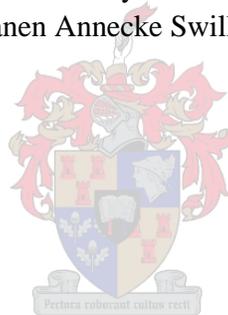


Investigating Sino-Africa relations: Exploring Investment and Governance regimes in the Sino-Ugandan Oil relations

by
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of Master of Philosophy in Sustainable Development in the Faculty of
Economic and Management Sciences at Stellenbosch University*

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Declaration

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Abstract

China's influence and involvement in Africa has grown significantly over the past two decades. This study discusses a core element to this engagement, which is whether or not Africa is benefitting from this relationship. However, the China-Africa literature terrain has until recently, been characterised by the glaring absence of an approach that actively comprehends Africa's agency and capability. Instead, there are many more accounts of Africa being the victim to predatory external powers such as the Chinese.

Almost in response to this, there has been a dawning realisation that the Sino-Africa relations are evolving, bringing the emergence of rhetoric's such as the notion that African countries are taking a more assertive role when engaging with investment and governance deals with foreign public and private sectors. The more Afro-Centric narratives that have emerged bring into question what the current governance regime terrain in Africa looks like. Moreover, they have questioned how these regimes are negotiating, whether it's with their countries' best interests at heart, and whether they are maintaining an attractive business environment to continue attracting valuable FDI from the private and public sectors of China, as well as from Europe, America and Asia.

Through a Transdisciplinary Research approach, this study examined the China-Africa relations and used a case study on the natural resource/oil industry of Uganda as an entry point into further exploring the dynamics between African states and the Chinese private and public sectors. The oil industry was used because East Africa has until recently not stood out on the global energy map, but in light of the changing global oil portfolio and late oil finds in the region, is poised to become one of the world's most interesting oil and gas hot spots. Furthermore, the Resource Curse that has affected the well-being of many African nation-states poses a threat to the future of countries such as Uganda.

The research concludes that the Sino-Ugandan relations are driven by neopatrimonialist, neoliberal, realist and economically nationalist agenda's which has thus far made for a functional relationship. The research further concludes that China is familiar with neopatrimonialism and utilises this conversant as a competitive advantage in situations such as Uganda's oil industry.

Furthermore, it is concluded that there are negative effects of this kind of engagement between China and Africa, however there has been some exaggeration by the media on this front.

The study understands that neopatrimonialism is largely to blame for many of these said negative consequences (corruption, pro-rich agendas, and mal-governance) and the presence of neoliberal ideologies perpetuates this. Yet it is not a culture that will be easily eliminated from Africa's society, nor its relations with China. Therefore, this study argues that by retaining the markets, but not retaining neoliberal ideologies, by having a strong developmentalist agenda and by having a realist yet economic nationalist guiding theoretical framework, neopatrimonialism can be a useful tool in engaging with Chinese FDI and

ultimately, the continents development. This is where the role of Africa's Agency will play a vital role in assuring that there is a 'responsible' practice of neopatrimonialism and that developmentalism is the end goal.

Opsomming

China se invloed in en betrokkenheid by Afrika het die afgelope twee dekades beduidend toegeneem. Hierdie studie bespreek 'n kernelement van hierdie betrokkenheid, naamlik of Afrika by hierdie verhouding baat vind of nie. Tog was daar tot onlangs 'n opvallende gebrek aan China-Afrika-literatuur wat Afrika se agentskap (bemiddeling) en vermoëns aktief bestudeer. In plaas daarvan, beeld menige studie Afrika uit as slagoffer van eksterne roofmoondhede soos China.

Byna in reaksie hierop is daar 'n toenemende besef dat Sino-Afrika-verhoudings besig is om te ontwikkel. Dít bring retoriek na vore soos dat Afrikalande meer selfversekerd optree in die bedinging van belegging- en bestuurstransaksies met buitelandse openbare en privaat sektore. Hierdie meer Afrosentriese narratiewe laat ontstaan die vraag oor hoe die huidige bestuursregime in Afrika daar uitsien. Daarbenewens word daar gevra hoe hierdie regimes onderhandel – met hulle lande se belang in gedagte, of met die oog daarop om 'n aantreklike sakeomgewing te handhaaf ten einde voort te gaan om waardevolle direkte buitelandse belegging van die privaat en openbare sektore van China sowel as Europa, Amerika en Asië te bekom.

Die studie volg 'n transdissiplinêre navorsingsbenadering om Sino-Afrika-verhoudings te ondersoek. 'n Gevallestudie van die natuurlikehulpbron-/oliebedryf in Uganda dien as uitgangspunt om die dinamiek tussen Afrikastate en die Chinese privaat en openbare sektore verder te verken. Ofskoon die Oos-Afrikastreek tot onlangs nie juis 'n rol op die wêreldenergiekaart gespeel het nie, dui die veranderende wêreldolieportefeulje en onlangse olieontdekkings in die streek daarop dat Oos-Afrika nog een van die interessantste olie-en-gasbronne ter wêreld kan word. Daarom is 'n gevallestudie van die oliebedryf in dié streek gekies. Boonop hou die hulpbronvloek, wat menige Afrikanasiestaats se welstand raak, 'n bedreiging vir die toekoms van lande soos Uganda in.

Die navorsing kom tot die gevolgtrekking dat die Sino-Ugandese verhoudings op neopatrimoniale, neoliberale, realistiese en ekonomies nasionalistiese agendas berus, wat tot dusver goed werk. 'n Verdere gevolgtrekking is dat China vertrou is met neopatrimonialisme, en dus hierdie vertroutheid as 'n mededingende voorsprong in omstandighede soos Uganda se oliebedryf gebruik.

Daar word voorts bevind dat hoewel hierdie tipe skakeling tussen China en Afrika bepaalde negatiewe gevolge het, mediaberigte dit in sommige gevalle aandik.

Die studie erken dat neopatrimonialisme grootliks die skuld moet kry vir baie van die genoemde negatiewe gevolge (korrupsie, rykgesinde agendas en wanbestuur), en dat die teenwoordigheid van neoliberale ideologieë dit verder versterk. Tog is dit nie 'n kultuur wat maklik in die Afrikasamelewing óf in Afrika se verhoudings met China uitgeskakel sal word nie. Daarom voer die studie aan dat, deur die behoud van die markte dog nie die neoliberale ideologieë nie, 'n sterk ontwikkelingsgesinde agenda, en 'n realistiese dog ekonomies nasionalistiese rigtinggewende teoretiese raamwerk, neopatrimonialisme 'n nuttige instrument kan wees om Chinese direkte buitelandse belegging, en uiteindelik ook ontwikkeling op die vasteland, te hanteer. Dít is waar Afrika se agentskap 'n kernrol vervul om toe te sien dat neopatrimonialisme 'verantwoordelik' en met ontwikkeling as einddoel beoefen word.

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List of Acronyms, Abbreviations and Definitions

Title Explanation

The purpose of this section is to provide clarity on the following key phrases:

- ***China:*** is a title that refers to the land, people and/or Government of the People's Republic of China.
- ***Sino-Africa relations:*** bears reference to the activities, presence and undertakings of the Chinese in Africa. The Chinese in this regard refers to the Chinese government as well as Chinese companies and corporations.
- ***Investment regimes:*** refers to the economic relations between China and African countries: specifically, trade; Chinese investments in Africa; private Chinese Economic Actors; African political elites; private African Economic actors
- ***Governance regimes:*** refers to both the political regime in Uganda and China, as well as the relations between the two: specifically talks to issues such as human rights; diplomatic interactions between Uganda and China; and president Museveni's current government; and the behaviour of said governments.
- ***Oil Sector:*** refers to the upstream (exploration & extraction) mid-stream (refining and transportation) and downstream (marketing and storage) of oil that comes from Uganda's oil resources in the Albertine Graben.

Regional groupings

Central Africa:

Cameroon, Central African Republic (CAR), Chad, Congo, Democratic Republic of Congo (DR Congo), Equatorial Guinea and Gabon.

North Africa:

Algeria, Egypt, Libya, Morocco, Tunisia, and Western Sahara (under UN mandate).

Southern Africa:

Angola, Botswana, Comoros, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, United Republic of Tanzania, Zambia and Zimbabwe.

West Africa:

Benin, Burkina Faso, Cabo Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Sao Tome and Principe, Senegal, Sierra Leone and Togo.

Acronyms

Bbl.....	Barrel of Oil
BBo	Billion Barrels of Oil
BBoE	Billion Barrels of Oil Equivalent
Bn.....	Billion
FDI	Foreign Direct Investment
GNP	Gross National Product
GoU.....	Government of Uganda
IOC.....	International Oil Company
IPE.....	International Political Economy
IR.....	International Relations
MBo	Million Barrels of Oil
MNC	Multinational Corporation/Company
NOC	National Oil Company
NRM	National Resistance Movement
OFDI	Outward Foreign Direct Investment
OML.....	Oil Mining Licence
PRC.....	Peoples Republic of China
SME	Small and Medium Enterprises
SWF	Sovereign Wealth Fund
TCM.....	Trillion Cubic Meter
CNOOC.....	China's National Offshore Oil Company

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Chapter 1: Introduction

1.1 Research Motivation

After I finished my postgraduate diploma in Sustainable Development, I embarked on a trip to Uganda where I walked along the border of the Democratic Republic of the Congo. There I attained first-hand experience of the influence of the Chinese in Africa and their impact on the lives of local Ugandans as well as visiting Congolese (immigrants, visiting relatives and migrant labourers). The Chinese in this case were primarily construction workers, working for Chinese companies, as well as those in attendant service industries, such as restaurants and hotels. Additionally, small and medium enterprises (SMEs) such as textile and technology traders were also present, as well as Chinese actors heavily involved in gold mining and hydroelectric power generation. The town I visited, Kilembe, was heavily influenced by mining in the surrounding Ruwenzori mountains. I witnessed first-hand how the Chinese occupied space, brought and setup the necessary equipment in the area, as well as constructing a hydroelectric dam from the glacier run-off of the mountains to power the pipelined operations. This meant that there were some employment opportunities in the area, and for those who secured jobs, it was the classic \$1-a-day scenario, with the expectation that they still buy their own lunch.

This was a deeply moving experience for me, after spending three weeks trekking through the mountains having lengthy discussions with our guides about the Chinese presence in Uganda. I quickly picked up on the anti-Chinese sentiments that many of the locals were harbouring, which sparked my curiosity to find out the underlying reasons for this discontent. The two main points which cropped up regularly were related to labour quality and salaries. They also complained of not being able to have access to higher paying jobs as those were assigned to foreign Chinese labour.

The preliminary research has shown that China's relationship with Africa is growing in significance and has resulted in a growing amount of conflicting literature regarding the nature and degree of the Chinese in Africa (Ajakaiye & Kaplinsky, 2009). A great deal of the available information is highly prejudicial towards China – being the product of Western journalists that have reputation of jumping at opportunities to brand China as reckless and irresponsible (Nakano, 2004). Such perceptions have been echoed by studies such as those by the Ethics Institute of South Africa (Geers, Rossouw & Namhla 2014), which conducted an online survey of 1056 Africans from different countries focusing

on perceptions of the Chinese presence. The study found that there was indeed an overwhelmingly negative perception of Chinese business in Africa. These perceptions focused primarily on Chinese employment policies, the quality of Chinese goods and the environmental and economic practices of Chinese enterprises. In the academic sphere of the Sino-African studies, there are expectations of the Chinese to play a role in providing a well-informed, truthful understanding of the nature and degree of China's involvement in Africa. However, China's tendency to refrain from commenting on various topics about its engagement with Africa suggests that it does not play this role at all, largely leaving the story to be told by others. Therefore, scholars often must draw their own conclusions about the reality and reasons of China's actions. Scholars, African scholars included, do not sugar coat China's operations in Africa. A lot is found by way of African literature that discusses the widely believed narrative that China is causing Africa to stagnate rather than develop (Ajakaiye & Kaplinsky, 2009). However, this thesis engages with questions such as to what degree does the internal political landscape, such as neo-patrimonial governance regimes in the case of Uganda, hinder Africa's ability to take advantage of the resources presented to the continent by China, such as capital and skilled labour?

Further research into some examples of Sino-Africa relations shows evident tensions from external forces in terms of China's willingness to engage, such as within the context of China's engagement with Sudan. In this situation, China maintained its relations with the autocratic Sudanese government, despite the international condemnation of firstly, the arms that the Chinese were selling to a regime involved in ethnic conflict. Secondly, the rest of the world condemned China's entrance into Sudan's oil industry – a sector which had been deserted by other international firms boycotting a regime responsible for devastating human rights violations. However, the narrative on China's stance in this instance has changed to having a more developmental, diplomatic agenda as opposed to being a 'by all means necessary' approach to acquiring equity oil (Large 2013). In a different context, ex-president of Zimbabwe, Robert Mugabe, engaged with China despite international expectations of China to take a stance against the regime. In the same vein, Museveni's regime in Uganda has undergone an increasing amount of criticism from Western governments, specifically since he exceeded his mandated two terms as president following the February 2006 elections. The Ugandan government was once upheld as a model for African democracy but has since been regarded as an increasingly repressive political system resulting in Museveni turning more regularly towards his Eastern allies, particularly China.

The final rationalisation of my research is the considerations of Uganda's late oil reserve discoveries (the country of choice for the case study of this research). China's engagement with Uganda has manifested in a myriad of sectors, from construction and mining to SME's involved in footwear, food and hotels. Additionally, the oil reserves found in the Albertine Graben has attracted multiple foreign national oil interests, with China's National Offshore Oil Company (CNOOC) prominent among them. Therefore, the motivation for focusing on Uganda's oil industry is that there is a need to set terms and implement the right kinds of policies to enable a net positive effect on Uganda. Further motivation in understanding the role of the Chinese in this scenario is that there is a fundamental need for skills and capital that China can supply. However, Uganda needs to show agency in this relationship to ensure further net benefits to Uganda (Kimenyi & Lewis 2011).

In this sense, the motivation for this study is how the local livelihoods of Africans are affected in light of the evolving oil-relations with the Chinese. The evidence seen on the ground goes against the broad China-Africa, win-win narrative which motivates this study to better understand the truths and myths of the China-Africa partnership by rooting claims in my fieldwork-orientated case study.

1.2 Problem Statement and Research Questions

The preliminary investigation suggests that China's entry into Africa has been a favourable turn for the rapidly developing continent, yet there are a growing number of arguments that suggest the relationship is negatively influencing African development (Ajakaiye & Kaplinsky, 2009). These diverging perceptions of Chinese involvement stem from different sources of information, varying interpretations of this information, and critically, the varying perceptions of both African and Chinese actions (Taylor, 2009).

According to various scholarly literature bases, China-Africa relations are primarily based on economics and diplomacy (Taylor 2004). China has three core economic reasons for being interested in Africa: firstly, Africa's raw material base such as cobalt, phosphate rock and platinum; secondly, Africa as a source of energy, including oil, coal and gas; thirdly, access to African markets for China's manufactured goods (Ampiah & Naidu 2008). With regard to China's diplomatic endeavours with Africa, China views the various African states as potential allies in the global multilateral forums (Ampiah & Naidu, 2008).

The different points of view of the implications of China's presence in Africa range from China being an opportunity for Africa's growth to the viewpoint that China's economic involvement is a

threat. The scholars that argue for the former believe that, for example, increased trade with China is beneficial for the industries where African countries have a strategic advantage (such as South Africa in mining) (Draper, 2006). Scholars in the corner of the latter believe that, for example, trade between China and African states is largely unbalanced, with the scale tipping in favour of China (Taylor 2004). Additionally, the influx of Chinese goods into the budding African markets have offered cheap goods to customers, yet the quality has been flagged as suspect (Draper 2006). The undercutting of prices has also crippled many domestic traders as well as some local retailers and manufacturers (Draper 2006).

Furthermore, scholars have noted that China is often involved in questionable modes of engagement in Africa, with specific reference to how the Chinese (companies and state officials) are willing to work through existing, often neopatrimonial politics in Africa (Ampiah & Naidu 2008). Other elements of this questionable engagement with Africa are the labour policies that China use, which often conflict with domestic labour regulations and cannot be enforced as African regimes do not have the required law-enforcement capacity.

One aspect of the critique which is often overlooked in the literature is the role of African agency. The question of how much weight African agents bear in dictating the outcomes of foreign relations is a key focus of this study. This study arrived at this critique by drawing on a transdisciplinary research methodology which enabled me to zig-zag through the story of China's relations with Africa, with particular focus on oil relations with Uganda. The transdisciplinary nature of the research facilitated the role of Africa's agency to emerge through combining different parts of society (academia, media, corporate and NGO's). This thesis draws on African agency as a potential entry point to help develop Sino-African relations into a functional and mutually beneficial arrangement. I attempt to place this study of Africa's relations with China within a broader narrative that touches on Africa's agency in the pre-colonial period – dominated by tribalism and kingdoms that pivoted on patrimonialism. The initial section of the research is an exploration that attempts to broadly map out China's appearance in Africa, before engaging with a more detailed analysis of China's presence in Uganda, particularly the oil-sector, using the divergent theories found in the literature to test what is true and what is false. These theories will be fleshed out in Chapter 2 and be further analysed in the context of Uganda in Chapter 5. This study will navigate through various examples of the Sino-Africa relationship to formulate a relevant, unbiased narrative that will serve as the context to China and Uganda's oil relations.

The explorative nature of this transdisciplinary approach to research allowed me to examine a wide spectrum of engagements between the Chinese and Africa. This is unsurprising given the broad spectrum of bilateral-activities that constitute Sino-African relations – trade, aid, labour and business to name a few. However, in light of this study’s focus on Uganda’s agency in its oil relations with China, the overarching research question discusses how Sino-African relations might be used by Africans in order to prop up autocratic government regimes in African states. This question examines the broad range of interactions such as loans, aid and market and industry development that the Chinese offer, as forms of political capital that African agents might attempt to use to favour an in-situ autocratic government.

Therefore, the overarching research question for this thesis is:

How do China and Uganda engage with each other in Uganda’s oil industry?

In order to understand what constitutes Sino-Africa relations and how they manifest in Uganda and its oil industry, this study analyses China’s political narrative in Africa in order to better understand the themes that are emerging in Uganda, using the following research questions:

- What is the domestic political setting in China that could help or hinder their relations with Africa?
- What are the key characteristics of China’s approach to engaging with Africa?
- How effective has this approach been to engaging with Africa’s neopatrimonialism?
- What is the African perspective on these relations?

This study then looks at Africa as the world’s next natural resource frontier, and places China’s African strategy in the context of this future source of energy. The questions that this section addresses are:

- What natural resources does Africa have, and in particular, what oil resources are yet to be extracted?
- What is China’s energy footprint in Africa?
- More specifically, to what extent is China involved in Uganda’s oil industry?

In terms of Uganda’s agency and development, the research questions include:

- What level of agency exists in Uganda, in particular, and what is the nature of Uganda's agency in its own oil industry?
- What evidence is there that suggests China is willing to engage with Uganda's neopatrimonial regime in order to secure market access in Uganda's oil industry?

1.3 Research Methodology

1.3.1 Nature of Research

The research utilises mixed-methodologies, including historical research, literature surveys and ethnographic work (field work). The initial section of this study is inherently descriptive, in that it provides a detailed account of China's investment and governance involvement in Africa, looking at the era prior to 2000 which was seen as the 'brothers-in-arms' era. This section will draw on pre-existing literature in the field which covers China and Africa's historical relations during the Cold War period. The study then steps into present day relations which has more economic characteristics. The reason for referring back to the days prior to 2000 is that China's state is seen as an ally by many African states, which this section argues is partly due to China's role in Africa's fight for independence. This section highlights China's involvement in helping various African states fight for independence and Africa's attitude to China still tends to reflect their fondness in this relationship. The research will then become exploratory as the study takes on an investigative approach into China's political and economic relations with Uganda, grounding it in the recently found oil reserves. This section attempts to explain the nature and degree of Chinese oil interests in Uganda, and in this sense, the nature of the study will take on an investigative stance that is a fundamental characteristic of exploratory research (Nuemann 2003). Through the case study of Uganda, the research aims to culminate in partially adopting an explanatory stance, as it attempts to explain why China is so interested in vigorously engaging with Africa and why it undertakes the specific kinds of activities that it does in Africa.

1.3.2 Theoretical Overview

This study draws on a myriad of theories that form the theoretical framework for this exploration of the Sino-African relations. This research is based on two overarching theories which are International Political Economy (IPE) and International Relations (IR). This study bases itself on economic nationalism and free market economy (FME), as well as a sub-theory of IR – realism. Neo-patrimonialism is the prominent theory from which African agency stems. It is important to note that these theories each have their respective strengths and limitations, which is why this study attempts to create a prism-like theoretical perspective on the composite of various theories. This theoretical mix attempts to inform a more complex and nuanced approach to exploring Sino-Ugandan relations, and perhaps in a more general sense, the Sino-African relations too.

The strengths and limitations of the various theories that are pertinent to this study are outlined below.

Economic Nationalism

Economic Nationalism is pertinent to this study because motifs such as economic development, national unity and international prestige are strong drivers for China's strengthening of its relationship and therefore presence in Africa (Chen Zhimin 2005) . These are key elements of economic nationalism as a concept. The limited scope of this theory tends to place less emphasis on the opportunistic behaviour of private actors, but instead focuses on the behaviour of state-led policy making and the strength of the respective state in bilateral agreement negotiations. as Authors include Chen Zhimin (2005), Helleiner (2002), Nakano (2004) and Pickel (2003).

Realism

Political Realism is a theory of political philosophy that suggests that power is, or needs to be, the primary end of political action, in both the domestic or international scene. Realism is relevant when this study analyses China's pursuit to maximise its power in Africa. Furthermore, realism is present in China's policies and behaviour in Africa, which often tends to favour productivity and economic development over morality and human rights. The primary limitation of this theory is that the Chinese do not observe the focus on productivity and economic development as immoral or inhumane. The Chinese state rather argues that the most efficient way to develop equal human rights is to focus on economic development and capital production. This thesis draws on the work of proponents of political realism such as Hans Morgenthau (1973), Zhao (1996) and Heller (2003).

Neoliberalism

Neoliberalism in the IR element of this discussion is the belief that governments are necessary to protect the freedom of individuals, and that the real value is held by the free market. The free market aspect of neoliberalism is pertinent to this study as it is a theory that understands that economic freedom is necessary for economic development. This is particularly useful for when this study analyses the degree and nature of the Chinese private sector's role in the Sino-African relations, specifically in the case study of Uganda where there are examples of private Chinese economic actors taking up opportunities in African markets.

Furthermore, Museveni's National Resistance Movement (NRM) makes use of neoliberal economic policies to firstly, distance the economic sector from the state, and therefore strengthen economic

institutions in Uganda, and secondly, to instil a sense of trust in Uganda's economy that he can then use to his advantage. However, the shortfalls of neoliberal Uganda become apparent in Weigratz (2010)'s discussion on how SMEs' trade practices have since been characterised by higher levels of malpractice. This analysis brings out how this so called 'modernisation' of the markets has increased the degeneration of moral norms and business practices and has ultimately been curated to serve the rich. The section on neoliberalism will draw on authors such as Nel (1999) and Rawls (1993).

Neo-Patrimonialism

Neo-patrimonialism as a theory is used by this study to provide a possible explanation for the personal, often incalculable, complicated and informal forms of agency that are seen in Uganda's response to Chinese interests. Uganda's political culture is theorised into being neo-patrimonialist at heart, which means that it is a hybrid of patrimonial and legal-rational bureaucracy. This theory is useful for the study as it acts as an entry point into a discussion of how Ugandan agency might have the informal capacity and ability to use investments and diplomatic relations with China for personal or political gains. This section on neo-patrimonialism will draw on the work from the likes of Erdmann and Engel (2006), Francisco (2010), Thomson (2004) and Robinson (2006).

Developmentalism

This study understands developmentalism as the philosophy that guides the productive structure of a nation. This philosophy abides by the belief that the best approach to increasing the general welfare of a nation is through economic development. Furthermore, this study notes that there are certain economic activities, such as industrialisation, that are more conducive to growth than others. An important element of this theory is the developmental state, which highlights the vital role the state plays in guiding the country to achieving economic development. Africa's natural resources (oil), and attendant industries, are key in promoting further industrialisation of African states – a process which Sino-African relations has the potential to enhance. Furthermore, Sino-African relations provide capacity to fast-track developmentalism – such as capital, skills and political power. The key to unlocking developmentalism in Uganda is the response of the NRM to these resources.

Ultimately, this study's focus on Uganda's response to Chinese FDI is used to analyse a typical African response to Chinese interests. It pulls together the neoliberal economic policies and neopatrimonialist politics that exist in the China-Africa literature by means of a case study where field work was conducted, and the local opinions and stories were captured and compared against the broad literature bases.

Ultimately, it is proposed that neopatrimonialism is a difficult phenomenon to eradicate from Africa's politics and business. Therefore, it is suggested that African states need to add a more nationalist and developmentalist agenda to their already neopatrimonialist response to Chinese FDI, and therein lies an opportunity for the Sino-African relations can indeed result in a potential win-win situation. For Uganda, it is recommended that the current neoliberal economic policies and neopatrimonialism needs to have a more social market economy dynamic that promotes entrepreneurialism.

1.3.3 Data Collection

The data collection techniques of the study take a predominantly qualitative approach. Primarily, it will make use of academic literature in the form of policy briefs, journal articles and books. Further publications come from public institutions such as the South African Institute of International Affairs; The Africa-China Reporting Project; The China Analyst and the Centre for Chinese Studies. The fact that there is very little scholarly work on Uganda's oil industry as well as China-Uganda relations means that media publications such as print newspaper articles and online articles are used to equip the study with up-to-date data of relevant international affairs. The various facts, arguments and opinions presented in the literature sources are drawn together and discussed, as an attempt to provide a coherent analysis of the nature of China's political, environmental and economic involvement in Africa, focusing on Uganda.

However, to better inform the analyses of the economic and political relationship that China has with the various African countries, specifically Uganda – the research methodology employs some quantitative data collection. This data is primarily sourced from governmental and institutional publications, but also from previous studies that concern themselves with China's investment and governance regimes in Africa. This study aims to use the statistics to describe, for example: the percentage of export and imports; aid contributions; investment figures; and immigration figures. These data sets are from other sources, but are used to verify my own computations. Although the study will initially focus on the quantitative data between Africa as a continent and China, in Chapter 5, the research delves further into the specifics of Uganda's statistical relationship with China. It has not been possible to make use of primary statistics and economic data due to my lack of expertise in the background of this field. However, I have made every effort to ensure the validity and reliability of the facts and statistics through extensive cross-checking. It is considering this that there

will be no interpretation of this data – as there is a risk of misinterpretation – I rather rely on secondary sources for interpretation of the quantitative statistical data.

1.3.4 Field Work

A significant data collection methodology of this research was a field trip to Uganda that involved interviews, ground observations and ethnographic work. There, this study engaged with academics, journalists, NGO's, a diplomat from France, labourers, policymakers and entrepreneurs. I travelled to Kampala and spent three weeks engaging with various actors, before departing to Hoima, the oil town of Uganda.

The research that took place in Kampala was very rewarding, seeing as I was able to access knowledge from Makerere University through interviewing three masters students as well as having a discussion with two key professors of this field. The interview processes generally took two to three hours, and as mentioned – the interview methods were rooted in discussion. Therefore, the 'snowball' effect took full effect in these discussions, with slight guidance by my research questions. This left ample room for investigating pockets of information that I found interesting, and in retrospect – this method is seen as both the strength and weakness of this study. The strength being what was just mentioned in terms of flexibility and the ability for the study to be authentic and emergent.

However, the weakness of this approach lies in the studies inability to settle on a strong research question in the initial stages of the process. This was due to the constantly evolving narrative that this thesis was trying to investigate – a story that would regularly surprise me and my expected outcomes that ultimately was guiding my research questions and thesis. This resulted in a weak thesis question as such, but enabled for an authentic and truthful investigation.

I then moved on to stayed in Hoima, where I travelled to the town to attempt to meet with journalists and local labourers each day. I also engaged with municipal officials, but the primary goal of visiting Hoima was obtaining on the ground observations. I found it difficult to get face-time with the private role players of the industry. My observations regarding these limitations are two-fold. Firstly, the business environment on the boarder of Uganda and Congo is notoriously difficult. The lack of infrastructure, governance structures and law enforcement in the area does indeed amount to a challenging work environment for both domestic and international interests. This did not assist my research as individuals often did not have the time to spare to speak about their operations, or did not trust my agenda. In light of the multitude of challenges facing business

operations each day in this area, this was understandable and in hind site, expected. Secondly, the Chinese operators in the area had a very strict no media policy, which was implemented for reasons I can only account to conjecture. However,

1.3.5 Limitations and bounding

The significant limitations of this study have been the sheer length of the timeframes over which Sino-African relations have extended. The second has been the size of the scope of Sino-Africa relations, which is to say the spectrum of engagements that is the result of an engagement between two entities that represent more than two billion people (Africa and China). Another limitation of this study is the lack of scholarly literature on China-Uganda relations and the Ugandan oil industry. This has meant relying on media publications and primary data collected from interviews, all of which are at risk of reliability.

With regard to the timeframe, the study is located in the period from 2000 until the present year, i.e. 2018. The reason for choosing this timeframe is primarily because of the changing nature of the international system, following the collapse of communism in Eastern Europe, the culmination of the Cold War, the recent changing dynamics of the Western political landscape and ultimately, the new scramble for Africa considering the race for natural resource security.

However, for the sake of providing a contextual background to the study, the timeframe briefly extends itself back to the era prior to 2000, the post-cold war period. This has been chosen due to the resulting changing dynamics in China, specifically China's radical 'go-out' policy, which was the People's Republic of China's strategy to encourage enterprises to invest overseas, in response to globalisation and to befriend African states. However, with specific reference to the Tiananmen Square incident in 1989, Sino-US relations weakened considerably, thus motivating China to shift its focus to its developing African allies. The study aims to acknowledge this era and its motives that informed China's Africa policy, however it is only for contextual reasons.

The scope of the study appears to be broad, in that it attempts to analyse the interaction between the Chinese and Africa in a general sense. However, this study attempts to add depth by rooting the theories discussed in chapters two and three in a case study that attempts to examine the validity of the theories through grounded, first-hand experience, which is the role the Chinese are playing in Uganda's newly found oil.

Another limitation is the inability to examine corruption, which by all accounts plays a significant act in the theoretical understanding of neopatrimonialism. Moreover, there is evidence online that

documents, media pages and websites that describe or call out President Museveni's 'clan' for ruling Uganda, have been removed. This limits the amount of data that this study has been able to collect and therefore present.

1.3.6 Sampling method

The study utilised interviewees to better inform the research. These interviewees are scattered and are difficult to enumerate due to logistical and proximity issues, thus, the researcher used convenience sampling. A convenience sample is the chance availability of a source to the researcher (Bryman, 2008). The mode of tracing these samples will be "snowball" sampling. It is worth noting here that the downside of using such techniques is the inability for the study to claim a statistically representative sample, as the research will rely on the social contacts to trace respondents (Bryman 2008, p.459).

The following section will indicate the number of interviews conducted and refer to the data saturation study of Bryman 2008, where he indicates that by and large, data saturation is achieved after around twelve transcripts have been thematically analysed (therefore the study to process at least 12 interviews). The section will follow on to introduce the interviewees and reflect on my experience interviewing them.

1.3.7 Interview process

The process of the research's qualitative interviewing was semi-structured, which means that I formulated an interview guide beforehand. However, the questions did not necessarily follow exactly the way they were initially outlined – a characteristic of this study's emergent approach (Bryman 2008). This way, questions that were not included were allowed to be asked as I was afforded the leniency to be able to pick up on threads throughout the discussion (Bryman 2008). This form of interviewing is agile and flexible, suitable for this study which is aimed at capturing opinions and stories to inform an investigative research approach.

The following section will reflect on the effectiveness of this approach, where I will discuss the process in which I followed different strands that were picked up during the interviews. This resulted in a phase one and phase two type of approach, where the initial phase served as the round of thread picking, and the second round was dedicated to following up with these threads.

1.3.8 Data Analyses

The post-phase one interview phase was dedicated to analysing the data, where I looked for themes and threads that were beginning to emerge from the interviews. This was done through a thematic analysis approach where the questions were grouped into similar spheres, and the responses were grouped into similar themes. This then enabled me to depict the relationship between the themes, questions and responses in a diagrammatic fashion, and cleared the way to see trends that were beginning to emerge.

1.4 Chapter outline

Chapter one introduces the essence of the study, by articulating the research motivation, problem statement and the research methodologies. The investigative focus of the study is to explore the nature and implications of the Chinese involvement in Africa, with an economic and political lens. The case study located in Uganda is mentioned, where contending perspectives regarding China's role in their development is prevalent in discussions. In terms of a theoretical framework, political realism, neoliberalism and economic nationalism can be useful tools with which to analyse China-Africa relations, as well as China in Uganda's oil sector.

Chapter two outlines the various schools of thought that act as the theoretical framework for the exploration of how China inserts itself into local African contexts, in this study's case – Uganda and its local oil industry. The theoretical framework of Africa (Uganda) and China engagement draws on International Political Economy (IPE) and International Relations (IR). More specifically, this study draws on specific theories that underline these concepts, which are realism, economic nationalism and neoliberalism. In the discussions regarding African agency and autocracy, the guiding theoretical framework is based on neo-patrimonialism and developmentalism. In the context of oil, the Resource Curse is used to describe the risks involved in extracting oil resources.

The section on neo-patrimonialism provides a working definition of 'patrimonialism' and 'neopatrimonialism', by drawing from literature of African political science, where authors such as Anne Pitcher, Mary Moran and Michael Johnston (2009), Erdmann and Engel (2006), Thomson (2004), Nawas (2008) and Weber (1978) have discussed patrimonialism and neopatrimonialism particularly in the context of Africa. This section provides an insight into the kinds of governance patterns that are prominent in Uganda – the case study country. This section is used firstly to give reason to this study labelling Uganda's state as neo-patrimonialist. It emerges again in Chapter five, where the concept of developmental neo-patrimonialism is suggested as a more nuanced means to

incorporate rather than disregard the current complex governance patterns in harnessing Uganda's potential resource wealth.

Chapter three delivers a brief contextualisation for Sino-Africa relations, as it describes China's shift in foreign policy since the post-cold war era of 1978. This chapter aims to highlight China's capability in engaging with Africa and its tumultuous political landscape. Furthermore, it attempts to highlight the political and economic models that exist in China, and how these might benefit China's ability to navigate the risky business environments in neopatrimonial-African states.

Chapter 4 is divided into two parts. Part 1 describes the context of the global oil outlook for Africa's oil bounty, with specific focus on how Africa is fast becoming the next frontier in natural resource extraction. Part 2 focuses on how China is carving out market share in Africa's energy industry by making use of its flexigemonic approach (Taylor 2009) to dealing with Africa's socio-political and economic informality. Finally, an introduction to Uganda's newly found oil fields attempts to provide a living case-in-point for both Parts 1 and 2, and serves as a prelude to the case study of Uganda in Chapter 5.

In light of authors such as Corkin (2013) and Gadzala (2015), recent China-Africa research stresses the importance of focusing on domestic African contexts and their agency, in which China inserts itself. Therefore, Chapter five first provides an overview of Uganda's socio-political climate. This understanding of its economy and the governance regimes that President Museveni and the NRM sets the scene for the next part of this study which is China's general involvement in Uganda. From this, the chapter delves into investigating the degree and nature of Chinese oil interests in the exploration and extraction of the oil in the Albertine Graben. There is further discussion in this chapter about how the GoU are benefitting from allowing the Chinese to enter into their oil markets, specifically with regard to the financial and political benefits of the country.

Chapter six, the final chapter, concludes by presenting the overall findings of the study, the prospects China's future nature and degree of involvement in Uganda's oil industry, and in doing so, a potential scenario for China's involvement in the scramble for exploring and extracting the last of Africa's oil bounty.

Chapter 2: Theoretical and Conceptual Framework

2.1 Introduction

This study's understanding of a theoretical framework that emerges in Sino-African relations in the context of Uganda, its extractable oil prospects and the respective Chinese interests, is a prism of theories that involve neopatrimonialism, developmentalism, IR, IPE, realism, neoliberalism and economic nationalism. Developmentalism in this thesis refers primarily to how the state of both China and Uganda intervenes in their respective economies. China's success in adopting a developmentalist approach to using neopatrimonialism, provides this study with developmentalist aspirations and lessons for Uganda. With regard to neopatrimonialism and clientelism, I attempt to link these theories to the way Uganda distributes economic resources and their rents locally, through ancient cultural and social mechanisms. Moreover, neopatrimonialism is also found in China, which this study suggests as a common denominator is important to the success of China's strategy to engage with Africa.

As a concept, the Resource Curse is discussed in order to formulate a working definition of the phenomena, which is used in chapters 4 and 5. It is referred to in this study as what the results will be for Uganda if they do not learn from the experiences of their fellow African states who have had primarily negative relationships with their oil industries.

Realism emerges when this study discusses China's foreign policies and behaviour in Africa, specifically in the energy sector of the continent and Uganda. These often tend to favour productivity and economic development over morality and human rights.

Neoliberalism is evident firstly, in the discussion of China's role as a market player, which manifests a sense of political liberalism in that the state seems to understand that economic freedom is necessary to attain and provide incentives for private economic actors to be encouraged to take up opportunities in the African markets as well as in domestic markets. Although, neoliberalism in China's operations in Africa is not entirely congruent, as the big corporations in Africa are still primarily SOE's. Be that as it may, the ownership of Chinese SOE's is complex, and under intense debate. China's state has shown interest in adjusting its role from owning its SOE's to being more of an economic facilitator (Leuter 2016). However, major ownership overhauls have been confronted with obstacles such as: when and how to give market forces a greater role; aligning national and executive interests; and overcoming bureaucratic gridlocks. This suggests however that

there is a drive for more free market economy policies that will impact the SOE's that are involved in Africa.

Uganda however, is regarded as the African country that has adopted the neoliberal reform package most extensively. These neoliberal reforms have targeted the reshaping not only of the economy but also of the society and culture. The reforms aim to create a 'market society' which includes a corresponding set of moral norms and behaviour. Uganda's market based neoliberal digests has strengthened the economic institutions of the country, and to a degree, instilling a sense of trust in the private economic actors. However, the increased freedom has also increased the malpractice and the SME level, according to Wiegratz (2010). It has also only really benefited the political and business elites.

Economic nationalism is particularly pertinent to this study because it has become apparent through this research that motives such as economic development, national unity and international prestige are strong drivers for both the Chinese and the Ugandan state's intervention in their respective economies. For China, there is a big push for globalisation, in terms of trade and in terms of market exchanges. However, according to Farrel, Huang and Newman (2018), this drive for economic globalisation and reliance on global supply chains is strongly motivated by policies that are fundamentally nationalist. Specifically, for China in Uganda, motives such as energy security, market share and other market related benefits have encouraged the Asian giants to strengthen its relationship and therefore presence in Africa, Uganda (Chen 2005). For Uganda, attracting Chinese FDI can be seen as a nationalist foreign policy, as it is in the country's developmental interest to attract FDI and foreign skills to be able to develop and process its oil fields.

2.2 African Agency

The term 'African Agency' goes against the general understanding of recent history – that of colonialism, 'adolescence' and dependency. According to Gadzala (2015), the question of African agency in IR is a recent one, and as such, has only lately been captured and discussed in IR theory. This is an important aspect of this study, as traditional and more conventional research tends to focus on China as active and Africa as passive. What this section aims to discuss is the term *agent*, and furthermore what is meant when this study says someone or something – Africa – has agency.

According to Ian Taylor (2015), agency means the "capacity to do – the possession of causal power" (Taylor in Gadzala, p.Xix). What this means for individuals is therefore that they have the ability to

direct capabilities in ways that are imaginative and inventive, either for their own benefit or for communal advancement. Although, an agent's capability of being able to do is confined to what structures they are embedded in; "an agent is always an agent of something" (Gadzala 2015, p.87).

This analysis of the notion of agency in Africa informs most of the research done on the interactions between Chinese enterprises or bureaucrats and African actors from Uganda. This research elaborates on the how social culture in Africa, patron-client networks and the resulting neopatrimonialism enables many a relationship between African and Chinese actors. Therefore, this relationship then dictates the playing field that the Chinese enterprises enter and on which they have to engage.

As was found in Gadzala's research into the political elites of Ethiopia, my research finds that in Uganda, there is a closed-circle group of political leaders who work to be able to influence a large portion of the FDI that Uganda receives. The institutional setting of these elites, and the neo-patrimonial culture of their behaviour enables them to assert their agency in a different, more influential way than that exercised by local governments or private actors. At more local levels, this research refers to agency from a more day-to-day perspective, pivoting more around power in terms of social structures than in terms of currency and business.

2.3 Patrimonialism, Legal-Rational Bureaucracy and Clientelism: Neopatrimonialism

By the mid 1990's, the global development agenda had arrived at the understanding that democracy and the market could only function when, as Grindle (1997) says, governments are able to design and implement appropriate public policies, administer resources equitably, transparently and efficiently, and respond effectively to the social welfare and economic claims of citizens. Consequently, the quality of African nations' public administration, economic management and public-sector health fell under global scrutiny. As mentioned in Chapter 3, these became both conditions for receiving aid, as well as the objective of the development assistance itself (Weiss 2000).

This section on neopatrimonialism discusses the kind of politics that exists in postcolonial polities that have, to an extent, adopted 'good governance' objectives at a public policy level. These same public administrations, however, also continue to be governed by authoritarian, patron-client practices – the very kind that 'good governance' policy reforms aim to eradicate. This tension, or confusion, seems to extend into the terminological literature of neopatrimonialism, which has put

the term in danger of becoming a “catch-all concept” (Erdmann and Engel 2006, p.30). Erdmann and Engel argue that this is due to the absence of clear definitions of the concept since Weber’s article in 1902, as well as a lack of delineation between patrimonialism and its modern counterpart known as neopatrimonialism.

However, despite the lack of an agreed understanding of neopatrimonialism, the concept is useful to this study’s discussion regarding the relationship between natural resource wealth and political regimes in Africa, and how foreign relations (primarily the Chinese) impact this. This view is based on four reasons, which are expanded upon in the section below. Firstly, neopatrimonialism is a widely understood concept and has been at the heart of political power in both Africa and Asia for centuries (Erdmann and Engel 2007); secondly, it can be combined with other models to form unique hybrid combinations which is a useful discussion in the context of Uganda as well as China; thirdly, the discussion between neopatrimonialism, patronage and clientelism links this understanding of neopatrimonialism to social constructs such as tribalism and chiefdoms which root neopatrimonialism in Africa’s colonial legacy; lastly, despite the definitive ambiguities, the African political landscape suggests that the concept has substance and that this mindset is what garners power (Erdmann & Engel 2006).

However, it must be noted that this working definition acknowledges that the concept of neopatrimonialism and the use of its various sub-concepts such as patronage and clientelism can also lead to an exaggeration of importance in the overall political landscape (Clapham 1982).

2.3.1 Patronage and Clientelism

This section places emphasis on clientelism and patronage, as it is apparent in both the literature and this case study that these are two social systems that are fundamental cornerstones to the neopatrimonial model. The work of Erdmann and Engel (2006) imply that clientelism and patronage are not two competing phenomena but rather that the relationship between the two should be seen as an integral part of neopatrimonialism. This is to say that the relationship between patronage and clientelism¹ is an integral part of this study’s understanding of neopatrimonialism. The more modern forms of patrimonialism (neopatrimonialism) are starting to show more complicated and intricate webs of arrangement when compared to the earlier manifestations of the model. Francisco (2010) lists two examples of these complications: firstly, in the early instances of neopatrimonial instances of clientelism, the relations were a lot more direct and personal, whereas the tendency now is towards

¹ *Clientelism* is the exchange or brokerage of specific services and resources for political support in the form of votes.

brokers who mediate the various exchanges between the “little man” and the “big man”. Secondly, there are differences in the objects that are exchanged - in a neopatrimonial illustration, the exchanges between the patron and the client is less about private or personal goods, but more about the goods and services within the public domain.

Furthermore, the distribution of the resources and services of the public domain is thus seen as a politically motivated endeavour, aimed at legitimising power through royalty and votes. In this light, Erdmann and Engel (2006) point out that patronage and clientelism differ in that patronage distributes collective goods to groups of individuals, which in Africa tend to mainly be ethnic and tribal groups. The more traditional definition of clientelism is the relationship that individual patrons have with individual ‘clients’, which results in individual benefits such as land or schools, whereas patronage aims to distribute that which has more communal benefits such as schools and roads (Erdmann and Engel 2006). Additionally, according to Erdmann and Engel (2006), rent-seeking ²is another characteristically fundamental system of a neopatrimonial model, insofar as rent-seeking ³reinforces and reproduces patronage and clientelist behaviour.

In the context of pre-colonial Africa, the vertical distribution of resources by chiefs was a common undertaking, as this was their way of maintaining the loyalty of their dependents. Considering this, Francisco (2010) suggests that the logic of the vertical distribution was maintained throughout colonialism and has given rise to a patron-client network that is based on an individual or party with power. Thomson (2004) echoes this definition by saying that patronage is found in cases where there is a centralisation of power on “an individual to whom all within the system owe their position” (Thomson 2004, p.127). However, a prominent author in this field is Weber, who cautions against understanding patrimonialism as a synonym for corruption, bad governance, violence or evidence of a weak state, but suggests that it should rather be seen as a valid (and to some, unethical) method of acquiring state legitimacy (Weber 1947).

2.3.2 Legal-rational & Patrimonial bureaucracy

Considering Chapter 2’s discussion of Africa’s pre-colonial, colonial and post-colonial political statecraft, it is apparent how young and fragmented the African states were in the post-independence

³ Rent Seeking: the study understands rent-seeking as the fact or practice of manipulating public policy or economic conditions as a means of increasing profits.

era. This was, according to Low & Lonsdale (1976), because the time period was too short and resources too few for colonial powers to autonomously shift African culture to legal-rational bureaucracy. Therefore, after independence, there was an Africanisation of the bureaucracy and the establishment of formalised authoritarian rule as well as patron-client networks, which the liberation movements said were necessary for unification and development (Erdman & Engel 2006). However, in almost all sub-Saharan states, the colonial bureaucracy was extended and at the same time “challenged and invaded from above and below by informal relationships. Thus, the state in Africa has always been a hybrid one, a mixture of patrimonial and legal-rational domination” (Erdmann 2003, p.278). This means that patronage politics did not entirely supplant the colonially inherited legal-rational apparatuses (Pitcher, Moran and Johnston 2009 & Nawas 2008) and Erdman and Engel (2006) note this as the start of the neopatrimonialism era (or modern patrimonialism), that of institutionalised informality.

These varying adoptions of the concept led to the birth of “hybrid states”, which is where modern formal institutions coincide with regimes that are based on the giving and granting of favours (Erdmann and Engel 2006). This mix of political agendas is a prominent and important feature of this study’s definition of neopatrimonialism, as this study understands that there are two systems or logics that coexist. Furthermore, the formal, non-personal bureaucracy penetrates the personal, patrimonial system. This allows for people to have a certain degree of choice as to which logic they want to employ to achieve their goals and best realise their interests. This means that there is a strong characteristic of insecurity about the behaviour and role of the state and its institutions and actors. Bratton and van de Walle (1997) suggest that there are certain behavioural similarities between hybrid states, and Erdmann and Engel (2006) suggest the following three points are characteristics of the ‘hybrid state’:

- “Actions of state institutions or by state agents are not calculable – probably apart from the head of the state. All actors strive to overcome their insecurity, but they do so by operating on both the formal as well as the informal logic of neopatrimonialism” (Erdmann & Engel 2006, p.19). The relationship between these two logics, the informal and the formal, can thus be conceptualised as a mutually reinforcing one.
- “Within such a pattern of social and political relations, formal state institutions cannot fulfil their universalistic purpose of public welfare. Formal public institutions and the politics ascribed to

them cannot, therefore, gain sufficient legitimacy” (Erdmann & Engel 2006, p.19). Instead, the needed politics and policies are determined by interests and positionings.

- Political informality has gained such a dimension that one can even speak of institutionalised informality. This experience of this specific type of institutionalised informality (patrimonial mixed with legal-rational) has become so manifest that there is good reason to speak of a separate type of political culture (Erdmann & Engel 2006).

Morris (2003) suggests that a predominant reason why there was such a common tendency towards patrimony and why it was, to a large extent, accepted by the people, was because of the pre-colonial “economies of affection” phenomenon. According to Wai (2011), this practice is the origin of the patron-client networks that is mentioned above, and according to Singh (1999), economies of affection is “a means of facilitating moral, social and economic support among the indigent rural people” (Singh 1999, p.467) by allowing access to resources or labour based on blood, kin, community or other affinities (Morris 2003). This system works in a similar fashion to patrimony, as the wealth of resources or labour would (hopefully) trickle down to the communities of the individuals who received the affinity.

Similarly, patron-client ties in a modernised society has a pyramid-like structure, which puts patrons 'on the top' of the distributive network, providing resources to a group, who in turn redistribute to their clients and the process continues – one person is typically another person’s patron (Erdmann and Engel 2007). Nevertheless, Corruption is a logical outcome of neopatrimonialism: vertical relationships and clientelism provide a motor for corruption and rent-seeking activities, and hybridity (of rules, institutions, registers, ethics) and the weak separation of public and private spheres provide both the space for corrupt practices and moral ambiguity about these.

2.4 The Resource Curse

In using the resource curse, this thesis aims to highlight the potential dangers that lie in wait for countries that develop a tunnel-vision approach to developing their oil industry. The prospects of oil in the Albertine Graben combined the GoU’s reliance on neopatrimonial politics to maintain political legitimacy puts the country at risk of being allured into a single-minded approach to developing its oil industry. This section will elaborate on The Resource Curse to provide a working understanding of the concept in order for it to be applied as a measure for awareness in Uganda’s eminent extraction of oil.

The Resource Curse concept was first articulated when Sachs and Warner demonstrated with empirical evidence that countries which were heavily reliant on natural resources achieved worse growth outcomes than those that were not (Sachs & Warner 1997). The concept was later expanded to identify causal links between resource abundance and outcomes such as the lack of political freedom, development outcomes as mentioned, but also conflict. In light of this study's focus on oil, the resource curse is regarded most potent when linked to point-source natural resources – particularly oil.

A symptom that has received a significant amount of attention in recent literature is Dutch disease, for which Angola and Gabon are good examples. The event that gave this phenomenon its name was the discovery of gas in the Netherlands in 1959, and the Dutch subsequently focused all their attention into manufacturing their natural gas industry. The high revenues created by this industry led to a sharp decrease in the competitiveness of their other tradable sectors. Therefore, the Dutch Disease occurs when the non-resource sectors of a resource-dependent economy become uncompetitive and fall into stagnation both domestically and internationally. More applicable to this case study, is that Dutch Disease can also occur due to political decisions made by elites who choose to concentrate resources in the oil and non-tradable sectors at the expense of the other sectors of their country. Agriculture, a critical component to Uganda's current industry, was ruined by this process in Angola and Gabon. Both countries used agriculture as a realistic and viable source of mass employment and market activity; this was substituted by the oil industry, which employs a relatively small workforce of highly skilled workers, which could not compensate for the transition. This manifested in the large volumes of rural unemployment that flooded the cities of both countries in search of work. More significant for Angola was the decline in its coffee industry, which plummeted from a net export of 213'000 tonnes in 1973 to just 3000 tonnes in 1998. This is crucial for Uganda, as 80% of its exports are agricultural goods (Besada, 2015).

Another risk of the Resource Curse is high exposure to dangerous fluctuations in the price of oil illustrated in Chapter 4. Further implications of taking such risks are discussed in the section on the Ghana trap, which uses Ghana as an example of how using future oil rents as surety for loans can expose a country's economy to the volatility of the oil price.

Another important dimension to the Resource Curse for this thesis is the political and social elements of the resource curse. The onset of this system makes it ever more possible for the very rich to exist beside the very poor and isolate them for political power (King 2009). Data to quantify the extent to

which these inequalities are inflamed by the resource curse is hard to come by, as these systems are often kept opaque in order to cover up corruption and mismanagement. Nevertheless, King (2009) claims that in both Angola and Gabon, the elites used the vast oil rents to distribute favours to supports or potential rivals in important positions, thus using natural resource rents to perpetuate neopatrimonial political tendencies. Another example is when Nigeria's oil revenues increased, poverty and inequality sky rocketed. Moreover, in 1970, its revenues of the last five years of that era amounted to less than US\$2 billion, and had a poverty rate of 36%. By 2000, Nigeria's oil revenues since 1995 amounted to US\$350 billion, but the poverty rate was at 70%. These factors are the result of an onset of the resource curse Chabal (2008).

2.5 Developmentalism

In discussing the role of the Ugandan government and its intended use of natural resource rents to fuel economic growth as well as its role in facilitating the role of the Chinese in this equation, concepts such as developmentalism are vitally important.

Simply put, this study's understanding of a developmental state is one that gives first priority to economic development (Johnson, 1999). According to Johnson (1982). The evidence from the economic transformation of the East Asian countries such as Japan and South Korea, suggests that the state played a crucial role in these successful economic developments. Johnson (1999) also notes how this concept is associated with industrial policy, particularly when a certain industry is aimed to be used as a vehicle to spur economic growth. Such policies are usually characterised by infancy and are under the promotion of state mechanisms such as subsidies and export facilitation.

In Johnson (1999), there is a four point outline of the general characteristics of a developmental state: Firstly, there needs to be an elite bureaucracy that has the managerial capacity to successfully develop and harness specific industries; secondly, it has the kind of political infrastructure which allows for alterations and innovations without interference; thirdly, there must not be any overbearing legislative nor bureaucratic instruments that undermine or constrict administrative or market creativity; and lastly, there needs to be capacity within the governance regime for experimentalism – in other words, a governance mechanism exists that has autonomy and ability to coordinate and implement industrial policy.

Mkandawire (2001) warns against deducing whether a country is developmental or not based on the performance of its economy. Instead, one should acknowledge any serious attempts to deploy

administrative and political resources to the task of economic development, despite the outcome (Mkandawire 2001). Thus, in the words of Andrews & Nwapi (2018), “the seriousness displayed in the developmental efforts in terms of implementation that separates developmental from non-developmental states” (Andrews & Nwapi 2018, p.2).

In the case of resource-rich African states, there is a large amount of active participation from host states and their nationals in various aspects of the resource extraction process. In looking at this case study on Uganda, we see how serious president Museveni’s regime is in ensuring the involvement of Uganda’s state in the extraction of the oil found in the Albertine Graben. The motives behind this participation of the NRM are not entirely apparent to being in the interest of Uganda’s economic development. However, it is true that neopatrimonial politics can tend to hinder the adoption of a pure developmentalist approach. But, when neopatrimonial politics and business is used with a developmentalist agenda, there might be a chance to mitigate the corruption of neopatrimonialism and the pro-rich market behaviour of neoliberalism.

2.6 China’s IR and IRE: *Neoliberalism, Realism, Economic Nationalism and Patrimonialism*

The theoretical framework of this study grounds itself in both the International Political Economy (IPE) and International Relations (IR). This study understands the IPE as both an interdisciplinary academic discipline that analyses economics in international relations, as well as a form of economics. The IPE arose due to the constant intertwining relationship between macroeconomics and politics, therefore effective policymaking requires an understanding of both economics and political science, as well as how they interact. Thus, many scholars concur that IPE is the study of the interaction between economics and politics (Cohen 2008). The dominant theories that this study draws from in the IPE are economic nationalism and neoliberalism.

IR theory is a theoretical perspective on international relations, which attempts to provide a conceptual framework to analyse relations between countries (Ted 1998).

Neoliberalism on the other hand, both in IPE and in IR theory, bases the international system on independence, suggesting that the nature of the system is fundamentally cooperative (Broome 2014). In the context of market relations, neoliberalism is a theory of political economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterised by strong private property rights,

free markets and free trade. The role of China and the African states in this theory is to create and preserve an institutional framework appropriate to such practices.

Elements of this understanding of neoliberalism are useful in the context of this study's case study on Uganda's oil-relations with China. Neoliberalism is particularly applicable when this study discusses the role of the Chinese state in setting up relations with African states that result in these independent economic actors being able to have easier access to African markets. In saying this, this study argues that independent actors are still governed by strategic economic relations between China's government and the various African states which has resulted in economic progress and is in line with neoliberal theory. China's state-owned as well as private enterprises have thrived in Africa, partly due to this study's analyses of the adept business practices of the Chinese, but also is due to economic lobbying that the Chinese state helps initiate with the relevant African states. This study acknowledges that there is a nuanced, complex role that China's state plays in setting up access - either through diplomatic connections or through access to capital - for China's private economic actors to do business in Africa.

Realism, a theory that is found in IR, is understood through the lens of Hans Morgenthau who states that the motive of states in an international system is the nationalistic pursuit of their own interests. Therefore, according to this theory and considering how states belong to the structure of the international system, states are inherently self-interested entities with an aim of gaining strength to build an advantage in terms of the balance of power. Furthermore, for realists, being politically successful means that there needs to be a certain level of disregard for questions that revolve around mortality and moralistic principles (Morgenthau 1973). This statement makes it clear that for realism, the primary objective is the protection of the state in the international system.

In the case of China, Ampiah & Naidu (2008) argue that the vagarious domestic economic development and labour policies as well as China's aggressive global-trade participation is driven by a desire to become economically and diplomatically stronger, rather than more integrated (Botha 2006). In terms of China's private economic actors in China, realism as a theory does reflect their behaviour in African markets to a certain extent, as shall be discussed in the adept business abilities of China's private sectors at the expense of labour quality. However, this theory does not cover all the bases of China's relationship with Africa, as there has been a continued emphasis on a fair, win-win themes at the diplomatic level of engagement.

Similarly, economic Nationalism has proponents of realism, in that the state takes primacy in the global system (O'Brien & Williams 2004). Economic nationalists believe that the state has not reduced its role in light of globalisation and the rise of private wealth. Rather, that the process of globalisation is spearheaded by states. This brings about a second similarity with realism, in that these two theories are both preoccupied with the concept of power. For economic nationalism, there is a value in strengthening national power, and the best way to do this is maximising economic power. In the words of O'Brien & Williams (2004), "for Economic Nationalists, there is a profound connection between wealth and power" (O'Brien & Williams 2004, p.53).

Furthermore, economic nationalists argue that "liberal economic policies in the international economy does not necessitate liberal policies in the national economy – rather that state intervention is a prerequisite for successful participation in the international economy" (Nakano 2004, p.225).

Economic nationalism fits well with China's foreign relations with Africa, as firstly, China has had a history of nationalist policies that has developed its domestic economy. This ability to maintain growth by leveraging its domestic markets however, has almost reached its capacity, and China has either had to transition to a consumption-based economy, or export its demand for growth to Africa. The Chinese state has put more emphasis on the latter, as they have found it challenging to make the transition to a more consumer-based economy (Anthony 2018). China has attempted to create policies that ensure that the private and public sectors are able to work in close proximity, especially in foreign contexts and harsh business environments such as Africa. This is the primary motif for the Chinese state declaring that they will be more inclined to provide large amounts of capital, as well as diplomatic support and international market access to private sector firms in the future (McKinsey 2017). Similarly, for Uganda, economic nationalism manifests itself in the interests of the GoU to extract and ringfence resource rents to further develop its economy. In light of this study's view that the NRM is in power due to neopatrimonial tendencies, the resource rents might be used to maintain political power instead.

Therefore, this study's analytical framework that emerges in Sino-African relations in the context of Uganda and its extractable oil prospects is a dialogue between realism, neoliberalism, economic nationalism and patrimonialism. These theories have emerged in firstly, the role of oil in Uganda's politics and secondly, China's approach to engaging with Africa. Realism, in that China's policies and behaviour often tend to favour productivity and economic development over morality and human rights. Neoliberalism, in that the state understands that economic freedom is necessary to a

certain extent, incentivises private economic actors to take up opportunities in the African markets as well as in domestic markets. Economic nationalism is pertinent to this study because motives such as economic development, national unity and international prestige are strong drivers for China's strengthening of its relationship and therefore presence in Africa (Chen Zhimin 2005).

However, this analytical framework is characterised by a glaring absence of a strong developmental agenda, particularly in the case of Uganda. This study relies on developmentalism to act as the moral checkpoint, and in doing so help mitigate the negative effects of neopatrimonialism and neoliberalism – which are corruption and anti-poor economic development respectively.

2.7 Flexigemony

Flexigemony is an emerging geopolitical concept that is based on the idea that instead of seeking normative socio-political transformation towards 'free market democracies', there are ways to work through existing institutions and state-society formations and complexes.

Through two African-based case studies (Sudan and Zambia), Carmoday & Taylor (2010) have sought to reframe the debate on China's governance impact in Africa. They characterise China's resource or geo-economic strategy in Africa as being embodied by different strands of engagement and modes of governance. These include clientelism with African state elites, proxy force and other power elements, both soft and hard. We argue that there is an incipient new form of "rule at a distance" in Africa, which we term "flexigemony", whereby Chinese actors adapt their strategies to suit the histories and geographies of the African states with which they engage. This is in contradistinction to the less flexible hegemonic vision of the United States of "free-market democracies". Rather than being a neo-colonial, realist project based on raw hard power, Chinese actors must negotiate resource access through cooperation with African state elites. The precise contours of flexigemony and its operationalisation in this study will be described in Chapter 5, section 5.4.

In context to this studies conceptual framework, neoliberalism has shown itself to be very adaptive and its "persistent vulnerability to regulatory crises and market failures [was] associated with an ongoing dynamic of discursive adjustment, policy learning, and institutional reflexivity" (Carmoday & Taylor 2010, p. 1), the central tenets of "free" trade, "sound money", and broader economic liberalisation remained unquestioned. In contrast, as discussed above, the Chinese mode of engagement is much less prescriptive about political and economic governance arrangements.

2.8 Chapter Summary

This study draws on a variety of related theories and concepts that form the theoretical analytical framework for this exploration of the Sino-African relations. This research into Africa's governance of its natural resources and the role China plays gave to; neopatrimonialism, developmentalism, neoliberalism and economic nationalism. Furthermore, the discussion of negative outcomes of this cocktail of theories is the Resource Curse. This chapter attempts to show that these theories have their negative consequences, but if each of these theories are used to compliment each other, these negative effects might be mitigated. This theoretical dialogue attempts to inform a more complex and nuanced approach to exploring Sino-Ugandan relations, and perhaps in a more general sense, the Sino-African relations too in the context of natural resources.

Neopatrimonialism was derived from works of the likes of Weber, to provide comparative analysis of various political domination. This working definition of the concept has argued that neopatrimonialism is a useful term to use when dissecting African politics but must not be used as a catch-all concept. Thus, the study attempts to focus on the operationalisation of neopatrimonialism which was done by firstly, placing emphasis on the importance of the understanding the definition and their relationship of two integral sub-concepts – patronage and clientelism. And secondly, by contrasting neopatrimonialism with the legal-rational bureaucratic domination which is its opposing logic.

The outcomes of this endeavour are summarised as follows: Neopatrimonialism is a hybrid of two kinds of political power, a conjunction of sorts between patrimonial and legal-rational bureaucratic domination. The exercise of power in neopatrimonial states is incalculable, complicated and erratic. The public manifestations under neopatrimonialism are formal and rational, although the social engagement is often personal and informal. Lastly, the neopatrimonial model thrives with authoritarian politics and is reinforced by a rent-seeking culture, as opposed to a culture of a market economy and democracy. Uganda's digest of neoliberalism has however promoted the market economy to an extent. However, up until now, this market economy seems to be a primarily pro-rich set of policies. Therefore, this chapter suggests that a more developmental agenda is needed to balance the neoliberal neopatrimonialism.

Sino-African relations, as well as the natural resources (oil) are key resources and industries to promote further industrialisation of African states, in this study's context, Uganda.

The symptoms of the Resource Curse are depicted above and are namely, the prioritisation of the oil industry with a complete disregard for other industries; the resulting exposure to price volatility; and the social and political friction that is created through inequality. The Resource Curse as a concept is pertinent to this study due to its rapid onset in situations that are similar to what is transpiring in Uganda. Uganda therefore needs to be aware of the role oil plays in the onset of the Resource Curse, and furthermore, what role oil plays in dismantling any ambition for a constructive use of neopatrimonialism.

Chapter 3: China and its interface with Africa's Neopatrimonialism

3.1 Overview

Chapter 3 attempts to answer the following research questions:

- What is the domestic political setting in China that could help or hinder their relations with Africa?
- What are the key characteristics of China's approach to engaging with Africa's neopatrimonialism?
- How effective has this approach been to engaging with Africa?
- What is the African perspective on these relations?

This chapter will be addressing the following objectives:

It will discuss China's domestic political model, with specific reference to China's familiarity with neopatrimonialism and how this helps the state and the people of China in engaging with African markets.

It highlights elements that have emerged as being the primary characteristics of China's Africa strategy.

Lastly, it provides an overview of how successful China has been at integrating itself into Africa's markets.

3.2 Introduction

This chapter aims to highlight China's capability in engaging with Africa and its tumultuous political landscape. Furthermore, it attempts to highlight the political and economic models that exist in China, and how these might benefit China's ability to navigate the risky business environments in neopatrimonial African states.

This chapter serves to introduce the relationship between China's state and its strategy for seeking power in the international system. It suggests that China's ascent in the international hierarchy is not coming at the cost of any other country, nor is it standing in the way of any country, nor even posing a threat to said countries (Carmoday & Taylor 2010). Instead, this approach to power aims to seek strategies that work through and with existing social relations and structures rather than seek to

transform the country into the model of China, contrary to the neoconservative vision of the US. Where other superpowers historically sought to conform the existing social models in Africa into their ideals, Chinese interests utilise a more “rhizome-like approach” (Taylor, 2010, p.499) that uses existing networks of influence.

China’s willingness to do business with risky African states that are run by neopatrimonial social structures is helping enable China to pursue its commercial and energy interests in Africa. In the case of oil, China is in need of securing future avenues of supply, especially in light of its significant increase in oil consumption.

The interests of the Chinese state in oil is apparent in that it has embarked on a strategy to grow NOC’s through investments and through encouraging diplomatic ties with oil rich nations. Thus, enabling lobbying opportunities with oil rich countries in favour of Chinese SOE’s and NOC’s. This lobbying is not limited to SOE’s, but is in some cases held in favour of private Chinese oil firms who are also looking to enter foreign oil markets. This approach of working in close proximity with both public and private companies informs the analysis of this chapter of China’s multi-tiered FDI approach to investing in risky business environments.

Looking at China’s state engagements with Africa through this lens, as well as Chinese private sector activity in Africa, gauges that this rhizome-like approach has been very successful in allowing some of the risks of investing in Africa to be shouldered by the Chinese state. This is important to both this study and Sino-African relations as this is one of China’s critical areas of success where Western entities and institutions have had a history of failure. This chapter looks at Africa’s energy resources (to be explored in Chapter 4) as key market drivers that are attracting major Chinese firms, both private and state-led, to the continent. The narrative of FOCAC in this chapter aims to demonstrate a platform for signing business agreements and diplomatic declarations for engagement between China and Africa. Evidence shows that Chinese and African diplomats play a nuanced and complex role through the FOCAC mechanism, which helps solidify diplomatic and political relations, but also paves the way for an influx of private sector business.

The FOCAC narrative brings rise to the notion that China is not an active agent in a passive Africa, as is often simplistically portrayed. Instead foreign business ventures, Chinese included, are subject to the local conditions that dictate the nature of engagement for these firms. (Evidence of China having to adjust to local conditions is shown in the case study of Chapter 5.)

This chapter concludes by looking at the various African perspectives that exist in the literature of Sino-African relations. These perspectives are used to create a more intuitive understanding of how efficient China's foreign policy is, with a more balanced and nuanced view that does not only favour Chinese outcomes.

3.3 China

Starting in the 1980s, China was subjected to major structural changes by the Chinese government that transformed the country from what was a stagnant, agrarian economy into one of the world's fastest growing economic powerhouses (ERA 2009). China's rapid increase in thirst for oil has been a major driver of this growth, which in 1993 resulted in China becoming a net importer of oil. By 2003, China had surpassed Japan, the second fastest growing economy at the time, to become the second largest consumer of oil behind the US. In 2008, China consumed 7.8 million bpd while managing to domestically produce 4 million bpd, leaving the remaining 3.8 million bpd to be imported – making them the third largest net oil importer behind the US and Japan respectively (ERA 2009).

A recent study done by the Baker Institute (2016) notes how China has entered into a slower, steady kind of economic growth which has in turn downshifted their oil demand growth rates. In one way this study is correct, but Green & Stern (2015) also note that this is partially to do with China's oil intensity per unit of economic output decreasing as the economy gradually favours service, consumer and light industrial activity (Green & Stern, 2015). However, Anthony (2018) says that the Chinese have not been able to affect an absolute migration towards a consumer and service-based economy and have therefore also embraced foreign markets as a means to continue providing an externally driven economic growth potential for China's mainland. This externalisation of economic growth needs to be seen in parallel to China's emphasis on considering oil procurement "a matter of national security, using all state resources to satisfy the nation's need for energy" (Kitissou 2007, p.20). The results have been twofold: firstly, with the economic nationalist outlook, it has ignited China's diplomatic offensive into Africa, with part of the motive for this being to lobby in favour of providing Chinese entrepreneurs, businesses and firms access to African markets. When this externalisation of business operations aligns with the Chinese state's need for oil, African states that have undeveloped resource repositories become the combined target countries for the Chinese state and private sector. Secondly, this has resulted in China's private business actors (SME's, private firms and SOE's included) flocking to Africa's budding markets, with a clear strategy on

achieving their necessary investment returns. The analyses of this scramble into Africa will be described in the China & Africa section of this chapter.

3.4 China's State Governance: A familiarity with neopatrimonialism

Stemming from the imperial times, China's more recent authoritarian regimes have elements of neopatrimonialism, combined with political clientelism, patronage and corruption. Despite these, China has managed to clock the enormous growth rates mentioned above. This section discusses how China has not only acknowledged (not to say accepted) the presence of neopatrimonialism in its political regime, but has been able to continue its ascent to economic power.

According to Wu, central administration in China dates back to 222 BCE, when the Xia dynasty was led by a king. By 221 BCE however, a complicated administrative system emerged when Qin Emperor Qin Shi Huang abolished the feudal system in which sons of the emperor would gain control of newly acquired territories or industries. Instead, Huang took steps to create structures and institutions through an organised group that would take charge of public works and public finance. This group was compiled of a dominant set of officials that were selected through a series of examinations called "literi". However, the emperor still had the authority of the "absolute ruler, with legislative, judicial, executive and spiritual powers" (Wu 2015). The emperor also owned all land and resources and was able to impose taxes on them as he deemed fit. Max Weber himself wrote about these beginnings of China's bureaucratic organisation and rational state administrations, describing this system as "patrimonial bureaucracy".

Fast forward to 1911, the last imperial regime fell and for almost four decades the country was in turmoil and division, until the Peoples Republic of China was founded in 1949. Headed by Mao Zedong, this was a group of revolutionaries and socialists who were bound by the ideology of creating revolutionary change (Lee 1992). Following Mao, came Deng Xiaoping in 1978, who shifted the priority of rule to embrace economic modernisation. The first move was to replace the revolutionaries with bureaucratic technocrats that were educated, professionally trained and believed in rational and pragmatic decision making. Furthermore, the Chinese Communist Party aimed to maintain strict control over the populace, while encouraging economic and administrative decentralisation. The goal for the Deng Xiaoping was to create a centralisation strategy that would maximise the country's economic potential while minimising challenges to its political regime. Much of the monopoly of power and authority was transferred to local governments, but the state

maintained the power to appoint provincial officials (Landry 2008). The Chinese state was therefore able to reach the lower levels of the bureaucratic hierarchy quickly, if the need arose.

However, government control over local agencies and agents weakened over time, and this decentralised system began to develop alternative patronage networks as officials were able to strengthen their ability to engage with corruption. The socialist history of China that began in 1949 meant that public administration had deeply embedded philosophies of a socialist state. This meant that there was still a large mindset that was acclimatised to the idea that goods and services did not have to be sold in the marketplace but were to be controlled and distributed by the state. Because people were used to, and some dependent on these officials for resources and goods, they became less likely to report corruption, which resulted in a ‘low risk, high reward’ mentality amongst local officials. Senior officials were also involved in practices that stemmed from socialist China, such as the acceptance of *guanxi*, which is the exchange of favours and gifts between ‘friends’ (Wu 2015).

“The practice of ‘guanxi’ has been positively rooted in human sentiment and social connectedness, as it is shown to greatly facilitate entrepreneurial activities of Chinese families and business owners are able to build limitless networks of ‘friends’ that may be able to aid them as potential investors, business partners, suppliers, clients and/or employees” (Hsu, 2005, p.319)

However, there has been widespread acknowledgement of the risks that accompany *guanxi*, such as how this system has made it easier to offer and receive bribes. In light of this, there are attempts underway to control the entire bureaucratic structure by firstly, as mentioned, having a central selection process of provincial officials. But secondly, with the ascendancy of Xi Jinping, by setting up anti-corruption bureaus that impose strict punishments on corrupt officials such as death sentences and jail terms. Nationwide news coverages often air stories of corrupt officials who are caught, while also discussing the negative consequences that befall them. China also encourages awareness campaigns so that citizens can become public monitors that report on corruption (Tendler 1997).

3.5 Sino-African Relations: An Overview

China’s relations with various African states dates back to the early dates of the Ming Dynasty (1368 – 1644). Between 1405 and 1433, the great expeditions were launched, making calls on over 30 countries and territories in Africa, including present day Somalia, Kenya, Madagascar and Tanzania. All this maritime spirit and activity from the Empire of the Great Ming occurred approximately half

a century before the voyages of Christopher Columbus. These historical explorations were primarily done to motivate Chinese merchant trade within African state structures, and are now seen as foreshows of the present-day ties between China and Africa.

“The Chinese were not aggressive. Unlike the Portuguese, they stormed no cities and conquered no land ... They did not burn as the Portuguese did, with the urge to impose their religious conversations, to lay siege to African souls. All they sought from the Africans was a gesture of symbolic acquiescence in the Chinese view of the world” (Snow 1988, p.29).

The continued strengthening of China’s presence in Africa since the climax of the Cold War has instigated a surge in academic literature on China-Africa relations. In the era of economic globalisation, China-Africa relations are widely known as the Sino-Africa relationship. In 2000, to formalise China’s interest and bilateral engagement with Africa, African and Chinese leaders tabled the Forum on China-Africa Cooperation (FOCAC). The establishment of this strategic partnership pivoted around the development of economic cooperation and trade agreements and is seen as the new millennium of China-Africa ties. Since China’s migration to a more outward-bound trading policy in the 1990’s and early 2000, Sino-African trade has undergone unprecedented growth. Since 1999, Sino-African trade has grown from a mere US\$2 billion to US\$220 billion – thus making China the leading trade partner for Africa (Cisse, 2012).

A side note in all of this is that parallel to China’s in-house economic development prior to its ‘going out’ policies, the guidelines for China’s foreign policies were being established. In 1954, the Chinese foreign policy framework was wedded to the Five Principles of Peaceful Co-existence. (Taylor 1998). These principles are namely, mutual respect for each other’s territorial integrity; non-interference in each other’s internal affairs; non-aggression; equality and mutual benefit; and peaceful coexistence. These principles will be referred to later in China’s strategy for engaging with Africa.

The “go global” or ‘going out’ policy that China had fully adopted by 2000 but announced in 1998 has boosted investments and trade in Africa – primarily through Chinese SOEs, which have been instructed to setup and initialise their operation across the globe, including Africa. The SOEs in the Africa strategy was developed by the Ministry of Foreign Affairs (MFA) and the Ministry of Commerce (MOFCOM), in partnership with Chinese financial institutions (China EXIM Bank, China Development Bank and China Africa Development Fund) (Heilbrunn 2014). FOCAC has facilitated an enormous rise in trade and investment ties between China and Africa and has acted as

a platform for more than 3000 Chinese companies – including SOEs, private enterprises, small and medium sized enterprises (SMEs) and joint ventures) – to establish business in Africa (Heilbrunn 2014).

3.5.1 Historic Relations: Brothers-in-arms

As shown, Sino-African relations date back to the 15th century, when Chinese traders visited Africa for the first time. However, this section fast-forwards from this visit to 1955 which, according to Snow (1995,) was the start of a period in which China began to justify its involvement in Africa on the basis of “similarity” (Snow 1995, p.285). China’s first point of evidence for this commonality was that Africa and China belong to the same club - both developing or 'Third World' and both are from the South. The second was that Africa and China are united against a common adversary, which was commonly termed the ‘West’ or the ‘North’ (Snow 1995).

This narrative has a strong sense of sincerity, solidarity, mutual benefit and equality to it, especially in the sense of regaining sovereignty for African states through a non-interfering Chinese partner. This political rhetoric, combined with the financial assistance from Beijing appealed to the relevant African leaders at the time, who were enthusiastic to accept China’s aid. Snow (1995) notes however, that African leaders did not always willingly accept China’s proposed ‘common opponent’ agenda. Singh (2002) (2006) gives an example of how this was particularly relevant in the Cold War era when China attempted to garner support for its communist ideology. This was by and large rejected by most African leaders, because “their [African leaders] gospel has been nationalism, not Communism” (Snow 1995, p.302). Exceptions are Ethiopia and Zimbabwe.

China saw the process of decolonisation as an opportunity to stand in solidarity with Africa and support the African liberation and independence movements in as many ways as they could (Roy 1998). According to Muekalia (2004), China provided finances, food, medical supplies, technical and military support to every African country at some point in time, which is to say that all different liberation movements benefited from this relationship with China at some point in their campaign. However, following the Sino-Soviet split, African liberation movements would either receive support from Beijing or Moscow, but not both – they were forced to choose between the two.

The African rulers were motivated by China’s unwavering political and financial aid, especially as China was a non-Western country that provided an alternative model that was steadily developing and proved to be self-sufficient. Many African leaders saw the Chinese as an opportunity to not only

assert legitimacy as independent and sovereign states on the global stage, but also to assert their authority as competent rulers over domestic political rivals.

The seemingly non-interventionist, mutually beneficial and cooperative approach by the Chinese in setting up relations with the respective African states are indications how neoliberalism in both the IR and GPE sense of the concept influenced foreign engagement policies. However, when looking at the self-interested political response of both the Chinese and African states, (political) realism is found to be the core theoretical foundation.

The 1970's saw the furious development of political relations between China and African states with seemingly mutual beneficial sentiments at every level. However, by the end of 1970's, China's use of Africa to leverage itself against superpower hegemony took a back seat as China drastically curbed its policies to foster domestic economic development (Shelton 2001). Additionally, starting from the late 1970's and onwards, Deng Xiaoping decided to focus primarily on relations with the US and Europe to improve economic and technology transfers.

3.5.2 Contemporary Relations: Economic partners

Come 2000, China deemed it necessary to rekindle their relations with Africa. In the words of Mbabia and Gazibo (2012) "a platform established by China and friendly African countries for collective consultation and dialogue and a cooperation mechanism between the developing countries, which falls into the category of south-south cooperation" (Mbabia and Gazibo 2012. P.52). The primary reason for this was China's need to firstly, secure resources for its rapid economic growth and secondly, to setup market access opportunities in Africa for its workforce.

China's newly found interest in becoming a great, but responsible superpower has inspired the country's government to adjust its foreign policy approach to become more nuanced, flexible and pragmatic in the light of its historic non-interference philosophy. A policy insight from Dittgen, Sidiropoulos, Wu & Lalbahadur (2016) states that considering the private sector's investment boom in Africa, the Chinese state has found it necessary to develop an approach that firstly, lobbies for market access in Africa for its private sector investments and secondly, mitigates the challenges of operating in volatile business environments. This is done firstly by signing agreements with high-ranking government officials, or what is known as 'Big Men' from African business sectors (sometimes both). And secondly, the facilitation of business environments is done by increasing Chinese state engagement in multilateral organisations that angle towards being able to respond to political contexts of African states while at the same time guarding the sanctity of state sovereignty.

In other words, China is refraining from throwing no-strings-attached money at African states, and instead are working towards stabilising volatile business environments to better suit Chinese OFDI (Chen, Dollar, & Tang, 2015).

In parallel to these diplomatic changes, China's economic reforms since the late 1970's – s aimed at attracting foreign trade, investment and joint-venture opportunities - coupled with their entry into the World Trade Organisation gradually began to move China towards a market economy. According to Ian Taylor (2006) profits over a political agenda was a key driver in the re-structuring of China's relations with Africa, from anti-colonial brothers-in-arms to economic and trade partners.

3.6 China's Africa Strategy: Liaising with Neopatrimonialism

Many African states that the Chinese engage have a paradigm of patrimonialism, with some being more neopatrimonialist than others, in their governing constructs. This kind of governance can be seen as a high-risk business environment, as mentioned in the theoretical discussions of neopatrimonialism in Chapter 2.

However, China has enjoyed a burgeoning amount of success when dealing with neopatrimonial states in Africa. This study suggests that the success of the Chinese is grounded in its hybrid-like approach that makes use of existing networks of influence to create new social structures in Africa. Contrary to the grand political or economic reform approach, Mohan and Power (2008) suggest that "the political outcomes of China's involvement in Africa are primarily shaped by state-capital dynamics, particularly how Chinese capital and parts of the Chinese state intertwines with fractions of capital and political blocs [sic] within Africa" (Giles & Mohan, 2008, p.12). Carmody and Taylor (2010) use the term 'flexigemony' to describe this complex prism through which they suggest we see this approach by China in engaging with Africa.

Furthermore, this study identifies that the following five key characteristics are critical in explaining China's flexigemony approach:

- 1) It prioritises economic relations over the political or security concerns of a country, which has aligned China's approach to Harvey's (1989) theory of flexible accumulation⁴.

⁴ Flexible Accumulation is the opposite to Fordism, in that it rests on flexibility with respect to labour processes, labour markets, products, and patterns of consumption.

- 2) It uses an amalgamation of economic, military and political levers in flexible and deliberate combinations to ensure continued access to markets and supplies of raw materials.
- 3) It works through existing institutions and is willing to engage with diverse state-society formations.
- 4) It refrains from direct military force to secure interests, but rather relies on direct economic power and the use of proxy sub-contracting.
- 5) This approach is reinforced by frequent high-level state visits to encourage the public diplomacy and build inter-state trust.

A critical element for the survival of Chinese FDI in Africa is the flexigemony approach that the Chinese state has adopted to engage the complexities and informality of Africa's markets. As stated in China's governance overview, the Chinese state has experience in working in ways that constructively use 'corruption' to ensure maximum productivity of its economically driven political regime. However, the section above highlights that there are significant measures taken by authorities to ensure that the equilibrium between legal-rational bureaucracy and *guanxi* remain. This balanced model proves to be useful in providing China with experience in dealing with neopatrimonialist African states.

This flexigemony approach to investments is often eagerly accepted by African state elites as such an approach has shown itself to be able to work with and through prevailing distributions of power and patterns of neopatrimonial governance. Furthermore, this approach also mirrors and comprehends the multitude of complexities that form the structure of the African states themselves (Carmody & Taylor 2010).

Furthermore, according to the McKinsey report that was released in 2017, in five of the eight countries that were studied, 67-80% of the Chinese firms said that they had paid bribes or tips to obtain business licences (McKinsey 2017). Despite the majority of the data suggesting that these bribes were almost always small amounts – less than one percent of annual revenues, there were some that were much more sizeable. McKinsey (2017) reports that in two countries, 4-9 percent of firms said that they had been required to pay more than 10% of annual revenues in bribes.

However, McKinsey (2017) importantly note that this need to participate in corruption and clientelism in Africa has been cited by the Chinese as a severe barrier for furthering business success

on the continent. This data is important as it shows that this willingness to engage in such models is not absolute. This information suggests that engaging in ways of such informality is unsustainable.

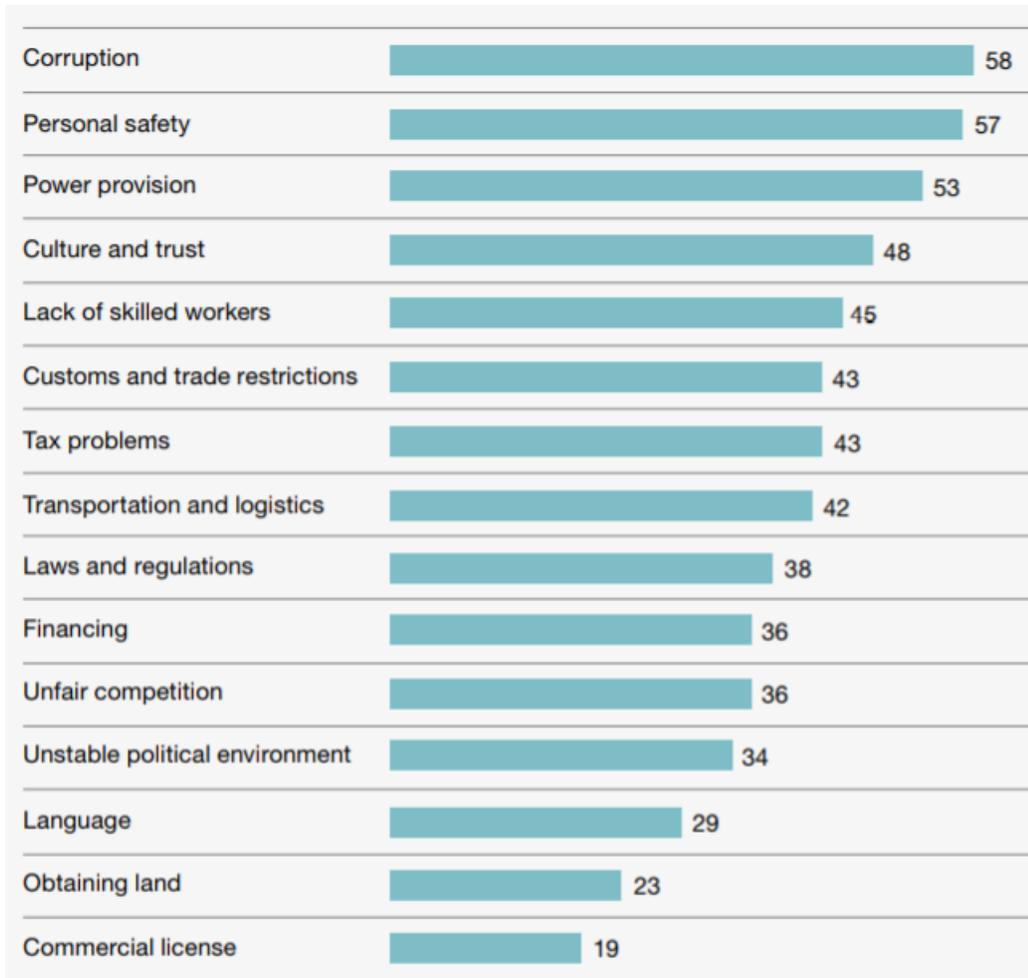


Figure 1: Barriers for business as rated in % by Chinese firms

(Source: McKinsey, 2017, p.65)

Furthermore, some members of Chinese societies in Africa have shaped a stout perception that in these countries, “tips” or otherwise known as bribes, are a necessary expense to get anything done. As one knowledgeable Chinese businessman told McKinsey (2017), *“There are so many random government authorities that come to my business for ‘inspections,’ and I have to give them ‘penalties’ or ‘tips’ almost every time, just to get on with my work”* (Chinese business man in McKinsey 2017, p.18). For the Chinese, it is this compliance that allows them to continue to grow their business in the African markets that have higher levels of patrimony. What has on many occasion scared off potential investors, has only been a (not so minor) hurdle for Chinese businesses. However, the Chinese agents that operate on the ground in Africa, seem not as confident that these patron-client business environments are as promising as what may be viewed by their state.

Another practical element of how the Chinese public-private partnerships engage with African markets is how the Chinese state is willing to participate in offering multi-tiered investment packages to African states who require more than just competitive prices from Chinese firms. In light of this clientele-like approach from the Chinese, the patrimonial culture of African leadership gives the African elite the ability to be more inclined to grant the Chinese access to their natural resource and domestic commercial markets. These multi-tiered investment packages from China to Africa are essentially Chinese investments that have been backed by the Chinese state who is willing and able to offer multiple benefits to African host states, which the West simply cannot emulate. Practically, private investments into Africa from China are able to offset common market risks by relying on their government to invest considerable diplomatic and economic capital into African states. Benefits to African states can range from either boosting infrastructural development through providing skills or capital, or by enhancing political influence and strengthening prestige in global forums. Therefore, the Chinese often see an African state that has a strong culture of patrimony as an attractive and accessible business market as it gives more room for diplomatic relations to generate ease of access (Besada, 2015).

The Chinese state has strengthened its ability to ring-fence investment projects from political and open market competition in Africa by setting up organisational support frameworks such as FOCAC, the China-Africa Business Council and other more local friendship and business associated platforms. These organisational support structures are useful as the Africans use them to attract Chinese FDI, and the Chinese capitalise on these deals in order to secure market access. The Chinese state also, through the “massive loans provided by China’s EXIM Bank from the foundation of China’s commercial engagement” (ERA 2009, p.20), provide Chinese investment projects the ability to engage in high-risk contracts. This access to capital also graces these projects with longer periods to show their profits, as opposed to that which Western competitors can withstand.

A big benefit for Chinese entrepreneurs in Africa who receive capital from Chinese state institutions such as the China EXIM Bank is that they are not pressured by the concerns of stakeholders (ERA 2009). Having private equity stakeholders involved in the backing of high-risk project usually puts the project at risk to short-termist project outcomes. The state-backed Chinese entrepreneurs in Africa answer to China’s EXIM Bank who are in turn answerable to China’s leadership.

Therefore, what this means is that Chinese entrepreneurs who can accurately link their commercial objectives to China’s national interest, stand a better chance of having access to a financial model

which has the ability to withstand the rigours of the African market. In the instance of oil, the financial model also has to withstand the volatility of the international oil price as will be further discussed in Chapter 4. As oil has been discussed as a Chinese national interest, Chinese oil projects that are inserting themselves into the African oil markets are either an NOC or an SOE, or are part of a private entity participating in a multi-tiered investment package, usually from the (China EXIM Bank).

3.6.1 The Role of FOCAC

This section provides an overview of a mechanism that has helped the Chinese to apprehend the multiplicities of engaging with various African states and their numerous industries. FOCAC, as discussed in the section that follows, is used to highlight how China has adjusted its stance to be that of a more economical and trade related relationship. FOCAC is a forum established by China to facilitate and ignite dialogue, consultations and cooperation with participatory African states. The political dialogue that FOCAC helped facilitate has resulted in a rapid expansion of economic cooperation and trade, which this section tracks to help inform the economic effectiveness of FOCAC. The significant economic commitment that China dedicates to the Sino-Africa relations through FOCAC becomes apparent in the section that follows.

FOCAC is imperative to this study, as it provides insights into what the nature of relations and commitments look like at an elite level, which Chapter 5 then roots in the localised context of Uganda. This analyses of FOCAC is to better understand the lengths to which China is committed to go to, to ensure the development and success of their rhizome-like approach to engaging with Africa. The degree of African agency is also analysed in order to gauge the response of representatives of the respective African states, particularly Uganda, to Chinese interests. The underlying power dynamics that Wekesa (2015) suggests exist in FOCAC are explored to also better understand the position of African governments when issues surrounding resource extraction and market access are discussed.

3.6.2 FOCAC: China's Generous Gestures

Evidence of China's willingness to provide significant economic support to existing African institutions and socio-political complexes is most easily seen when dissecting the various FOCAC conferences and their respective agreements.

The first FOCAC forum was held in Beijing, China, on the 10th October 2000, where 44 states from Africa met with President Jiang Zemin and 80 other ministers from various sectors of China. The

first forum was aimed at addressing two key areas: firstly, how to setup and promote a new, equitable international order, and to reinvigorate ties between China and Africa on social and economic fronts. By the 12th October, the forum had reached consensus on several issues and ultimately culminated in the adoption of two important policy documents: the Beijing Declaration, and the Programme of Cooperation on Economic and Social Development (He 2006).

Another outcome of the first FOCAC conference was a commitment to attend a ministerial conference every three years, hosted in China and Africa alternatively. FOCAC II culminated in the adoption of the Addis Ababa Action Plan 2004-2006, which Kilian (2006) says concretised the following consensuses:

- To allow some African countries tariff-free exports to China.
- To expedite revenue and to slash import tariffs on certain commodities of the least developed countries (LDC) in Africa, to promote the entry of these exports from these countries into the China Market.
- To grow the African Human Resources Development Fund by launching the China-Africa Inter-Governmental Human Resources Development Plan. China increased the fund by 33%, which allowed the plan to hold 300 training courses in three years for 10 000 African professionals that belong to various fields, as well as raise the funds available for African exchange students.
- To promote Africa as a tourist destination to the Chinese and therefore boost Africa's tourism industry.

China also brought forward the promise to increase development assistance to Africa by focusing specifically on developmental agendas. At the 2005 UN High Level Meeting on Financing for Developing, President Hu Jintao declared that China was to commit to radical measures that were aimed at promoting development in Africa's LDC's. These measures included:

- To all the poor and heavily indebted countries that had diplomatic relations with China, but were failing to repay their loan obligations, China would erase or provide interest free government loans over a two-year period.
- China would assist developing countries in the training of 30 000 people in various fields over the forthcoming three years.

- China pledged US\$10 billion in concession loans to the LDC's of Africa, within the arrangement of South-South co-operation.

In parallel to the Addis-Ababa Forum, the China-Africa Business Conference also took place. Here, the objective was primarily business opportunities, which attracted over 100 Chinese enterprises whose aim it was to create linkages with their African counterparts, ultimately resulting in the signing of 2500 business intention contracts (Hu 2006).

Along with FOCAC V came a six-point proposal that detailed an elevation in the Sino-African strategic partnership – along with a rather surprising development of FOCAC V – an offer from Xi's China to extend US\$ 20 billion in credit-lines to Africa over the forthcoming three years. The key points that indicate possible reasons as to why, are detailed below:

- *“ ... Increase the political trust and strategic consensus between China and Africa through more political consultation, high-level visits and strategic dialogue*
- *Increase cooperation between the two sides in operationalising the African Union's (AU) Africa's Peace and Security Architecture (APSA)*
- *Strengthen China's cooperation with the AU and sub-regional organisations in Africa*
- *Expand mutually beneficial economic cooperation and balanced trade, adopt innovative ways to boost cooperation including deepening cooperation in trade, investment, poverty reduction, infrastructure building, capacity building, human resources development, food security and hi-tech industries*
- *Continue to strengthen people-to-people and cultural exchanges and cooperation between the two sides*
- *Further strengthen the cooperation between the two sides in international affairs”* (Ruigu 2012, p.2).

China have also attempted to cosy-up to the African Union (AU) – firstly by ‘gifting’ Africa a brand new US\$200 million, marble-and-glass AU headquarters, and secondly by providing US\$95 million to the regional AU body over the course of 2012 – 2015 (Ruigu 2012). A huge boost in comparison to the AU's then current annual budget of US\$ 270 million. This was seen as an effort from China

to address the mammoth task of helping Africa consolidate a coherent policy that incorporates all of Africa's 54 states ⁵.

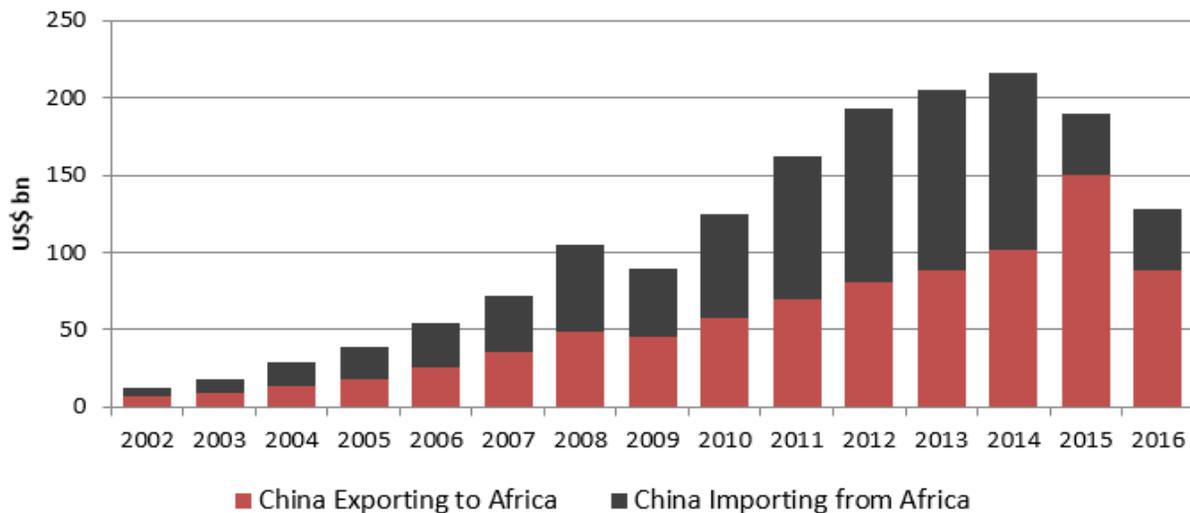
FOCAC 2018 was mostly centred around dollar signs. Xi Jinping announced new financing for Africa to the tune of US\$60 billion. Interestingly, Brautigam (2018) discusses how this financial package has a decreased emphasis on interest-bearing loans, while pointing out that there is a marked increase in foreign aid (grants, interest free-loans, and concessional loans). In other words, China is giving more money to Africa via grants or interest-free loans, and less through interest bearing credit lines. Brautigam (2018) points out that this is an interesting move in light of global debates over the “debt trap” that has been developing in countries that will likely be unlikely to repay loans offered to them by China.

3.7 Effectiveness of China's approach

China's flexigemony approach to doing business with Africa (both with the more neopatrimonial states as well as with those who are less so) has proven to be successful. This section provides an overview of the extent to which China's state-led and private FDI has been able to ‘infiltrate’ the African markets by looking at the trade and investment data. This section then attempts to determine whether China's access to African markets has come at any cost to the host African states, whether that be by means of posing a threat or standing in the way of any kind of regime. This is done by looking at the myriad of perceptions on China's involvement and behaviour on the continent as a whole. The nature of China's involvement has had much focus from the media. Western-based media often highlight that China's engagement at the domestic level is based on a non-interference approach and includes low interest loans and label this as a modern-day version of colonialism. China argues that the no-strings attached, low interest financing for infrastructure is exactly what developing countries in Africa need, as they have the societal capacity to find solutions themselves. This section attempts to navigate through these biases to develop a balanced appraisal of these perceptions of China.

⁵ China however, also is also completely dependent on a stable and comparatively secure environment in order to efficiently conduct a coherent and profit driven investment strategy. This therefore suggests that Chinese actors in Africa work to avoid policies or actions that generate instability or conflict.

3.7.1 Trade and Labour



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Figure 2: China Africa Trade

(Source: UNCTAD Bilateral FDI Statistics 2017)

Table 3 indicates just how the steady the increase has been for bilateral trade between China and Africa. The weak commodity prices since 2014 has had an impact on the value of African export to China, but China's exports to Africa remained steady.

The official statistics from the Ministry of Commerce (MoC) on Chinese overseas investment does not portray the true extent of the degree to which China are involved in Africa, however when looked at in combination with the political interventions the picture starts to become less opaque. An initial look at China's investment data is surprisingly unsatisfactory compared to how much attention the relationship is receiving.

There have been several studies done (Gu 2009; Xiao and Chen 2008; He 2004) that discuss what role the Chinese private sector plays in its OFDI to Africa and how the private sector dictates a large amount of the nature of China's presence in Africa. This will be highlighted in the section that follows on China's Nature of Involvement in Africa. Recent statistical releases by the Chinese indicate that in 2011, 45% of China's total OFDI was attributable its private players (Wei and Ding 2012).

As of 2013, Chinese outward-bound foreign direct investment (OFDI) hit a record US\$107.8 billion, where Africa only received US\$13bn, which is just less than 3% of the total (Shen 2015). In contrast to the total OFDI that flooded the continent that year, US\$57 billion (UNCTAD 2014), China's share of that was 5.5%.

Africa was on the receiving end of low import demand from China in 2015, which was not beneficial to African states that relied on these exports to the country.

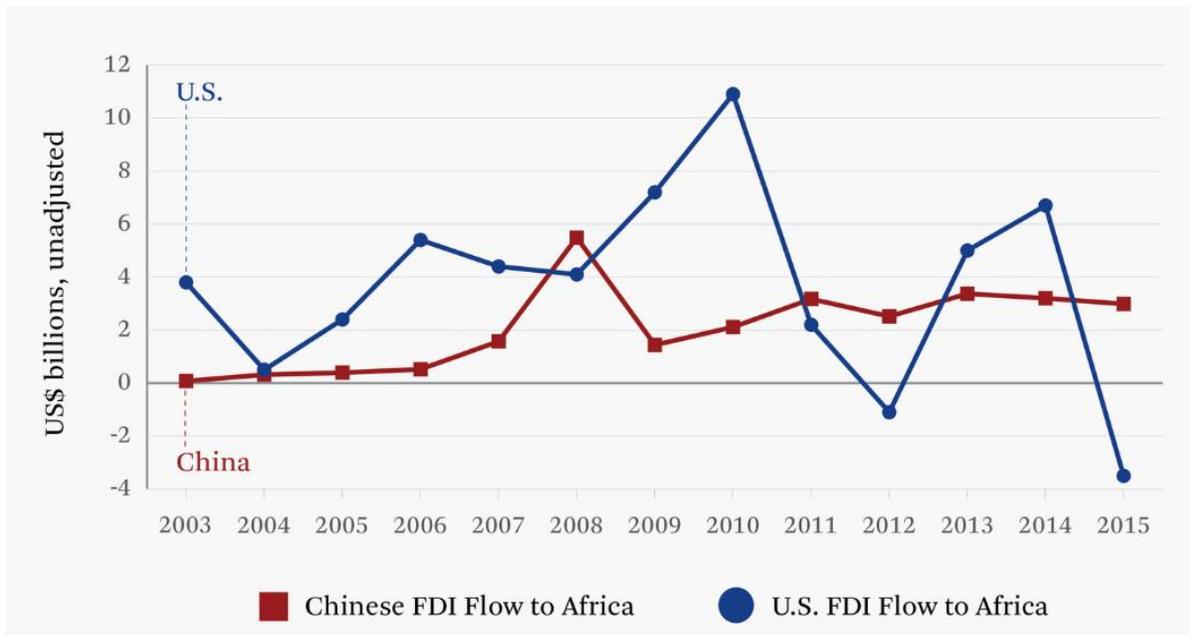


Figure 3: Chinese FDI vs U.S. FDI, flow

(Source: UNCTAD Bilateral FDI Statistics 2017)

CARI notes that the data has been converted from US\$ 10 000 to millions of US\$.

Table 2 is useful, as it shows that Chinese OFDI is on a similar, if not smaller scale to that of the West, which shows that there is yet more reason to question the hype that surrounds China's OFDI.

What does justify the hype is the pace at which Chinese OFDI to Africa has grown, which is rather breath-taking. The MoC states that China held only a US\$56 million stock of direct investment in Africa by 1996; this shot up to US\$1.5bn by 2005 and again multiplied itself by more than 10 to nearly US\$20bn by 2013 (MoC 2014). Another element of surprise is how China's OFDI managed to double itself in 2008 when global FDI outflow was busy nosediving following the 2008 financial crisis. This continues to be surprising even when looked at in parallel to China's upward growth trend in GDP in the recession period, as this shows that China did not reign in on OFDI to maintain

domestic GDP health. Shen (2015) notes that the portion of Chinese OFDI that Africa received more than tripled during this period.

According to labour data as published by CARI (2018), there were 227 407 Chinese workers in Africa by the end of 2016. This number is a slight increase when compared to 2013's number but is lower than both 2015 and 2014. McKinsey (2017) indicate that African workers make up 89% of China's workforce in Africa. Between 2015 and 2016, there was a significant decline in the number of Chinese workers in Africa however, (over 36 000) which indicates an interesting contraction in Chinese contract workers in Africa⁶ (CARI 2018).

The degree to which China's trade relationship with Africa extends to is not beyond many expert expectations, although the capability of maintaining a steady increase over the past 16 years is surprising.

In terms of what this means for China's trade with Africa's more neopatrimonial states, the countries that have historically showed signs of neopatrimonialism are some of China's biggest trade partners in Africa. In particular, Angola, South Africa, Republic of Congo, Equatorial Guinea and Zambia account for around 70 per cent of all Chinese imports from Africa and are the main exporters of the two primary commodities, crude oil and 'commodities not elsewhere specified' (possibly gold), which amount to 58.5% of the China import share (Sandrey, Igbino, Hoeb & Mojafi 2016). Overall, the commodities that have been exported to China have been extracted from beneath the earth's surface, while the remaining 41.5% have (which comprises primarily of logs, oils, seeds and tobacco) were grown on the earth's surface, suffice it to say that there are no manufactured goods in the main export volume to China.

3.7.2 China's Private FDI

According to Shen (2015), no private OFDI project was recorded in Africa in the MoC system prior to 2000. By 2005, the number had climbed to 52 and continued to increase to 1217 by 2013. By the end of 2013, the amount of private sector activity in Africa accounted for 53% of total Chinese OFDI projects in Africa. The above numbers are presented in the graph below on a year-on-year basis.

⁶ CARI (2018) indicate's that this data on Chinese workers in Africa takes into account workers on contracted projects, as well as Chinese workers sent to work in Africa for a non-Chinese company.

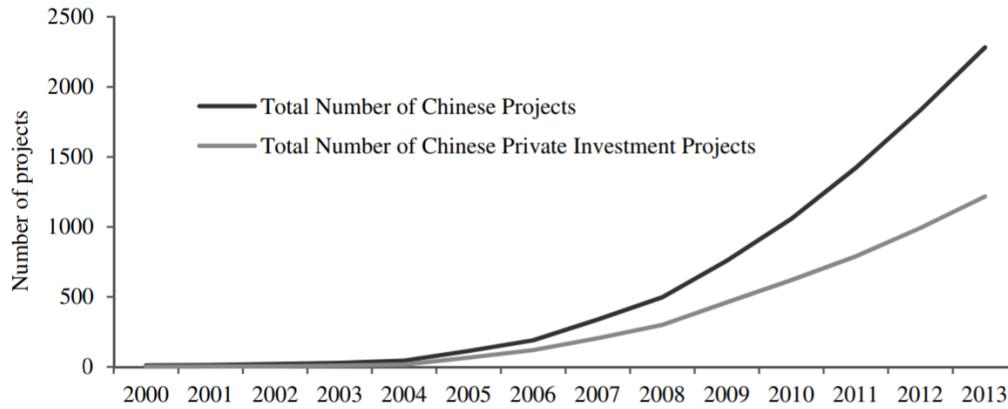


Figure 4: Rising role of private Chinese investment in Africa, 2000-2013

(Shen 2015, p.88)

In terms of sectors, there is a distinctive difference between private and state investments. The latter is overwhelmingly concentrated in construction and mining, whereas the former is consolidated in manufacturing and services.

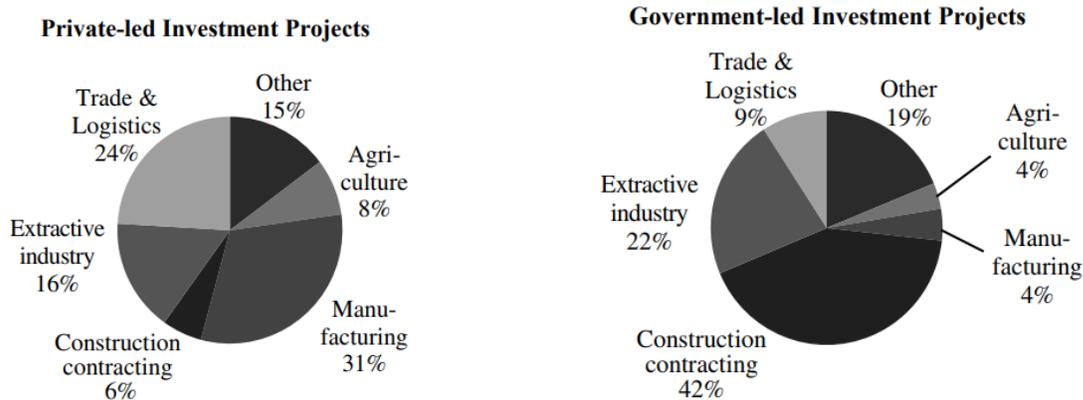


Figure 5: Private-led vs Government-led Investment Projects

(Shen 2015, p.88)

Figure 1 and 2 shows the government-led investment projects and private-led investment projects respectively spread over the sectors of the receiving African countries (trade & logistics, Extractive industry, Construction contracting, Manufacturing, Agriculture and Other).

In looking at this data, this study asks the question, why is it that the private sector has such an undisputed interest in the manufacturing and trade industries of Africa? Shen (2015) suggests that it is because the lion’s share of OFDI from China to Africa comes from firms based in coastal China, where the private sector leads the domestic manufacturing and export industries.

Chapter 4 will delve into the Africa's natural resources, the links that these resources have with neopatrimonialism and what impact this has on a country's exposure to the Resource Curse. Furthermore, this is linked to the role China is playing in this industry.

3.7.3 Africa's Voices: Perceptions of China

China's renewed efforts to align with African states both politically and economically has not been without the help of public diplomacy. China entered contemporary relations with Africa well aware of the importance of promoting a beneficial image of itself in its dealings with Africa. China's efforts to ensure their version of the truth is being covered includes training programmes for African journalists, opinion polls to develop a clearer understanding of Africa's public opinion and educational institutions aimed at familiarising Africans with Chinese culture, language and history.

Despite these measures, there remains scepticism amongst the African public about China's operations in Africa. There is a growing literature in which scholars are not quite so optimistic about China's growing presence in Africa and argue that China should not be seen as an opportunity, but rather a threat. Analysts such as Wilson III (2005), and Draper (2006) point out that trade between African countries and China is very unbalanced, favouring the Chinese exporters and ultimately negatively effecting the African local traders and manufacturers, often to the extent of debilitation and closure. Thus, not only are Chinese imports threatening the local industry, but the resulting job losses have a weakening effect on the labour markets.

The labour market is further affected the imported Chinese labour for the various Chinese-funded infrastructural projects, and several manufacturing projects to boot (Alden, 2005). Per Shinn & Eisenman (2005), "Chinese firms have been known to submit bids below cost in an effort to break into the market and are aggressive to the point of alienating domestic competitors" (Shinn & Eisenman 2005. p.7).

At a policy level, some analysts have argued that China's involvement in Africa is primarily self-serving, and that the African-policies have a contradictory rhetoric, initially illustrated by China's re-invigorated interest in Africa after its honeymoon period with the Northern countries during the 1980's came to an end (Bbaala, 2015).

The following five points that summarise the leading examples of causes for anti-Chinese sentiments in Africa.

- Unfair labour policies by Chinese companies – low working wages; long working hours; and hazardous working environments (Bbaaba 2015).
- In the same vein, China are also accused of importing labour instead of using local African workers, but the academic perceptions in research such as Lee (2015) argues that Chinese contractors hire the majority of their company's workforce, 85-95% to be exact, locally. However, Lee (2015) points out that this results in a "coloured glass ceiling" in that expatriates dominate senior management which leaves little room for low-skilled African workers to progress into more skilled managerial positions and in doing so, overcome poverty. Lee (2015) also highlights that there is a disproportionate wielding of power that is concentrated at the top of the corporate ladder.
- Market capture – Chinese companies offer low-cost consumer products that threaten local African manufacturing and trade, which ultimately lead to factory closures.
- China's use of neopatrimonial models in African states such as bribes, loans and construction projects to get lucrative contracts, manoeuvre around strict working permit regulations and direct attention away from irregular business activities such as labour regulation breaches.
- In the same vein, there is growing concern that China's activities are reinforcing neopatrimonial states and practices. In other words, China's approach is undercutting efforts by the AU, the New Partnership for Africa's Development (NEPAD), the West and other institutions to make government and business in Africa more transparent and accountable.

However, scholars such as Hanusch (2012), provide empirical evidence to demonstrate that the negative China-Africa rhetoric that emanates from a segment of the literature as viewed above is not echoed by all Africans. Rather, Hanusch (2012) suggests that the Africans have an overall positive outlook on the Chinese in Africa. McKinsey (2017) also note that their surveys on what the public perception amongst the Africans were towards the Chinese turned out to be more positive. Major reasons for more positive public perceptions of China include:

- Low-cost financing: Chinese firms are significantly more affordable than other options. In a typical bidding situation, the lowest and best prices will always be from several Chinese firms (McKinsey 2017).

- Investments in infrastructure: Cost effective, administrative efficiency and speedy delivery are all benefits that African government officials have noted as key factors for how the Chinese engage in their infrastructure investments (McKinsey 2017).
- Chinese firms provide locals with jobs and skills: 89% of Chinese employees in Africa, are African (McKinsey 2017).
- Market modernisation: Chinese firms are helping transfer new products, technologies and knowledge to African markets, continuously innovating. Nearly half of the Chinese firms that McKinsey (2017) surveyed had introduced a new product or service to the local market. In some cases, prices have been lowered, and in some other cases technology has improved. This is not always the case, but in some cases, both has happened (McKinsey 2017).

There is clear evidence that Africa's outlook on China will never be unanimous, which is completely understandable, given that the Chinese operate in Africa under many different pretences and that Africa is the second most populous continent with weak regulatory institutions. However, the opportunistic, often corrupt sense of African agency that surrounds Africa's version of neopatrimonial, economic and political practices is one of the consequences of having weak regulatory frameworks. In light of this, there are many shared perceptions among Africans that the Chinese are easier targets for tips and bribes than other foreigners. As one African official in charge of major government tenders told McKinsey (2017), "It's not that the Chinese pay bribes and others don't. It's just that it's a lot easier to get them to pay."

3.8 Chapter Summary

This chapter attempts to highlight how the backbone of the Sino-African relationship has been built on historical-political dynamics that focus on mutual benefits. In addition, Sino-African relations are continuing to evolve into an economically driven, bilateral relationship, which this chapter accords to four main factors: 1) the rise of global trade and the links being created by the Chinese with African states; 2) the increasing need for China to externalise its work opportunities, pushing employees to venture for work outside the motherland; 3) the increasing need for the Chinese to secure further oil supply to international markets, or ideally, to gain access to oil equity; 4) the allure of undeveloped African markets. Other commercial market drivers such as energy security, international competitiveness, profits and diversification are drawing the Chinese increasingly to Africa.

China's pursuit of finding an equilibrium between its patrimonial tendencies and a legal-rational bureaucracy in its domestic political regime resembles that of a 'hybrid-state' that forms the basis for neopatrimonialism. This gives them the tools to be able to engage with similar models in the more neopatrimonial states of Africa, such as this study's case study - Uganda. This familiarity with patrimonialism, which extends from the state down to the cultural patterns of business is but another rhizome in China's flexigemony approach to engaging with Africa.

However, the data collected by McKinsey (2017) states that the Chinese agents in Africa regard corruption as the primary barrier for operating more effectively in Africa. Firstly, this suggests that although China are able to acknowledge and participate in Africa's neopatrimonial models, there may be growing resistance towards doing so. Secondly, it suggests that Africa ought to rethink how it regulates its extraction of rents from the Chinese.

China's willingness and ability to provide generous FDI deals is analysed through the lens of FOCAC. *FOCAC: China's Generous Gestures* focuses on the various extents to which China are willing to go to in order to secure the trust and access to African markets. Examples are, tariff-free exports to China for African markets; subsidised access to China's markets for African goods; tourism promotion; debt alleviation; concessional loans; credit-lines; and funding for the AU as well as new headquarters.

Other roots of this rhizome-like approach are, the prioritisation of economic outcomes over political or security concerns; the use of existing institutions and social structures; the disregard for military force to secure anything on the continent; the prioritisation of high-profile political visits to instil trust and diplomatic publicity.

The various challenges that face Chinese NOCs such as Sinopec, CNOOC and CNPC are giving the state further impetus to setup bilateral agreements with African states that can to a certain extent ring-fence public and private investment projects from market and political risks. Another key element to the narrative of Chinese business in Africa is the close proximity to which the Chinese private sector is able to work with the Chinese state. This brings into perspective the Chinese state's willingness and capability to subsidise business operations in Africa through diplomatic, financial and organisational support. A key mechanism for this support is FOCAC, as it provides a portal for Chinese diplomats and business actors alike to meet with African state equals as well as to commit to aid and loan agreements along with other infrastructure initiatives.

According to the trade data, China's ascent to being Africa's largest trade partner has been swift and successful. China has produced impressive local employment rates of late, although this has taken time to mature into an acceptable number – being 89% as of 2017 (McKinsey 2017).

There are concerns over the negative impacts of the Chinese in Africa, with questions arising of just how generous China's FDI is after all. Such implications include market capture; the inaccessibility to managerial positions for Africans; labour regulation abuses; and an approach that acknowledges neopatrimonialism, which some argue perpetuates corruption.

The more positive outlooks on Africa hold similar weight, if not more according to some literature. Examples of pro-Chinese sentiments include market modernisation; low-cost financing; investments in infrastructure; jobs and skills. Furthermore, the lack of political requirements for China's engagement with Africa appeals to African elites, who are often the primary patrons, but this generally results in little gains for the ordinary populations and democratic societies in Africa (Shinn & Eisenman 2005). Bbaala (2015) argues that these African governments welcome China into their country since it provides them with a new source of regime security.

Furthermore, there is a growing concern over the notion that China's flexigemony approach to states that are neopatrimonialist, is undermining the efforts made by entities such as the AU, NEPAD and Western partners to develop more transparent and accountable business and governance practices.

Chapter 4: An oil fuelled scramble for Africa?

4.1 Overview

Chapter 4 is divided into two parts. Part 1 describes the context of the global oil outlook for Africa's oil bounty, with specific focus on how Africa is fast becoming the next frontier in natural resource extraction. Part 2 focuses on how China is carving out market share in Africa's energy industry by making use of its flexigemonic approach to dealing with Africa's socio-political and economic informality. Finally, an introduction to Uganda's newly found oil fields attempts to provide a living case-in-point for both Parts 1 and 2, and serves as a prelude to the case study of Uganda in Chapter 5.

This chapter is relevant as it attempts to highlight how an increasing amount of the world's fossil fuels are coming from Africa, in part due to market drivers such as peak oil theory and EROI. It points out Africa's markets as stabilising and becoming more attractive to foreign oil interests. This chapter highlights too how the premise of the 'Africa rising' narrative is bolstered by the intensification of resource extraction in different African states, particularly in relation to the potential for the economic development in which these resource rents may result (The Economist 2011). The growing importance of Africa's natural resources to the world's energy portfolio is being realised by almost all, ranging from the African states themselves, foreign oil interests as well as big oil consumers such as the US and China. The chapter further attempts to show an interesting symbiosis in Africa, where diplomatic relations are being setup between African governments and foreign states, with the motive of lobbying for their respective foreign oil interests to enter Africa and secure access to energy supplies. Meanwhile, African states are attempting to adopt policies that are as developmentalist and resource nationalistic as possible, while also ensuring that there is enough opportunity for foreign oil interests to enter the market and bring much-needed skills and capital. However, this chapter also highlights that there is no guarantee that resource rents will maintain their profitability in the long run, which works against African states' efforts to attract foreign oil interest.

To better understand the new 'Scramble for Africa', this chapter aims to further explore what oil repositories exist in Africa. This will be achieved by attempting to lay out a brief understanding of the exploration for oil thus far, and who the major role players are in the industry. It focuses primarily on Chinese actors to inform the discussion of the Sino-Africa relations, and whether African states

have enough agency to indigenise the industry. A wider context is provided as examining oil in isolation would remove the study from synergies that may be occurring between transitional fossil fuels and renewables. These have their own impact on the dynamics of the oil industry. Price volatility has become a common characteristic of the world energy markets today, bringing the discussion of peak oil onto the table. The literature the surrounds peak oil theory has a strong understanding that the idea that the world is about to run out of oil is fundamentally flawed. The obscurity in the data does not help crystallise this argument, but what the bulk of the literature does agree upon is that the conventional oil we use, i.e. cheap oil, is running out. This suggests that the world will turn to previously disregarded oil fields to come online, as this is where the security of supply will be sourced.

The chapter focuses on exploring Africa's natural oil resource, with particular emphasis on the resources that are yet to be extracted. The chapter works through the narrative of the resource curse epidemic in Africa, explaining how the misuse of funds and the sole focus on developing oil industries is doing more harm than good. This leads the chapter on to discuss how oil rents have been able to fuel neopatrimonial politics in certain African countries like Angola, Nigeria and Gabon.

Part 2 looks at the narrative of China, and with specific focus on discussing China's flexigemony approach to engaging with Africa petro-states, and how successful it has been by looking at what their energy footprint in Africa is.

This chapter addresses the following research questions:

- What natural resources do Africa have, and in particular, what oil resources are yet to be extracted?
- What is China's energy footprint in Africa?
- More specifically, what is the current state of play in the Albertine Graben, Uganda, and to what extent are foreign oil companies involved?

Part 1: Africa's Oil Industry

4.2 Global Oil Profile

This section of Chapter 4 summarises the major developments and dynamics of oil and gas markets, reserves and explorations, providing the context for Africa's oil bounty and its rising importance in the world oil arena.

At the end of 1996, the proven global crude oil reserves⁷ were estimated to be 1148.8 barrels of oil (BBo), and by 2006, the estimated amount increased to 1388.3 BBo (British Petroleum, 2007). BP Global revised this statistic in 2017 to 1707 BBo, which means that at 2016's oil consumption rates, which was 1.6 million barrels per day (mmbd), our reserves would sufficiently meet the global oil production needs for 50,6 years (British Petroleum, 2017).

A report done by the African Development Bank (2009) attributed the increase in oil and gas reserves to two main factors: the promise of rising oil prices and technological progress. Firstly, the fluctuating oil and gas prices, which has been a result from the upward trend in demand, has made for an attractive and competitive environment for exploration and extraction. Secondly, the progress made in the extractive industries' technological innovations front has furthered the economic attractions of oil and gas mining, especially on sites that were previously regarded as marginal and infra-marginal oil fields (African Development Bank, 2009).

However, Murphy & Hall (2014) lend belief to the fact that comparing production data from fields around the world is more complicated in practice than it sounds in theory. Which is to say, the benign belief that the world oil reserves are currently and drastically increasing is naive. This is largely to do with the entities belonging to OPEC (the IOC's, MNC's and NOC's and States) that produce over half the world's oil and possess nearly 90% of the world's oil reserves. The difficulty lies in OPEC's policy regulatory production quotas, adjusted in the 1980's to state that OPEC members could only produce oil in proportion to their reserves – i.e. countries with larger reserves could produce and sell more oil. The debt and high expenditure of numerous OPEC countries at the time incentivised each country to sell more oil and therefore each claimed to have higher reserves. During

⁷ Conventional crude oil reserves include all crude oil that it is technically possible to produce from reservoirs through a well bore, using primary, secondary, improved, enhanced, or tertiary methods. This does not include liquids extracted from mined solids or gases. For further elaboration on reserve categories and terminology, also see Whateley and Harvey (1994).

this period, reserve estimates increased by 300 BBo and many analysts still doubt the validity of these increases as there were no new major discoveries reported.

4.2.1 Market Drivers

The oil and gas market-structure has undergone radical, but fundamental changes since the 1970's. The NOCs that were in control of the industry in the period prior to 1973, worked hard to ensure that the prices exhibited long-term stability, which they did by managing the market supply of oil and gas to avoid excess supply or shortages. However, the first of a series of adjustments was in 1973, when oil property rights were transferred from the MOC's to the OPEC oil-producing countries. The second was the oil price increases of the 1970s, after 1973, coupled with extremely high taxes on oil in the major OECD consuming countries, helped trigger demand and supply responses that eventually produced the first major market slump in the 1980s (Obstfeld et al., 2016). In recent years, several factors have led to the contemporary oil market, characterised by volatile and high prices for crude oil and gas products.

Per the African Development Bank (2009), these factors include:

- Rise in demand in emerging economies, especially from China and India;
- Decline in global investment interests in the industry
- Lack of expansion in refinery capacity
- Lack of a dominant actor in the market to manage excess supply and demand;
- Commoditisation of global oil reserves (an example is through NYMEX⁸)

(African Development Bank & The African Union 2009).

The NRG I (2017) identified three main drivers as longer-term market influencers: production from OPEC countries; the build up and decline of resource inventories in major consuming countries (especially the United States); and the environmental policy aimed at reducing carbon emissions in the quest to mitigate global warming. Sustained energy price shocks, as witnessed in recent years, constitute a major constraint on economic growth. Since oil and gas are likely to remain the dominant energy fuels, recent developments in these markets have far reaching implications for

⁸ The New York Mercantile Exchange is a commodity futures exchange group owned by CME Group of Chicago who are buying up a lot of the commodities in Africa. (African Development Bank & African Union 2018) .

achieving universal, affordable, commercial energy access in net oil-importing, developing countries. Undoubtedly, for the 620 million Africans who are energy poor⁹ (IEA, 2014), the current oil and gas market dynamics complicates the attempts to achieve universal and affordable access to commercial energy. These complications have a motivating factor for developing countries to devise a strategy to secure their own energy supplies, to be able to offer fuel and electricity at cheaper prices, while also stabilising the geopolitics of relying on neighbours for energy imports. In the case of Uganda, this is highly relevant as will be discussed in Chapter 5.

4.2.2 Peak Oil Theory

The concept of ‘peak oil’ was first raised by M. King Hubbert in 1956 (Hall & Murphy, 2011), in his work that aggregated the production curves of individual profiles into a singular production pattern over time, essentially depicting the world’s oil production in one oil field. Hubbert suggested that the curve of the production profile resembled a bell-shaped curve (commonly in units of barrels per year on the *y-axis* and the time in years on the *x-axis*).

This study draws on the work of Murphy and Hall (2011) who refers to “peak oil” as a time period that can be anything from one to several years, where the global oil production reaches its maximum output and begins to decline. Murphy and Hall (2011) suggests that in relation to economic growth, the concept of peak oil is the point at which the world will have to be ready to transition from an “expansionist industrial era” (Hall & Murphy, 2011, p. 57), characterised by an expanding thirst for oil, to an era defined by decreased reliance on oil products and a declining use of all things oil (Hall & Murphy, 2011). This poses a major problem for economies that rely on oil supplies, as it suggests that oil supplies cannot increase with economic expansion in the long term.

Murphy and Hall acknowledge that there are three key conditions that are currently indicative of the start of the peak oil era: firstly, oil discoveries are being outpaced by production¹⁰ - if current trends continue, by year 2030 the world’s oil consumption to discovery ratio will be between 2.6 and 3.3 bbl. for every barrel of oil found (Hall & Murphy 2011); secondly, during the period of 2004-2008, oil production levelled off even while the price of oil increased from \$30 to \$142/bbl.

¹⁰ Although, an article by Michael Lynch, a petroleum economist for Forbes, suggests that oil reserves are increasing in volumes more so he says that in the first decade after oil fields are found, the estimated amount in the discovery is generally 50-200% more than the initial discovery announcement – often due to conservative initial numbers, new investments and technical advancements.

(Murphy & Hall 2011). The basics of supply and demand theory suggests that supply should increase given an increase in price; yet oil supplies remained flat. Murphy and Hall (2011) also look to OPEC's spare capacity estimates for the same period, which decreased from around 6 mbpd in 2002 to less than 2 mbpd in 2008 – here Murphy and Hall (2011) suggest that any increases in production during this period were attributable to the drawdown of OPEC's spare capacity rather than new production units coming online. Lastly, Murphy and Hall argue that most easy-to-find and easy-to-produce oil has already been found and produced (Murphy and Hall 2011). They suggest here that global oil discoveries peaked in 1960 and have declined ever since, with new discoveries being located in areas that are increasingly more expensive to operate in, being both more challenging socially, geologically and geographically – such as deep, in-land oil finds and deep offshore areas.

However, Ian Chapman (2014) provides an overview of what he calls “those who believe in a late (or no) peak – the late-peak advocates” (Chapman, 2014, p. 95). According to Chapman (2014), a few late-peak advocates include Cambridge Energy Research Associates (CERA), the International Energy Agency (IEA), BP, Shell and the Energy Information Administration (EIA). Their common perspective is that there would not be Peak Oil due to a shortage of supply, as higher oil prices will fuel the use of “enhanced oil recovery technologies to increase production of conventional resources” (EIA 2010, p.23). Much of the literature that stems from late-peak advocates acknowledge that there may well be a Peak Oil era, but they argue that it will not be caused by supply issues, but rather by demand fluctuations – whether it be a reduction in energy demand driven by recession or slow growth, or more notably, a shift in demand in favour of non-fossil fuel alternatives (Chapman 2014).

However, considering that a 3% shortfall in oil output led to the 1970's oil crises, it can be seen that even a relatively small shortfall can lead to catastrophic price fluctuations, as Benes, Chauvet, Kamenik, Kumhof, Laxton, Mursula & Selody (2012) suggest that any form of shortfall could lead to a “near doubling, permanently, of real oil prices over the coming decade” (Benes et al., 2012, p.17).

According to Maugeri (2012), a late-peak advocate, price mechanisms will be useful in stimulating supply, especially when greater exploration and exploitation of expensive oil operations becomes necessary to match demand (Maugeri 2012). An increased market price thereby makes for an economically viable environment for alternative sources to achieve strong growth and investment. Tyerberg (2012) is quick to note that this statement does not consider the impact of rising oil prices

on the wider economy. He highlights that oil is a well embedded commodity in everyday operations such as transport and is critical to many chemical constituents. In this vein, Tyerberg (2012) argues that any large price rise will rather choke economic growth completely, as opposed to igniting encouragement for investment in new technologies (Tyerberg 2012).

It has become apparent that, due to financial slowdowns, combined with the hype over oil shale and the resulting fall in oil prices, as well as the need to address pressing problems that relate to poor growth and debt, dealing with long-term energy questions has taken a back seat (Chapman 2014). Chapman (2014) continues to say that ignoring the link between financial and energy markets has the potential to trigger major geopolitical incidents (Chapman 2014).

In conclusion, there are arguments that favour Peak Oil theory, there are some that dispute it, and there are others that see it as irrelevant, but the evidence is that conventional and therefore cheap oil production has peaked, which suggest that there are imminent price rises on the horizon. According to Chapman (2014) and Tyerberg (2012), this is unlikely to benignly encourage a shift towards alternative fuels, which suggest that the more complicated oil operations are going to have to come online, such as in the Chapter 5 case study – the inland oil in the Albertine region basin. Complex oil fields often require time to setup the necessary infrastructure needed to extract and produce the oil. This study sees the current drop in oil price as a window in which countries can take time to attract and negotiate deals with the relevant national and international oil companies, as well as begin the construction of the necessary logistical infrastructure.

Net Energy and Energy Return on Energy Invested (EROI): Complicated Extraction

It is imperative to now recognise that it is not only the quantity of oil that is limiting, but the net energy and hence monetary cost as well. Net energy is understood as the amount of energy that is remaining after the energy costs of finding, developing and producing that energy are subtracted. Current economic models rely on an ability to get and concentrate energy for a reasonable energy and monetary cost. Therefore, the economy does not gain any net energy if as much energy extracting a resource is used as garnered from producing it. The fundamental understanding here is that net energy is the measurement of useful energy for society. Limiting the supply will constrict economic growth, while expanding it will aid economic growth.

A large amount of literature that relates to net energy has been published using a statistic called energy return on investment (EROI). According to Hall and Murphy (2011), its calculation looks as follows:

Net Energy = Gross Energy Produced – Energy Invested to get that energy

(Hall & Murphy, 2011)

The trends in the literature of EROI show that global oil production is leading itself towards lower EROIs. Gagnon, Hall & Brinker (2009) report that EROI declined from 36:1 in the 1990's to 18:1 in 2008. Furthermore, Court (2012) says that the maximum EROI of global oil was reached in the 1930s at 50:1. This trend therefore suggests that as oil gets harder to extract, more energy is required to perform the extraction, which chapter 4 and 5 will discuss is the case of the oil extraction.

4.3 Africa's Oil Bounty

The section above, on the global oil contexts, is important as it has highlighted the various market drivers such as potential resource limitations and rising oil prices which are delivering many of the world's most competitive oil firms to the doorstep of Africa. This section thus attempts to outline the data and trends of Africa's natural resources and place these within the context of global trends and statistics. This is to provide an overview of the market drivers that are resulting in firstly, the 'scramble for Africa' narrative and secondly, the 'Africa rising' narrative. This section essentially states that there has been an intensification of resource discoveries and extraction in Africa over the past 20 years which, when looked at in the context of peak oil and declining discoveries elsewhere, does make sense. Andrews & Nwapi (2018) argue that the growing proven natural resource reserves and their mounting importance for the global oil portfolios are two big reasons for why the developmental state in Africa is gaining prominence in theoretical and policy-relevant debates. Which is to say, African states have therefore realised that they need to capitalise on this competitive advantage to ensure they accrue some economic gains from the global scramble for these resources.

Africa has been endowed with a vast quantity of both fossil fuels and renewable energy resources. Furthermore, it has been at the epicentre of frequent and substantial new oil and gas findings: the last 20 years has grown Africa's oil reserves by over 25 percent, and natural gas over 100 percent (African Development Bank 2009). As of 2016, Africa's oil production amounted to 9.1% of global output, while the proven oil reserves of the global total is estimated to be at around 7.6% (African Development Bank, 2009). Despite this, eight and nine of the top 20 discoveries in 2015 and 2016 respectively, were in Africa – although, PWC does note that the worldwide average hydrocarbon (oil or gas) discovery sizes have been on the decline (PWC, 2016).

4.3.1 Oil & Gas Reserves

Reserves are defined as the known and estimated quantity in units of oil or gas that can be produced. As outlined in the introduction to Chapter 4, there are proven, probable, and possible reserves. The level of certainty in knowing the quantities defines the category of reserves. It should be noted that a reserve estimate is dynamic and dependant on the current available technology, economic conditions (for instance, the price of selling oil versus the costs of extracting it), the EROI, location and political stability (especially in the African context of political environments).

The knowledge of Africa's proven oil reserves is well documented, so too is the growth of these reserves. Between 1980 and 2017, the proven oil reserves grew 150%, from 53.3 BBo to 129.1 BBo – which is only 7.6% of the world's proven reserves (PWC 2016). The largest reserves are found in Libya and Nigeria, who are sitting on 2.8% and 2.2% respectively of Africa's 7.5% share of the world's total proven oil reserves (British Petroleum, 2017).

As the world looks to natural gas as an intermediate energy source, global gas reserves have trended upwards, and for the most part, so too has Africa's. As of December 31, 2016, Africa's natural gas reserves, as reported in the BP Statistical Review of World Energy, were estimated at 14.3 Tcm, an increase from 1996's 10.4 Tcm. To put this in perspective, the amount of 14.3 Tcm in 2016 was a 7,6% share of the total global gas reserves. Although, when looking at the distribution of reserves by the end of 2016, Russia, Iran and Qatar have a combined account of 48,3% of global natural gas reserves (BP 2017). The reserves in the rest of the world are then fairly evenly distributed on a regional basis, as seen in the following:

At a regional consumption and production level, the IEA are quoted saying that, “energy resources in Sub-Saharan Africa are more than sufficient to meet regional needs, both now and into the foreseeable future. This holds true across the range of energy resources, with remaining recoverable resources of oil sufficient for around 100 years at the current level of production, coal for more than 400 years and gas for more than 600 years (IEA, 2014, p. 87).”

Examples of the largest oil/natural gas findings in Africa are listed below. These oil findings have been at the epicentre of rampant Resource Curse outbreaks in Africa.

The Niger Delta: 60 BBo (Recoverable)

This delta has been a long-standing source of oil and gas production in Africa, with much of the basin lying in Nigerian waters, producing high quality sweet crude from a vast amount of small deposits in a concentrated area. The US Geological Survey ranked the Niger Delta the 12th richest

basin in undiscovered petroleum resources (30 BBo) and 60 billion barrels of total remaining recoverable oil resources.

West African Transform Margin: 9 BBo (Recoverable)

Oil exploration in the Jubilee field in Ghana in 2007 has given rise to expectations of more to come in this relatively unexplored basin. The technical discoveries in Liberia, Sierra Leone and Cote d'Ivoire has doubled the area that is has been demarcated for oil exploration and extraction licensing, and now stretches from Mauritania through to the Niger Delta (Obeng-Odoom, 2016).

West Coast Pre-Salt: 15 BBoE (Natural Gas equivalent)

Gabon, Congo and Angola share discoveries below salt layers that belong to pre-salt systems that exist in West Africa. The volumes that have been discovered have been mainly natural gas. Pre-salt prospects have been signalled in Cameroon, Equatorial Guinea and Namibia as well (EIA 2014). The lead operator of the various oil and gas wells are ExxonMobil, BP and ChevronTexaco, all respectively taking lead on different blocks.

4.3.2 Industry Players: Domestic & International Oil Companies

KPMG (2015) listed six, local parastatal/NOC's whom they suggest are pulling the biggest profits from Africa's oil extraction industry. They are:

Sonatrach

An Algerian national oil company that was established in 1963 and employed 120,000 individuals, as of 2010. KPMG (2015) state that Sonatrach is the 11th largest consortium in the world, and in 2012 achieved \$76.1 billion, a third of Algeria's GNP.

Sonangol Group

Established in 1976 The Sonangol Group is primarily an Angolan oil and gas parastatal, but the group consists of Sonangol EP and all its subsidiaries. The Sonangol group is the second largest oil producer as the Oil and Gas Journal announced that Angola had 9.5 BBo in 2012. Sonangol has been at the centre of creating Angola's financial strategy for the use of its resource rents, often being labelled as the critical mechanism in Angola's misuse of funds.

Nigerian National Petroleum Corporation (NNPC)

In January of 2017, Nigeria's NOC disclosed that its output had risen to 2.1 million Bbl's. Established in 1977, NNPC has its headquarters in Abuja and is managed by the Nigerian

Government. It is widely known that NNPC is used to channel resource rents into the necessary political pockets or to prop up deals that attract FDI.

Sasol Limited

Sasol Limited is a South African energy and chemical company, based in Johannesburg. Although South Africa does not have a vast amount of oil reserves, Sasol operates in oil exploration, extraction and production in all six continents and at present day, employs 34,000 people.

The National Oil Corporation (The NOC)

Libya's SOE is The NOC, founded in 1970 with its headquarters in Tripoli and produces crude oil, natural gas and petrochemicals. Along with its subsidiaries, The NOC controls roughly 70% of its country's oil output, which subsequently equates to 95% of the country's export earnings (KPMG 2014). The Oil and Gas Journal's estimates Libya's proven oil reserves was 46.42 BBo in 2010, which is the greatest oil reserve on the continent, despite Nigeria's production remaining higher.

Sudan National Petroleum Corporation (Sudapet)

Sudapet is Sudan's NOC, and was founded in 1997. The company is owned outright by the Sudanese Ministry for Energy and Mining, but it no longer participates in oil mining, now rather overseeing the Sudanese Government's profits from concessions to foreign operators.

Other big African oil companies include: The Arabian Gulf Oil Company (Agaco), a past subsidiary of the NOC; The National Petroleum Company of the Congo (SNPC); Vegas Oil and Gas based in Egypt; Enterprise Tunisienne d'Activites Petroliere (ETAP) operating out Tunisia; and Petro Gabon.

The amount of influence that African states clearly have on their respective oil firms shows that Africa's oil fields are clearly still hot property amongst domestic governments and are a key source of revenue and employment to their appropriate countries. There have been many cases in Africa where the patrimonial as well as the more recent neopatrimonial political regimes are the primary drivers of a country's interest in extracting their respective oil repositories. In the case of Angola for example, Sonangol has been reported to be part of the presidency's 'shadow' government that runs in parallel to its formal, fragile government. Sonangol has been said to be the chief economic motor of Angola. To a certain extent, Sonangol is the vehicle that plays a central role in formulating and implementing the financial strategy for the resource rents acquired from extracting Angola's large oil and gas reserves. Furthermore, Sonangol feeds the vast patronage

machine with oil revenues. Throughout the Angolan war, the SOE has operated effectively, growing steadily and supporting the government in its war efforts. It has now become a key role player in Angola's Sovereign Wealth Fund. Since 2009, Angola lost \$6 billion through illicit financial flows or capital flight (Global Witness 2001).

In parallel to the continued exploration for new oil and the distribution of extraction licences, these state-led, domestic oil entities must foster wise partnerships to ensure that foreign investment continues, production techniques continue to improve, and environmental standards are met. The potential that these SOE's and NOC's have for African agency in the oil sector can be significantly far-reaching and can help grow the oil sector to become a strong and long-term proponent of Africa's economic growth.

International Oil Companies in Africa

IOC	Nationality	Countries Involved
Exxon Mobil	United States	Algeria; Angola; Cameroon; Chad; Egypt; Equatorial Guinea; Ethiopia; Ghana; Ivory Coast; Kenya; Mauritius; Morocco; Mozambique; Nigeria; Republic of Congo; Sao Tome and Principe; Senegal; South Africa; Tunisia; Zambia; and Zimbabwe
ENI	Italy	Algeria; Angola; Republic of Congo; Egypt; Gabon; Ghana; Kenya; Liberia; Libya; Mozambique; Nigeria; and Tunisia
Royal Dutch Shell	Netherlands	Algeria; Benin; Republic of Congo; Egypt; Equatorial Guinea; Gabon; Ghana; Kenya; Liberia; Libya; Morocco; Mozambique; Nigeria; Tunisia
Total	France	Botswana; Cameroon; Gabon; Gambia; Lesotho; Namibia; republic of Congo; South Africa
Sinopec	China	Angola; Cameroon; Djibouti; Egypt; Sao Tome and Principe; Ethiopia; Gabon; Ghana; Nigeria
British Petroleum	UK	Algeria; Angola; Egypt; Mozambique; South Africa; Zimbabwe

Chevron	United States	Angola; Botswana; Nigeria; Republic of Congo; South Africa
Petronas	Malaysia	Cameroon; Mauritania; South Africa
Statoil	Norway	Mozambique; South Africa
ELF	France	Cameroon
Perenco	UK	Republic of Congo
Rosnelt	Russia	Mozambique
Anadarko	United States	Mozambique
CNPC	China	Sudan
ZPEP	China	Ethiopia
Savannah Petroleum	UK	Niger
CNODC	China	Nigeria

Figure 6: International Oil Companies in Africa

Table 3 has attempted to show that there is a great deal of foreign activity in Africa's oil industry, and that it appears to be conclusive that a concentrated effort by indigenous oil entities to participate competitively in the continent's oil industry is required. It must be noted that ownership claims on resources by African states have remained undiminished, so African states are still very able to assert who has access to their oil. They do not, however, control the industry at the level of exploration, extraction and production, which primarily resides externally, in the hands of the major IOC's: Shell, Chevron Texaco, Exxon Mobil, Total, Eni, CNOOC, Sinotech and CNPC (Onuoha, 2016). Onuoha (2016) continues by claiming that after over five decades of resource extraction, Africa has failed in creating the foundations for an oil industry that serves its indigenous participation. Instead, IOC's and foreign diplomatic interests have ensured that Africa's extractive industry remains heavily reliant on the global oil markets and the interests of

transnational petro-elite. Furthermore, he () argues that this scenario is “expressed in a specific kind of politics that gives leverage to oil MNCs over the state and state ownership of oil. This accounts for the high premium placed on the capture of state power as the ultimate price of the contestations between competing factions of the ruling petro-elite, while huge oil revenues reinforce the repressive capacity and impunity of the state in ways that undermine the democratisation of African societies” (Onuoha, 2016, p. 283).

4.3.3 Africa’s refining industry

The primary duty of an oil refinery is to convert crude oil into fuel products, lubricating oils, chemical feedstocks, bitumen and other oil products. The first refineries to be built in Africa were in 1954, in Algiers and Durban by CFP/Total and Socony/Mobil respectively (African Development Bank 2009). As of 2015, there are a total of 58 oil refineries in Africa: 35 in Sub-Saharan Africa and 23 in five North African countries. The viability of oil refining in Africa is known to be precarious due to low worldwide refining margins, small local markets, tightening product specifications and high operating costs. This has resulted in 15 refinery closures since 1966.

There are many risk factors that make it difficult to build and maintain refineries, with commercial risk being highest as large amounts of capital are needed for long periods, in which delays must be kept to a minimum. A new refinery being built must aim to beat the cheapest refinery economics to maintain profitability, which ultimately proves difficult as plants in the USA and the Middle East are newer, more efficient and operate at larger scales.

In practice, many refineries in Africa remain reliant on various forms of government support, including the attraction of foreign investment and tariff barriers. However, the abundance of other infrastructure projects in Africa, such as: energy projects, telecoms, water infrastructure, transport delivery, health care and schools all compete with the refining industry for private and government funding or support.

The role of government has historically been to focus on two major facets of the oil industry. Firstly, they are expected to be a major project shareholder in oil refining projects, and secondly, to create an enabling environment for oil refining which is most effectively executed through policy intervention. According to policies that have attracted refining investors in the past include:

- Use of international market prices for crude oil and products,

- Clear policies on timing investment, and pricing of cleaner fuels
- Guarantees on prompt payment of fuel subsidies (if any)
- No unpredictable government behaviour.

Despite these complications, there has been a flurry of new oil project announcements since 2005, most which have been for new refineries. The Chinese-built refineries in Algeria, Chad and Niger have until recently been the only commissioned refineries in the region thus far, and the most recent addition has been the Albertine Graben Refinery, which is to be built by a multi-country consortium (Yaatra Ventures which country, Intracontinents Asset Holdings which country and Italy's Saipem). This scenario is further investigated through a case study approach on Uganda's oil in Chapter 5.

Uganda is looking to be able to domestically refine the oil that is extracted from the Albertine Graben. This is a bold move by the Ugandan government, and when asked about it, President Museveni responded by saying, "...there has been sleeping in the West, they don't care about what potential is in Africa. Africa is going to be a huge powerhouse in terms of business" (President Yoweri Museveni in Biruabarema 2018).

4.4 Africa's dependence on FDI for Oil

As seen, the turn of the century has brought to the surface critical energy repositories in certain parts of West, East and Central Africa, and as the end of cheap oil approaches, these will become strategic energy supply sources to the global oil markets. Combined with the trends of rising oil demands, especially from Asia – China and India predominantly – this has set off a scramble for investment prospects all over the continent. These conditions have not only attracted the familiar economic powers from the West and Europe, but also the afore mentioned Asian economic powers, who are synonymous with offering attractive oil deals and aid packages in a bid to compete with the Northern and Western hegemonies (Onuoha, 2016).

In accordance to this spike in interest, Africa's proven oil reserves grew by almost 150% from 1980 to 2012, and the continent relies on the extraction, production and exportation of these hydrocarbons for an estimated 57% of its export earnings (Bybee & Johannes, 2014). Five of the world's top 20 oil-producing countries are found in Africa, and an expected \$2 trillion of investments are expected to flow into the region by 2036 (Al Jazeera, 2016).

This has resulted in the prominent oil producers such as Nigeria, Angola, Gabon, Cameroon, and the Republic of Congo being joined by new boom states like Uganda, Mauritania, Ghana and Chad (Lundgren et al., 2013). Favourable resource discoveries and business environment have retained the interest from Americans, Europeans and Chinese IOC's, and has played a role in ensuring that foreign diplomatic interests are kept in good stead by the respective oil orientated interests (Bybee & Johannes, 2014). The experience of these oil producing countries has largely been negative however, with development indicators suffering, inequality rising and the host countries of these NOC's ensuring the onset of the Resource Curse on their economies. Oil can also complicate the intricate balance for a neopatrimonial government, as the resource rents can easily be misused, or abused. Furthermore, the presence of the Resource Curse amongst Africa's petro-states goes to show that Africa has historically been unable to take full advantage of its natural resources.

However, the technology and skills required to manage and operate in Africa's challenging oil industry belongs primarily to IOC's who Clarke (2008) points out, are at the vanguard of the race for Africa's valuable natural resource exploration sites. It is them, not the domestic companies, nor states who are pioneering the search for growth and new options in a world of ever constrained access. It is important therefore that African companies and states alike work in harmony to maintain the relationships and interest of these MNC and IOC's. Given the array of competitive interest, the rising scale of oil stakes, improving technologies, combined with the stabilising political environment, the contest for Africa's oil and gas riches is projected to only increase in intensity.

4.5 Africa's Resource Curse

Contrary to legitimate expectations and economic theory, oil production has largely been un-beneficial to countries blessed with the natural resource, with the problem being particularly acute in Africa. As more African countries make oil discoveries, and more yet make the foray into oil development, concerns rise over whether or not they may go the way of their antecedents. The way in which African states have historically gone in light of oil development lacks effective and efficient resource engagement. Mulwa & Mariara (2016) argue that there is a natural resource curse in many oil rich African states due the negative relationship between the share of oil production to GDP and per capita GDP growth. Scholars such a Gylfason (1999) point out that African states often crowd out activities that were driving the countries growth to make room for their respective budding oil industries. Furthermore, these activities have ranged from vital aspects

such as traded manufacturing activities, to education. The practically non-existent growth in Africa's human capital is a critical area of failure, as human capital has been proven to be crucial for long-term growth. African countries that have or will have booming oil industries often reduce investments in human capital, because vast amounts of skilled labour are not required for oil development. Moreover, African states tend to see natural resources and not human capital as an end.

According to Carmignani & Chowdhury (2010), primary commodities negatively affect economic growth in Africa. Moreover, while adverse price dynamics of some commodities (like cotton and coffee) do not help, the root cause of slow African development resides in the interaction between institutions and natural resources (Carmignani & Chowdhury 2010).

4.6 Part 1 Section Summary

In summary, the global oil portfolio is changing, with more focus being placed on Africa for reasons that include: 1) a diminishing source of stable cheap supply from previous oil repositories such as the East; 2) the lure of non-developed natural resources which attract opportunistic entrepreneurs that are interested in navigating difficult working environments; 3) the innovation in exploratory and extractive technologies; 4) lastly, there is a lack of a dominant actor in Africa's oil industry, and the Chinese firms, who are able to withstand harsh price and working environments as mentioned in Chapter 3, are at the vanguard of this race.

With current estimates suggesting that Africa holds close to 50% of the world's key mineral reserves, and that the majority of the recent big resource discoveries have been in Africa, it is clear that Africa will be the next natural resource frontier. This abundance of natural resources in Africa, which when seen in the context of the highly competitive nature of the international economic system, means that quality of Africa's management of its raw materials will be critical to the continent's economic development.

The industry layout of Africa's oil has a vast amount of foreign oil interests involved, which this section argues is A) hindering the ability for Africa to properly indigenise its natural resource industries, but B) that Africa would not be able to enter the global oil markets at competitive rates without the skills and technology of the foreign oil interests. Moreover, with exception of but a few countries, (South Africa and Botswana) African states have up until now been largely unable to leverage raw material extraction into industrialisation and sustainable economic growth.

Furthermore, the failure of African states to harness resource rents constructively has emerged from states often being over-dependant on natural resource rents. This has tended to distort the political process and political leadership, while setting development plans up to be short-termist and primarily based on taxable revenue that often gets hijacked by rent-seeking behaviour. In these African oil-producing countries, little of the wealth is invested back into the general economy. Ultimately, history appears to show that these states transition from being would-be engineers of economic growth to consumers of their economies and their limited resources.

Part 2: China and Uganda in Uganda's Albertine Graben

4.7 China's Energy Footprint in Africa

During the post-cold war period of high tensions between the Middle-East and the West, China moved to entrench itself as a primary active foreign energy player in Africa. At the time, 60% of China's oil that it bought off the international market was coming from the Middle East and was now under threat from the West's interventionary measures. This ignited China's need to secure alternative oil supplies for the international markets (Executive Research Associates 2009).

In parallel to these insecurities of supply from the Middle-East, peak oil theory and the decline in major oil discoveries in traditional oil rich areas as discussed in Part 1 of this chapter are seen as key market drivers for China's aggressive entrance into Africa's energy markets. This entrance into the African energy sector has not been without challenges. These range from being capital costs required for the offshore oil industry in countries such as Angola and Nigeria, the patrimonial risks, political risks and security risks involved in venturing into the oil fields of Chad, Sudan, Niger and Equatorial Guinea and then logistical difficulties in exploration opportunities in Ethiopia, Kenya and Uganda. Other market challenges such as competition for contracts, and the ability to engage in competitive PSA's with African states also are areas where the Chinese have ensured by means of their rhizome-like foreign strategy with Africa, that they have a competitive advantage in the African oil industry.

Leading China's oil charge into Africa has been Chinese NOC's such as China National Petroleum Corporation (CNPC) and CNOOC, as well Sinopec who is owned by a SOE petroleum group called Sinopec Group. They have all been backed in some way or another by Chinese groups that have strong affiliations to the state and include China National Oil and Gas Exploration and Development Corp (CNODC), PetroChina and the China Petroleum Engineering & Construction Group (CPECC) (Down 2010). The links to the state are primarily economic, which is to say that these groups have access to low-interest finances from state institutions such as the China EXIM Bank and can also rely on diplomatic relations to acquire access to African markets.

2001/2002 saw Chinese oil companies aggressively embark into Africa, initially setting their trajectories towards north-west Africa/Maghreb region and the Gulf of Guinea. CNPC and its partially privatised affiliate PetroChina moved into Algeria, Libya, Niger, Morocco and Chad while its sister rival Sinopec, moved into Angola, Egypt, Gabon and Nigeria.

On 9 January 2006, CNOOC embarked on its first venture into Africa's oil industry by undertaking the single largest Chinese investment made that year through a US\$2,3 billion purchase of a 45% stake in Nigeria's OML 130 deep-water oilfield.

However, according to Down (2010), the energy security concerns of the Chinese government is part of a collection of compelling commercial and political factors fuelling these NOC's global search for oil. While Down (2010) does not say that the Chinese leaders are not acutely aware that a stable access to oil is critical to continuing the expansion of China's economy she does say that the Chinese leaders do indeed believe that oil is "too important to be left to the market and prefer to attempt to own the oil at the wellhead" (Elkind & Pascual 2010, p.78). This has been translated into Chinese leaders giving NOC's a mandate to help supply Chinese consumers with oil. Foreign literature however, tends to portray this strategy as a political project conceived within the confines of the China's parliament, and tends to obscure the size of the market incentives that drive the expansion of China's NOCs into Africa.

The following section outlines and deflates the theory that the Chinese government is sending NOCs out to acquire oil wells that can provide a direct supply of oil to the Chinese markets. Oil that is sold off to countries in particular, and bypass the international oil markets is called Equity Oil.

4.7.1 Oil Equity

There is much literature that states that the Chinese are directly importing oil from the countries where their oil companies are operating (Botha 2006, Lampton 2008 & Rotberg 2008). This is to say that China's investments in African energy supplies was repaid by means of securing equity oil (oil owned by Chinese companies). This is a scenario that would be ideal for China and would make for a simple explanation as to why Chinese state-owned oil companies are so active in Africa. However, it has become clear that equity oil in the form of concessional agreements granted to foreign oil companies is a rarity (Rotberg 2008).

This study finds in the marketplace of today, the closest a non-domestic oil company can come to owning equity oil is either through PSA's or through amortisation payments in the form of oil as seen in the arrangements in Angola and Sudan. However, according to Rotberg's (2008) understanding of equity oil, neither of these cases are technically equity oil, but rather loans that have been setup so that the countries are able to repay them in oil.

Considering this, most of China's imported oil supply is bought through the international market as opposed to being shipped directly to China from extraction facilities. This is not surprising, as the oil is technically owned by oil companies and not the state, and they can either sell the oil at international prices in the global oil markets or sell it to China at prices that are regulated by the government. This has been confirmed by a Chinese NOC management partner, who indicated that around 92% of the oil is sold to the international markets (Yijie 2011). This suggests that Chinese NOC's have based their oil relations primarily on a commercial basis. In doing this, they have placed their corporate commercial interests ahead of the pronounced state imperative to secure oil which represents the same behaviour as that of Western oil companies. The case of Sudan is highlighted below as an exception to this practice.

4.7.2 China's leverage of Neopatrimonialism

China's economic footprint in Africa has increased since the 2000's, and so too has its stakes in Africa's oil industry. This has resulted in African states and their political and economic elites having to welcome China, which they do, and some scholars suggest this is done as a way to avoid democratic reforms. But other scholars (see Corkin 2013, and Carmoday & Taylor 2010) believe that these elites embrace the foreign relations with the Chinese as the latter offer tiered investments that often aim to enrich the African oligarchs. The Chinese offer these elites a way in which to hold on to power and insulate themselves from their subjects (Corkin 2013).

An example of this is found in Sautman (2015), who argues that China have engaged with Zambian state elites in ways that have leveraged their individual agency for gaining further political legitimisation. Furthermore, Corkin (2013) examined the role of China's credit lines from China EXIMBank to Angola. Her study reveals that Chinese actors bolstered Angolan elites' political capital and ultimately their hold on power by providing resources to be expropriated.

China therefore participate in various African leaders use of resources from the international arena to bolster their domestic positions (Bayart 1993).

Sudan

An interesting feature of this argument are the circumstances that unfolded in Sudan which garnered a huge amount of attention, provoking the greatest amount of controversy in contemporary Sino-Africa relations. Like Uganda, Sudan's estimated oil reserves have been steadily growing, however, Chinese private firms found very little competition for this oil, which was because Western companies had abandoned their oil exploration and production operations considering the West's unwillingness to abide by the conduct of the government in Khartoum (Rotberg 2008). CNPC and the Chinese state responded with enormous financial investments in the oil sector, which Sudan accepted with open arms as its GDP was in a free fall due to debt, civil war and a crashing agricultural economy. Sudan consequently agreed to sell oil concessions to China on generous terms. An example of this was the removal of restriction on profit repatriations for CNPC, as well as exempting CNPC from all domestic taxes on exported oil (even though CNPC is still required to pay royalties). The lack of competition and the commercially attractive investment opportunities were almost too good to refuse for China.

The links that the Chinese state corporations have with the Khartoum government was put under scrutiny when it was discovered that the Janjaweed militias were heavily funded by the Khartoum government, who were in turn funded by the Chinese state corporations (HRW 2003).

Furthermore, despite the international ban on arms sales to the region, UN investigators found that most of the small arms used in Darfur by the militias were manufactured by the Chinese. In addition, China provided hundreds of military trucks to the Sudan, of which the entire fleet showed up in the possession of Arab militias.

In looking at this story, this study finds that this access to equity oil might have whetted China's appetite for similar kinds of arrangements, but China has realised that equity oil in the form of concessional agreements granted to foreign oil companies is more a rarity than common practice. In addition, this uncharacteristically interventionist route has proven to be a risky approach and shown China how easy it is to land up with a negative political spill over. In terms of China's reputation in Africa, this is the kind of risky scenario that can have dire consequences on any ambitions the country might have for further business on the continent (Rotberg 2008).

4.8 Uganda: Finding fuel

The following is a narrative of Uganda's oil reserves, in a timeline format. The analyses draws heavily from the work of Guweddeko (2000), Kashambuzi (2010) to tell the story of Uganda's natural resource discovery. This section extends back to the first findings of about a century ago (Guweddeko 2000). This section analyses the capabilities of technological innovation, the aligning interests of Uganda's political environments and couples these with the volatile yet steady rise in oil demand, suggesting that all have played roles in growing demands for the inland oil reserves in Uganda.

This narrative of Uganda discovery 6.5 bbo serves as an introduction for Chapter 5.

4.8.1 1890 – 1980

The first reported oil investigation in Uganda was in 1890, where Captain Frederick Lugard of the Imperial British East Africa Company travelled to Western Uganda to inspect reported surface oil seeps (Guweddeko, 2000). According to Guweddeko, upon discovery, Caption Lugard, on behalf of the company, declared ownership over most of the oil deposits in the Albertine Graben. In 1913, the exploration efforts were put on hold in the wake of World War 1, but 15 years later, the project regained momentum as the British government and Anglo-Persian Oil Company agreed on a joint venture project for the Albertine Graben's oil. Several test wells were drilled over the course of the next 50 years, but by 1962 Uganda was an independent state, and within two years of this, president Milton Obote gave Shell primary exploration rights. However, by 1971, Idi Amin had deposed Milton Obote and revoked on all deals with foreign oil companies and proceeded to give exploration rights to British companies such as Kirkwall Associates and Collin Oil and Gas (Kashambuzi 2010).

1980

Idi Amin's government took it upon themselves to use loans from the World Bank to undertake aerial magnetic surveys of the Albertine Graben, with the primary motif of attracting more oil companies to their country. This data was taken to London in 1984 but drew little attention because the surveys were said to be supported by "scanty data on the geology and geophysics and seismology of Uganda." (Kashambuzi 2010, P.7).

In 1986 Yoweri Museveni came into power in Uganda, which marked the end of several licencing agreements as President Museveni was said to have "suspended all negotiations for licensing until

some Ugandans were trained in petroleum matters to negotiate agreements that were not disadvantageous to the country” (Bambara in Kashambuzi 2010, P.9). In relation to this, a group of government officials were sent to the United Kingdom to study petroleum geosciences (Kashambuzi 2010).

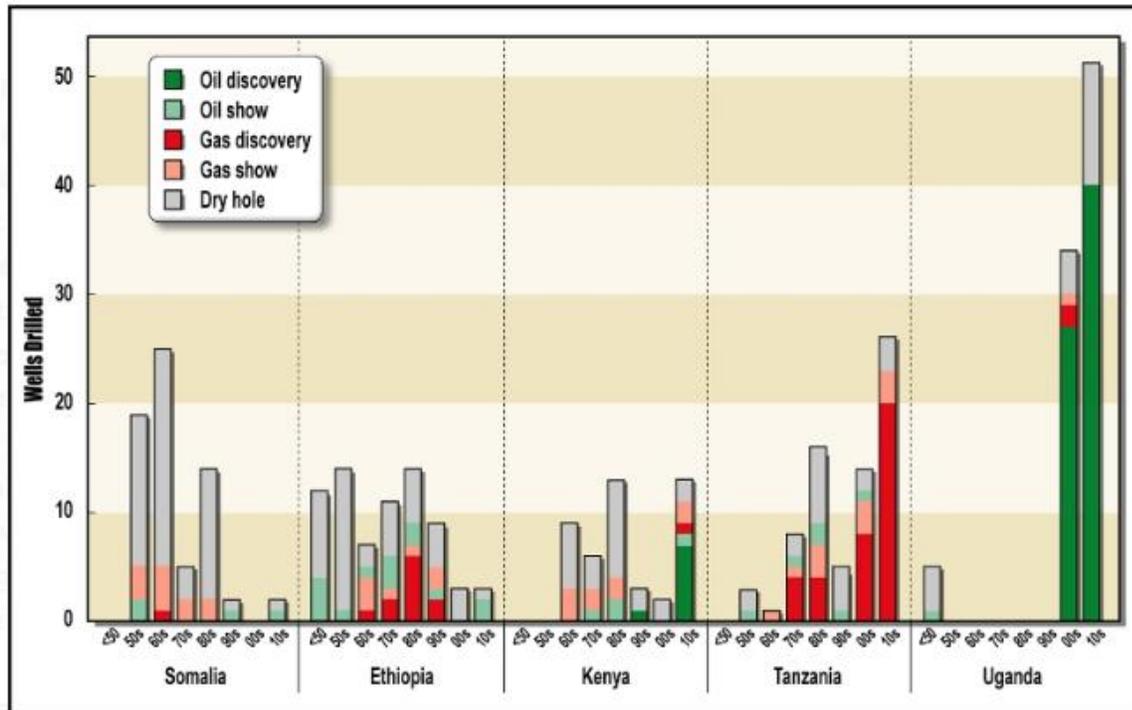


Figure 7: Wells drilled in each country by decade showing discoveries

(Parcell 2014, p. 3)

As seen in the Table 1, the period between 1990 and 2010 saw a spike in oil discoveries in Uganda, with a small portion being gas discoveries. In accordance to this, Museveni created the Petroleum exploration and Production Department (PEPD) in 1991, which became a regular exhibitor at the American Association of Petroleum Geologists in Colorado. By 1998, Heritage Oil had conducted a survey in Uganda, and was well impressed by the data in the Albertine Graben, and with the rising oil prices at the time, a model production sharing agreement was drafted (PSA), under the guidance of the Commonwealth Secretariat. Progress took another knock as Allied Democratic Forces rebels laid an attack on the Technical College of Kichwambam where Heritage was surveying - 80 students died (Kashambuzi 2010).

2001

By 2001, the Government had re-entered the area by signing PSAs with two IOC's - Hardman Petroleum, an Australian company, as well as with the UK-based energy company, Energy Africa. They each received a 50% stake in Exploration Area 2 (an area in the northern region of Lake Albert). Shortly after this, Heritage sold a 50% stake in Exploration area 3 (Southern regions of Lake Albert) to Energy Africa. Tullow Oil PLC then bought Energy Africa, and in doing so, took control of both 50% stakes in Exploration Areas 2 and 3.

2007

In January 2007, Tullow bought Hardman Resources, which gave Tullow a 100% stake in Exploration Area 2.

According to the PEPD, Tullow drilled three appraisal wells in Exploration Area 2 and found commercially viable oil reserves in all three. Heritage's flow tests in Exploration Area 3 also confirmed extractable oil reserves, which ignited further interest in the governance of this growing resource wealth. NGO's such as Greenwatch and two Daily Monitor journalists filed a case under freedom of information laws and provisions in Uganda's constitution at the High Court, stipulating that the Ugandan government was obliged to make the details of the PSA's public. This motion was echoed in a report released earlier that year by a UK NGO, Platform, who argued that the PSA's were not compiled to favour Uganda, as they were allegedly allowing excessive profit-taking on the part of the oil companies. By May 2010, the Petroleum Bill draft was published for public review and comment. Uganda's Civil Society Coalition on Oil (CSCO) argued that the draft lacks the necessary detailed checks and balances, which they argue may lead to corruption and obscurity.

2012

By the beginning of 2012, many Ugandan MP's called for a parliamentary committee to be created to investigate the bribery allegations that surrounded the oil exploration contracts. Uganda's Authorities responded to this by setting up a parliamentary committee to investigate the bribery allegations. Later that year, President Museveni addressed parliament with a long speech defending the integrity of the oil contracts with the relevant IOC's, saying that Uganda was set up to receive as much as 75% of revenues derived from the oil extraction (Oil in Uganda 2017). Various MP's boycotted this speech, and asked the Speaker to strike the President's address from the parliamentary records, since they believed that this statement was not true. The president then

retorted by accusing some MP's and NGOs of "acting on behalf of foreign interest to cripple and disorientate the development of Uganda's oil sector" (Kashambuzi 2010, p.12).

By September of 2013, CNOOC had acquired the first ever oil production licence from Uganda, to begin production from the Kingfisher Well 1A in Exploration Area 1 – close to the Hoima District. CNOOC also announced that their partners were ready to invest US\$ 2 billion in the project, with the hopes of producing 30 – 40 thousand barrels of crude oil, by 2017.

A month on, a highlight of the mineral wealth conference in Kampala was President Yoweri Museveni's commitment to scrap the Withholding Tax bill and Value Added Tax policy for investments in the extractives sector as he believed this was not conducive to the economic development of the sector. Heritage was not impressed with this on the back of the ruling against them to pay US\$ 313 million in Capital Gains Tax.

2014

A further two hundred families in Rwamutonga village, Hoima District, were evicted by unidentified men, accompanied by armed police, who were said to be acting under the orders of Joshua Tibangwa, a Ugandan businessman. A total of 485 hectares was being claimed by Tibangwa, who was aiming to lease the land to an American company, McAlester Energy Resources Limited, to construct a waste management facility. It is alleged that Tibangwa received US\$300'000 for the deal. A few months on, attackers loyal to the king of the Bunyoro Kingdom descended on inhabitants of Kaseeta Parish – a stretch of land that borders the proposed refinery area which the King's subjects proclaim belongs to the Kingdom.

2015

By February of 2015, the embattled oil waste management company McAlester Energy Resources announced that it was going to pull its assets out of Uganda due to the violent land grabbing which they said attracted too much bad press to have a functional operation in the country.

In the meantime, The Global Witness released the PSA's that were signed between Uganda and Tullow in 2012, and were used to draft similar PSA's with CNOOC and Total. According to Global Witness, the contracts show that the "government has got a good financial deal for the country's oil but has failed to put in place crucial environmental and human rights safeguards" (Global Witness, 2014)

2017

Despite this joint venture agreement, the delays in negotiations have prolonged the onset of oil extraction to 2020, which has had major ramifications on the financial outlooks of the consortium members, most of all Tullow. By the end of 2017, Tullow PLC expressed its interest in quitting active operations in the Albertine Graben, the current reasons can only be put down to speculation, but according to Nagalama (2018), Tullow booked a loss of US\$ 14 billion in 2016 and suggested that the delays instigated by the GoU was the primary culprit for these losses (Nagalama 2018).

As of 2017, an Australian oil and gas exploration firm, Armour Energy Limited (AEL), signed a PSA, the details of which will be analysed in the PSA analyses section below (Waiswa 2017). AEL will operate in the Kanywataba block, which was initially licenced to Tullows consortium with CNOOC and Total. The consortium gave control of the block back to the government in 2012, after oil exploration ventures in the area came back disappointing.

Current Industry Profile: 2018

Exploration Area 1	Murchison Falls National Park	Buffalo, Giraffe, Buffalo-1, Giraffe-1, Warthog, Crocodile, Leopard and Kob	Main Operator: Total E&P Total E&P (54.8%), CNOOC (33%), Tullow Oil (12.2%).
Exploration Area 2	Butaiba Region (east edge of Lake Albert).	Mputa-1, Mputa-2, Mputa-3, Warag-1, Nziz-1, Nziz-2, Taiti-1, Ngege-1, Mputa-4, Karuka-1, Karuka-2	Main Operator: Total E&P Total E&P (54.8%), CNOOC (33%), Tullow Oil (12.2%).
Exploration Area 3	South Eastern Edge of Lake Albert	King fisher-1, Kingfisher-2, Kingfisher-3, Pelican.	Main Operator: Total E&P Total E&P (54.8%), CNOOC (33%), Tullow Oil (12.2%).

Figure 8: Profile of the Inland Oil Blocks (1-3)

The changes in stakes of the three primary oil fields in the Albertine Graben has recently been finalised as Tullow has begun to reach the end of its “long painful walk out of Uganda” (Mbanga 2017, p.2). However, Tullow Oil announced that CNOOC are aiming to exercise its pre-emption rights under the joint operating agreements between Tullow, Total and CNOOC to acquire 50% of the interests being transferred to Total on the same terms and conditions that were agreed between Tullow and Total (Tullow Oil 2017).

4.9 Chapter Summary:

Although the trajectory of the global oil industry is still under intense scrutiny and debate, the evidence presented in this chapter suggests that in terms of a simple decline in conventional international oil supply, the scramble for Africa's oil reserves is beginning to pick up momentum. Many of the world's major oil interests such as the Chinese (CNOOC and Sinopec), the US (Chevron and Exxon Mobil) and Europe (Total, Tullow and ENI) are descending on Africa's oil reserves to secure further supplies for the ever-thirsty international oil markets. The oil reserves found in the Niger Delta, the East African Rift, the West African Transform Margin, the West Coast Pre-Salt's and the Albertine Graben is part of a budding oil industry in Africa and is evidence that the last production frontier of the world's oil reserves is being scaled. This provides a valuable opportunity for developing African states, and if taken appropriately, it has the potential to kickstart the various development agendas. The term 'appropriately' in this sense refers to the ability of Africa's agency to harness foreign skilled labour and finances such as the Chinese, while maintaining the priority of developing their country's economy through the development of skills and infrastructure.

The ability of CNOOC in the bargaining and negotiating of oil rights and contracts do not look like they have a huge amount of leverage over the foreign oil interests (Tullow and TOTAL). However, where CNOOC is seen to have an advantage is its ability to play the long game. CNOOC does not seem to be worried about the price collapse of the oil industry, which indicates that there could be some truth in the fact that Chinese investment projects are being floated by the Chinese state.

The various low-carbon landmarks, the shady oil production vs consumption data, the counter-arguments of peak oil, complicated political landscapes and the question of EROI in complex environments such as in-land Africa all give rise to questions about the profitability of extracting Africa's oil bounty. These factors are leading major oil interests to question whether Africa's oil will prove to be as profitable a venture as has historically been seen in other petro-states such as Nigeria, Angola and the Eastern oil-giants. This has resulted in a major Anglo-Irish multinational – Tullow, to farm its oil assets in Uganda and cut its losses.

Therefore, African states such as Uganda, who wish to extract natural resources, must consider such factors and find ways to counter them and portray attractive oil extraction environments for foreign oil interests.

The timeline review of Uganda's oil has given a clear outline of just how unstable the political environment can be in Africa and shows what the ramifications can be towards foreign commercial oil interests such as Tullow. The GoU has gone through considerable efforts to attract multinational oil consortiums from China, France and the UK to the Albertine Graben, and the Museveni regime has exhibited smart, adept and in control bargaining skills that will be further discussed in Chapter 5. Corkin (2013) and Da Soros (2008) claim that this attitude toward investors is quite common in African oil countries elites. The delays are not working in favour of the foreign oil interests and Uganda will need to show agency in retaining the foreign oil interests.

In summary, given the drivers behind the diminishing supply of conventional oil supplies, combined with the drivers behind China's need for imported oil and the need for Chinese businesses to continue their work in oil related industries, Africa's oil is becoming ever more attractive. The nature of the global oil drivers is also ensuring that Africa's oil is attracting a number of other multinational actors to compete in Africa, especially in Uganda. This has implications for Uganda's political setup, insofar as UNOC and the NRM have the lure of using these foreign interests as patronage vehicles. The following chapter will go on to engage with this topic in more detail.

Chapter 5: Uganda's Governance over its oil – an opportunity for developmental neopatrimonialism

5.1 Overview

This case study attempts to demonstrate in practice the complexity of the Chinese engagement within the Ugandan oil context. It is a study that locates this thesis in a reality.

It is divided into the following sections:

5.2) Introduction

5.3) Profile of Uganda

5.4) Flexigemony: Sino-Ugandan Relations

5.5) Implications of China's Oil Relations with Uganda

5.6) Theoretical discussion

5.2 Introduction

The case of Uganda focuses on testing the hypothesis that Uganda has neopatrimonial tendencies, but this might be exactly what the country needs to maximise its profits from the oil that has been found in the Albertine Graben. This research highlights that Uganda has shown signs of neopatrimonialism the potential for kick backs for Ugandan officials will help Uganda realise the development of its oil industry. In other words, the potential for neopatrimonial governance of resource rents from the Albertine Graben might then provide the necessary incentives to attract the necessary initiative to develop Uganda's oil industry. This phenomenon might benefit Uganda in ways such as: attracting Chinese that are familiar with the patron-client culture.

Chapter 5 begins with a profile of Uganda, comprised of a brief discussion of the country's political background, its socioeconomic environment and an insight into its regime type – one based on neopatrimonial politics. The profile of Uganda assists in providing a context for the following section, which argues that Uganda is a neopatrimonial state and China therefor will be better equipped to dealing with the GoU than other Western Institutions that are less familiar with the phenomena.

The Ugandan government's response to the interest shown by the oil majors in the country's oil, is examined through an analysis of its oil laws and regulations, as well as its Production Sharing

Agreements (PSAs) with the various consortiums that have been formed between the national and international oil companies (NOC's and IOC's). The discussion then revolves around the subsequent departure of UK-based oil company Tullow, and what new opportunities may unfold.

The focus of this case study is twofold:

- What level of agency/neopatrimonialism exists in Uganda, and in particular, what is the nature of Uganda's response to the oil discoveries in the Albertine Graben?
- How has China's flexigemony approach to engaging with Africa manifested in the context of the oil relations with Uganda?

This case study uses these focal points to discuss the role which the Chinese have played - whether intentional or unintentionally ally – in ensuring the longevity of President Museveni's regime.

Uganda Situated in Africa



Figure 9: Uganda in Africa

(Trut 2010, p.2)

5.3 Profile of Uganda

“We should resist furiously those parasites who want to give away this resource for ‘a morsel’ of food as did Esau in the Bible” (Museveni, 2013).

The well-known rhetoric of Uganda is that it is a country that has transitioned from a country of torment to one that merits praise and promise. Showing impressive economic growth and new natural resource discoveries, this country is often called the Pearl of Africa. Since independence from Britain in 1962, Uganda has dealt with military coups, the dictatorial leadership of Idi Amin and a lethal five-year bush war that introduced the National Resistance Movement (NRM) and their leader Yoweri Museveni, to power.

5.3.1 Power Structures under Museveni

The following section attempts to analyse the current framework of Uganda’s political power, known as the ‘Museveni era’. This analysis of the different kinds of power in Uganda will inform the interaction between Museveni’s regime, the oil industry and China.

Political power is concentrated in the hands of President Museveni, who has steadily accumulated power over the last 30 years after what started out as a popular ousting of Milton Obote in favour of a more democratic and developmental-orientated government. President Museveni replaced Obote’s subsequent national vision with one that promised constitutionalism and democracy and outlined his revolutionary aims to reconstruct power along democratic ideals. When Museveni came into power, his political authorities sensed a palpable amount of popular legitimacy, which subsequently allowed them to delay the restoration of democracy for a decade (Keating 2011). The reasons for this delay cannot be claimed out right as nefarious, but according to Keating (2011) this decade was all the government needed to establish itself as the dominant political entity (Keating 2011).

President Museveni removed term limits in 2005, effectively making it possible for him to run for president as many times as he wants to. He also has attempted to remove the age limits of serving presidents. Political oppositions have regularly claimed that he is clinging to power, but Museveni has contested this by indicating that he is still president because he runs for elections and has won

every time – these same elections have been disputed by opposition leaders as fraudulent. In political science, this is referred to as illiberal democracy¹¹.

Uganda held both parliamentary and presidential election in February 2016, with Yoweri Museveni winning his fifth elected term in office and the NRM also maintained its majority in parliament. The political and security environment of Uganda has stabilised, however, clashes continue to persist between ethnic groups in various rural areas, particularly in the west, where Uganda's oil reserves are located. Since then, there has been a restoration of nominal multiparty politics in Uganda, which was mostly showcased through a general election in 1996 that was claimed to be fraudulent (Keating 2011). Museveni has since created multiple avenues to generate loyalty and support, which will be further discussed in the context of Museveni's motives for controlling Uganda's recently discovered oil reserves.

5.3.2 Uganda: A neo-patrimonial state

The above mentioned working definition of a hybrid political governance regime resonates strongly with literature on Uganda's current political economy (Robinson 2006; Tangri 2008; Flanary & Watt 2010 and Muhumuza 2015). According to Robinson (2006), the NRM did not retain its acclaimed inclusive character. Over time, the NRM consolidated its power into a small group of former resistance army faithful's that had personal, ideological or family ties to President Museveni. The size of the movement has drastically decreased as members of the government have resigned in protest over the increasingly personalised style of politics and flagrant corruption in ruling circles. It has become a well-known occurrence for Ugandans with strong kinship roots in the west of the country to account for a disproportionate share of top political positions and civil service appointments (Bybee & Johannes, 2014). Some Ugandans argue that this is due to the fact that Museveni is a 'darling of the West', as he was born to a western small cattle herding family. But the fact that the NRM do suggest that they select political candidates based on merit is a counter argument to that claim. Furthermore, Museveni's has attempted to eliminate ethnic and religious considerations from the political landscape but has not been replaced by the ideological democratic posture that the NRM had at its inception. Instead, there seems to be an increase in kinship, family and regional based affiliations in the political party.

¹¹ Illiberal democracy is a governing system that allows elections to take place, but citizens are cut off from the knowledge about the activities of those who exercise real power because of the lack of civil liberties. It is not an open society as such (O'Neil 2010).

With regards to President Museveni actually keeping his family close to the ruling of the country, an example of evidence to support this claim is how the president appointed Janet Museveni (President Museveni's wife) as the Minister for Karamoja Affairs. This example shows that President Museveni is prepared to put his family members in positions of power, and also shows that there might be merit in suggesting that he could be preparing his partner to take over when he finally bows out. Moreover, Salim Saleh (President Museveni's brother) served as a senior presidential adviser for many years. Lastly, Museveni has publicly discussed how he is also grooming his son for public rule (The Easy African 2015).

Corruption in the form patronage and clientelism within Uganda's governance system is evidently obvious (Tangri 2008). Robinson (2006) agrees by arguing that the institutions that are responsible for coordinating the state-led anti-corruption efforts lack the necessary resources and capacity which undermines their effectiveness. The low rate of prosecutions has called into question the legitimacy of these devices.

Despite the political party's well-known reliance on patronage and clientelism, the NRM has repeatedly stated its commitment to good governance since its inception, which is further highlighted by a more legal-rational approach to governance in the form of Uganda Vision 2040, which is the strategic plan that aims to bring Uganda to a middle to upper income market driven economy by 2040. It is these kinds of rational and legal public manifestations that permit more nuanced and informal personal engagements (Robinson 2006).

According to Robinson (2006), the question of how the practice of corruption that is motivated by a neo-patrimonial political culture in which personalised rule, patron-client networks, kinship, community and family are all key ingredients have continued to prosper stems from weak anti-corruption devices. Robinson (2006) continues by highlighting two reasons with examples that describe why there is a sustained weakness in these institutions.

The first point concerns the role of incentives and how these can be used to induce political reforms. This means that when there are political pay-offs and there is confidence that the potential benefits to the dominant political party exceed the perceived risks, reform momentum remains strong. This was seen in the case of Uganda's civil service reform which was driven by the motive of building state capacity by decreasing the influence of bureaucrats appointed under the previous regime, which ultimately off-set any potential resistances to the NRM government. Likewise, the formulation of a new tax agency elicited high-level political involvement, for which a key

motivation was an increase in government revenues and a decrease in aid. The failure to use incentives consequently has the opposite effect, as seen in the case of aid donors (from the West) who demand the implementation of strong anti-corruption initiatives, which if properly resourced, can potentially expose highly placed officials and politicians who could be susceptible to detection and/or prosecution. This could often have consequences that could only destabilise support structures for President Museveni.

The second point is closely linked to the first point but refers to the monetary incentives that govern the motivation and behaviour of many individual civil servants inside the NRM. Robinson (2006) stipulates that political influence has often been marshalled in Uganda to stall effective implementation of anti-corruption reforms that aim to prosecute high-profile cases. Muhumuza (2015) reiterates this argument by noting that in circumstances where political terrain ascribes to patron-client and neo-patrimonial instruments to consolidate and maintain power, limiting public sector corruption will be elusive.

Thirdly, the question of morality is brought up. According to Hopper (2017), fraud and corruption in contemporary societies such as Uganda (which is a relatively advanced market society in Africa) is linked to moral-economic transformations brought about by the introduction and expansion of neoliberalism. Rather than seeing rent-seeking and fraud as a mere by-product, it should rather be seen in the Ugandan context as inherent to the morality conduct of Uganda's socio-economic profile (Hopper 2017). This argument is based on the country's understanding of morality, and Hopper (2017) continue to argue that it must not be assumed that the presence of rent-seeking or neopatrimonialism is evidence of an absence of mortality. Rather, it should be seen as a 'new normal' in Uganda (and elsewhere) and intrinsic to social interactions at all levels of society as will be showcased in the section on China's interface with neopatrimonialism.

These features of contemporary Ugandan politics, combined with the personalised ruling style of President Museveni and the patron-client networks that the NRM rely upon to retain and consolidate power, combine to strongly resemble a neo-patrimonial political landscape.

5.3.3 Uganda's Neoliberal Economic Policies

However, despite these neo-patrimonial tendencies, there is still a strong presence of neoliberal economic policies in Uganda. Which is to say that Uganda's economy and the various actors within Ugandan society are moderately independent from the government and have managed to avoid a large economic centralisation that has befallen many other one-party African states. An

indication of this is the diverse sources of major wealth in Uganda, which is demonstrated in the list of Uganda's rich and super rich elite, consisting of a myriad of self-made business people, large landholders and big corporate executives. The few government department executives that are on the list should hardly be seen as cadres of the ruling party as they are seen as private actors in the NRM. Since the mid-2000s, the separation of the economy and the political authorities has become a hallmark of Ugandan society (Bukumunhe 2007) .

However, Museveni's government continues to implement more neoliberal economic reforms in Uganda, which has been closely tied to the World Bank, well-known for their promotion of institutional neoliberalism. Museveni's political authorities have historically sought to oversee the adoption of the neoliberal agenda by implementing a number of state-led neoliberal policies, but Keith (2017) suggests that these political authorities do not merely view neoliberalism as an instrument to spur developmental growth, but also as a mechanism to further their economic power in the free market. This is done primarily by allowing the market to be free, and earning the various private role players' trust, and then using this as leverage to strike deals (Keith 2017).

Therefore, Uganda's adoption of neoliberalism has on the one hand contributed to two decades of economic growth, but on the other hand has also made the rich richer, who in turn have helped in expanding the capabilities of the NRM. When the economy performs well, Museveni's regime expands in two ways. Firstly, with economic growth comes political legitimacy and confidence, particularly in the Southern ethnic Bantu regions of the country, which is where the majority of the economic growth has occurred. Secondly, the economic growth has increased the amount of money flowing into the government in the form of taxes and other forms of donor support, ultimately increasing the rents accrued by the GoU.

This adoption of neoliberal market policies could be seen as a method to reform Uganda's neopatrimonialism (Bach, 2011). Moreover, neoliberalism (privatisation, deregulation and economic freedom) and the subsequent distancing of the economy from the NRM could be a means to act as a check against the centralised operations of neopatrimonial politics in the natural resource industry. In doing so, transparency and accountability might have a chance to surface their regulatory heads. Moreover, the non-ruling economic actors that hold economic power and that continue to pursue their own interests possess the ability to check the political authority's

interest in expanding their economic capabilities.¹² However, this will only work in the long term if there is a strong developmentalist agenda added to the mix, that deals with pro-poor, inclusive economic policies that strives for equality.

5.3.4 Uganda's Oil: The State's Agency

As Chapter 4 has discussed, Africa has largely had negative outcomes from extracting oil over the long term. There are numerous international examples that show that most oil dependent economies are inclined to show poorer economic development outcomes than those without oil. Exceptions such as Norway make for interesting case studies that will be touched on in Chapter 6. Chapter 3 discussed the quality of institutions as critical element to constructively extracting oil. Furthermore, Lay & Minio-Paluello (2010) point out that the outcomes are either positive or negative based on the kind of pre-existing political, economic and social institutions that are available to help govern extracted oil wealth - the less institutionalised the governance structures are, the worse off the outcomes will be (Lay & Minio-Paluello, 2010). Elements such as environmental and economic regulatory functions, contract negotiations, performance monitoring and transparency are all crucial features that often are found wanting if there is a lack of public sector capacity to develop oil.

Bindemann (1999) discusses how in countries where large or potentially large oil deposits are found, the extraction process and the resource rents tend to become fundamental cornerstones for the country's economy. Unsurprisingly, governments tend to increase their involvement in the oil sector, which results in an increased state participation, the establishment of NOCs and SOEs and ultimately, greater government shares that arise from the financial rewards of oil operations.

Considering this, a key takeaway from the narrative of Uganda's exploration for and production of oil is how the political affairs of Uganda's government manifest in the oil industry's regulatory environment. The centralisation of authority in President Museveni and a small circle of Ugandan officials provides the study with an entry point to an explanation of the opaque control that the government has over the oil industry. According to Patey (2015), this lack of transparency has created discord across government and society. As such, Museveni's tendency to micromanage has only increased, presenting a risky political environment for international oil companies.

¹² Limitation: It is very hard to find sites or blogs that have not been taken down that discuss how Museveni's 'clan' are running Uganda.

“Don’t challenge the president, but feel free to do anything else at all” (Booth, Coosey, Mutebi & Kanyinga 2010, p.7).

This statement by Andrew Mwenda, a Ugandan journalist, is a common outlook towards the current Ugandan political regime. When interviewed on June 22, 2017, Chris Musiime said that oil has begun to reinforce the existing, centralised and neopatrimonialist pattern of politics. Musiime stated that a likely reason for centralising the governance of the oil resources is that President Museveni regards oil as a potential for political opponents to widen their respective political spheres through leveraging the large economic incentives that it offers (Musiime 2017).

Patey (2015) suggests that there are two main causes for concern with a central political authority in the context of resource extraction. Firstly, Uganda’s intersection between regulatory disputes, contractual negotiations and politics has been strongly associated with corruption, with the capital gains tax disputes being one of many alleged means for the ruling NRM to create access to new credit sources to finance their campaign for national elections. Secondly, Patey (2015) suggests that the political involvement will only increase as Uganda’s oil extraction evolves into the infrastructure-intensive phase and argues that the risk here is that this may very well spark legal and publicity battles that could slow industry progress down even more.

5.4 Flexigemony: Sino-Ugandan Relations

By the time the Peoples Republic of China (PRC) founded itself in 1949, Ugandans were starting to feel the restlessness that would eventually deliver them to independence from Britain. China’s attitude towards African countries like Uganda was underpinned by Five Principles of Peaceful Coexistence (non-interference, respect for sovereignty, friendship, equality and mutual benefit).

Just over a week after Uganda gained her independence from England, the country signed a Joint Communique with China to explore setting up diplomatic relations, which made China the first country to begin a diplomatic mission with the Pearl of Africa. China agreed to provide military training to the Ugandan army ahead of its mutiny of 1964, after the Ugandan army submitted a request for assistance.

In light of the various diplomatic mission in Africa, the UN General Assembly resolution was adopted on the 25th October 1971, replacing Republic of China with the PRC as the formal representative of China at the UN. Two quotes from that era epitomises the budding Sino-African relations:

“Following the vote, African delegates in particular were in a frenzy of delight – their arms swooping above their heads and jumping up and down in their seats as wild applause engulfed the circular chamber” (The Christian Science Monitor 1971).

“To our African brothers who carried us into the UN” (Mao Zedong in Marton 2011).

5.4.1 Sino-Ugandan Aid and Loans

China’s approach to engaging with Uganda has been multifaceted, including multiple high profile diplomatic visits, aid and financing as will be discussed below, the participation in Uganda’s neoliberal market, and critically, the unwavering acceptance of Uganda’s political regime. China’s first engagement with Uganda on a commercial basis started in 1991, when entrepreneurs from China opened restaurants and health clinics in Kampala. Chinese entrepreneurs soon moved off to develop business opportunities in other sectors such as footwear, mineral water, cotton ginnery and textiles. According to Obwona, Guloba, Nabiddo and Kilimani (2007), the Chinese Government committed itself to developing Uganda’s information and communications technology (ICT) infrastructure due to Uganda’s receptiveness to the initial Chinese investors. In 2006, the Chinese government committed to and did provide:

- Motor Vehicles for the Uganda Revenue Authority and two x-ray scanners for shipping containers – worth US\$5 million,
- Anti-Malarial drugs – worth US\$ 250’000,
- IT equipment to the Mulago Infectious Diseases Institute – worth US\$ 100’000,
- Agricultural Demonstration Centre,
- Rural Primary Schools,
- Technical support to enhance the ICT sector
- And interestingly, an office complex for Uganda’s government.

This sparked a new era in the relations between Uganda and China, who has seen their relationship flourish at the diplomatic echelons. The result has seen the Chinese Government encourage and support Chinese entrepreneurs to invest in business in Uganda, by providing preferential loans and buyer credits to the Chinese entrepreneurs in Africa (Obwona et al 2007).

In more recent years, Uganda signed itself up as a FOCAC member in 2000 following China’s commitment to the Programme of Cooperation which established China’s investment and aid

sectors: investment, financial cooperation, debt relief and cancellation, agriculture, natural resources and energy. The economic ties of Sino-Ugandan relations predate FOCAC however, as China was already providing several Africa countries (Uganda included) with project aid in the form of concessional and non-concessional loans, as well as grants to help the country realise its development aspirations. Post 2006, the government continued its aid to Uganda, resulting in further construction of the Kibimba and Doho rice schemes; the Mandela stadium; The Bamboo project for Uganda's Industrial Research Institute; the Entebbe express way (US\$350m); Hospital Naguru; and the Karuma Hydro Power Dam (US\$1.4billion).

Aside from these loans, data from AidData indicates that Uganda, Kenya and Senegal were the top three respective receivers of Chinese loans in 2015, and between 2000 and 2015, only Sudan, Angola, Nigeria, Cameroon and Ghana received more development finance than Uganda (Chen et al 2015). It is worth noting that all these recipient countries have large natural resource reserves, but rely on the capital to which China has access to develop sectors that help kickstart the extraction of these natural resources (roads, energy and production facilities).

However, considering that China is not a member of the Development Assistance Committee¹³(DAC), it holds no obligatory requirements to publish the data of the level and terms of its aid to developing countries like Uganda. This means that the data and information with regard to types, conditions and extent is rather sketchy. Despite this, according to AiData, Uganda received \$US4.67 billion in loans between 2000-2011 from China, and Uganda's Ministry of Finance states that China is Uganda's leading bilateral creditor, holding 20% of the estimated US\$10 billion total of foreign debt. Much of the rest of this debt is owed to the World Bank group, mostly through the International Development Association which lends on concessional terms. In 2010, Chinese loans to Uganda made up only 3% of the total of that year's foreign debt received, which indicates that the past seven years has seen China rapidly increase its presence in revamping Uganda's infrastructure. This ability to increase its numbers so rapidly is a trend seen in the broader Sino-Africa relations (Obwona, Guloba, Nabiddo and Kilimani 2007).

The loans Uganda have received from China are primarily non-concessional and are primarily aimed at developing transport projects such as building roads, railways, airport expansions as well as energy and mining such as hydropower plants, copper and cobalt mines and oil extraction

¹³ Development Assistance Committee is a forum to discuss issues surrounding aid, development and poverty reduction in developing countries.

facilities. China also provides soft loans, but unfortunately, these details are rarely made available as China prefers these loans to be kept under wraps between the two government bodies.

However, Uganda's poor performance of exports as well as an increased rate of debt accumulation, particularly the non-concessional type as well as non-debt related variables such as interest rates and exchange rate hikes, has moved Uganda from low to moderate risk of debt distress in a Debt Sustainability Analysis that was conducted by Uganda's finance ministry (Patey, 2015).

An article by Shepherd, Hornby and Kynge (2016) in the Financial Times highlights that the surge of lending by Chinese policy banks to moderate high risk countries is forcing a rethink that could reshape its engagement with developing countries.

In light of this increase in risk potential, a recent article published in the Daily Monitor by Musisi (2017), highlights that after a long period of denial, the government has said that it is in fact staking the country's oil as "guarantee" for receiving a batch of loans from China's China EXIM Bank to fund the construction of the Standard Gauge Railway (SGR) project¹⁴. This suggests that the prospect of oil production has given Uganda a glimmer of hope in being able to repay loans required to continue the development of the country's infrastructure before the oil has been extracted and sold. An interview captured by the Daily Monitor (2017) noted this reasoning by an official of the NRM.

"I was assured of how the money would be got and this is a good management position because I saw that getting money from oil was a good way of replenishing the reserves and that's why I accepted" (Mutebile 2017)

The GoU has had a no-objection response in terms of the legality of this, and has encouraged the Finance Minister to find out how the country can proceed in getting money from China EXIM Bank to jump-start construction of the first phase of the SGR. The Museveni regime has also stated publicly (Patey, 2015) that staking Uganda's oil as surety is by all means within their power to do.

¹⁴ The SGR is a 609km-long railway line that is estimated to cost US\$12.8b and will connect Kenya, Uganda, Rwanda and South Sudan (<https://www.railway-technology.com/projects/mombasa-nairobi-standard-gauge-railway-project/>).

However, there is literature that highlights the risks of borrowing against the oil price (especially in light of net energy and peak oil theory as highlighted in chapter 2) which is to say that if a dip in the price per barrel of oil occurs and there has been no mitigation measures put in place, it can severely undermine the borrowers (Uganda's) ability to repay the oil-backed loans. An example of this is the 'Ghana Trap'.

The Ghana Trap

An example of how oil-backed loans can turn sour is the scenario in Ghana, a country which discovered commercial oil off its coast in 2006, just after Uganda found theirs. Ghana initiated production in 2010 after the country went into a spending binge that included acquiring a cocktail of increased borrowing from China against the prospects of its oil revenues being big enough to help clear the debt. However, the crude price crash in 2014, coupled with production setbacks meant that Uganda's oil revenues were going to fall short of the initial expectations.

For Ghana, the oil price collapse at such an early time in Ghana's oil history means that oil has not been as strong a driver of growth as they initially had hoped for (Gray 2018). As a result, Ghana turned to the IMF to acquire a US\$1b credit facility to help breathe life into its foreign-exchange reserves in order to help stabilise the economy, which had been relying on gold and cocoa exports before the arrival of oil revenues in 2010 (Musisi 2017). Taylor (2015) notes that this can be seen as a positive for Ghana in light of the cautionary example of how Nigeria has mishandled the resource wealth accrued when the oil price was above the \$100 per barrel mark.

This example of the Ghana Trap serves as a cautionary note considering the reports in which Uganda has indicated that it is using its future oil earnings as surety to attract loan agreements with the China EXIM Bank.

In using industries such as the hydro-energy sector, this study gains some perspective in how China has previously conducted itself in the face of new industry development in Uganda. Looking at the role of state-led Chinese banks in the hydropower developments in Uganda shows how close the relationship is between China's private and public sector when working in Africa. The narrative illustrates how Chinese firms that bid for the contracts to build the respective hydropower dams come with loans from the China EXIM Bank. This is relevant to Uganda's oil production as it showcases diplomatic financing deals between the GoU and the China EXIM Bank and how these are linked to energy projects that are conducted by skilled Chinese labour and executed by low-skilled, low-paying Ugandan labour.

“The biggest advantage is that we have the money”

Sinohydro staff member, 2017.

In this instance, the Chinese have offered attractive financial assistance to the hydropower sector, that has been on occasion conditional to their engineering companies getting the contracts to build the projects. For the Karuma and Isimba projects, the GoU secured long-term concessionary loans from China Eximbank, of up to 85% of the total project cost. This is beneficial for Uganda as it solves the issues of time and the challenges of coordinating multiple financiers.

As mentioned in the section above on Chinese Loans, the Ugandans are more inclined to accept the no-strings-attached money from China. However, the GoU has concerns that include:

The GoU agreed to repay these loans based on an export buyer’s credit with a floating interest rate – which is an annual rate equal to the London Interbank Offered Rate (LIBOR) plus 3.5%. This means that the interest rate might increase substantially over time in unfavourable market situations. The GoU have said that they are not worried about this as markets seem safe (Musisi 2017).

Secondly, this loan repayment will overlap with the proposed loan repayment of the SGR loan from the China Eximbank which is still in negotiation and could come up to US\$3.2 billion. This puts Uganda’s loan portfolio at risk of being too exposed to external lenders.

Thirdly, China’s Eximbank has made it clear that the loan availability is predicated on Uganda’s oil reserve production. This brings back the “Uganda Trap” which warns against borrowing from future oil revenues due to the risks involved in the volatile price of oil.

The fact that Uganda is attempting to bank on their oil reserves serves as an interesting dynamic to an already complicated process and opens the country up to the risks of fluctuating oil prices.

Whether or not Uganda needs the infrastructure it wants to build with Chinese oil-backed loans is difficult to answer. However, the NRM is encouraging the use of these loans to build infrastructure that will be widely used by the Ugandan population – such as roads and an airport. These kinds of projects are often made a priority by the NRM, as they are ways in which the NRM attempt to win loyalty, while also developing the country’s infrastructure.

5.4.2 China-Ugandan Oil Relations: Labour

In terms of the Chinese operating in Uganda’s energy sector, Chris Musiime from the Africa Centre for Energy and Mineral Policy had the following to say:

“Hydropower dams and road infrastructure are being financed by the Chinese and being built by Chinese labour. With oil, there is a lot of infrastructure that is going to be built. There is not a big footprint of the Chinese in the oil sector, however the involvement of the Chinese is highly anticipated. A similar scenario will then unfold” (Musiime 2017).

In this way, Musiime suggests that the Chinese have not infiltrated Uganda’s oil industry to the extent in which they are involved in the hydropower sector, or that of other oil industries in Angola or Sudan. Although, he does say that what can be expected will be similar to that of the energy sector, and more specifically, the hydropower developments by the Chinese in the country.

As the circumstances of the labour relations between the Chinese and Ugandans is well documented, this study draws on the lessons learnt in this interaction as an interface to predict the nature of Chinese employers in Uganda’s oil sector.

In terms of employment and skills development, CNOOC Uganda has completed a database of local suppliers to help inform Uganda’s supply chain analysis, and are currently populating a national talent register which is a database that lists what skills already exist in Uganda, in order to help identify skill gaps. CNOOC are working in collaboration with the Uganda Petroleum Institute Kigumba (UPIK), and have provided other services and finances to this institute in the past decade. In terms of skills development, Uganda, with the majority of its demographic being the youth (which is to say between the age of 18-28), the Chinese construction sites teach these Ugandans how to operate graders, caterpillars, sand mixers and other operational tools.

CNOOC has also recently injected US\$ 50 000 into a fund that will support 70 Ugandan youths to study vocational courses such as welding, metal fabrication, carpentry and concrete practices. Since 2014, more than 500 Ugandans have been sent to China for short term training courses and seminars, by the GoU and the Chinese Embassy in Uganda.

In terms of employment, CNOOC officials have made it public that the GoU has not set targets for the number of Ugandans to be employed by the oil companies in Uganda. In 2014, Auditor General John Muwanga stated that “there is a low concentration of nationals in senior management and middle management (Muwanga 2015).

5.5 Neopatrimonialism, Patron-Client Relations & African Agency

In looking at Sino-Ugandan relations through the perspective of a case study, it became apparent that a similar amount of attention toward China needs to be spent in understanding the agency that

Ugandans are showing. The GoU plays its role in taking up agency through formal channels, but this does not tell the full story, as there are plenty of examples that showcase an informal uptake of agency in the Sino-Ugandan relations. This section analyses the various manifestations of how China engage with the neopatrimonialism that exists in Uganda. Emphasis on the quality and presence of Ugandan agency is particularly important to this section as this was a finding that emerged from the field work I conducted.

5.5.1 China's acknowledgement of Uganda's Patron-Client Strapline

In parallel to President Museveni's government's role in attracting and managing Chinese behaviour in Uganda, a more nuanced and complex dynamic is happening at all the other levels of informal interactions between the Chinese and Ugandans. This study has found a burgeoning literature base that suggests that there is in fact a much greater role of African agency in foreign relations than has previously been recognised, specifically at the SME level of business.

Considering this, and Uganda's neo-patrimonial political nature, it is clear that to better understand the various relations between Uganda and China, the study needs to focus less on the individuals or networks from a formal 'state' or 'society' point of view. Instead, this study finds that a large extent of the agency in the Sino-Ugandan relations is upheld by Ugandan actors that hold positions in the state but also have connections to private sector interests and visa-a-versa. This manifestation of institutionalised informal agency stems from Uganda's neo-patrimonial nature of politics, which this study uses to indicate the similarities of these agents to Uganda's prominent patrons of power. In most cases, the patrons in Uganda's domestic arena offer their wealth such as networks, local knowledge or land to foreign companies for a fee or for diplomatic legitimacy. According to Mohan (2015) patrons in this context "use his [their] own influence and resources to provide protection or benefits to a client who for his [their] part, reciprocates by offering generous support and assistance, including personal service" (Lampert & Mohan in Gadzala 2015, p.114).

To understand the operationalism of this claim, this study structures its analysis of the various kinds of relations in the context of the Chinese and Ugandans on Lampert and Mohan's (2015) scaling of patron-client relations from low-profile every day interactions to elite level engagements. The first forms of evidence appear at grass roots level, where the everyday agency of Ugandan officials such as police officers, business owners and the occasional opportunistic citizen require the Chinese to pay a fee or provide a service for them. Evidence from field work in Kampala suggests that Ugandans feel entitled to this behaviour as the Chinese are guests in their

country and the Chinese often see this as the price to pay of being a foreign national in Uganda. These instances form part of everyday life for the Chinese, which firmly puts the agency in the hands of Ugandans. The prevalence of these interactions has created a need for Chinese companies in Uganda to find ways to navigate these potentially very expensive procedures and restrictions. This often leads to the development of ongoing joint relations with African officials who offer protection from these environments and in turn become a critical cog in the viability of Chinese business in Uganda.

Those kinds of relations are captured in the second level of patron-client relations, which revolves around creating and setting up access to business contracts and market economies, and Keith (2017) agrees with Lampert and Mohan (2015) when they say that this level of engagement is characteristically cordial and is based on a win-win mentality, especially in Uganda. This arena is less dependent on unofficial payments and is more even in terms of agency and power. Ugandans that are able to participate in this arena are mostly local business people and bureaucratic elites, who take advantage of these relationships to reinforce their own status and positions in the domestic political playing field.

Thirdly, the high-level Ugandan state-based and state-connected elites develop purposive uses of Chinese investments. In Uganda's relationship with the Chinese, there are cases of political elite having direct relationships with ambitious Chinese entrepreneurs which Lampert and Mohan (2015) argue is mainly driven by their own ambitions to further their economic and political interests. Bayart (2000) claims that Africa is familiar with this kind of extroversive active intermediation by beauracratc elites, as it has been a continuing theme throughout the precolonial and colonial era, and is present in contemporary Sino-African relations. In understanding the historical extent to which this political behaviour has existed, it becomes apparent that African political elites that act as patrons to their respective countries have developed the capabilities to harness foreign relations to cement their positions. This suggests that foreign relations, through African agency, perpetuates neopatrimonial practices among those connected to, or within, the state.

"... You cannot be a successful and functional politician if you are not a successful business man. These guys [bureaucrats and public actors] are now able to market their country to the world, as well as market themselves to their countrymen as legitimate leaders..." (Keith, Kampala, 2017).

This statement by an interviewee of this study named Mark Keith relates to the elite politics that surrounds high profile Chinese entrepreneurs in Africa. It links to Lambert and Mohan's understanding of African agency and networking in that these high-level officials are motivated in selling access to their countries markets as they stand to make small fortunes. For the Chinese, they are attracted to these patrons as they have the ability and local knowledge to enable access to opportunities that might otherwise have been beyond their reach.

5.5.2 Examples of Ugandan Agency across the board

The first example is one that drew much negative attention in Uganda, and could be seen as corrupt. It was first discovered when a relationship was exposed between a high-level business man and an American company looking to get involved in Uganda's oil industry. As discussed in the timeline review of Uganda's oil sector, this relationship constituted the evictions of two hundred families from Rwamutonga village, Hoima District in order to make land available for an oil-related dump site. The patron involved in this instance was a business man named Joshua Tibangwa, who allegedly contacted McAlester Energy Resources Limited to offer the piece of land they were interested in acquiring. It is alleged that Tibangwa received US\$300'000 for the deal, and in turn evicted the current occupants of the land. After violent protests erupted from the evicted residents, a court ruling judged the actions of Mr Tibangwa as illegal and McAlester Energy Resources Limited had to pull out of the operation due to the violence and bad press.

The second example is inspired by neo-patrimonialism and revolves around a relationship between the Savo family who is known in Uganda as one of the primary instigators of the illegal appropriation of land, and a hydropower Chinese firm (Keith 2017). The Savo family had agricultural products, wood and cattle that needed to be carried from Bunia (Western Uganda) and Kampala. In order to do this and cut costs in toll barriers, export tax and general complications on the roads, the family used land-grabbing (with alleged assistance of their own militia) to create its own trade route to Kampala. This family, with ties to the local governors of the respective regions, is an example of the kind of agent that has allegedly been in discussions with CNOOC in light of the Chinese-oil companies' interest in acquiring land to execute its oil exploration and production plans (Keith 2017).

However, Ugandan patrons at high diplomatic or private sector levels occasionally disregard the consequences for the lower echelons of their society when curating deals with Chinese companies. Examples of this are evident in the unrest recently brewing in downtown Kampala, where local

traders and shop owners marched against small-scale Chinese traders in Kampala in August 2014. The motion was for the GoU to prohibit foreigners (primarily the Chinese and Indians) from petty commerce.

“If a manufacturer who has been trading with Ugandan traders, establishes a shop in Kampala and begins to do both wholesale and retail, the traders will run out of business” (Dembe, Kampala, 2017).

Inexpensive Chinese goods are common in the markets of Kampala, and locals tend to benefit from selling these imported merchandises. However, there are a growing amount of migrant Chinese traders who are selling these goods at even cheaper prices and are setting up shop as small businesses.

5.5.3 Uganda’s Hard Bargaining

The GoU has held a strong line on the prohibition of oil exports and various capital gains tax disputes, which have amounted to playing a significant role in the lack of progress in the oil extraction process. However, this has not been the sole reason for the delays – oil exploration and production agreements are largely based on global oil prices. These agreements are often subject to renegotiations, which is to say, just as governments table renegotiations when the oil price rises, oil companies use the fall in oil prices to improve their end of the deal. Many IOC’s seek to better the contractual terms when the pricing environment affronts their valuations. When interviewed on 25 June 2017, Haggai gave a recent, local example of this. Total requested a renegotiation of the sharing terms with the Ugandan government in September 2015, on account of the fall in international oil prices. The Ugandan government has become a tough negotiator, but had to concede to the terms proposed to them by Total in order to keep them in the industry.

An example of active agency on the part of the GoU has been Uganda’s requirements for a longer, lower plateau of production levels, to protect the longevity of the oil reserves, whereas the consortium (Total, CNOOC and Tullow) prefer to have high initial production rates, in order to recover investment costs as quickly as possible. These delays in negotiations have, in turn, delayed the first oil production until 2020, which interferes with the investment returns that the consortium requires to remain in the industry. All three partners of the consortium have cut their investment budgets by 20 to 30%, in order compensate for the lack of returns on their initial investments. For Tullow PLC, this has culminated in a farm-down of their shares in Uganda’s oil. Fortunately,

however, the two remained oil companies, CNOOC and Total, are oil majors who can cross-subsidise the balance of these shortcomings with a large portfolio of global investments.

According to Patey (2015), despite the shortcomings mentioned above, these delays have been necessary for Uganda to attempt to fill the legislative void that existed when the initial oil discoveries were made (Patey 2015). Examples of these new legislative enhancing mechanisms are: the 2008 National Oil and Gas Policy; the 2013 Petroleum Exploration, the Development and Production Act, the 2015 Public Finance Management Act and the National Content Policy. The renegotiation of the PSA specifications that will be used to inform the PSAs between the Ugandan state and the chosen IOC's has been highlighted as another way of nationalistically strengthening the legislation that regulates the country's oil industry. These legislative tools are seen by many as examples of how Uganda, a small African country that has been endowed with natural resource, can equip itself to setup deals that are nationalistic, even though the agency is driven by patrimonial interests (Patey 2015).

This combined with the institutional support received from various international partners such as the Norwegian government, has led insiders such as Farge (2015) and Patey (2015) to believe that the political environment that surrounds the Ugandan oil industry has become known to foreign oil interests as tough and unpredictable (Paterly 2015 & Farge 2015). The same can be said for many other African states, who also show signs of unpredictable governments.

5.5.4 Uganda's National Oil Company (UNOC)

A common tendency for countries that possess oil wealth is to setup an NOC to handle the various agreements and operational duties. The overall function of UNOC is to handle Uganda's commercial interest in the oil and gas sector from the upstream activity all the way through to midstream and downstream storage.

UNOC is mandated to hold the states participating interest in the upstream (exploration and production) PSA's with CNOOC and TOTAL, which is 15% under the old PSA's and 20% under the newly revised PSA's.

The National Pipeline Company is a subsidiary of UNOC and handles the midstream transportation process. The Uganda Refinery Holding Company is another subsidiary and holds the other midstream shares, and has a participating interest in the planned Refinery that is lightly discussed in the culmination of this chapter.

Downstream storage is also part of UNOC's mandate which means that the company is required to store national fuel reserves, in the Jinja and Kampala fuel terminals.

5.5.5 Production Sharing Agreements

However, this section on PSAs gives this study an indication that Museveni's Uganda has not always been able to use hard-bargaining tactics. On the contrary, a report labelled the Contract Curse by Platform in 2010 suggests that the initial PSAs of the 1990's, were counterproductive to Uganda's interests, and suggested that if these PSA's were not renegotiated, the extraction of the oil in the Albertine Graben would only exacerbate the difficulties plaguing Uganda's development such as poverty, rent-seeking and land grabbing.

PSA's are among the most commonly used contractual agreements between petroleum companies and governments. Under a PSA, the state is the owner of the mineral resources and engages a foreign petroleum company as a contractor to perform the technical operation of exploration and production (Bindemann, 1999). Traditionally, the state is represented by an agency such as an SOE, in this case usually a NOC (which Uganda setup in 2016 called Uganda National Oil Company – UNOC). In theory, the petroleum that is extracted remains the domain of the state who has ultimate control over the oil. In practice, however, the actions of the state are often restricted by stipulations in the contracts. In a PSA, the contractor is entitled to a share of the production as a reward for the risk taken and services rendered, such as capital investment in both the exploration phase and in the drilling and construction of the infrastructure (Bindemann, 1999).

The first use of a PSA was in Indonesia after the independence in 1966, where there was a growing nationalistic sentiment. The foreign oil companies and their concessions became the countries initial outlet of discord. In response, the state refused to grant new concessions to foreign companies which led to a stagnation of the oil industry. In order to overcome this, the state and the foreign oil companies agreed upon a new petroleum legislation which made use of PSAs that upheld governments ownership of the resources. In this kind of arrangement, the oil is left legally in the hands of the state, while the foreign companies are compensated for their investment and risks in the exploration and production phases.

Initially, foreign oil companies were hesitant to invest capital into an operation they were not allowed to own or manage, but Barnes (1995) argues that foreign oil majors did not want to establish a precedent which could affect their concessions elsewhere.

Depicted below in figure 1 is a PSA flow chart that provides an overview of what the basic idea of the agreement looks like.

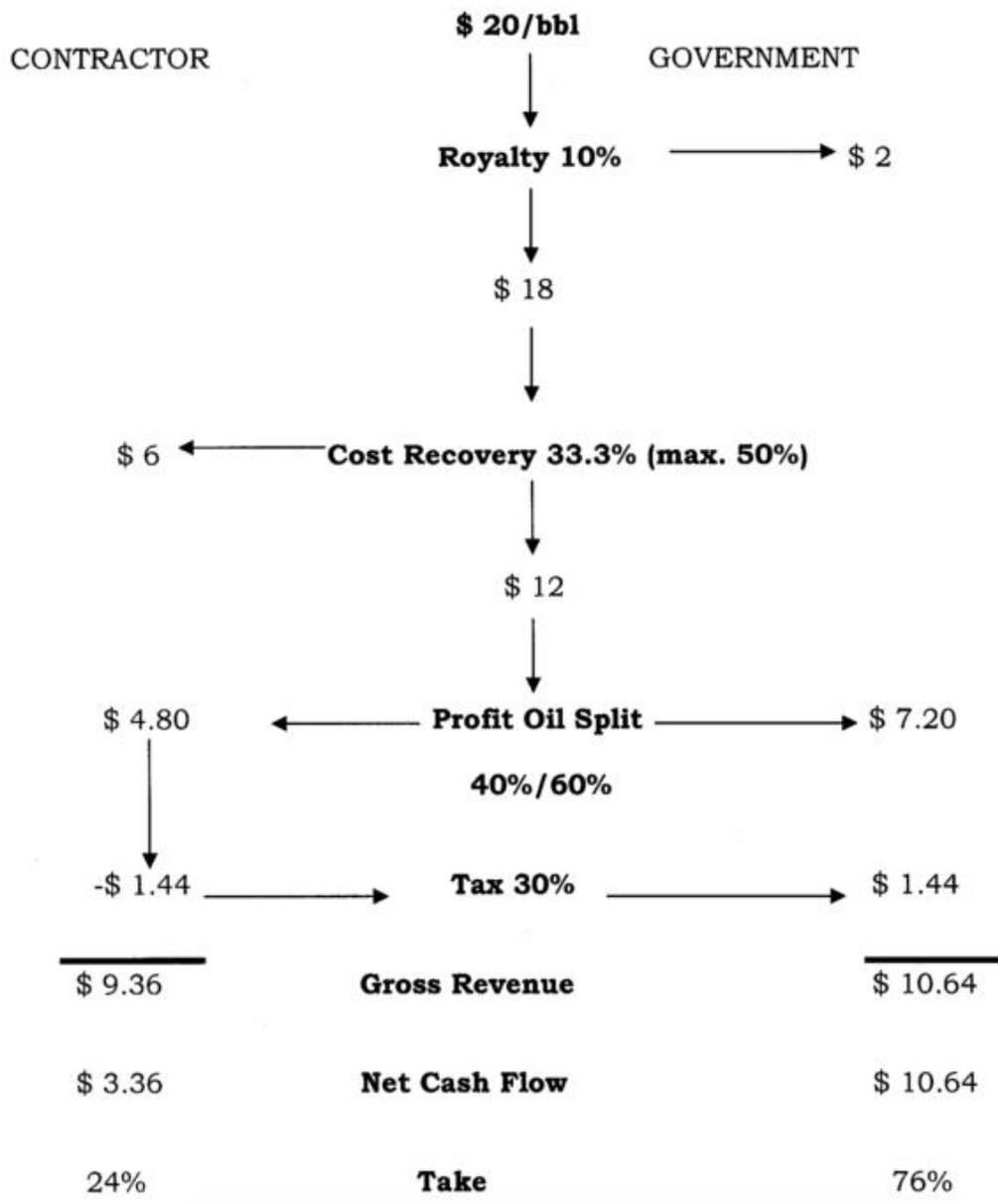


Figure 10: PSA Agreements Flow

(Bindemann, 1999, p. 15)

5.5.6 Production in Uganda

Uganda signed its first PSA with Heritage Oil in 1997, when they issued the company with an exploration licence for Exploration Area 3. The second was signed in 2001 with Hardman Resources, which covered Exploration Area 2. Both PSA's were renegotiated in 2004, when Tullow took control of the respective stakes in Exploration Areas 2 and 3.

An analysis of the first PSAs drafted by the Ugandan government was done by Platform, a UK based research firm, and was published in 2010. The general trajectory of the report is captured in this statement of their,

“the oil contracts in Uganda do not provide enforceable protection standards regarding the environment for the human rights of Ugandan citizens, relying on the oil companies to operate reasonable and altruistically. Yet despite their promises of corporate responsibility, the oil companies' foremost legal responsibility is to maximise profits for their shareholders – other commitments can be sacrificed to achieve this. This is made explicit in Heritage's 2008 Prospectus to potential shareholders. The failure of the contracts to protect Uganda is compounded in that national law and oil policies do not currently provide enough specific and enforceable obligations to promote responsible regulation of [the oil & gas] sector, especially with regards to protection of the environment” (Lay & Minio-Paluello, 2010, p. 33).

It is clear that in the context of the first oil agreements, the Government of Uganda did not negotiate in terms of achieving a deal that would provide for a net positive addition to Uganda's economic development efforts, let alone to the environmental or societal aspects of the country. On the contrary, Abeinomugisha, Nichola, Newth, , Tumushabe, & Twinomujuni (2015) suggest that extracting millions of barrels of crude under current PSA agreements and lack of institutional capacity will most likely exacerbate poverty, distort the Ugandan economy by weakening other more locally orientated, labour-intensive sectors such as agriculture, increase the human rights violations, further nationalise military and economic power, increase both corruption and revenue mismanagement, inflame tensions across the border with neighbours Congo. Another indirect issue that is arising is the escalating tensions amongst the countries that are members of the Nile Basin Initiative by potentially polluting the land, water and air that play a crucial role in the survival of the Nile basin's ecosystem. Lake Albert is a critical element to the Nile Rivers health and survival, which means that this area is a high-risk zone in terms of environmental damage (Hakim 2017).

Haggai (2017) stated that these initial PSAs that were drafted in the 1990's formed part of the marketing strategy that was curated to lure oil companies into the area by offering attractive exploration licences that would handicap Uganda in ways that were mentioned above. President Museveni's response corresponded with this argument as he commended current negotiation efforts as necessary to attract foreign exploration companies to the Albertine Graben, which eventually led to the major oil discoveries across the Lake Albert basin from 2006 onwards (Lay & Minio-Paluello, 2010). The discoveries of 2006 unsurprisingly acted as a catalyst to attract other oil firms, and according to Chris Musiime (2017), Museveni has since been able to adopt a more pro-Ugandan stance, in accordance with this spike in demand. The pressure from reports such as the Contracts Curse by Platform and other civil society coalitions on oil in Uganda has further motivated Museveni to adopt a hard-line in the production orientated PSA negotiations with CNOOC, Total, Tullow, Armour Energy Limited, WalterSmithPetroman Oil Limited, Oranto Petroleum International Ltd and Niger Delta Petroleum Resources Ltd.

According to Mark Keith (2017), Uganda has used a similar PSA agreement to that of Figure 1, but a few changes that will be discussed in the section that follows

In the context of the previous PSAs between the Ugandan state and the respective foreign oil companies, the new terms have become tougher for FOC's in that profits and losses will be shared in line with prevailing oil prices. This is a fundamental shift from the previous agreements, which placed precedence on the respective company's recoverable costs. As mentioned earlier, Uganda aims to curb the rate of initial production to extend longevity of the oil fields, as opposed to the traditional high spikes in production which is often linked to foreign oil companies wanting to recover their investment costs as fast as possible. Considering this, Uganda has restricted investors from recouping more than 65% of their production costs annually (Nangalama 2017).

“The model we are using means that when oil prices are high we get good money. The previous agreements did not provide for this” (Webb 2017).

Uganda have also setup additional fees that companies must pay, such as performance guarantees which have amounted to US\$ 1 million per company, as well as royalties which deviate from company to company, but range from a low 8.5% to a high 21% of the prevailing oil prices per barrel (Webb 2017).

5.5.7 Refinery

China's lack of participation in the refinery industry of Uganda, despite a significant amount of interest shown, is an example of how China's approach to engaging with Uganda can also be unsuccessful. Despite China's willingness to participate in the neopatrimonial constructs of this industry, Uganda declined China's proposal to partner in building Uganda's oil refinery.

The initial discussions of an oil refinery being built in Uganda started in August of 2010, when UK consultants, Foster Wheeler, who were funded by the Norwegian Government at the time, drafted a feasibility study on an oil refinery in the Albertine Graben. According to Forster Wheeler, an initial investment of US\$ 2 billion would make a refinery project economically viable, which would enable Uganda to become self-sustaining in petrol, diesel and kerosene products, while also profiting economically and politically by exporting surpluses to Burundi, Kenya and Rwanda.

By 2014, The Ugandan Government had commenced the compensation of the 7118 individuals that were living in the proposed refinery area, and gave them a three-month ultimatum to vacate the designated land. According to Oil in Uganda's article in 2013, "the residents are being coerced into accepting the process against their will" and that "the locals have no capacity to refuse signing these documents as they are being intimidated by the Local Councils, Parish Councils and some people from the consultants hired by government" (Akumu 2013, p.3). Out of the 2473 property owners, 96 opted for resettlement, while the rest chose to be compensated with cash (Haggai 2017).

The Ugandan government hosted a round of competitive proposal entries for the build of Uganda's crude oil refinery, in which 75 companies expressed interest. By February 2015, a consortium led by Russia's RT-Global Resources were announced the winners of the bid, and South Korea's SK Group came second. Many industry insiders are quick to point out that the mother company of RT Global Resources' is Russian owned Rostec Corporation, who were responsible for several military contracts and large arm deals across the globe, including Uganda. According to Haggai, (2017), the business that this would bring the Russians could have potentially landed a bonus for Uganda – further access to weapons. It's alleged that when the contract was awarded to RY-Global Resources, a VIP version of the Mi-171E helicopter was delivered to the Ugandan Government, from Russian Helicopters – a subsidiary of Rostec Corporation (Rostec 2016).

RT Global Resources pulled out as a lead investor of the oil refinery in July of 2016, which happened after both parties could not come to an agreement with the terms and conditions of sharing various responsibilities.

Uganda's Government stated that they were inclined to partner with a consortium from China, which included China Petroleum Engineering & Construction Corporation (CPECC), China EXIM Bank of China, Industrial Commercial Bank of China, Guangzhou Silk Road, East China Design, Engineering Institute, and China Africa Fund for Industrial Cooperation. According to Haggai (2017), the deal fell through due to disagreements between Uganda and CPECC, who were running a phosphate extraction operation in Eastern Uganda, and was said to be struggling to get off the ground. In light of this, a preliminary agreement to build the refinery was struck with a consortium called the Albertine Graben Refinery Consortium (AGRC), which consists of American and Italian investors – General Electric Oil and Gas, YAATRA Ventures LLC, Intracontinental Asset Holdings Ltd, and Saipem SpA.

The Chinese consortium has since laid a formal complaint to Uganda, noting that they were initially appraised as the best bidder, and there for an introduction of new negotiations with another bidder was not necessary and is seen as an act of bad faith. The Chinese Consortium has developed this complaint by citing the possibility of corruption.

“DongSong is suffering because it is close to the president. There is no way it can give money to people involved in the selection process. Previously, when ministry of Finance officials tried to ask for money from DongSong, they were arrested. So, we were edged out because they know we can't give them money” (Weidong, cited in Lule & Mwesigwa, 2017).

This suggests that the lack of participation in the culture of patrimony played a role in the failure of the DongSong group to acquire this tender.

The evidence that emerges from this narrative of Uganda's oil refinery is that Uganda are putting a significant amount of effort into developing their oil industry. With a refinery and the oil pipeline they are intending to build to be able to export oil directly to the Tanzanian coast, the GoU are showing tell-tale signs of pre-resource curse symptoms. That being that they are focusing the majority of their attention on developing their oil industry, and largely ignoring other profitable sectors such as agriculture.

5.6 Implications of China's Oil Relations with Uganda

5.6.1 Community livelihoods

Despite the centralisation of the governance of the oil industry, the direct impacts on economic, social and cultural domains of oil mining remain very decentralised, particularly at the local level. The kinds of impacts on livelihood patterns are all context specific, and have been listed by the International Alert organisation, in a report they released in 2013, which included changes to fishing, agriculture, livestock, rearing strategies, hunting, eco-tourism and timber farming (International Alert 2013). Haggai (2017) revealed that there has been an outcry at how oil exploration activities in the Albertine Graben has forced a considerable number of households to adjust the way they meet the needs of their families. For example, the International Alert report (2013) indicates that 54% of the respondents of their study have experienced restrictions to fishing activities on Lake Albert due to oil-related disturbances (Haggai 2017).

Despite this, people have been largely optimistic that oil production will contribute to increased employment opportunities, higher incomes and improved access to infrastructure such as roads, public transport, schools and health care. However, up until recently, community members have not received the accrued wealth they were expecting as the employment opportunities, overall, have continued to be casual jobs such as security guards, which has been said is due to a lack of necessary qualifications.

A story that depicts the absolute gap of the community's access to education and knowledge about the oil industry, is one that Mark Keith told in an interview in 2017.

"In 2006, Hoima's local municipality organised a meeting that would bring the various local stakeholders together to discuss the outcomes of the oil exploration, and various areas of contention that had arisen during these exploration activities. Present at the meeting would be CNOOC, any local community member that wished to better understand the project, Total and Tullow, as well as several MP's from the Ugandan government and the local municipality officials. Alongside these stakeholders came the media, and I [Mark Keith] witnessed the community members who lived all along the eastern bank of Lake Albert, arrive with jerry cans, expecting to have the oil poured straight into them for personal use" (Keith 2017).

For Mark Keith, this represented a narrative that the oil was being extracted prematurely, as the local communities are not being constructively involved in the process. This combined with the

eagerness and capabilities of the Chinese has resulted in Uganda risking the complete alienation of society from its oil industry. This is a negative backlash and is explained further below.

The alienation argument hinges on the fact that the essence of patrimonialism in resource rich countries is A) the centralisation of power and B) the alienation of society. This seems to have been the case in Uganda, especially in light of the evidence gathered in the field that suggests the extent to which there is a lack of participation by local communities. This results in local communities not having sufficient access to transparent information which is becoming a source of conflict. This alienation of the community offers evidence for the presence of neopatrimonial politics in Uganda (the centralised distribution of resource rents). However, the friction created by society against the government has not been in vain. Laws such as the Public Finance Act (2015) and the recently setup Office of Auditor General are examples of mechanisms that are aimed at protecting the hidden misuse of oil revenues. Despite these not being entirely satisfactory to many Ugandans (The East African 2018), this adoption and promotion of transparent resource rent harbouring will be a key ingredient for the success Uganda's neopatrimonialism in the future.

5.6.2 Localisation

In response to these narratives, and in parallel to the PSA negotiations, it has become apparent that the Ugandan government has heeded the advice from experts such Kamakura, as there have been efforts made to localise areas of the industry that the government claim the population to have the necessary skills capacity for such as, infrastructure development, supply chain development, logistics and the creation of vocational skill development programmes. A few tax breaks have been introduced that have got to do with the logistically intensive production phase of the oil extraction which Keith (2017) suggests is aimed at promoting the Local Content Bill¹⁵ which was tabled in 2017. An example is the removal of the import tax on equipment that has been deemed logistically necessary for oil production, such as trailers and trailer licences, which has up until recently rather been done in Kenya and driven over the border, creating a lucrative industry for Kenya.

5.6.3 Environmental Concern

The fact that China has achieved extremely high economic growth rates over the past four decades at a disastrous environmental cost has given rise to widespread concerns over the environmentally

¹⁵ The Local Content Bill serves to priorities local Ugandan industry as the first call of supply to any logistical requirements in the natural resource extraction industry (Keith 2017).

destructive nature of the Chinese firms in important environmental zones. Uganda's Motovo responded by saying "Uganda doesn't have enough energy to drive its economic development programs" (Motovo in Adams 2017).

In this way, this outline of Uganda's hydropower sector gives this study an indication of what behavioural patterns are to be expected from Chinese firms in the oil industry when they do extend themselves to their full degree. It depicts the kinds of risks that Uganda will exposing themselves too in terms of human rights exploitation, long-term financial instability and environmental risk.

5.7 Conclusion

The reprioritisation of China's foreign policy strategy from "Marxist revolution to economic development, and from isolation to international engagement" (Muekalia 2004, p.7) began China's efforts in setting up amicable economic relations with Africa and in so doing, Uganda. These relations extended to industrialised countries as well, such as the United States, Europe and Japan. These were done with the aim of increasing international trade and investment (Taylor 1998). The diplomatic relations between China and Uganda have been grounded in economic cooperation, with the Chinese using the oil reserves in the Albertine Region, to expand their energy footprint in Africa through CNOOC.

In parallel to this, the end goal of Uganda's foreign policy has been to attract FDI to underdeveloped markets, such as oil and gas. Having attracted the Chinese (CNOOC) to be involved, provides the country with an opportunity to access financial aid and loans. Direct capital and skilled labour is also being provided through various Chinese involvements in Uganda, which Uganda is currently desperately needing, especially when expensive and difficult upstream activities such as oil exploration and extraction are involved.

These policy prioritisations are consistent with the assumptions that form the essence of Economic Nationalism. Sino-Ugandan oil relations and their mutual benefitting, co-operative themes are primarily driven by economic nationalist motifs. In other words, a measure of the degree of how Sino-African relations are mutually beneficial is how much each country benefits, and in what ways they benefit.

In light of this case study, this cooperative manner of engagement manifests in Uganda's oil industry in the form of the arrival of skilled Chinese labour and financial capital that Uganda desperately need. For the Chinese, cooperating with Uganda at a diplomatic level gives

entrepreneurs that are looking to gain access to African markets the opportunity to do so. In the same vein, the state's engagement with Uganda through supportive organisations like FOCAC is useful for Chinese IOC's to leverage diplomatic comradery to sign business deals and secure contracts or tenders.

How CNOOC operates in Uganda resembles that of a neoliberal digest of the IPE of Sino-Ugandan relations. The exclusivity of CNOOC's operations for China in Uganda's oil industry reflects how Sino-Ugandan relations have entrusted the firm to be a key economic actor in the development of the oil-relations between the two countries. The theoretical overview discusses how this behaviour is a prominent feature of neoliberal IPE, which leads this case study to suggest that at the operational level, the Chinese state has a more limited role than at the diplomatic or economic level.

The Chinese operations in Uganda can be seen as neoliberal due to the nuanced relationships these companies have with the Chinese state. Moreover, China's SME's in Uganda have a large amount of economic freedom and are well distanced from the Chinese state. In terms of Uganda's larger operations, much of these are SOE's. These companies are closely affiliated to their governments who help in dictating the trajectory of these companies, which is less democratic than what neoliberalism might warrant. When this state involvement at the larger business scales is seen in parallel to the leniency and freedom provided to Chinese SME's in Uganda, the flexigemony approach takes on a neoliberal interface.

Realism emerges in these diplomatic relations, particularly when discussing the respective nationalistic motifs behind these state-led relations. As discussed in Morgenthau's theoretical overview of realism – countries involved with the international system are fundamentally self-interested entities that are aiming to develop their economic and therefor political strength. The economic benefits for the GoU and the Chinese state from extracting the oil from the Albertine Graben is a significant reason for the emergence of Realism in this relationship. Furthermore, the research does not detract from the fact that CNOOC is a SOE, and takes a lot of advice direction directly from the state. The Chinese state have however embarked on processes to further the strategic independence of their SOE's.

Another point this chapter made was the centralisation of ownership of the oil in Uganda's oil industry, the militarisation of the security of the area and the setup of CNOOC, the refinery and hard bargaining taken on by the NRM themselves are signs of strong neopatrimonial politics in

Uganda. The distribution of cash, gifts and favours from Ugandan politicians to their constituents is also not unheard of. The political regime of Uganda relies on such forms of governance in order to maintain its political legitimacy. Uganda's oil industry thus provides a multifaceted opportunity for Uganda, in that there are economic benefits for the country, but therein lies political legitimacy benefits too. China's long history with patrimonial culture has equipped the state to be able to engage with Uganda's political elite in ways that fast track the evolution of these diplomatic relations. The speed in which CNOOC obtained its PSA for the kingfisher oil field is seen by many as evidence of this kind of patron-client relationship. However, China has not always been able to play ball with Uganda, as was seen in the DongSong example. The situation here was that the relationship between DongSong and the NRM was too noticeable and that the government would not be able to get away with awarding the refinery tender in exchange for an offering of some sorts, be it loans, aid, business deals or outright payments.

Lastly, Uganda's neopatrimonialism enables the country's government to spearhead PSA negotiations, using hard negotiation skills and shrewd business skills to develop a well rounded approach to getting the best deal possible out of the oil extraction process. Furthermore, the GoU's capability and drive to setup the infrastructure to ringfence the Albertine Graben's resource rents, a very neopatrimonialist trait, may be for the better or for the worse. The optimistic view has these rents put into a SWF, which then can fund a wide variety of industry development, not just the oil industry's development in order to dodge the resource curse. In Uganda's case, agriculture and hydropower industries may well be good investments. Uganda's dance with neopatrimonialism also gives them an advantage when dealing with the Chinese. The Chinese are well familiar with neopatrimonialism (as discussed in chapter three), which sets the two nations up with a like minded approach to business, that has already paid dividends for both at the negotiations table – for the Chinese, they have been given an early PSA for the largest oil field in the Albertine Graben, and the Ugandan's have benefitted from many aid and loan agreements directly from the Chinese banks.

Chapter 6: Conclusion

This thesis set out with the following research questions:

China:

- What is the domestic political setting in China that could help or hinder their relations with Africa?
- What are the key characteristics of China's approach to engaging with Africa?
- How effective has this approach been to engaging with Africa?
- What is the African perspective on these relations?

Oil:

- What natural resources do Africa have, and in particular, what oil resources are yet to be extracted?
- What is China's energy footprint in Africa?
- More specifically, to what extent are China involved in Uganda's oil industry?

Uganda:

- What level of agency exists in Uganda, in particular, what is the nature of Uganda's agency in its oil industry?
- What evidence is there that suggests that China are willing to engage with Uganda's neopatrimonial regime in order to secure market access in Uganda's oil industry?

Therefore, It is the intention of Chapter 6 to provide a conclusion to the study by covering the following:

6.1) Overview

6.2) Conclusion

6.3) Recommendations for further research

6.1 Introduction

This thesis set out to explore the nature and implications of China's political and economic relations with Uganda, a country whose oil yet to be extracted and with a significant neopatrimonial, autocratic government. The intent has been to firstly, examine whether China has had the appropriate strategy and tools to engage with Uganda. Secondly, China's particular interest in the energy industry of Africa has been discussed, and how this translates into China being involved in Uganda's Albertine Region, where 60 bbo was found.

The degree to which the Chinese are involved in Uganda's oil industry is limited. They do not possess more than 34% of the area in the Albertine Graben that has been designated for oil extraction. However, TOTAL has bought the majority of Tullow Oil's exploration rights, making TOTAL the majority shareholder. CNOOC has taken these sales to the High Court in Uganda on the basis that their PSA agreements with the GoU state that they are eligible to bid competitively for a share in Tullow Oil's sale. Uganda has maintained a strong sense of agency in dealing with the various IOC's, making progress in developing a diverse portfolio to engage in Uganda's upstream, midstream and downstream oil extraction activities. The big role players such as UNOC, TOTAL, CNOOC and Tullow Oil have jostled for space in the industry, all being closely watched by President Museveni, who has shown keen interest in extracting the Albertine Grabens oil. In doing so, Museveni's regime has ensured that there are no monopolies occupying any space of the oil industry, and has exhibited smart, adept and in control bargaining skills. The need for foreign skills and capital has overridden the desire for the country to adopt resource nationalistic policies, however, evidence from PSA's disclose a good deal for Uganda in terms of acquiring resource rents.

The study finds that the Chinese often exploit Ugandan labour, which has contributed to anti-Chinese sentiments on the ground. Therefore, there is a growing expectation for labour unions to step up their endeavour to engage the Chinese on ethical working conditions. However, engaging with the Chinese proves to be difficult for labour unions as the Chinese appear culturally moulded to ignore labour unions as they do not hold much authority in China.

The Chinese are experiencing a tough working environment in Uganda, and tend to operate behind closed doors, more for reasons of a lack of capacity (in terms of language as well as personnel) than for reasons of conspiracy and maliciousness. The tough working environment comprises of an

informal work ethic, corrupt agency from state figures such as policeman and local political figures.

What this means for China's natural resource strategy is that Chinese multinationals often are helped by these diplomatic relations to set up long term residencies in resource rich countries in Africa. To do this, they approach resource-rich countries, either privately or through diplomatic channels, and enter joint-ventures either with national governments, the relevant state-controlled energy companies, or the appropriate individual enterprise (Taylor 2006). It appears that Chinese companies often outbid their competition when in pursuit for government awarded contracts, and Taylor (2010) suggests that this is because Chinese firms are not concerned about the short-term returns because all finances will be balanced out by Chinese state institutions, if it means having a strategic position in the future of Africa's energy portfolio (Carmoday & Taylor 2010).

Despite the various trends that are pointing to the decline in the use of carbon and oil such as the various low-carbon movements together with the complexities that are involved in extracting inland oil in Africa, the oil extraction in Uganda is still going ahead. This is putting pressure on President Museveni's regime to be shrewd about the rents that will be acquired, and the following section on recommendations will attempt to outline various methods of ring fencing and coordinating resource rents effectively. Furthermore, the quicker it gets out the better, as any drops in oil price for an extended period could derail much of the momentum in this industry.

6.2 China and Uganda: Neopatrimonial Developmentalism

My research into **Investigating Sino-Africa relations: Exploring Investment and Governance regimes in the Sino-Ugandan Oil relations** has been done through the following chapters in this study: an introduction to the thesis; providing a theoretical and conceptual framework; a focus on China and its interface with Africa's neopatrimonialism; exploring an oil fuelled scramble for Africa; a case study on Uganda as a prism of neopatrimonialism and the Chinese; and concluding themes with recommendations for further study. In this conclusion, I highlight the research questions of the study, and attempt to demonstrate that these have been explored through summarising the themes that each question has generated. Thereafter, I provide a section that describes further research topics and areas that this study has not been able to cover.

What is the domestic political setting in China and does this help or hinder their relations with Africa?

China's political landscape resembles that of a 'hybrid-state, one that appears to be navigating the equilibrium between a legal-rational bureaucracy and *gaunxi*. Finding some form of equilibrium is much of what this study has discussed paying particular regard to neopatrimonialism, which provides a context for how China is able to comprehend and engage the informal, patron-client culture of many African markets.

This is a shift from a Western approach of 'carrot and stick, (in aid and investment) to one of requiring a deeper look into the relational reciprocity that may be mirrored between Africa and China. A complex continent, without homogeneity, may engage more easily with a country that has similar patterns in ways of being that are historically relational and less individualistic. While these have positive slants, such as 'ubuntu' and 'gaunxi', these too come with challenging expectations to grease palms.

What are the key characteristics of China's approach to engaging with Africa?

China's current engagement with Africa varies greatly from state to state, from industry to industry and from decade to decade. However, this study has been able to identify three principle characteristics. Firstly, China's reliance on direct economic power and the preference of using it over direct military or political force. Furthermore, the Chinese state's aim to ensure that major Chinese firms operating in Africa are largely protected from the rigours of market dynamics - such as price volatility in tradable industries, or unpleasant and high-risk political environments. Secondly, there is the willingness and ability to work through existing institutions despite the presence of suspect or unethical behaviour. Thus, China's expectation of neopatrimonialism gives them an advantage when dealing with Africa's politics in their pursuit to gain access to African markets. Thirdly, a considerable amount of importance is placed on high-level, diplomatic visits as well as high-level diplomatic aid commitments through platforms such as FOCAC.

From a theoretical perspective, realism, economic nationalism, neoliberalism, neopatrimonialism and developmentalism emerge as prominent features of the theoretical framework of the Sino-African relations. A dialogue between these appears to be the most useful way of engaging these theories, i.e. seeing features of all of these in the theoretical terrain.

The financing that the Chinese state offers its Chinese firms (primarily SOE's and NOC's) that are operating in Africa, gives them a competitive advantage over African and Western companies when they operate in close proximity and have an alignment of interests with their Chinese state.

How effective has this approach been to engaging with Africa's neopatrimonialism?

In terms of the general Sino-African statistical engagement, China has become Africa's largest trading partner. However, the effectiveness of their approach is demonstrated not only in its size, but also the sheer speed in which China has increased its trade with Africa. What turned out to be a vital element of the Sino-African relations was the role of private FDI in Africa. Interestingly, through secondary data, this study discussed how China's biggest trade partners in Africa are in fact the more neopatrimonial states. For example,

China has realist and economic nationalist values in their endeavour to enter African markets which, when coupled with their economic power, proves to be effective. China's familiarity with neopatrimonialism provides them with a competitive edge over Western institutions who find it more challenging to participate in such business environments. However, many Chinese agreed with the proposition that the biggest barrier to operating even more successfully in Africa is the need to cooperate in bribery and other patron-client traditions (McKinsey 2017). Thus, either African actors are too heavy handed in their pursuit for acquiring bribes from the Chinese or the Chinese are in fact growing weary of needing to participate in this culture in Africa. Nevertheless, China's approach has been effective, but there are uncertainties surrounding the long-term sustainability of this strategy.

What is the African perspective on these relations?

African perspectives vary. There is no single answer to this. China's more neoliberal and realist market behaviour has given rise to concerns amongst some Africans, which include issues such as: market capture; the inaccessibility to managerial positions for Africans; and labour regulation abuses. Consequentially, there are concerns amongst certain African elites over how China's disposition to patrimony may be undermining the efforts made by entities such as the AU, NEPAD and Western partners to develop more transparent and accountable business and governance practices.

Products of China's strategy into Africa that are causes for positive African outlooks on the Chinese include: market modernisation; low-cost financing; investments in infrastructure; jobs and

skills. Furthermore, in terms of neopatrimonialism - the lack of political requirements for China's engagement with Africa appears to appeal to African elites, who are often the primary patrons.

Furthermore, the discussion in section 3.6 highlighted evidence that suggested that Africans see the Chinese as more willing to actively participate in patron-client relations. This study acknowledges that this manifestation of Africa's agency (neopatrimonialism) is both a useful natural market barrier to protect some of the African markets from the Chinese, but if mistreated, can be detrimental for the Sino-African relations.

Ultimately, the most important step for African governments will be to define and build a cohesive China-strategy. As per the discussion in chapter 3, the Chinese government believes that building the Africa-China relations would be helped by African governments being clearer on what they want from it. Chapter 5 related back to McKinsey's report of 2017, which stated that Eighty percent of the African leaders that were surveyed said that their organisations were unclear about their China strategy.

Ways in which to encourage cross-country initiatives and development may consider using more regional entry points to engaging with Africa. Examples of such entry points are regional associations (East African Community and Economic Community of West African States) and regional bodies (African Development Bank and the African union).

What natural resources do Africa have, and in particular, what oil resources are yet to be extracted?

Africa has a vast amount of untapped oil resources, which are becoming more attractive to the international oil markets. The majority of the recent big natural resource discoveries have been in Africa, which has set estimates to suggest that Africa holds close to 50% of the world's key mineral reserves (oil included). Basins that are yet to be fully developed (that still hold significant oil deposits) include the Albertine Graben, The Niger Delta, West African Transform Margin, the West Coast Pre-Salt. However, much of the literature agrees that African states focus primarily on resource extraction industries, but fail to effectively invest resource rents. In doing so, these states often neglect other tradable industries. Thus, these petro-states suffer from the Resource Curse.

What is China's energy footprint in Africa?

The Chinese energy footprint is not by any means significantly bigger or different to that of the US or other European entities. Rather, as seen in instances such as China's trade with Africa, the

sheer speed in which China has grown its energy footprint has been the impressive aspect of this portfolio. By 2010, China was operating in nearly 20 African countries, in both upstream and downstream sectors.

CNOOC, PetroChina, CNODC, CNPC, SinoPec and CPECC are amongst China's biggest largest firms involved in Africa's energy sector. However, China does not have a stranglehold on Africa's oil industry due to the various other multinational corporations operating in Africa.

More specifically, to what extent is China involved in Uganda's oil industry?

The diplomatic relations between China and Uganda have been grounded in economic cooperation, with the Chinese using the oil reserves in the Albertine Region to expand their energy footprint in Africa through CNOOC.

The nature of China's OFDI into Uganda's oil industry arrives in the form of loans from the China EXIMBank and as private enterprises that aim to exploit oil. Uganda has attempted to attract private Chinese firms to their oil industry and have allegedly responded to the loans by suggesting that their potential oil rents can act as surety.

What level of agency exists in Uganda, in particular, what is the nature of Uganda's agency in its oil industry?

In exploring Uganda's oil, this study has found that the GoU has been pro-active in capturing the attention of foreign oil interests. Further research shows that the GoU has also acted swiftly in restructuring agreements with foreign oil companies where necessary, to ensure that Uganda gets a good deal from the PSA's. It was suggested that UNOC will be the key mechanism for the NRM in this endeavour.

What evidence is there that suggests that China are willing to engage with Uganda's neopatrimonial regime in order to secure market access in Uganda's oil industry?

Uganda displays agency at local, low-economical levels, at mid-level business environments and at the elite level of business and politics. In terms of the Chinese, the case study shows that the agency varies, being rather more exploitative towards the Chinese at the lower-levels, but evolves into more convivial relations the higher up the financial and political ladder the relations go. The discussions in section 5.4.5 highlight how at the lower-stratums of politics and business, the Ugandans often have a confrontational, xenophobic attitudes towards Chinese foreign nationals. This results in Chinese needing to ensure that there is a patronage relation with a Ugandan or

Ugandans at a higher tier of society, which works well in Uganda's well-polished patron-client culture. With engagements between Ugandans and Chinese in the mid-tier of Ugandan society, the relation takes on a more win-win approach, with Ugandans understanding that the Chinese can bring benefits to them both politically and economically. At the elite level of the engagement, the Chinese bring Ugandan's political legitimacy in the context of domestic power, while the Chinese benefit in a more global context of power as the Ugandans often lobby in favour of the Chinese at international council meetings. There is speculation that private actors play facilitation roles, but this study has not been able to root this claim in any hard evidence.

The economically nationalist, realist agenda of both the GoU and the Chinese with regard to extracting and producing the oil in Albertine Graben has made for a functional relationship between CNOOC and the NRM. The undertone of neopatrimonialism and the allure of resource rents threatens Uganda with the onset of the Resource Curse. The current role of FME needs to be complimented by a developmentalist approach in order to ensure Uganda does not suffer from the Resource Curse.

Having said this, there are major downsides that often compromise the effectiveness of neopatrimonialism. Such as corruption, which is a logical outcome of neopatrimonialism: vertical relations and clientelism provide a motor for corruption and rent-seeking activities, whereas hybridity (of rules, institutions, registers, ethics) and the weak separation of public and private spheres provide both the space for corrupt practices and moral ambiguity.

However, this study stresses the role of African agency when looking at the Sino-African relations, as these African states actually hold a lot of cards in their hands. This has implications that need to be understood when examining the Sino-African relations. The host states should often be the central focus of an analyses, as they are the ones who often dictate the nature and degree to which the Chinese engage with Africa.

Ultimately, the pro-rich, neopatrimonial, opportunistic approach to business that Africa currently has as a response to valuable FDI is unsustainable. A more developmentalist, strategic approach needs to be adopted, but by no means does it need to replace the neopatrimonial essence of African politics or business. Rather, by retaining the markets and letting go of the neoliberal ideologies, and using these markets in a coordinated neopatrimonial way to achieve a developmentalist agenda could be a solution for Africa to capture the full potential of their relations with China.

6.3 Recommendations for further research

The following are areas in which I would suggest further research. While the scope of this thesis did not intend to cover these arenas, emerging from this study, I suggest that they show potential to add much to further debates on Sino-African relations.

Developmental Neopatrimonialism

Developmental neopatrimonialism refers to a pattern of governance that deviates from this study's understanding of the neopatrimonial model. Developmental Neopatrimonialism bases itself on the principles of neopatrimonialism, but where the country's development is the ultimate motive for the political and corrupt behaviour of the individual state actors (Booth and Golooba 2009). In other words, a developmental neopatrimonial regime attempts to centralise its rents, and to rely on leadership "to put some limits on rent seeking and to play a coordinating role, steering rent creation into areas with high economic potential, or to areas that must be resourced in the interests of political stability" (Kelsall 2011, p.2) A major reason for why this term has surfaced, is how the developmental networks have often blamed neopatrimonialism for how investment and poverty-alleviation in Africa still lags far behind the rest of the world (Kelsall 2011). In some circumstances however, neopatrimonialism does not harm the development opportunities of a country, on the contrary, Kelsall (2011) suggests that under the right circumstances, this governance model can preside over rapid and poverty-reducing economic growth.

Kelsall (2011) provides the examples of South Korea, Indonesia and Malaysia who he claims experienced their quickest growth stages under a developmental neopatrimonial government. African examples of developmental neopatrimonial states are Ethiopia and Rwanda (2000 – 2011) (Kelsall 2011).

What these regimes all had in common was a system in place to centralise the management and distribution of economic rents and in doing so, focus on orientating the rent-generation to the long term. This is to say that there was a closely-knit group at the apex of the governing entity that would determine how the major rents would be created, and how to distribute them. In more detail, Kelsall (2011) highlights what other mechanisms these countries had in common:

- A strong visionary leader (often an independence or war-time hero)

- A single or dominant party system
- A competent and confident economic technocracy
- A strategy to include, at least partially, the most important political groups in some of the benefits of growth
- A sound policy framework defined here as having a broadly pro-capitalist, pro-rural bias (Kelsall 2011).

Developmental neopatrimonialism is useful as a development model in light of this study's claim that Uganda has a deeply entrenched culture of neopatrimonialism and is facing the prospect of creating rents in the form of its oil wealth. Uganda has not achieved strong growth performances, which is a big reason for why Kelsall (2011) did not include this country in his lists of examples of successful developmental neopatrimonial regimes.

Using patrimony to fast-track development is not a one-size fits all concept, but in light of Uganda's neopatrimonial government, a young population, extreme poverty and a landlocked economy in which market failures are widespread, it becomes apparent that a viable route to pro-poor growth in Uganda may well be developmental neopatrimonialism.

Furthermore, Uganda has shown signs of a potential developmental-ready climate with constructive mechanisms beginning to surface. These include:

Firstly, Uganda's economic markets, although they are currently attached to neoliberal economic policies. These independent market actors are useful to developmental neopatrimonialism, in that they are able to create transparency and accountability which is needed in coordinating rent-seeking.

Secondly, Uganda has a one-party system and President Museveni has removed term-limits from his reign, which means that it is likely that no power will be changing hands. This means that the NRM can focus on long-term rent-management Kelsall (2011).

Thirdly, and in relation to point two, Kelsall (2011) highlights the difficulties of using rents for developmental purposes in societies where there is a few large ethnic groups competing for political power. In the instance of Uganda, there is a great divide between the North and the South, which President Museveni will need to stabilise before being able to actively use oil-rents for developmental purposes.

Sovereign Wealth Fund (SWF)

The GoU has already begun the process of ring-fencing their potential resource rents by setting up the Petroleum Investment Fund under the Bank of Uganda. Established in 2010, this model was based on Norway's model of managing revenues from newly discovered oil and gas resources.

Based on the examples of Africa's major petro-states, Nigeria and Angola, the misuse of sovereign wealth funds is a big risk in a corrupt environment. However, in this instance of developmental neopatrimonial Uganda, a SWF could be the best way to ensure the transparent coordination of resource rents.

This advancement of UNOC's role for Uganda is an example of how the abundance of Ugandan agency can be harnessed to future proof their energy sector, while empowering their population with skills and jobs. An important dynamic of this recommendation is the use of a SWF, as opposed to engaging in oil backed loans with China EXIMBank or other western entities that could expose Uganda's loan portfolio to risks such as seen in the 'Ghana Trap'.

Chinese Governments need to extend responsible business guidelines to private Chinese firms

The possibility of Chinese governments offering responsible business guidelines to private Chinese firms is an area that this study has not been able to properly research and is a potential avenue to help improve the quality of the Chinese engagement with Africa. Scholars that have explored this topic include Yeophantong (2013a) and Yeophantong & Maurin (2013b). Ultimately, what they argue is that China is a new origin of FDI, and as of late, the Chinese government has stepped up its initiatives to oversee the practices of Chinese companies abroad and reorient the country's policies towards great corporate responsibility.

African firms must decide where and how to play

The need for African firms to develop a core strategic position is another avenue of research this study has not explored. Some firms should move to safe spaces in their markets that are better protected from Chinese competition. Others are well positioned to defend their market positions while others may find it in their interests to court Chinese partners – where for capital, technology, or simply to avoid competition.

In conclusion, rather than finger-pointing at China, defending China or finding excuses for China's problematic approaches, more effort should be spent on analysing the strengths and weaknesses of

African governance and the long-term oil trends. Only by focusing on Africa does it become possible to analyse Sino-African relations. However, with regards to this study's focus on the oil trade, if China does harbour the aspiration to be the benign, responsible power, the path is long and there remains much more to do.

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