Asian National Oil Companies (NOC) and Africa-Investment Strategies and Implications on U.S. Interests.

Presentation By:
Clifford A. Shelton
The Fletcher School MALD ‘06
Chinese NOCs
Chinese NOC Africa Strategy

Objectives of Strategy
• Secure Energy Resources to feed growing demand
• Diversify Oil Sources
• Diversify Transportation Routes (Naval Capacity)
• Increase political equity on continent

Implementing Strategy:
• Acquiring exploration stakes in high potential exploration blocks.
• Carrot of Infrastructure Investments
• High Military Investment
• High amounts of diplomacy and national attention
Indian NOCs
Indian NOC Africa Strategy

Objectives of Strategy
• Diversify Oil Sources
• Increase political equity on continent
• Increase competitiveness against Chinese efforts

Implementing Strategy:
• Invest where major international oil companies are present or where China is not.
• Increase efficiency of bidding process
• Buy into more costly but less risky projects (including some cases partnering with Chinese)
Japan NOC

Japan Petroleum Exploration Co., Ltd.

INPEX
Japanese NOC Africa Strategy

Objectives of Strategy
• Diversify Oil Sources- heavily dependent on M.E.
• Catch up with other nations efforts

Implementing Strategy:
• Including government aid with investment projects
• Aggressive in African nations with little other Asian NOC activity (North Libya)
Korean NOC

http://www.knoc.co.kr
Korean NOC Africa Strategy

Objectives of Strategy
• Diversify Oil Sources- heavily dependent on M.E.
• Catch up with other nations efforts

Implementing Strategy:
• Investing in nations other NOCs are not present in. (Eritrea)
Malaysian NOC
Malaysia NOC Africa Strategy

Objectives of Strategy
• Increase competitiveness in the changing international market
• Develop better relations with non-Muslim Africa
• Invest in more upstream operations

Implementing Strategy:
• Partnering with other Asian NOCs on investment projects to minimize risk and gain upstream entry into the market
• Petronas and Malaysian government cooperating to increase political ties with African nations.
Implications for U.S. Strategy?
Geopolitical Issues

- Asian NOCs activity in Africa is rational.
- Domestic policy importance to Asia and the U.S.
- Chinese and Indian competition and transport routes.
- Increased African expectations for United States investors and Western organizations.
- Western-African diplomatic relations experiencing a shift.
- Technology Inequalities (offshore resources).
“The China Effect”

• Chinese activity creating “herd” effect for other Asian countries.
• Actions of Asian countries directly influenced by Chinese strategy.
• Incorporation of Chinese tactics to compete for contracts potentially undermining pressure for reform.
• Increasing African nations eagerness to invite Asian investors as an alternative to Western
The U.S. moving forward

- Expect increased Asian investments, competition and political activity in Africa
- Negative political activities could be a hindrance for Asian strategies in Africa.
- Asian NOCs are seldom involved in largest currently producing projects.
- Developing large portfolios of smaller, high cost high risk projects.
- Addition in oil production from exploration activities will increase Asian stakehold in host African country.
- Asian NOC investment great opportunity for African development.
- U.S. utilization of terms for African nations to leverage Asian advances.