

East Africa; China to Prospect for Oil

May 1, 2006

East African Business Week

China's President Mr. Hu Jintao wound up his African tour in Kenya with a signing of an agreement that could see China access some of the lucrative shares in East Africa's oil wealth.

China's Offshore Corporation entered into an important oil agreement with the government of Kenya to enable it start prospecting for oil at Kenya's coastal region. The exploration comes against a backdrop of a growing belief that Kenya lies on an oil corridor extending from the Middle East through Somalia to East Africa.

The prospect of oil in Kenya is generating an international interest. Apart from China observers say a number of Western powers including the US and France are interested in the pie.

President Jintao's first visit to Kenya was the last in a journey that took the leader of the world's fastest growing economy to Saudi Arabia, the US, Morocco and Nigeria. On Wednesday before arriving to Kenya, Jintao secured drilling licences for Nigerian oil in a deal of some US\$4 billion.

Economic analysts said the Chinese leader's trip to Africa was all about business.

China's influence in Africa has rapidly grown especially in the oil sector. Africa, economic observers say, is the world's future reservoir of oil and with fast growing energy needs due to its rapid industrialisation.

China is keenly looking at the continent's touted vast oil reserves for its future growth.

Critics however point fingers at what they say are China's business dealings with pariah states in total disregard of the issue of human rights and accountability. Unlike the West that many times pegs assistance to conditions demanding respect of human rights and accountable practices, China has no conditions pegged to its aid.

Answering questions from reporters in State House Nairobi, Jintao said his country is seeking a new strategic partnership with Africa, a partnership built on mutual and equal terms and recognises the national sovereignty of each country.

"In our dealings with African countries we respect the political model chosen by the African people - we use the policy of non-interference in the affairs of other countries," Jintao told reporters.

Apart from the oil deal Kenya also benefited from a Yuan 60 million (about US\$7 million) economic and technical cooperation assistance from China. It also received a further Yuan5 million (about \$600,000) for

anti-malaria medicine and Yuan 5 million for the rehabilitation of Moi International Sports Centre.

Jintao's visit is part of a growing closeness between Kenya and China, a process that has been ongoing for the last three years. During that period the Kenyan government dispatched several delegations to China and vice versa.

Last August President Kibaki visited China during which a number of agreements were signed opening new trading and investment opportunities for the two countries.

Some of the agreements signed then included the framework agreement on provision of a concession loan by China to Kenya in which China extended to Kenya a grant of Ksh.600 million (\$8.5 million) and a concession loan of some Ksh.2 billion (\$28.5 million) in support of development projects in the country.

Kibaki's visit also opened opportunities for Kenya's national flag carrier. Kenya Airways was able to acquire landing rights to a number of Chinese cities.

The eventual introduction of direct flights from Kenya to China has been credited for the rising number of Chinese tourists to Kenya and a growing business between the two.