

*Oxford Energy Forum* is a debating journal and we always welcome letters and comments from readers adding to, qualifying or criticising views expressed in earlier articles. I am pleased that the articles on nuclear energy published in the previous issue have attracted two important responses which add a new dimension to the debate.

Charles Henderson and David Robinson both ask a question which was not addressed by the three distinguished authors of the articles on nuclear energy. Charles Henderson puts it succinctly and sharply: Is there a fundamental conflict between the desire for nuclear and [energy] market liberalisation? David Robinson elaborates on the problems that this conflict involves. He identifies five problems, and then wonders whether Western governments will decide that markets are unlikely to induce nuclear development and that intervention will be necessary, or will remain attached to the freedom of markets leaving significant nuclear developments to China and developing countries.

The articles in this issue fall into two sets. The first is about oil/gas developments in a number of American countries; the second is about the topical question of China in Africa. In the first group, Adrián Lajous looks at developments and prospects in Canada, Mexico and Venezuela. He hangs the three

stories on one peg: the supply of heavy and extra heavy crudes to the very important US petroleum market. Mexican exports of these crude oil varieties are on the verge of declining; Venezuelan production is falling but exports to the USA have remained surprisingly steady; and Canadian supplies are booming. The question is whether Canada can be expected to make good over a long period of time the likely shortfall of heavy oil supplies from Mexico and Venezuela.

Energy issues in Brazil are assessed by Rogerio Manso, until recently a director in Petrobras. There were remarkable achievements in deep-water offshore oil developments and in the substitution of gasoline by alcohol. Brazil had to respond to an economic crisis caused by its dependency on expensive imported oil in the 1970s and first half of the 1980s. 'Will progress be sustained?' asks Manso. Will Brazil, having switched thanks to remarkable efforts from the oil importer to the oil exporter status, be able to retain this new situation? Or is it in human

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nature to respond more strongly to fear caused by scarcity than to fortune brought about by progress?

Two smaller Latin American countries are covered by Ivan Sandrea (Colombia) and Anouk Honoré (Bolivia). These authors have a different view on the policy toward foreign investment that a developing country should adopt. Sandrea argues that exploration in Colombia responded strongly to generous terms offered by the government to investors. The revenue shares for company and government is on a 50/50 basis. In Latin America the average revenue split is 66 percent in favour of the government and in some cases more than 80 percent. Is Colombia being too generous and is there a risk of a political backlash sometime in the future? Sandrea thinks not.

Anouk Honoré defends the opposite policy followed by Evo Morales, on the grounds that a developing country needs the maximum revenues it can get without jeopardising the development of its oil/gas resources. The mutuality of interests between Bolivia who needs to export gas and its main customers (Brazil and Argentina) who have no other source of significant supplies supports the new contracts signed with foreign oil companies. She addresses in interesting detail the problems posed by uncertainty about future political developments in Bolivia for its main gas customers. It is clear that different structural circumstances and different political ideologies lead to different contractual arrangements. What happens in the longer run is the moot question however. Some crucial circumstances tend to change over time.

China in Africa is a fascinating subject as it involves politics, specific approaches to the foreign investment issue and the much talked about concerns with the security of supplies. Lindsey Hilsum, the correspondent of the UK TV Channel 4 in Beijing, tells us how much some African leaders seem 'to love' China. President Yoweri Museveni of Uganda contrasted Western and Chinese attitudes. The West is conceited he says, and 'ignorant of our conditions' while the Chinese 'deal with you as someone who represents your country...' Of course, the Chinese have their own interests which are primarily energy

supplies and the desire to become a global player in the international oil market. Yet, while African governments welcome the Chinese and their soft loans and grants some African groups have serious doubts. The Chinese investors do not create employment. Anti-corruption NGOs worry about Chinese behaviour. Western NGOs question the help given to the Sudanese government, indirectly perhaps, in its actions in Darfur. And there is a movement calling for the boycotting of the Beijing Olympics. Will that gain momentum?

Bassam Fattouh focuses on China in the Sudan. He details Chinese interests in that country, the most important in Africa in terms of oil investment, production and exports to China. The criticisms faced by China are assessed and the so-called policy of non interference critically analysed. Is this a success story? Most interesting is the list of five issues, all related to the political dynamics in the Sudan, which may undermine the Chinese position in the longer run. His conclusion is a harsh reminder that the USA, the UK, France and Japan all tried a similar strategy in the last century and perhaps more recently in Iraq, a strategy that used foreign policy to secure oil supplies. They all failed. Does history hold a lesson for China?

## Contributors to this issue

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