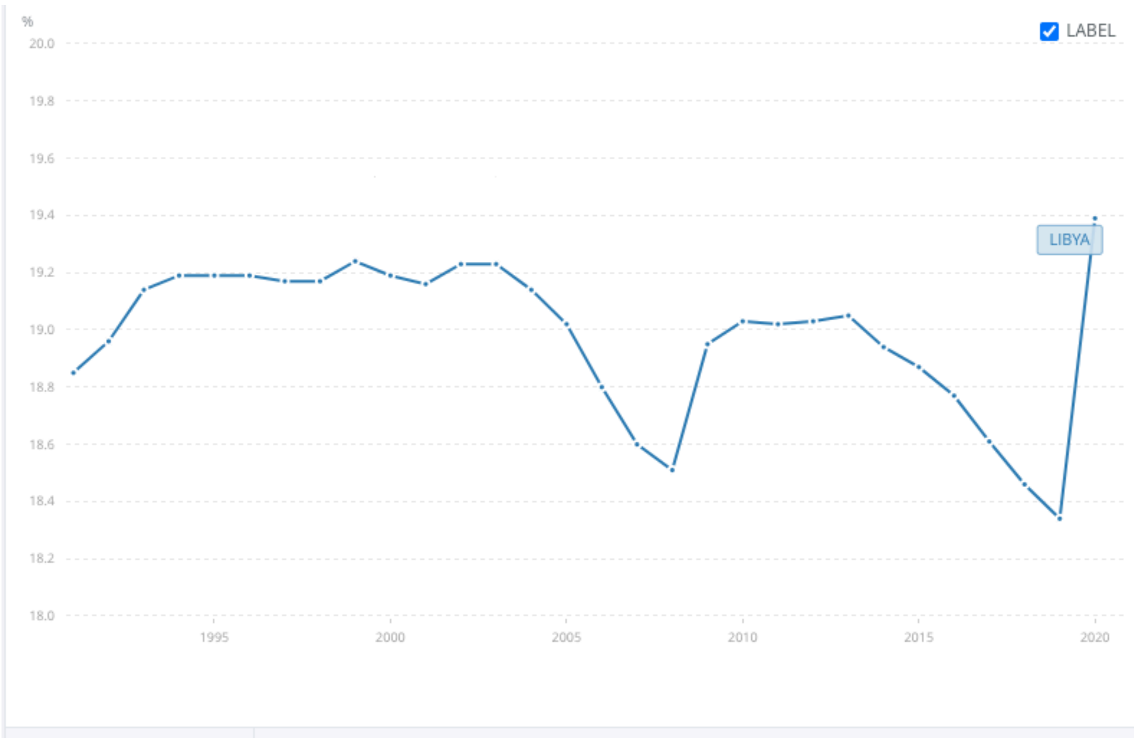
Long before the crisis in Libya started in 2011, China had economic interests in the nation. China participated in numerous infrastructure projects during the Gadhafi dictatorship, and Libya transferred significant funds to China in exchange. By 2011, China has 75 businesses operating in Libya, with a total value of $18.8 billion. 36,000 Chinese workers were engaged in these operations, which spanned 50 projects ranging from housing and railway development to telecommunications and hydroelectric projects. Despite publicly backing the GNA, the Asian behemoth decided to remain neutral in order to protect its economic interests in the nation. Luckily, for both the GNA and the Haftar government, China's neutrality and big resources make it an appealing option. (Taylor, 2020)

GDP and GDP/capita annual growth

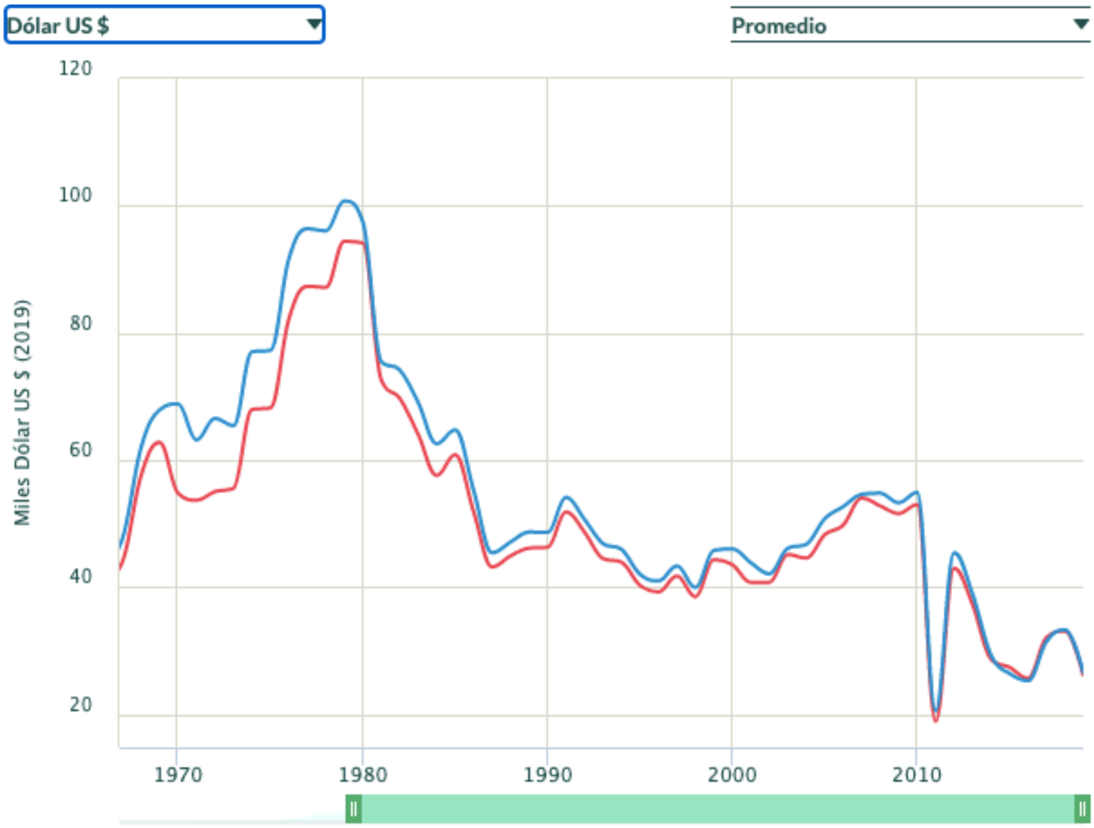
Foreign Direct Investment



Unemployment rate



Inequality

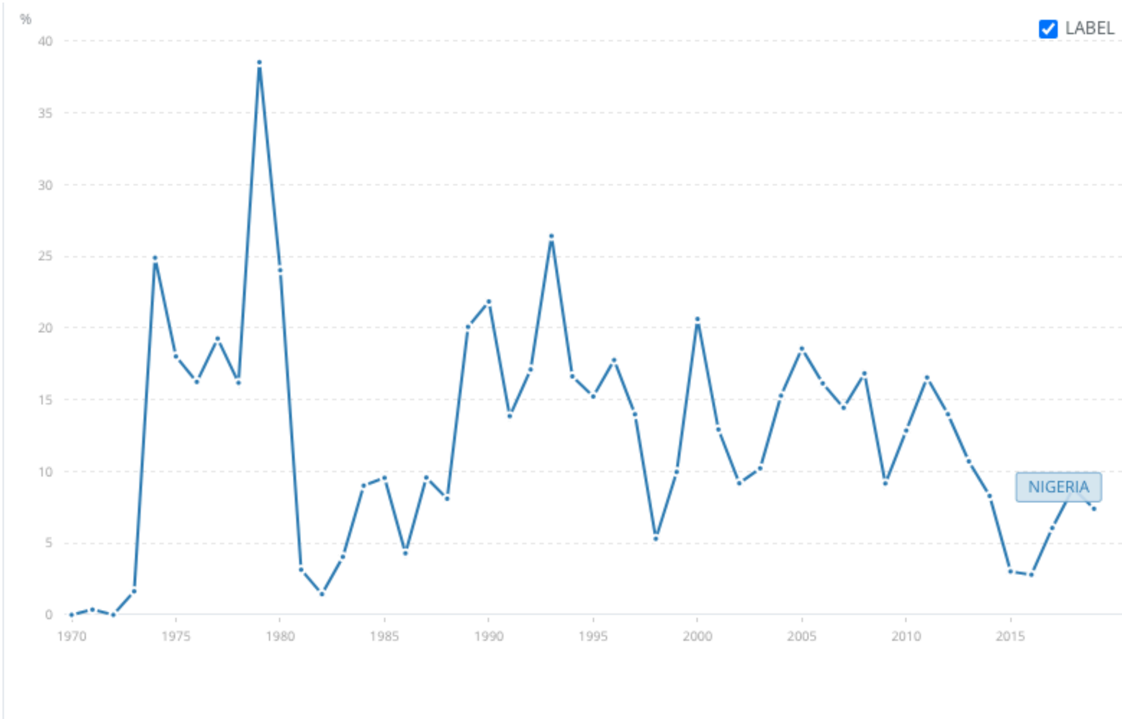


Nigeria

Economic Context

Nigeria has one of Africa's biggest economies. It has been mainly reliant on the petroleum sector since the late 1960s. Since 1970s, a succession of rises in global oil prices has resulted in significant economic development in transportation, building, industry, and government services. As a result of the massive migration of rural people into the bigger cities, agricultural output stalled to the point that cash crops like palm oil, peanuts (groundnuts), and cotton were no longer important export commodities. In addition, due to the oil boom experienced by the country, Nigeria has seen itself forced to import various basic commodities. (Britannica, 2021)

Oil Exports



(Oil rents as % of GDP in Nigeria)

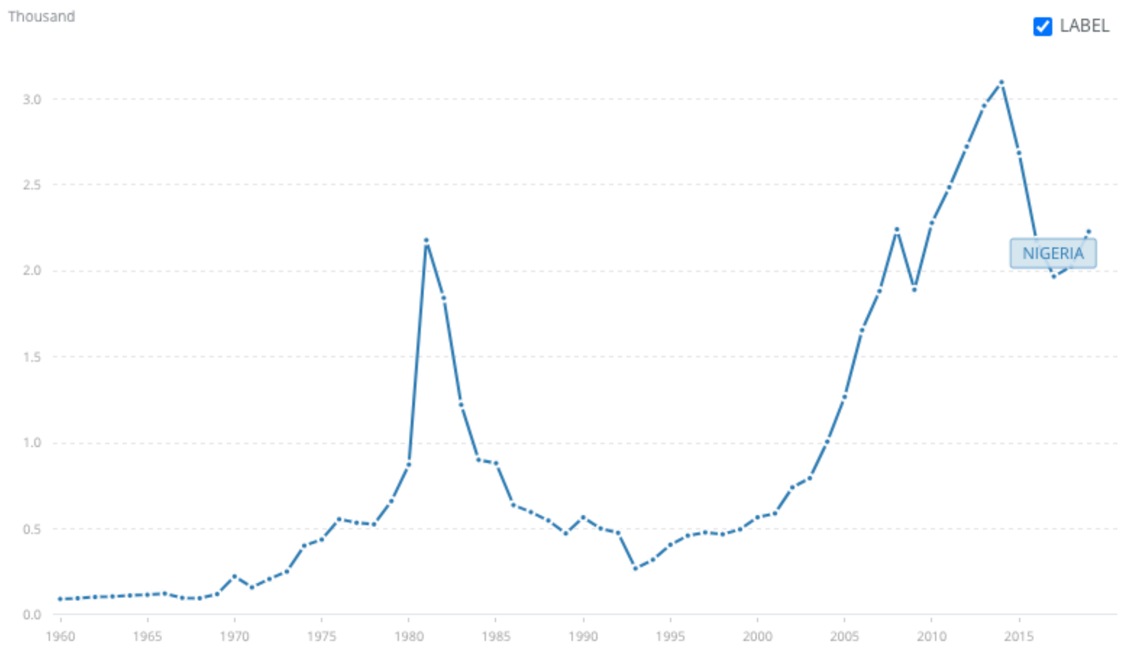
(Source: World Bank)

According to current global poverty estimates, over one hundred million Nigerians are at risk of slipping into severe poverty by 2022, highlighting the country's leadership failings. This surprising finding suggests that, despite being Africa's biggest oil producer, Nigeria is failing to convert its oil riches into increasing living standards for its rapidly expanding population. Oil price declines, it is said, have not only posed a strategic threat to the country's increasing significance in the global economy, but have also acted as a fresh trigger for its internal woes. The far-reaching consequence is that fluctuations in oil prices have the potential to trigger changes in domestic circumstances, perhaps leading to long-term instability. (Okoii, 2020)

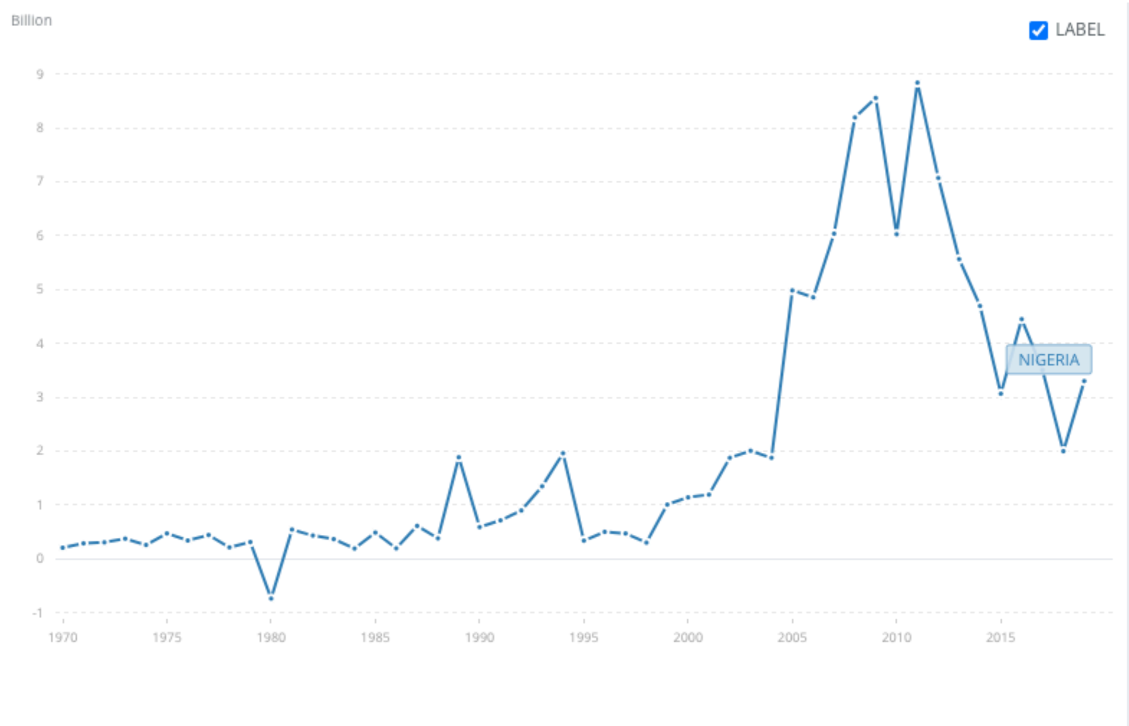
Trade with the People's Republic of China

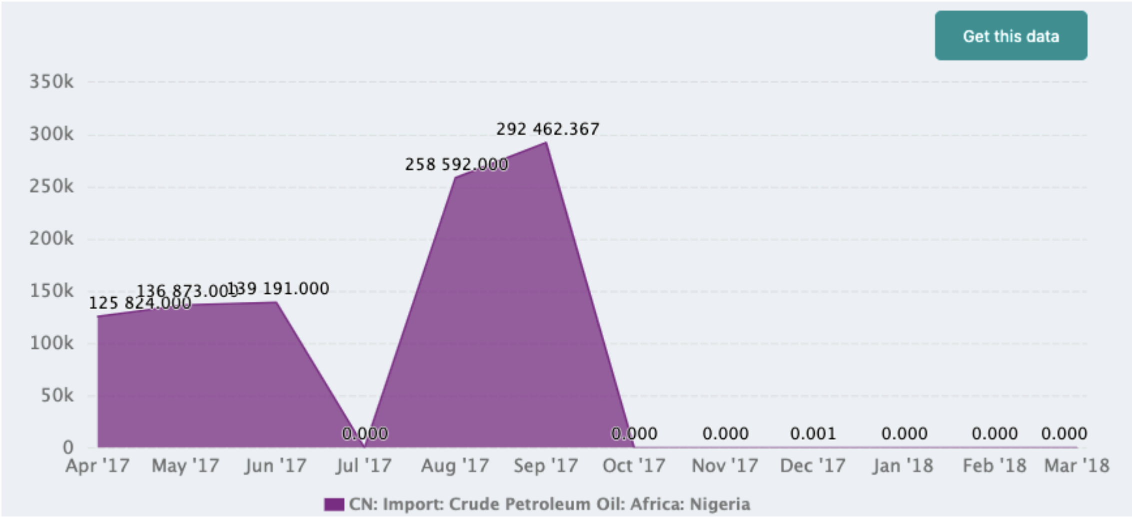
In 2006, bilateral trade was $3 billion, up from $384 million in 1998. In 2006, China obtained four oil drilling concessions and promised to spend $4 billion in oil and infrastructure development projects. However, the saturation of Nigerian markets with low-cost Chinese goods has become a contentious political issue, since it has harmed local businesses, particularly in textiles. Since 2000, commercial ties have grown at an exponential rate; nevertheless, since Chinese exports account for approximately 80% of overall bilateral trade volumes, the nature of the Sino-Nigerian economic relationship has become a significant political problem. (Taylor, 2020)

GDP and GDP/capita annual growth

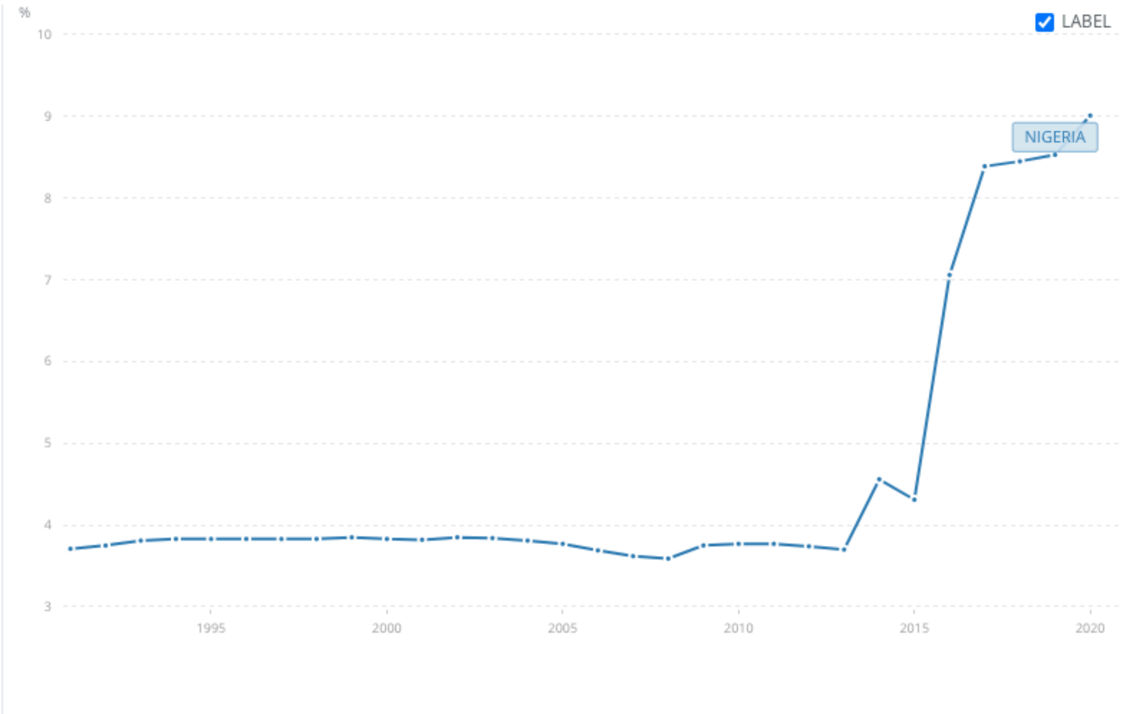


Foreign Direct Investment





Unemployment rate



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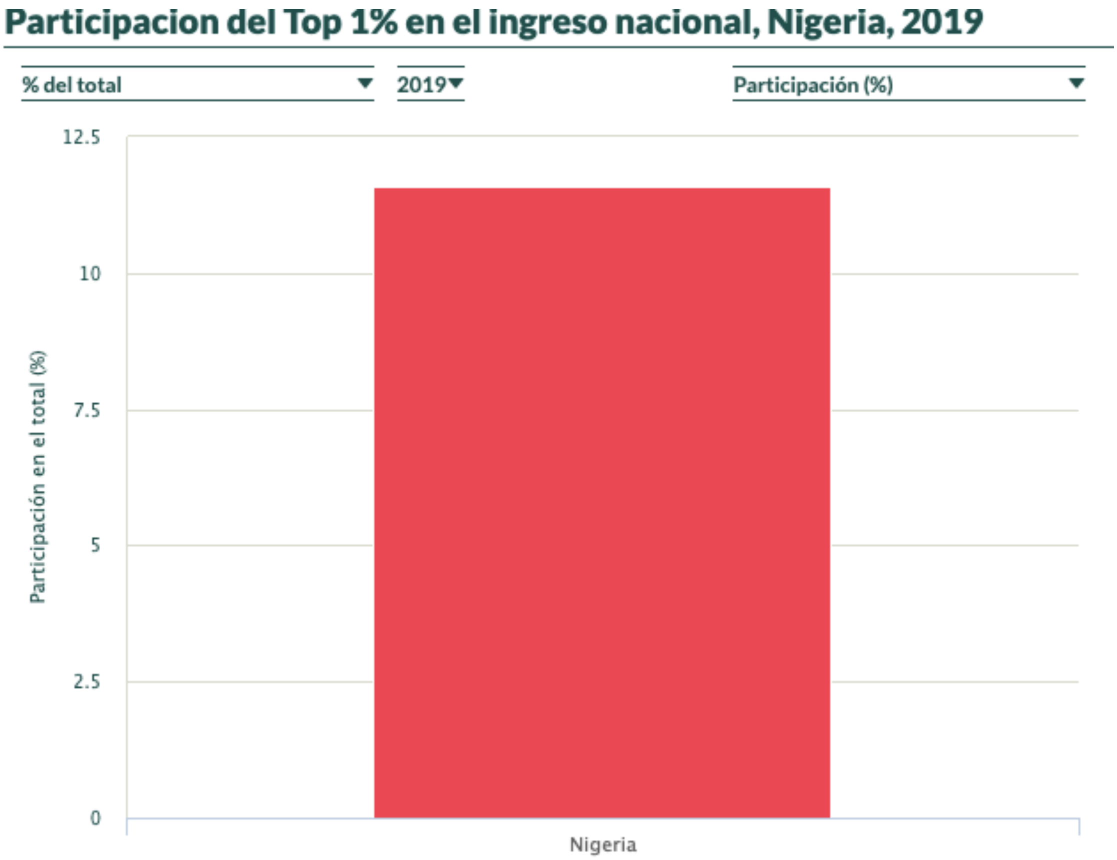
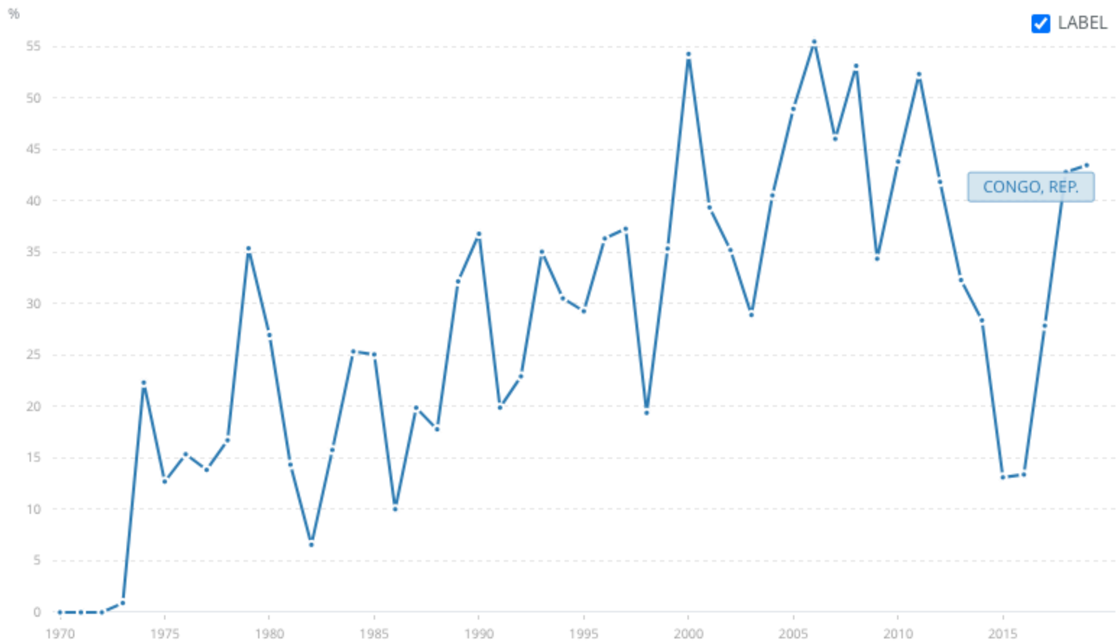


Republic of the Congo

Economic Context

The Democratic Republic of Congo is a developing nation. The Congolese economy is mostly focused on subsistence agriculture and craftsmanship, as well as a hydrocarbon-based industry. Agriculture is the main source of income for the majority of the people. Timber and oil, on the other hand, are the two cornerstones of the country's exports and revenue. (Britannica, 2021)

Oil Exports



(Oil rents as % of GDP in Republic of the Congo)

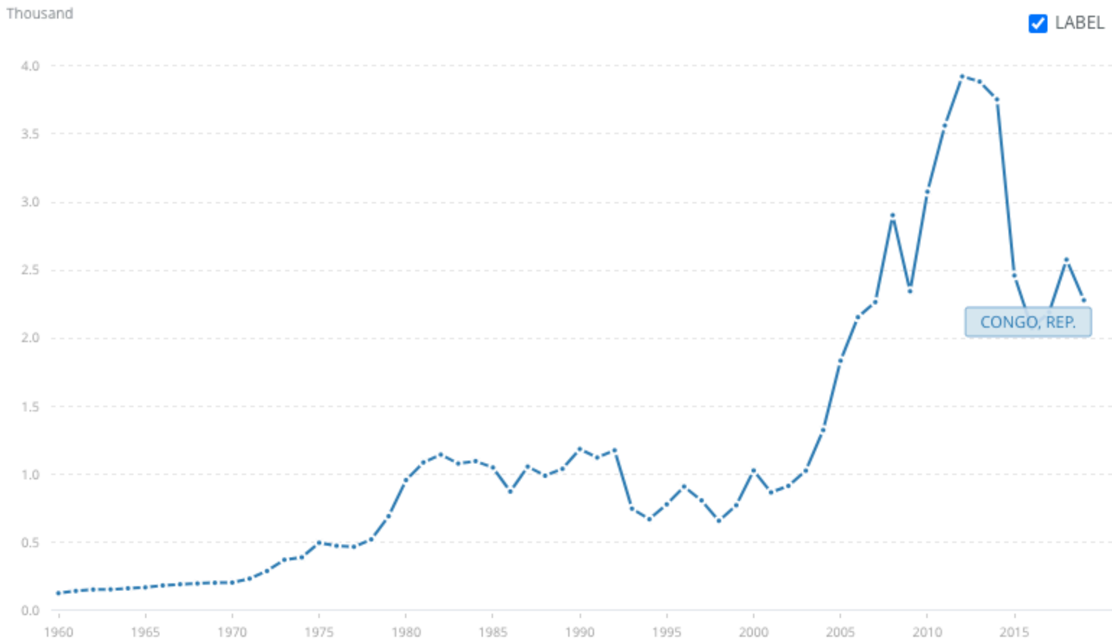
(Source: World Bank)

The Republic of the Congo is a typical example of a nation whose economic prosperity is nearly completely based on crude oil production and export. Despite rich reserves of several minerals such as diamonds , gold, and iron, as well as significant agricultural potential, the Republic of Congo is highly reliant on oil. It generates 75% of the government's income, 90% of exports, and 60% of the country's GDP. This, paired with its increasing dependence on food imports, given the abandonment of the agricultural sector, has left the country extremely vulnerable to fluctuations in oil prices. (Daily Monitor, 2021)

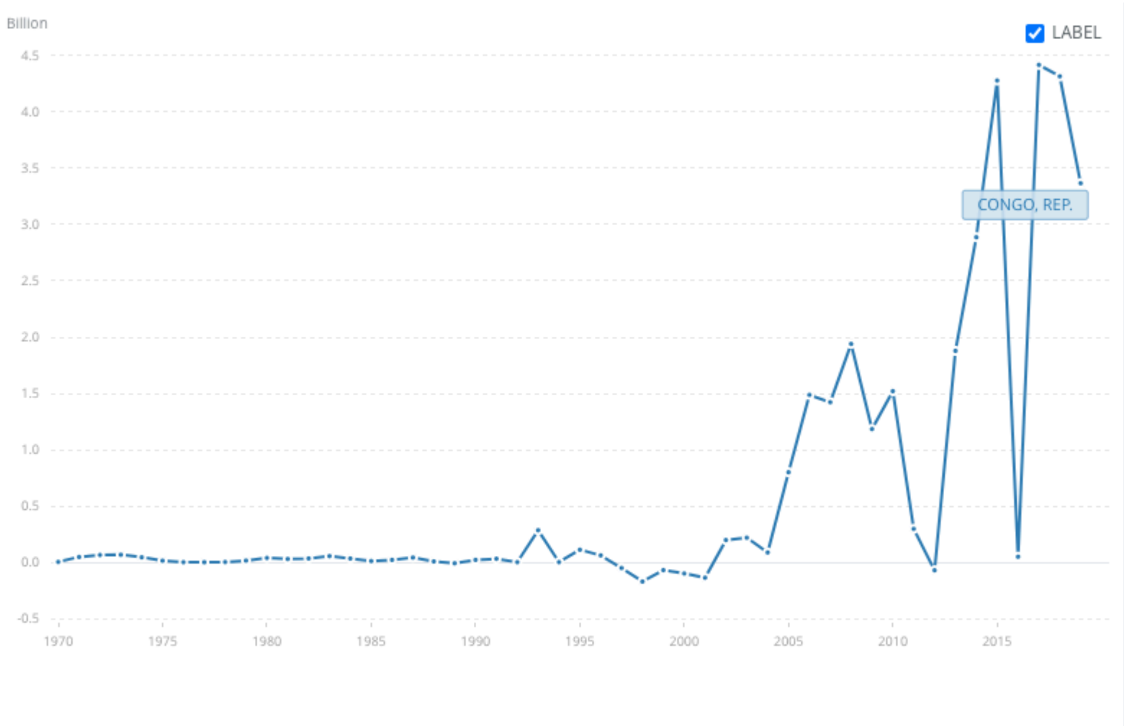
Trade with the People's Republic of China

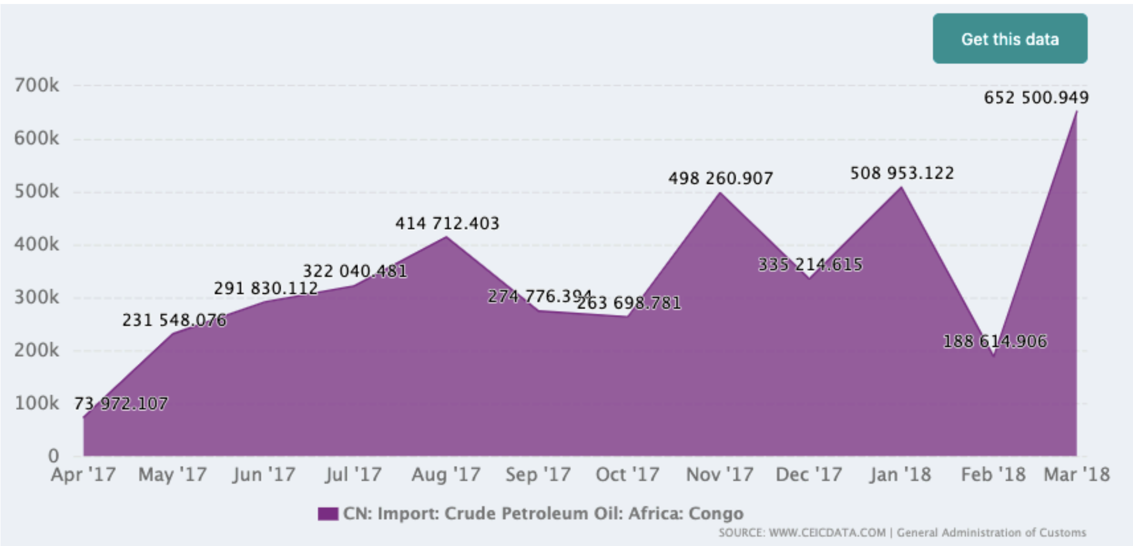
The Republic of Congo has received development financing from Chinese state-owned financial organizations for the building of infrastructure. According to media estimates, China funded about 25 development financing projects in the nation between 2000 and 2012. Furthermore, Chinese businesses have made significant investments in the Republic of Congo. In 2012, the Congo's oil shipments to China amounted for 43% of oil exports. China, on the other hand, currently imports around 2% of its entire crude oil consumption from Congo. (AFP, 2021)

GDP and GDP/capita annual growth

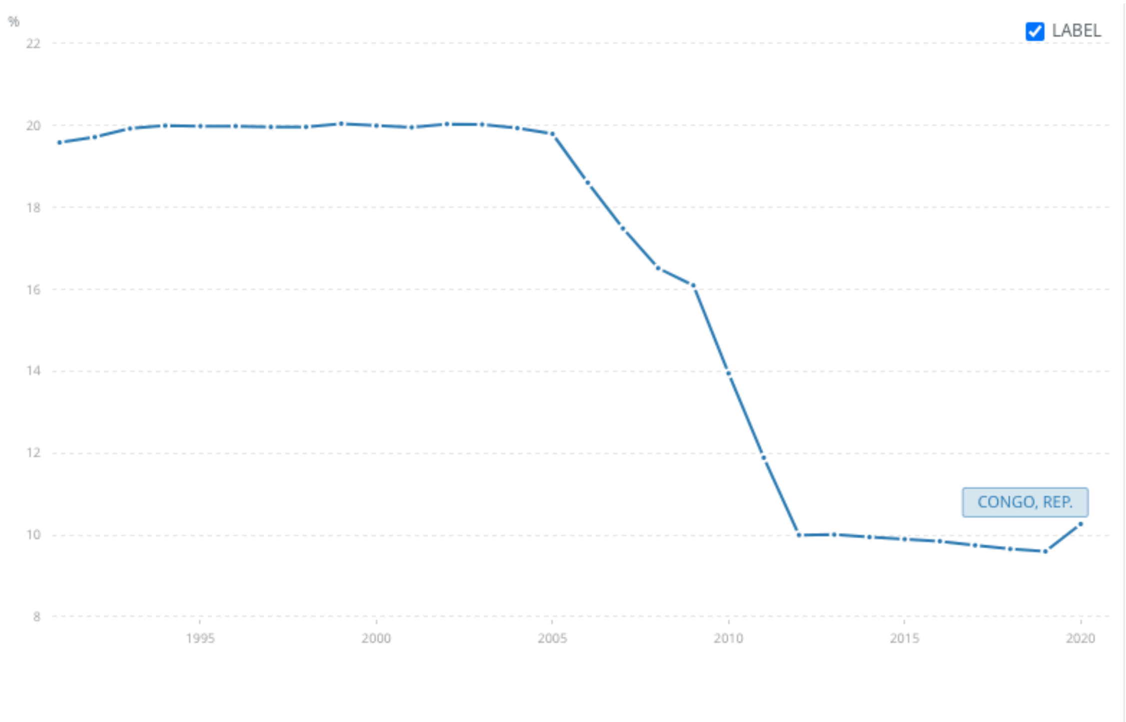


Foreign Direct Investment

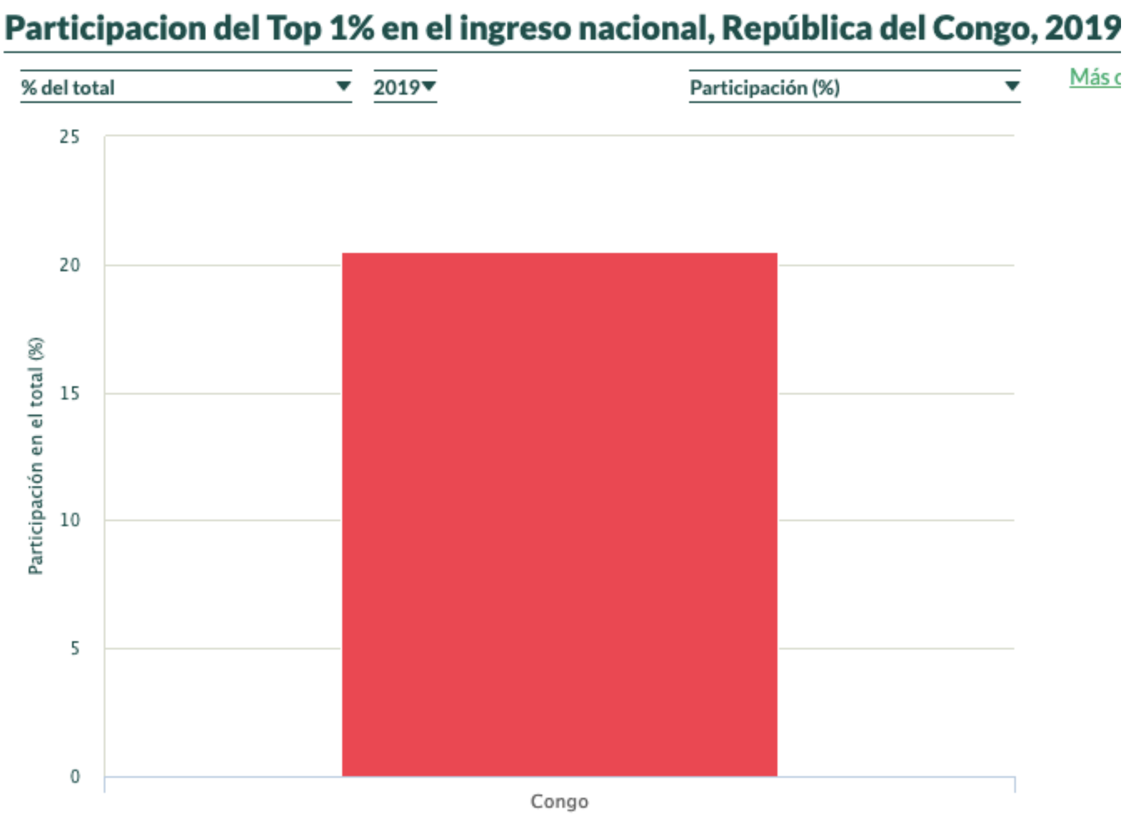




Unemployment rate



Inequality



Conclusion

Due to the complicated nature of the Dutch disease characteristics, the intuition underlying the findings was strong. However, the results were varied, and the econometric results ultimately did not support the Dutch illness hypothesis. My results are equivocal, and there is no clear indication of a connection between commodity exports to China and the harmful consequences of the Dutch illness.
The findings indicate that increasing oil exports to China leads to a favorable shift towards other industries, as shown by the fact that unemployment rates seem to be declining in many of these nations at the same time. However, it is worth noting that many of these countries, did experience a bettering of the income equality distribution, followed by a gradual stagnation or worsening. This was probably due to the stabilization of the economy after post-civil war period in most of them, then followed by the inherent inequalities which stemmed from the enrichment of the oil industry owners.
Even though there is not nearly enough evidence to suggest that African OPEC members are experiencing the Dutch disease phenomenon, let alone that it is being caused by Chinese interventions in the oil trade industry or through FDI, it is worth noting that most of these countries display worrying signs which resonate with the theory.
These are for instance a complete abandonment of the agricultural sector and the utter reliance of the limited oil sector, leaving these countries extremely vulnerable to any non-advantageous fluctuating, as it becomes evident in all GDP and oil rent data gathered, around the year 2015, when all production plummets, thus dragging down GDP growth. It should also be taken into account that the reason why changes in production do not appear to be useful or detrimental to employment might be because in most of these countries, most of the population does not work in said industry.
The scope of this paper is of course very limited due to the sheer amount of data available and the lack of specific data for some of the states. More data and deeper research is necessary in order to unveil whether or not these countries are experiencing the Dutch disease phenomenon and whether or not China plays a part in it.

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