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The Impact of the Chinese Presence in Africa

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All the information presented and analysed in this report, whether gathered from interviews, published or other written material, is accurate up to 26 April 2007, the date of publication of this report. However, the reader must bear in mind that the situation is a live one, with China continually moving and other players reacting, so that both the Chinese presence and reactions to it continue to evolve.

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Executive Summary*

China's recent push into Africa is driven by a desperate need to find oil and industrial raw materials to feed its resource-guzzling, and the world's fastest growing, economy. China's economy has grown by an average of 9 per cent per annum in the last 25 years and its energy consumption has doubled and outstripped domestic energy production. Within the decade from 1990 and 2000, China's combined share of the world's consumption of aluminium, copper, nickel and iron ore more than increased from 7 per cent to 15 per cent and has been rapidly growing. Rapid industrialisation has also led to industrial overproduction and Chinese firms are equally in need to cultivate new export markets for their manufactured goods.

In its search for resources and new export markets, China has turned to Africa, which boasts vast natural resources, including oil and gas, metal ores and cotton. One-third of the world's resource-dependent economies are African. As it did during the Cold War, China is also seeking to deepen alliances with African countries to enhance its global standing and counter Western influence in world bodies like the the United Nations and the World Trade Organisation.

There are three aspects to China's strategy in Africa. First, Chinese officials use public diplomacy, including high-powered official visits and a triennial Forum on China-Africa Co-operation (FOCAC), to court and cultivate African elites, the next one of which is due in Cairo in 2009. Within the last ten months, President Hu has visited 17 African countries. Premier Wen Jiabao and senior officials of the Politburo have also undertaken the safari trip to Africa. Through these deepening engagements, China seeks to build solidarity with African governments and to present itself as a reliable interlocutor between developing countries and the developed West. Second, China pledges large amounts of aid and investments in Africa's infrastructure and other sectors with no political strings attached, except withdrawal of diplomatic relations with Taiwan.

The third, and part of China's "going global" strategy, involves the use of aid donations to encourage Chinese companies to internationalise and acquire overseas assets, especially oil assets, in Africa through influencing African governments to do fealty in the award of Chinese government-funded contracts or assisting Chinese companies with generous loans and credits to outbid competitors, including sometimes overpaying for equity positions or underbidding contracts. Major Chinese companies have hit roadblocks in well established markets, but Africa's markets are untapped and strategically open. Africa has therefore become a strategic training ground for Chinese companies.

Through public diplomacy, benign trade terms and large aid and investments deals with no political strings attached except withdrawal of diplomatic relations with Taiwan, China has gained considerable access to Africa's resources and consumer markets. China now receives 32 per cent of its oil imports from Africa, with Angola overtaking Saudi Arabia as the largest exporter of crude oil to China. Across the continent the Chinese are also ramping up investments in infrastructure, telecommunications and agro-businesses. While there is great optimism about the potential benefits of the new China-Africa co-operation, scepticism also abounds among local groups and the international community.

* Disclaimer: Data on China-Africa co-operation is in constant flux. The information contained in this report is correct as at the time of publication.

This report studied local and international responses to the Chinese presence in Africa to assess the impact of China's renewed engagement with Africa on both local and international stakeholders of African societies. To this end, the study reviewed available statistical data on China's economic profile in Africa and conducted in-depth qualitative interviews through purposeful sampling that allowed a deliberate selection of 30 people representing policy-makers in African national and regional governments, academics, local and Western companies, journalists, civil society groups and external donors. The collected data was fractured into sections reflecting the views of groups of different stakeholders. The study found that China's economic profile in Africa has produced a "mixed bag" of effects and responses among all groups of stakeholders.

Most African government officials, embittered by unfavourable aid conditions imposed by the cartel of the Paris Club and the international financial institutions, see China as a reliable, non-imperial alternative player that offers and inspires alternative routes to development. They are gratified that their ailing economies are being bolstered by high Chinese demand for their resource exports and by large investments in infrastructure and other critical sectors long neglected by Western donors. Sections of the local population, including environmental and human rights groups and businesses, are however irked by some unsavoury aspects of the Chinese profile, such as the deployment of Chinese labour that limits local employment opportunities, poor labour and environmental standards, and exterminatory Chinese export competitiveness.

Reactions from the international community are equally mixed, but the most pervasive view is that China is wrecking international efforts to bring economic and political sanity to impoverished and conflict-ridden communities in Africa by bankrolling corrupt and repressive regimes. There are also concerns that China's success in lifting millions of its population out of poverty in the last three decades without electoral democracy and a free press may offer an irresistible model of development for African governments who are chafed by donor pressure for Western-styled political reforms.

On the whole the majority of Africans believe China can have a positive influence on Africa's development if the negative aspects of its business and aid practices are addressed. African governments could also maximise the benefits of the Sino-African engagement for their communities if they actively promoted policies and rules of engagement to address issues regarding domestic trade capacity and environmental and labour standards. For traditional donors, it is time to engage China as a major player in designing the rules of global economic governance and to review aid conditions to identify what does and does not work for African development in order to continue to remain influential and credible in Africa. China could equally enhance the interlocutory role it seeks and safeguard its long term economic interests in Africa by working with others to prevent the break-up of resource-rich, but conflict-ridden countries.

Demographic & Economic Characteristics of Africa

Sub-Saharan Africa has a population of 730 million. Including North Africa, Africa is home to nearly 900 million, almost one-sixth of the world's population. 40 per cent of the population in Africa is landlocked compared to 23 per cent in East and Central Asia, making internal transport expensive and limiting intra-African trade.

By the end of the 1990s, Africa's economy had stagnated and in most countries average growth rate had turned negative. Within the last three years, however, most African countries have sustained steady growth, driven by buoyant global demand for oil and industrial raw materials and improvement in domestic supply response. Figure 1 shows Africa has grown above the world average and faster than Latin America since 2002. Africa's output grew by an estimated 5.5 per cent in 2006 and is projected to grow at 5.9 per cent in 2007, falling marginally to, but still at a high rate of, 5.7 per cent in 2008, according to the OECD and the African Development Bank.[1] The deceleration is attributed to an expected slow-down in South Africa, the largest economy south of the Sahara. Growth in net oil-exporting countries continues to be more robust than in net oil-importers. Oil exporters grew by an estimated 6.9 per cent in 2006, declining marginally from 7 per cent the previous year. A slight deceleration in output in some of the largest oil exporters like Angola, Chad, the Republic of Congo, and Nigeria may have accounted for this, but output accelerated in Cameroon and Sudan.

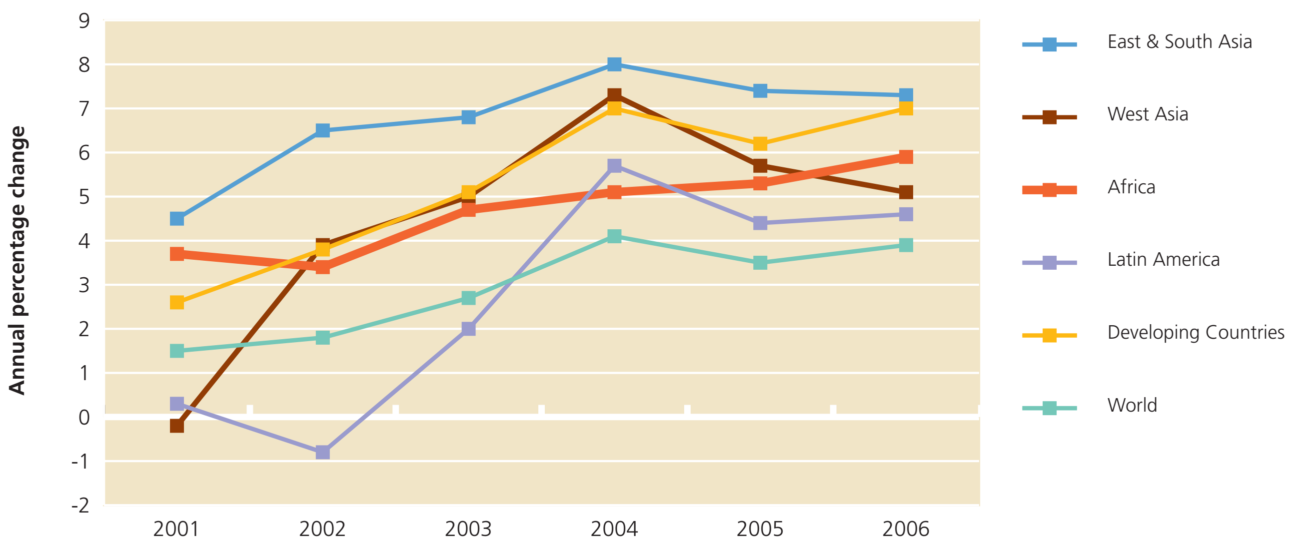

Figure 1: World Output Growth, 2001-6

Global high demand for oil and industrial raw materials has encouraged foreign direct investments (FDI) in many of Africa's resource-rich countries, particularly from China and India, the fastest growing developing countries. Figure 2 shows global FDI flows to developing countries in 2005 and 2006. According to UNCTAD, FDI to Africa grew by 25 per cent to a record $39 billion in 2006 and went mainly to the extractive sector.[2] FDI flows to developing countries as a whole grew by only 10 per cent to $368 billion in 2006. The growth rate in FDI to Africa was the second fastest behind the rate of 55 per cent in South-East Europe and the Commonwealth of Independent States, which received $62 billion in FDI flows. West Asia attracted $43 billion in FDI inflows, an increase of 23 per cent over the previous year, and was dominated by Turkey and oil-rich Gulf States, while South, East and South Asia experienced 13 per cent increase in FDI flows to US$187 billion, with China, Hong Kong, Singapore and India as the largest four recipients. China and India have also emerged as new outward investors. FDI flows to Latin America and the Caribbean region fell to US$99 billion, with Mexico and Brazil as the largest recipients. Most FDI flows to developing countries went to the extractive sector. According UNCTAD, cross-border mergers and acquisitions in the extractive and related service sectors in the first half of 2006 were three times more than the level in the same half in 2005. Consequently, FDI flows to Africa were uneven, with large concentrations in West, North and Central African regions. Low-income African countries without natural resources were the least attractive to FDI.

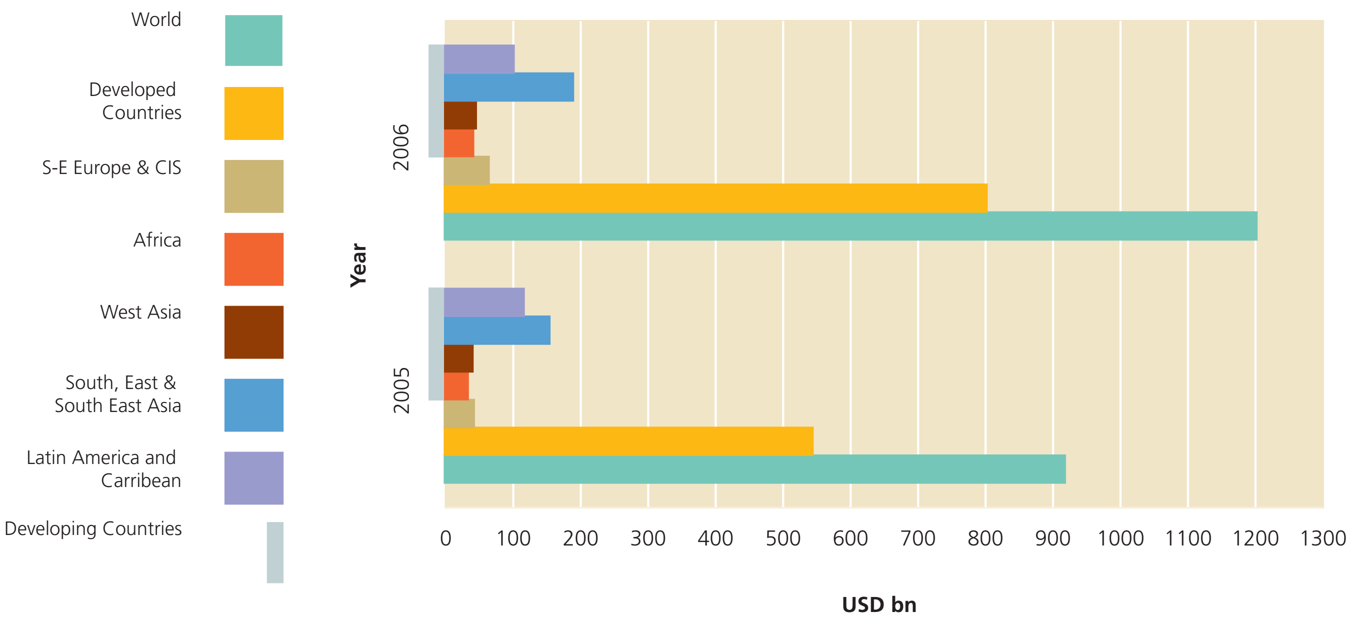

Figure 2: Global FDI Flows

Statistics on the Chinese Presence in Africa

Aid and Debt Relief

China has pledged continuing development assistance and government-backed FDI to African countries. By December 2006, China had given over US$5.5bn in aid to African countries. At the 2006 Summit of the Forum on China-Africa Co-operation (FOCAC) in Beijing, China pledged to double aid to Africa by 2009 and to give Africa US$2 billion in preferential buyers' credits over the next three years.[3] China's Export and Import Bank (Eximbank), established in 1994, extended its export buyers credit market to Africa in 2005 and by the end of that year had committed US$800m concessional loans to cover 55 projects in 22 African countries, according to a recent World Bank study.[4] Chinese aid to Africa has focused on two main areas: infrastructure and human development. Chinese aid provides funding for highly visible and, to many minds, important infrastructure projects, which Western donors have long since stopped financing.

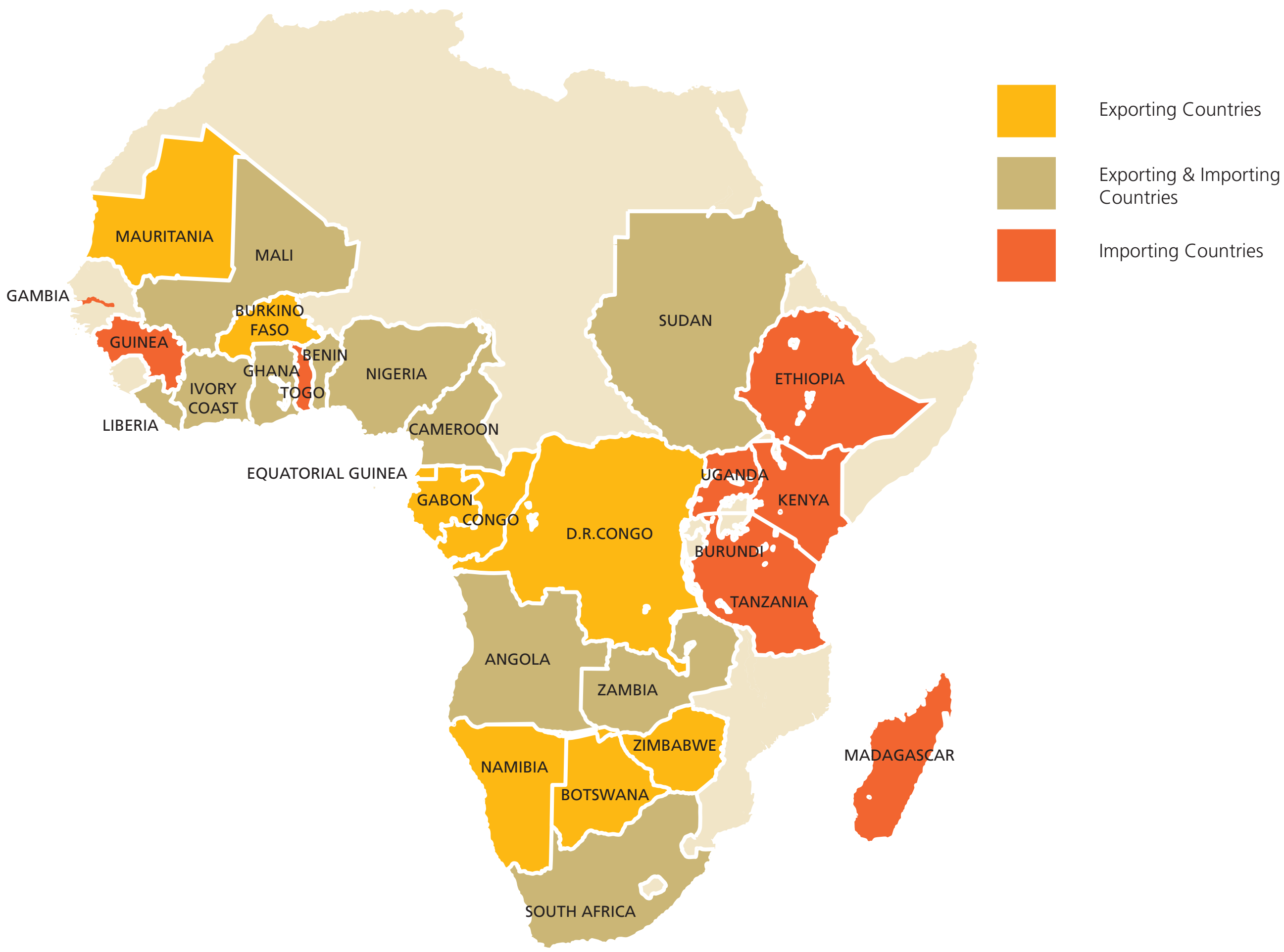

Figure 3: Trade between Africa and China

Chinese human development assistance has focused on training and the provision of health personnel. Through the African Human Resources Development Fund, China awards scholarships to over 4000 students from 51 African countries to study in China every year. The recently launched China-Africa Inter-Governmental Human Resources Development Plan is part of China's strategy to cultivate African elites through training courses and seminars for middle and high ranking African diplomats and economic and management officials. In the next three years, 15000 African professionals will be trained up while 10 special agricultural technology centres will be created. China also sends Chinese trainers to Africa to give short-term courses, including on malaria prevention and treatment, applied solar energy technology and maize farming. Over the decades, China has sent nearly 15,000 medical workers to Africa and treated 170 million patients on the continent, the Chinese state-run Xinhua News Agency has said. At FOCAC 2006, President Hu also pledged to build 30 hospitals in Africa and provide a 300 million yuan grant to fight malaria.[5]

In recent times, China has added sports development to its assistance to Africa and has sent about 38 coaches to 12 countries, including for the development of table tennis, and provided assistance for the construction of sports facilities, including the building of stadiums in Ghana, which will host the Confederation of African Football Cup of Nations competition in 2008. African footballers have begun making appearances in the Chinese league.

Unlike the Paris Club of donors and the international financial institutions, China exerts no political pressure on African governments for political and economic reforms, although such massive economic and financial assistance cannot avoid having political repercussions. China's only declared condition is the recognition of its "one-China" policy,[6] by which African governments are expected to break off diplomatic relations with Taiwan. One-third of the countries that recognised Taiwan were African, including the regional power South Africa. But in return for development assistance from Beijing, many African countries have severed diplomatic links with Taipei. In spite of Taiwan's reported campaign donations to Mandela's African National Congress in 1994, South Africa was compelled to break ties with Taipei in 1998 after Mandela failed to convince Beijing to agree to a dual recognition policy.

Other countries including Senegal and Chad have followed South Africa in repudiating Taiwan. 47 of Africa's 53 nations have established diplomatic relations with Beijing, according to the Embassy of the People's Republic of China in the United States. There now remain only a handful of African countries like Sao Tome and Principe that recognise Taiwan, but these are economically and politically insignificant. Even so, China is extending its largesse to these countries to win them over from Taiwan. "China stands ready to establish and develop state-to-state relations with countries that have not yet established diplomatic ties with China on the basis of the one China principle," according to China's Africa Policy paper.

In contrast to other donors, China usually does not offer grants to African countries, but to increase its leverage on borrowing countries, China forgives the debts of borrowers that develop strong political and economic relations with it within an agreed timetable. This is probably what Chinese officials mean in their Africa Policy as being "ready to continue friendly consultation to seek solution to, or reduction of, the debts they [African countries] owe to China." By December 2006, 10.9 billion yuan (US$1.4 billion) of debt owed by 31 heavily indebted and least developed African countries had been forgiven, the state-run Xinhua News Agency has reported. It has also been observed that Chinese aid coincides with the award of contracts so that African governments are likely to do fealty when Chinese companies bid for Chinese government-funded contracts. About 70 per cent of contracts in a US$2bn Chinese-funded project in Angola in 2004 were reserved for Chinese companies, according to Lucy Corkin, who has completed a substantial study on the Chinese presence in Africa and is Projects Director at the Centre for Chinese Studies (CCS) of the University of Stellenbosch in South Africa. Following a loan of $2.5bn from the Chinese government to the Nigerian government primarily for the purposes of railway construction, the China Civil Engineering Construction Corporation (CCECC) was awarded an $8bn contract for the construction of the Nigerian railway.

Volume of Trade

China has grown by an average of 9 per cent per annum over the last 25 years, the fastest growth rate for any major economy in recorded history. A recent report by The Economist suggests that in the next few years, China's growth rate could reach as high as 13% per annum. Industrial output has also increased by almost 50%, creating industrial overproduction in sectors like electronics, textiles and footwear. Rapid expansion has created the need for both import markets for energy and raw materials and export markets for Chinese manufacturers. Chinese companies have discovered opportunities in Africa's vast resources and untapped markets. In the 1990s Sino-African trade grew by nearly 700 per cent, a DFID China study has reported.[7] Since then Sino-African trade has continued to grow at an exponential rate, with China displacing the UK as Africa's third largest trading partner behind the US and France. China accounts for nearly 20 per cent of Africa's total exports and more than half of Africa's exports to Asia. Figure 4 shows the sharp increases in Sino-African trade since the mid-1990s.

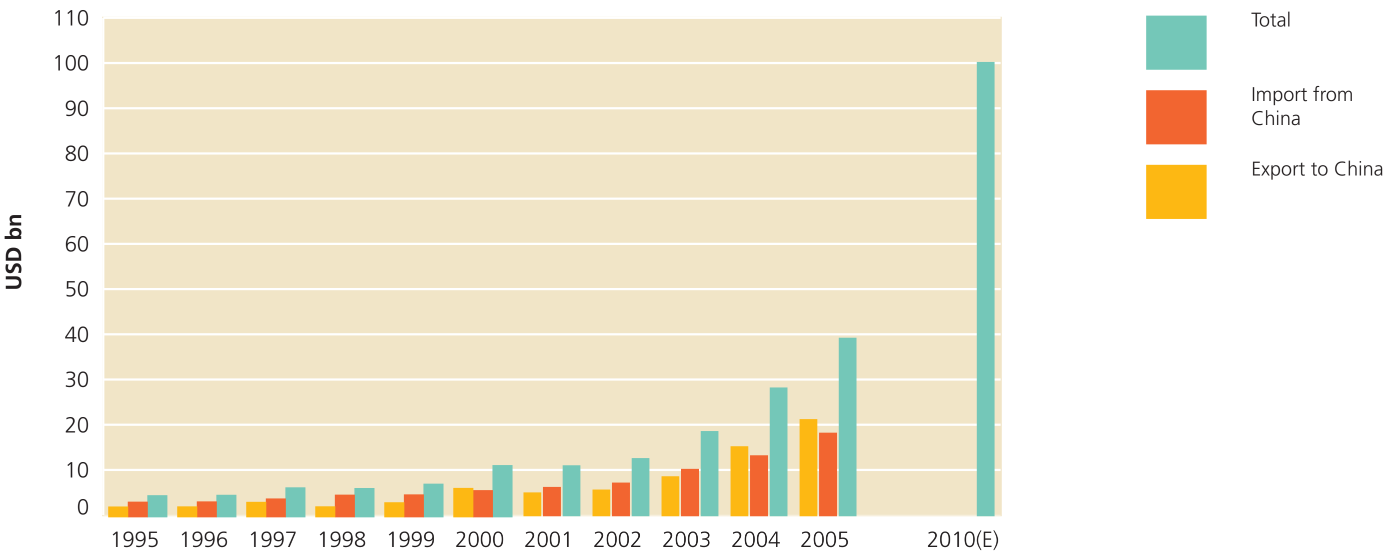

Figure 4: China-Africa Trade Volume

From 1995 to 2004, Sino-African trade rose from about US$4bn to US$28bn. Within a year, trade rose sharply to nearly US$40bn, more than twice Africa's trade with Japan which stood at US$18bn for the same year. In 2005, China imported US$21.1bn worth of goods from Africa while it exported US$18.7 billion, showing a deficit of US$2.4bn in its trade with Africa. Chinese officials point to this as indication of its commitment to helping generate surplus revenue to finance African development. But the deficit may largely be explained by China's voracious energy consumption and its emerging dependence on Africa's resources. Apart from a few very resource-rich countries, the majority of African countries have "mounting trade deficits" with China, according to the DFID China report. Chinese exports to Africa also grew by nearly 300 per cent from 2003 to 2005. To ensure secure supplies of resources and export markets China is also keen on negotiating a free trade area with Africa and is already engaged in free trade talks with South Africa. Sino-African trade is expected to reach US$100bn by 2010. In spite of the exponential growth in Sino-African trade, however, Africa accounts for only 2.3 per cent of total Chinese exports and 2 per cent of total Chinese imports.

Composition of Trade

Chinese exports to Africa are composed mainly of machinery, transport equipment, textiles, apparel, footwear, and other manufactured materials while crude oil and raw materials dominate Africa's exports to China. Figure 5 shows the composition of Africa's exports to China in 2005, while figure 6 indicates the share of major African exports in Chinese global imports. Nearly 70 per cent of total African imports were oil (US$14.6bn), with iron ore (US$741m), cotton (US$677m), diamonds (US$502m) and logs (US$495m) together making up 11.4 per cent. Angola (US$6.6bn) was the largest supplier of crude oil. By February 2006, Angola had surpassed Saudi Arabia as China's largest source of crude oil supplies. Other major crude oil exporters to China were Sudan (US$2.6bn), Congo (US$2.1bn), Equatorial Guinea (US$1.4bn) and Libya (US$0.96). Appendix B shows major African exports to China and Appendix C provides details of major African exports and exporters to China, as illustrated in figure 3.

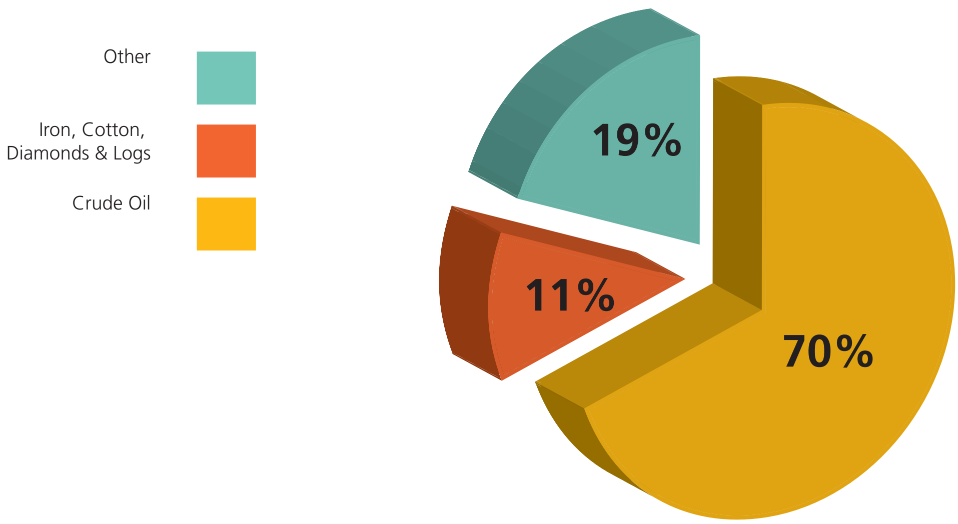

Figure 5: Composition of China's Imports From Africa

According to the US Energy Information Authority (EIA), China's industrial sector is the largest energy consumer in Asia outside of Japan. China accounted for 9.8 per cent of world energy consumption in 2001 and 14.2 per cent in 2005. In 2006, China produced estimated 3.8m barrels per day while it consumed 7.4 million, representing half a million barrels per day increase from 2005. The huge difference in production and consumption has to be met by imports. Africa supplies nearly 32 per cent of China's oil imports, second only to the Middle East (46 per cent). Asia Pacific supplies only 5 per cent of China's oil imports.

Industry experts suggest that while the development of oil deposits in the Middle East are expected to peak in the near future, Africa's deposits are now being developed and are expected to out-compete supplies from the Middle East. The U.S. Energy Information Authority also suggests that Chinese refineries face capacity problems with the heavier crude oil from the Middle East. While Western powers have succeeded in encircling Latin America, the Middle East, Central Asia and Eastern Europe through a number of regional security arrangements, Africa remains strategically open and China may become even more dependent on African oil.

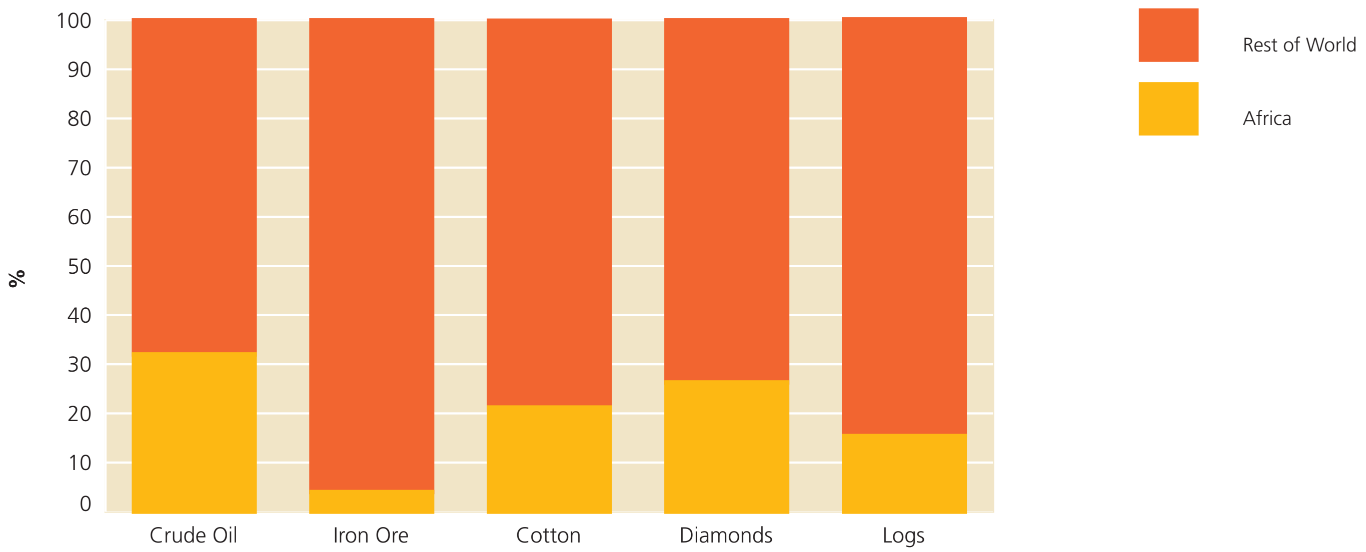

Figure 6: Major African Exports as a % of China's Global Imports, 2005

Investments

Since the 1980s, China has adopted a "going global" strategy that encourages Chinese companies to invest abroad to guarantee access to advanced technology, foreign exchange, energy and raw materials, and exports markets. The strategy also seeks to encourage Chinese firms to "cut their teeth" in international markets and enhance China's global power status. In Africa, Chinese state-owned and private companies have entered into a number of joint ventures with African national governments, state-owned corporations and private firms. Over 700 registered Chinese companies are reported to be operating in Africa. Beijing is encouraging Chinese companies to acquire and develop strategic oil and gas fields in Africa to mitigate anxiety about secure supplies of energy. It is also encouraging Chinese state-owned companies to source their own raw materials abroad, creating a strategic motivation to invest in Africa's resources. Flagship enterprises in energy, construction, engineering and manufacturing sectors receive generous government support in preferential loans and credits through the Chinese Development Bank, the China Construction Bank and the Eximbank, as well as in tax deductions.

The China Eximbank supports Chinese companies to expand their presence in Africa. By 2005, the Bank's portfolio had tripled and its commercial operations outstripped those of its counterparts in the US, the UK and Japan.[8] While the largest Chinese operations in Africa are in oil and gas exploration, development and production, there are growing investments in construction and engineering works, telecommunications, textile manufacturing and trading enterprises. At the opening of the 2006 Beijing Summit of the Forum on China-Africa Cooperation, President Hu announced a US$5bn fund for further investments in Africa.

A significant feature of Chinese investments is that they can be found in countries and in projects considered too risky by Africa's traditional donors and investors. Chinese projects have sprung up in countries like Burundi with significant rebel activities. Conflict-shattered Sierra Leone, Liberia, Rwanda, and the Democratic Republic of Congo have all attracted Chinese investments. So have global pariahs like Sudan and Zimbabwe. The biggest recipients of Chinese investments in Africa have been the largest oil producers on the continent: Nigeria, Angola, Sudan and Equatorial Guinea.

Exploration and Development Rights

Oil and Gas:

Through the three major state-owned Chinese corporations, the China National Petroleum Corporation (CNPC), the Chinese Petroleum and Chemical Corporation (Sinopec) and the China National Offshore Oil Corporation (CNOOC), China has been securing strategic assets and rights for exploration, development and production in Africa's petroleum industry. The three companies, the result of the reorganisation of local state-owned companies in 1998, were initially set up to operate a range of local subsidiaries but have all gone international and become giant transnational corporations with vast resources to acquire overseas assets. In 2005, Sinopec and CNPC ranked 23 and 39 respectively among Global Fortune 500 Companies.[9] Chinese oil companies have acquired stakes in 20 African countries.

In March 2006, Sinopec and Angola's state-owned Sonangol agreed to form Sonangol-Sinopec International (SSI) to develop Angola's second refinery at Lobito. Sinopec is reported to have a 55 per cent stake in the $3bn project, while the remaining 45 per cent is held by Sonangol. By May 2006, Angola had overtaken Saudi Arabia as the largest exporter of crude oil to China.

By late 2006, the Chinese government and CNPC had sunk US$4bn into investments, development, pipeline building and other operations in Sudan. CNPC has acquired a 40 per cent stake in the Greater Nile Petroleum Operating Company to exploit Sudanese oil deposits in the Muglad Basin. CNPC and the Greater Nile Company have together invested over US$8 billion in total projects in Sudan, including the 1,500 km pipeline to transport oil to the Marsa al- Bashair harbour terminal near the Port of Sudan on the Red Sea.

In Nigeria, CNOOC has acquired 45 per cent stake in the Akpo field for US$2.27bn. CNOOC has also acquired 35 per cent of an exploration license for US$60m. In Gabon, Total-Gabon and Sinopec signed an agreement in 2004 to supply China with one million tons of crude oil a year, making China the third largest consumer of Gabonese crude oil after the US and France. The Chinese petroleum company Zhongyuan Exploration Bureau is also drilling in the Gambella Basin in Western Ethiopia on behalf of Petronas, the Malaysian state-owned oil company, and has other drilling operations in the Ogaden region in Eastern Ethiopia.

Non-oil resource extraction:

The extraction of non-oil resources like metal ores, essential in the electronics and electrical industries, and timber has also attracted Chinese investments in Africa. Over 60 per cent of Gabon's and a large part of Equatorial Guinea's timber production are purchased by China, which has raised concerns among some quarters as to the sustainability and length of life of this valuable rainforest. China is the world's largest consumer of copper and has invested US$170 million in the Zambian copper mining sector. The Chambezi copper mine, which was purchased in 1999, is now its largest Chinese mining operation in Africa. China is also increasing its investments in cobalt and copper mines in the Democratic Republic of Congo and is exploring further supply sources from South and Namibia.

Infrastructure Development

Chinese development aid helps to finance infrastructure projects, including road and railway rehabilitation, hydropower stations, stadia, hospitals and schools. By 2005, Chinese companies had been contracted to 722 turn-key projects across Africa. By mid-2006, total China Eximbank concessional and non-concessional loans for infrastructural development in Africa, excluding projects in the petroleum and mining sectors, were US$12.5bn, the World Bank has reported. Angola, Nigeria, Mozambique, Sudan and Zimbabwe account for over 80 per cent of these loans, and the power sector makes up about 40 per cent of total commitments, followed by "general" or multiple sector commitments (24 per cent), transport (20 per cent), telecom (12 per cent) and water (4 per cent). Concessional loans from the OECD for infrastructural development in Africa amounted to only US$4bn in 2004, suggesting China may be providing greater support for the development of Africa's infrastructure than are the OECD. According to a Wall Street Journal report, Chinese companies have paved more than 80% of the main roads in Rwanda.

In 2002, Angola's post-war reconstruction received a boost with a US$3 billion oil-backed credit line from China to rebuild the war-torn country's shattered infrastructure. The China Road and Bridge Co-operation has won the bid to rehabilitate a 371km stretch of road to link Luanda, the capital, to Uige, an agricultural and mining province in the north of the country. The Chinese government is providing a loan of US$211 million to finance the project. In addition, the China International Fund Ltd based in Hong Kong is undertaking a US$300 million rehabilitation of the Benguela railway line destroyed during the civil war. When restored, the railway line will link Benguela to Luau on the border with DRC and to Lobito, south of the capital, making possible a future extension to Zambia via Lumumbashi and direct transport from the Zambian copper mines to Angolan ports. For a continent with poor infrastructure and limited intra-regional trade, such investments constitute a significant development and have the potential to boost trade among African countries.

In Ghana, Sino-Hydro, one of the largest Chinese hydropower engineering firms, has been contracted to build a US$600m hydropower project financed largely by a Chinese government loan to solve the African country's cyclical power crisis, the Ghana News Agency has reported. Following the visit of President Hu in 2006, the Nigerian government reached an agreement with the Chinese government for a $2.5bn loan to part-finance the construction of a railway line. The project includes a fast rail system between Lagos and Abuja, and a light rail system from Murtala Mohammed International Airport to Lagos as well as from Nnamdi Azikiwe International Airport to Abuja. The project is being executed by the state-owned Guangdong Xinguang International Group.

Telecommunications

Africa is one of the fastest growing telecommunications markets in the world. The telecommunications industry in Africa is dominated by Western and South African companies like British Vodafone, France Telecom and South Africa's Vodacom and MTN. In recent times

Chinese transnational companies like the Zhong Xing Telecommunication Equipment Company Ltd. (ZTE), China Mobile and the private multinational Huawei have made significant inroads.

In Angola, ZTE reached an agreement with the Angolan fixed line telecommunications utility, Mundo Startel, for the purchase of equipment worth $69m. ZTE also expects to invest $400m in total for the construction of Angola's telecommunications system, construction of a mobile phone factory, the creation of a telecommunications training institute and a telecommunications research laboratory.

China Mobile tendered for a $4m bid for Nasdaq-listed Millicon International, which has subsidiaries in Chad, DRC, Ghana, Mauritius, Senegal, Sierra Leone and Tanzania, while Huawei has introduced telecommunication products at affordable prices to consumers in East Africa. In Kenya, for example, the price of a fixed line has dropped by 65 per cent after Huawei helped Kenya Telecommunications procure Chinese digital equipment.

China’s Special Relationship With Africa

China's political relations with Africa date back to the 1950s when relations between the two were based on a mutual ideological struggle against powerful international actors and, more important, on China’s desire to balance off Soviet and American influence in Africa. China continues to play the colonial card in its relations with Africa by emphasising a shared exploitation by imperial powers. To win hearts and minds in Africa, China is promoting itself as a de facto leader of the developing world, a developing country better able to understand African challenges and possessing stupendous material and political power to protect African interests in the international system. Through its assistance programmes, China is also seeking to weaken the influence of Japan in the developing world, including garnering support for its attempt to block a permanent membership for Japan in the UN Security Council. By asserting itself as a leader of the developing world, China promotes the interests of African and other developing countries in the United Nations, including supporting the expansion of the permanent membership of the UN Security Council to include an African country. In return, China counts on the support of African countries for Chinese foreign policy interests in the UN and Asia.

Major Western governments refuse to deal with African regimes perceived to be repressive or corrupt, and usually Western companies have followed the cue. China makes no such discrimination in its partnership with African countries. Instead, China sees the reduction of Western influence as an opportunity to deepen alliances for both economic and political benefits. China has moved in to fill the void created by the absence of major Western powers in countries like Sudan and Zimbabwe. Some of the largest Chinese aid and investments have also gone to these pariah countries with abundant reserves of natural resources. Africa’s pariah and most embattled regimes in Sudan and Zimbabwe have found their closest external ally in China, regularly receiving senior Chinese officials.

In 2004, Wu Bangguo, Chairman of China's legislature, spent four days in Zimbabwe, bringing with him a delegation of 100 Chinese businessmen who made joint venture deals in mining, transportation, communications and power generation. Chinese assistance to Zimbabwe includes a US$1.3bn energy and mining deal that, among other things, was meant to help with the construction of three coal-fired thermal power stations. Through such support China has blunted international sanctions against the Mugabe regime, which continues to abuse the human rights of the political opposition. Emmerson Mnangagwa, speaker of Parliament, is reported to have said in a state-run Zimbabwean newspaper: “With all-weather friends like the People's Republic of China... Zimbabwe will never walk alone.” On the occasion of Zimbabwe’s 25th Independence Anniversary, President Mugabe himself declared: “We have turned east where the sun rises, and given our backs to the west, where the sun sets.”

Reports from Zimbabwe suggest a number of farms seized from white farmers by the government are being leased to the China State Farms and Agribusiness Corporation, which has promised to revive and enhance production on the Fenemere and Dalkeith farms near the Mazvikadai Dam and the Clydesdale and Liverdale farms near the Biri Dam. Zimbabwe has the potential to supply gold, silver, platinum, aluminum, copper and pearls to China. With such investments Chinese companies are wading into a political firestorm in Zimbabwe and may soon attract opposition demonstrations and attacks.

There are fears that Chinese pervasive presence in Zimbabwe may spark xenophobic attacks on Chinese. One newspaper editor wrote: “the roads are filled with Chinese buses, the markets with Chinese goods, and Chinese-made planes are in the skies. Chinese companies are major investors in mining and telecommunications.” President Mugabe has declared that Mandarin should be taught in state schools. Chinese officials defend their relations with Mugabe’s government by pointing to China’s historical relationship with Zimbabwe African National Union (ZANU) and reiterating China’s principle not to interfere in the affairs of other countries.

In the 1990s, the United States government broke diplomatic links with Sudan for the Sudanese government's “terrible” human rights record. Western companies withdrew after the U.S. passed a law to bar American oil companies from investing in Sudan. The China National Petroleum Corporation had already won a bid in Sudan in 1995. Beijing quickly moved in as the next external power broker, and Chinese companies followed, ramping up huge investments in Sudan’s oilfields, refineries and pipelines. Previously a net importer of oil, “Sudan … now earns some US$2 billion in oil exports each year, half of which goes to China,” Paul Mooney has recently written in the YaleGlobal. Within the last 12 months, President Hu has visited Sudan twice.

When Ethiopia went to war against Eritrea in the late 1990s, the U.S. withdrew American Peace Corps volunteers, drastically reduced military aid and issued a security warning to U.S. citizens and companies. As in Sudan, China saw the American withdrawal as “an opportunity to expand its influence. It dispatched even more diplomats, engineers, businessmen and teachers to Ethiopia. New aid grants soon rolled in, followed by bank credits for Chinese companies operating there,” the Wall Street Journal has recently reported. After the return of relative peace, China appears to be the biggest external winner, with Chinese companies dominating in contracts to build highways and bridges, power stations, mobile-phone networks, schools and pharmaceutical plants.

China’s special relationship with embattled African governments goes beyond providing alternative aid and investments in return for access to vast natural resources. At the 2003 FOCAC in Ethiopia Premier Wen assured his African audience China would be a reliable interlocutor in the relations between the developing world and Western powers: “China is ready to coordinate its positions with African countries...with a view to safeguarding the legitimate rights and interests of developing countries.” In no other issue has China more ably demonstrated this interlocutory role than in its support for Sudan against isolation, sanctions and condemnation by powerful international actors.

On a number of occasions in July and September 2004, China threatened to use its veto in the UN Security Council to block sanctions and oil embargo against Sudan for continuing violence in Darfur. The resulting Resolution 1564 only threatened Sudan with an oil embargo and was agreed only after China's abstention and a textual amendment giving the African Union the mandate to manage the crisis. In April 2005, China again abstained in an attempt by the Security Council to use the International Criminal Court to bring the perpetrators of the Darfur crimes to justice. Perhaps, from their own experience of humiliating external interference in China’s history, Chinese officials see sovereignty as more important than human rights. But the reason for China’s behaviour is partly economic. Sudan supplies 8 per cent of China’s total oil imports and a recent corporate report by the CNPC has revealed the Chinese company obtains nearly half of its overseas oil output from Sudan. Any sanctions on Sudan will have significant adverse impact on Chinese oil supplies. But in this case, China's behaviour may not be very different from U.S. behaviour toward a country like Equatorial Guinea, where an equally repressive regime enjoys normal relations with the U.S.

Local Response to the Chinese Presence

Local response to the Chinese presence in Africa has been mixed. Writing in AllAfrica.com, Moeletsi Mbeki, Deputy Chairman of the South African Institute of International Affairs, summed up the African ambivalence about the Chinese presence: “[China] is both a tantalizing opportunity and a terrifying threat to South Africa.” For many Africans, particularly for policy-makers and for large sections of the population in countries at the worst end of the dearth of foreign investments in infrastructure and job-creating industries in Africa, the presence of the Chinese in their countries offers a win-win opportunity. Speaking on behalf of West Africa’s 15 nations at FOCAC 2006, Niger's President Mamadou Tandja captures this sentiment: “West Africa has abundant mineral and energy resources and we want to deepen our partnership with China.”

China Provides Better Options for Development

One of Africa’s biggest challenges is building physical infrastructure to support development and to "facilitate the flow of goods and services between individuals, firms, and governments," Calestous Juma, Kenyan expatriate and Harvard Professor for International Development argued. But the “international community ... [has focused] on relief and emergency activities” and other “short-term palliatives aimed at reducing the visible symptoms of low levels of economic productivity.” Not only have Western donors and investors long neglected investment in Africa's infrastructure; they are also failing Africa on their own promises to double humanitarian aid. In contrast, “the Chinese government is not only fulfilling its aid promises to Africa,” a Zambian policy-maker noted, “but it is also encouraging Chinese companies to invest in infrastructure development in Africa.”

Mr. G. D. Boateng, Executive Secretary at Ghana’s Secretariat of the Chinese-funded Bui Dam Project was bullish about the Chinese presence: “With Chinese assistance, old development plans that were jettisoned at the instance of development partners are now being revived and are being executed at much lower costs,”. Before the Chinese came, “the Bui Dam project had been on the shelf since the 1960s. We had expressions of interest from a number of Western companies in the 1990s and in 2001, but they all fell through because those companies didn’t see the project as bankable. Now with Chinese assistance the project has gone off the shelf to the ground and this time it is an integrated project that includes the building of a new city around Bui and the idea came from previous projects in China.” Chinese companies operating in Africa are subsidised by the Chinese government and said to have been instructed to keep profit margins low, sometimes as low as 3 per cent while most Western companies operating in Africa set their margins at 15 per cent and above.[10]

There is also growing satisfaction that the Chinese presence in Africa is raising attention about Africa's potential. China's brutal competition for assets is raising the value of African assets, sometimes through competitive overpayment for equity positions, “which releases more resources for local development,” noted a local oil expert working in Nigeria's Akpo field, which is partly owned by CNOOC. But he was also concerned that such overpayments may end up providing “extra windfalls for corrupt officials instead of benefiting local communities.” Local communities in Nigeria's oil-rich belts have often expressed their grievances by attacking expatriate oil workers and the assets of the oil multinationals. Already there has been a bomb attack on Chinese oil interests in the Delta and a handful of Chinese workers and engineers have been kidnapped and ransomed by aggrieved local groups.

China Helps Countries Neglected by Western Investors

Chinese government and companies are prepared to invest in high-risk countries, including countries like Burundi with active rebel groups. In many such conflict-affected countries a great proportion of the population is grateful to see new schools, roads, railway lines and stadiums springing up from the debris of war. In post-war Sierra Leone, Chinese aid is financing a range of projects to strengthen the machinery of government and the national security apparatus. A new office block, parliament buildings and a new military headquarters for the government of Sierra Leone have been built with generous support from the Chinese government, while Chinese companies have invested in a sugar plant and a tractor factory, which are providing jobs for the local population.

Even the hospitality industry has had its fair share of Chinese investments. Henon Guoji, a Chinese company, has started construction of a $200 million Lumley Beach Hotel, which will include a conference centre, a sports facility, casino and night club. Chinese state-owned company Beijing Urban Construction Group has purchased and restored The Bintumani, Sierra Leone's largest hotel, at a cost of $10 million. By financing a range of projects from infrastructure to education to sports development, the Chinese have won the trust of policy-makers and large sections of the population in a number of conflict-ridden and post-conflict countries where government-backed Chinese companies operate.

Chinese Exports Stifle Local Industries

Not every African is singing a lyrical ballad to the Chinese presence, however. Nana Benneh, an African banker who has observed the impact of Chinese operations on his clients' activities in Ghana and South Africa, offered a lachrymal paean: "Chinese exports provide cheaper access to more goods and services. This is good for the well-being of the people; in the long-term this is bad for Africa because it destroys local manufacturing capabilities and competitiveness." Africa's textile and clothing manufacturers face exterminatory Chinese competition not only in their own backyards but, thanks to the phasing out of the Multi-fibre Agreement in January 2005, in traditionally safe export markets like the United States as well. According to the World Bank, even after the US and the EU decided to re-slam quotas on Chinese clothing and textile exports, African clothing and textile exports to the US and the EU have still declined by 17.3 per cent and 16.9 per cent respectively. At home in Africa, there is growing resentment that cheap Chinese imports are killing local manufacturing possibilities. In Zimbabwe and South Africa, there have been protests against cheap clothing imported from China. In countries like Ghana, South Africa and Zambia, there is a growing Chinese population of small traders who sell cheap Chinese wares. In Nigeria, a successful Lebanese entrepreneur has been observed closing a series of institutions (manufacturing, distributing and retailing) in the textile industry, attributing the closures directly to Chinese competition.

According to Joshua Kurlantzick, a China expert at the Carnegie Endowment for International Peace, the migrant Chinese population in Zambia has grown from 3,000 to 30,000, while in South Africa they have grown from nearly nil twenty years ago to nearly 300,000 today. In Ghana, local textile manufacturers like Akosombo Textiles and Ghana Textiles Printing, as well as retailers complain, "Chinese entrepreneurs and traders are taking over our businesses." Though Ghanaian laws prohibit foreign participation in retail, there is a "thriving Chinese retail enclave in the heart of Accra," the capital, noted a Ghanaian Banker. Local manufacturers also complain that Chinese entrepreneurs are colluding with local retailers to smuggle local designs to China for the mass production of their products, effectively driving many of the local producers out of business because of the cheaper prints from China. Accusations of intellectual property theft by Chinese companies also spread to electrical and other industries. These accusations came to a head when the government awarded a large contract to a textile company in China for the printing of anniversary clothing for Ghana's 50th Independence Anniversary celebration.

Unfavourable Chinese Business Practices in Africa

In a speech at the Royal Institute of International Affairs (Chatham House) in London, President of Ghana and currently Chairman of the African Union, John Kufuor, praised the Chinese for their development assistance to Africa but expressed concern about Chinese labour deployment in Africa, which limits opportunities for the transfer of skills and technology. According to Dr. Martyn Davies, Executive Director of the Centre for Chinese Studies at Stellenbosch University in South Africa, it is estimated that nearly 90 per cent of the labour force employed in Chinese construction projects in Angola are Chinese. The deployment of Chinese labour in Africa reduces the potential positive effects of Chinese investments on household incomes in Africa. This has led to accusations of Chinese predation.

Across Africa there is growing resentment about the environmental impact of Chinese activities and the failure of Chinese companies to address them. In 2005, riots broke out in Zambia when an accident occurred in a Chinese-owned mine in Kabwe, Zambia’s Copperbelt, and claimed the lives of 46 miners, the Telegraph reported. In the most recent accident in April 2007, 37 people were killed by an explosion that occurred at a copper mine in Kitwe in which the Beijing General Research Institute of Mining and Metallurgy has interest, the Xinhua News Agency has also reported. In Nigeria, the Movement for the Emancipation of the Niger Delta (MEND) and other local militant groups, fighting against environmental degradation and underdevelopment of local communities, have kidnapped expatriate oil workers, including Chinese.

Bolstering Incumbent Governments

In some countries, the China card has already been played in local politics. A year after the accident in Kabwe, Zambian opposition leader Michael Sata sought to make political capital of China’s growing unpopularity by promising to drive out the Chinese if he won the 2006 presidential elections, accusing China of “exploitation” and of “turning Zambia into a dumping ground.” China supported the incumbent government against Sata, who lost the elections. Reporting for the Telegraph from Lusaka, David Blair wrote, “[incumbent] Levy Mwanawasa was re-elected with 43 per cent of the vote, Sata won in areas most affected by Chinese investment. In Lusaka, he polled almost three times as many votes as the president.”[11]

When Sata lost the elections, his supporters went on the rampage in the streets of Lusaka, the capital, looting Chinese-owned shops. Sympathetic commentators, however, suggest Beijing declared support for the incumbent because Michael Sata had the backing of Taipei. Sata's threats to drive out China if he won the election may have fuelled the speculation about Taipei's involvement. Ghana goes to the polls in December 2008 and there are speculations that China may lend its support to the incumbent government who Chinese officials believe are likely to win the elections.

Ogaden is a region at Ethiopia’s eastern border with Somalia. It was ceded to Ethiopia by the British in 1954, but has since been the object of two irredentist wars between Ethiopia and

Somalia. The region continues to be contested for by the separatist Ogaden National Liberation Front (ONLF), a Somali ethnic rebel group. China has recently been caught in the cross-fire of this local politics and Chinese expatriates working in an oilfield in Abole, about 120km from Jijiga on the border with Somalia, have come under heavy attacks. At dawn on April 24, 2007, ONLF men stormed the oil facility owned by China's Zhongyuan Petroleum Exploration Bureau, killing over 70 people, including nine Chinese oil workers. Seven more Chinese expatriates were kidnapped. According to the International Herald Tribune this is the first such attack on a foreign company in Ethiopia. The worrying aspect is that it may be the first of more clashes to come if China and African governments fail to address the sentiments of local groups, particularly in societies where politics is very much localised. The most worrying part in this whole drama is that the Ethiopian government is blaming Eritrea for supporting the ONLF to wage attacks in Ethiopia, a suspicion that could revive confrontations between the two neighbouring countries.

There are also fears that the ONLF enjoy the support of radical religious groups in Somalia, such as the Union of Islamic Courts (UIC) whose de facto leader, Sheikh Hassan Dahir Aweys, has warned Ethiopia and Somalia have "unfinished business": "Ethiopia mistreats the Somalis under their administration. The land was given to them by colonialists and we will seek justice to resolve the crisis that is dividing the two countries." As in Tibet and Northwest China, where China has problems with Buddhist and Muslim separatists, China may begin to have serious problems with religious groups with political interests in places like Nigeria and the Horn of Africa, where resource nationalism is mounting in response to Chinese investments.

According to Human Rights Watch, Beijing's response to increasing separatist activities in Northwest China has been "large scale arrests, trials, and executions," and it appears Beijing might support its embattled African allies to do the same. The BBC has reported that Chinese officials have said they will not withdraw from the Ogaden region as a result of the ONFL attack, but will instead bolster their security. Further confrontation could be imminent.

In a gesture defying threats from the Ethiopian government, the ONLF has issued a "military communiqué" warning the Ehtiopian government and its Chinese ally that so long as "the people of Ogaden are denied their rights to self-determination" and the Ethiopian government "[refuses] to discuss a comprehensive political solution to the Ogaden issue in a neutral country" and instead "continue to pursue a military solution in Ogaden," they "will not allow the mineral resources of [their] people to be exploited by [the] regime [in Ethiopia] or any firm that it enters into an illegal contract with."[12] The rebel group further warned, "Oil investments in Ogaden will result in a similar loss for any firm that believes assurances of security it recieves (sic) from the Ethiopian government which has never been in effective control of Ogaden."

If China seeks to help African governments by merely bolstering their security, the consequences could be disastrous for both the countries and China's own interests. Commenting on the situation in Nigeria's Delta region, the International Crisis Group (ICG) warns that "Any attempt at a military solution would be disastrous for residents and risky for the oil industry."[13] The BBC has also reported that Hassan Dahir Aweys has said he is "ready to negotiate with Ethiopia on the status of the contested Ogaden region."

These unfortunate incidents notwithstanding, China's impact on Africa has not been entirely negative. In spite of growing resentment against aspects of the Chinese presence, 57 per cent of Africans interviewed in this study believe China-Africa co-operation is good for Africa. But this finding may be biased because the majority of this study's African informants are policy-makers who are gratified to have an alternative player in China. But a more scientific poll by the Programme on International Policy Attitudes (PIPA) found a similar result. The PIPA poll found 62 per cent of South Africans believe China is making a positive influence on the world.

Even those who have sought to make political capital of China's unpopularity reluctantly admit China can make a positive impact on Africa's development if the negative aspects of its operations can be addressed. Mr. Sata is reported to have said of the Chinese after the Zambian polls: "Their labour relations are very bad. They are not adding any value to what they claim is investment. Instead of creating jobs for the local workforce, they bring in Chinese workers to cut wood and carry water. We don't want Zambia to be a dumping ground for their human beings." But Sata also added, "We want to work with the Chinese, but they must change."

International Response to Chinese Presence

China's economic footprint in Africa has caused waves in Western capitals, institutions and the media. The international community's concerns about the Chinese presence in Africa range from preserving normative cosmopolitan ideals such as the protection of human rights, political freedoms and the environment to fears about diminishing Western political and material influence in Africa. As with the local responses, international views are mixed, though there is a preponderance of a negative perception about Chinese activities in Africa.

China has been portrayed as exercising "irresponsible global leadership" because of its resource, particularly oil, security interests. China has been accused of hiding behind a commitment to a non-interference policy to pursue a "predatory" foreign policy in Africa, "grabbing" Africa's resources without any "moral scruples" about the conflicts that plague many countries in the region.

In the UN Security Council, it has used its veto right to "undermine" sanctions against the Sudanese government, which has refused to co-operate with the African Union (AU) and the UN on the deployment of a large peacekeeping force to end the crisis in Darfur that has already killed hundreds of thousands of people. A Time Magazine report accuses China of providing 400 Chinese troops to protect Chinese oil interests in Sudan, while contributing only 1,400 troops in UN peacekeeping missions worldwide.

Although discredited by Chinese officials, reports by the media and human rights organisations suggest Chinese military assistance and arms exports may be contributing to the security crisis in Central and the Horn of Africa, two of Africa's most endowed, but conflict-ridden, regions. Human Rights Watch has reported that weapons deliveries from China to Sudan since 1995 have included ammunition, tanks, helicopters, and fighter aircraft. China also became a major supplier of antipersonnel and antitank mines after 1980.[15] 17 per cent of small arms collected by peacekeepers in the Congo were of Chinese design, Amnesty International has recently reported. According to the influential US-based Council on Foreign Relations Zimbabwe ordered twelve FC-1 fighter jets and 100 military vehicles from China in a deal worth US$200m. A defence services organisation based in the UK has also reported that China has been "swapping small arms for elephant ivory from Zimbabwe and supplying President Robert Mugabe's government with radio-jamming devices used to block opposition broadcasts." China has also been reported to provide Zimbabwe with internet surveillance technology.

There are concerns that because of Chinese aid practices, Western donor governments and the international financial institutions are losing strategic influence in Africa, and with it their ability to continue to press for important initiatives on governance, fiscal probity and transparency. Non value-based Chinese assistance has provided corrupt and repressive regimes in Angola, Chad and Zimbabwe a "lifeline" that encourages them to ignore international pressure for economic and democratic reforms. According to Transparency International, Angola is one of the most corrupt countries in the world. In 2004 the International Monetary Fund suspended a loan to Angola because of the Angolan government's failure to co-operate on monitoring mechanisms to ensure budget transparency and to cut corruption. While the Angolan government was re-entering talks with the IMF, China stepped in and knocked off the IMF's punitive leverage by offering a rosier climb from the hole: US$2bn in credit, no "governance" strings attached. The Angolan government broke off aid and reform discussions with the IMF. Angola would pay off the Chinese loan with oil supplies. According to Lucy Corkin of CCS, 10 per cent of Angola's oil has already gone missing.

Recently, when the World Bank demanded transparency in the use of Chad's oil profits, the Chadian government announced it may evict Chevron and Malaysia's Petronas from the Chad-Cameroon oil pipeline, a project partly funded by the World Bank and (until then) widely held as an example of transparency and good governance – conditional aid working well. However, the Chadian leadership wished to use the pipeline revenues in ways other than as stipulated in the original agreements, with the backup plan that it could turn over the project to Chinese companies which were already engaged in drilling operations in Chad.

With easy access to Chinese money and, it is alleged, arms, Mugabe continues to stave off pressure from powerful international actors to initiate political reforms in Zimbabwe and stop human rights violations against his political opponents.

A joint IMF-World Bank report issued in November 2006 expressed concern about the aid practices of "a group of emerging countries led by China" that could saddle poor countries with a new debt crisis. But Lex Rieffel, Visiting Fellow of the US-based Brookings Institution, disagrees. In an article in The Globalist (13 February 2007), he argued: "More Chinese lending simply means more projects will be completed. How can that be bad for the African countries? If the countries have trouble repaying the loans — and the odds are high that a number of them will — then they can be reduced or written off. No big deal." Lex Rieffel instead reserves criticism for the "old donors": "The concerns of old donors are hypocritical because the Chinese are only doing what the old donors did in the 1970s and 1980s."

Most Western policy experts, however, believe that while the "old donors" have learnt from their mistakes of the past, the Chinese presence is producing "a mixed bag". According to Todd Moss, Senior Fellow at the Washington-based Center For Global Development (CGD) and one of the experts who designed Nigeria's Paris Club debt relief package, the "Chinese invasion" is helping to "diversify" Africa's trade and development partners and, to the extent that this promotes economic development, it is good for Africa; but it may also be "wrecking all the co-operation that the donors have worked so hard to [build on] environmental and governance standards, human rights [and] transparency initiatives...."

Princeton Lyman, former US Ambassador to South Africa and Egypt, is now Adjunct Senior Fellow for Africa Policy Studies at the Council on Foreign Relations and Director for the Council's Taskforce that produced "More Than Humanitarianism: A Strategic U.S. Approach Toward Africa" in response to, in part, China's growing influence in Africa. Ambassador Lyman dismisses accusations about Chinese predation in Africa: "China has its own interests in Africa, both political and economic, just as other countries do. There is no reason to villify China and we did not do so (in the report)." But he is quick to add, "China is possibly risking a lessening of Africa's commitment to good governance, sound economic management, and human rights by not at least officially using its aid and investments in support of those principles. In Sudan and Zimbabwe, it is not just that China is continuing to aid countries with brutal autocracies, but selling them arms as well. These are serious issues that would be raised with any country in that position."

Beijing has offered its own response to criticisms of Chinese practices in Africa by emphasising its non-interference policy. Chinese Premier Wen has reportedly said China believes that "people in different regions and countries, including those in Africa, have their right and ability to handle their own issues." Beijing's response is pleasing to most African ears. In a response to comments on CGD's Global Development Blog, one African commentator is clearly irritated by Western condescension: "… Chinese interest in African countries is certainly welcome. It is a great pity that the rest of the world thinks that Africans haven't learnt any lessons from HIPIc (sic) and world trends in Democracy, human rights, good governance, etc. I think we can effectively borrow responsibly to promote the economic development that continues to elude us. Give us some credit."

Most African policy-makers and academics are equally chafed by what they see as "Western hypocrisy" and "conspiracy" against China's interests in Africa. On accusations that China is supplying arms to African governments, Dr. Martyn Davies, Executive Director of the Centre for Chinese Studies at Stellenbosch University in South Africa retorted, "If this is true, China is only as guilty as Africa's other major trading partners like the United States, France and the United Kingdom, and we cannot hold brief for any of them." Western resource companies, particularly those operating in the Great Lakes Region, have been accused of profiteering, fomenting or exacerbating conflicts by supplying, or financing, arms to warring groups and profiting from conflicts, repatriating their profits and contributing little to rebuild shattered infrastructure after the conflicts. "We are not mollified by Western criticism of perceived bad Chinese practices in Africa," angrily remarked a Congolese academic who came to the UK as a refugee, adding, "Our leaders have inflicted mayhem on us, but they have succeeded only with Western support."

Behind the rhetorical drubbing of Chinese irresponsibility in Africa is perhaps a growing Western discomfort that as the Western alliance gets stuck in the Middle East, China will gain even stronger foothold on a continent that will become the centre of the coming global competition for resources. There is evidence of growing concern among US Congressmen and foreign policy experts of what the increasing Chinese presence in Africa means for US interests in the region. Ed Royce, a California Republican and vice chairman of a House subcommittee that focuses on Africa has said, "China's increasing engagement in Africa is a concern and we need to focus on it before Beijing becomes fully established," the Wall Street Journal has reported.

The Lyman-led taskforce that produced the Council on Foreign Relations' US Africa strategy report were equally worried of the pervasiveness of the Chinese presence: "All across Africa today, China is acquiring control of natural resource assets, out-bidding Western contractors on major infrastructure projects, and providing soft loans and other incentives to bolster its competitive advantage." The taskforce therefore called for a "more than [humanitarian]" strategy toward Africa as a counterweight to growing Chinese influence. An industry intelligence report by a major business organisation in an OECD country warned: "China is playing an aggressive game in Africa and it is important that the West wakes up to this reality," and calls for "joint strategies … between Western companies and governments to regain the initiative."

The report also accused African governments of "reneging on commitments to Western companies and handing their interests to Chinese entities." A prime example of this occurred in mid-2006 when the Kenyan government "peremptorily removed oil-exploration concessions from two European companies and handed them to the Chinese National Offshore Oil Corporation." The report admonished Western governments and organisations not to be too "constrained by moral and political considerations" when other competitors like China are too willing "to step into the breach."

There are also suggestions that China is seeking to mobilise the 38 African members of the World Trade Organization (WTO) to support a grand plan to bend the rules of global trade in its interest. Unlike in the UN Security Council, the World Bank and the IMF, members of the WTO have equal votes and no veto rights. With the support of Africa, the largest regional bloc in the WTO, China could have the power to effect, or even frustrate, trade regimes, including on intellectual property rights, in its favour.

Implications and Challenges

Though China's presence in Africa is driven by economic self-interest, both Africa and its traditional development partners stand to benefit from Sino-Africa relations. But it also raises major policy challenges for African governments and international donors.

Industrial Policy and Trade Capacity

For Africa, continuing rapid growth in China may lead to complementary positive effects by increasing demand for, and revenues from, Africa's resource exports. The Chinese may continue to ramp up aid and investments in Africa, particularly investments in Africa's exports infrastructure. But Chinese export competitiveness in manufacturing may continue to have exterminatory effect on local manufacturing, and consequently job creation, possibilities, particularly in the clothing and textiles and footwear industries, if serious policy measures are not taken to address trade capacity problems in Africa.

With their current capability levels, African countries have little chance against Chinese competition in reciprocal trade relations. South Africa has shown the way by negotiating a quota system that limits Chinese textiles exports to South Africa. Given growing popular discontent in other parts of Africa against cheap Chinese products, it is in China's interest, as it is in Africa's, to replicate the South African agreement across Africa. China stands to lose little because except in the textiles and clothing industry, Africa has little cross-product specialisation with China.

In spite of the Chinese way of doing business and language barriers, it is possible that the absence of local African players to enter into joint ventures with giant Chinese multinationals may be limiting opportunities for technology transfer. Except in textiles, and to a less extent in footwear, industries, Chinese companies do not compete with African companies. In sectors like telecommunications and construction and engineering works, the major competitors are foreign multinationals, with which Chinese companies often cooperate in large contracts. Except South African firms to some extent, local African firms in these sectors are often small and weak players.

Opening the 10th UNCTAD African Oil & Gas Trade and Finance Conference in Algiers, Algeria, UNCTAD Secretary-General Supachai Panitchpakdi noted, "International companies, including from Asia and Latin America, are stepping up their investments in Africa. There is no doubt that Africa's hydrocarbon sector has become very attractive. But how much will the continent benefit from this in the end? The answer will depend not only on the use that governments make of their large revenues and windfall gains, but also on the efforts of these oil companies to integrate into their host economies and on the effectiveness of local content strategies."

In November 2006, China and the United Nations Development Programme (UNDP) jointly established the China-Africa Business Council to support China's private sector in promoting business in Cameroon, Ghana, Mozambique, Nigeria, South Africa and Tanzania. But African governments need to design policies to equip domestic industries to collaborate with Chinese and other foreign investors. Some of the large windfalls from resource rents should encourage African governments to pursue aggressive national development goals, including strategically consolidating their local firms and positioning them as a matter of policy to partner, and learn from, Chinese companies in major contracts.

Debt Crisis and Delayed Reforms

A major criticism of the prevailing international development regime is that conditional aid has turned African governments into peons lacking practical policy initiatives on the major challenges that confront their societies. Chinese aid without political strings may reduce Africa's peonage in the international system and encourage African governments to assert policy independence to initiate projects that address specific local development challenges. But the caveat is that this will happen only if aid without conditions is used primarily for developmental purposes. The history of African development does not suggest this is always the case. Chinese aid practices may generate bad political equity for unaccountable regimes and send some countries back into the degenerate eras of the Mobutus. “What we have to do,” suggests Philibert Afrika, Director of Operations Policies and Review Unit of the African Development Bank, “is to avoid falling into another debt crisis in the long-term.”

While having many potential positive effects on African development, if not sanitised Chinese aid and investments could create what one scholar has described as the “Dos Santos effect”: the entrenchment of non-democratic regimes and increasing political assertiveness against Western donors and their reform demands. As experience has shown, it is African growth and the population that suffer under such degenerate conditions. This is the reason the so-called “old donor grief” should not completely be dismissed.

In the face of growing African resentment against aspects of the Chinese presence on the continent, it is in China’s long-term interest to address negative aspects of its business and aid practices to avoid wading into the firestorm of local politics and losing credibility as a responsible development partner. The recent attack by more than 200 rebels of the Ogaden National Liberation Front on Chinese oil interests in Ethiopia is an example of what happens when the concerns of local disaffected stakeholders are not addressed by both government and foreign investors. The root cause of most insurgencies in oil-rich Africa has been a combination of underdevelopment, official corruption, environmental damage and a host of other debilitating conditions.

Recent reports suggest Beijing is probably beginning to heed the message from the numerous criticisms and the attacks. President Hu Jintao is reported to have broken with his government's traditional policy of non-interference to urge Sudan to accept a joint United Nations-African Union peacekeeping mission to Darfur, a Bloomberg news report on Feb 6, 2007 quotes a Chinese ambassador as saying. If this suggestion is correct, it may explain why the Sudanese government has just agreed to a Heavy UN Support package, the second of three steps towards deploying a large UN and African Union peacekeeping force in Dafur. China could enhance its own global standing by using its influence to support measures to end conflicts in Africa. It is also in its long-term interest that Sudan and other African countries where China has interests do not slip into utter chaos.

Local Standards and Rules of Engagement

African governments need to take the initiative to evolve policy responses to the negative aspects of their relationship with China, including issues regarding technology transfer and labour and environmental standards, by taking a leading role in setting the rules of engagement. Where there are adequate local regulations and demands on standards, Chinese companies play by the rules. Martyn Davies of the Centre for Chinese Studies suggests environmental and labour standards have not become a major concern in South Africa's relations with China because there are strong local regulations on these issues in South Africa. Strong civil society activism may also encourage the Chinese government and its companies to work with African governments to avert possible negative consequences on local populations of Chinese operations.

In Ghana, the US$600m Chinese loan for the construction of the Bui Dam also includes US$25 million for the re-settlement of over a thousand inhabitants expected to be displaced by the construction of the project. The resettlement plan was added to the project after protests from local and international human rights and environmental groups, including Green Ghana and the Carnegie Council.

While Chinese constitute about 90 per cent of the labour force employed in Chinese construction projects in Angola, in Zambia they are only 5 per cent, according to Martyn Davies. The big difference could not be attributed to a massive lack of skills or labour in general in Angola; it is more likely the result of strong local sentiments about Chinese operations in Zambia, suggesting Chinese companies will in most cases respond positively to local sensitivities and constraints, if they exist.

Africa's Traditional Partners

Susan Rice, a former Senior Policy Advisor on Africa in the Clinton administration and currently a foreign policy strategist with the Brookings Institution, has said that because of its vast resources, which may be rivalled only by the United States, Africa cannot be ignored by countries concerned about resource security. While it is the poorest region in the world, Africa is one of the fastest growing telecommunications markets in the world and Chinese telecommunications companies, as well as Chinese companies in other sectors, are proving that Indian economist C. K. Prahalad was right: that there is "fortune at the bottom of the pyramid."

For Africa's traditional partners, there is still an opportunity to raise their economic profile in Africa in their own self-interest and for Africa's good. Already, Chinese companies are co-operating with a number of Western and Asian oil giants like ExxonMobil, Chevron Corp, Royal Dutch Shell, Malaysia's Petronas and India's ONGC in African countries in spite of frequent fierce competition amongst them for African oil assets. The frequent accusations of Chinese predation in Africa may therefore not be very fair. The Chinese have learned to compete as well as to collaborate and their aggressive push into Africa does not necessarily constitute a zero-sum game.

Suspicion could give way to greater cooperation and more investments in Africa, and in such investments particularly in infrastructure, there is an opportunity for traditional development partners to make good their promises to end global poverty. For Africa's traditional donors, it is time to engage China as a major player in designing the rules of global economic governance and to review aid conditions to identify what does and does not work for African development in order to continue to remain influential and credible in Africa.

CONCLUSION

The recent Chinese push into Africa is driven by China's desperate need to find oil and industrial raw materials to feed its resource-guzzling, and world's fastest growing, economy, as well as untapped export markets to address industrial overproduction. China is pursuing strategic commercial targeting in Africa, building a fortress of near monopsony in resource-rich countries isolated by the international community and competing out Western governments and companies in countries that were previously comfortable turf for the West. China has leverage over Western competitors because it makes no value demands with its aid and investments and provides generous support for the expansion of Chinese companies into overseas markets, an expansion critical to China's security interests and self-perception as an emerging global power. The Chinese also have a long-term view of their relations with Africa and readily accept small margins to advance national interests and nurture a potentially large consumer market for the future. Major Chinese companies have hit roadblocks in well established markets, but Africa's markets are untapped and strategically open. Africa has therefore become a strategic training ground for Chinese companies.

Stripped of all the fun-fare and hoopla, however, China-Africa trade co-operation appears unremarkable in global terms. Africa currently accounts for only 2.6% of China's total foreign trade volume. This is less than half the volume of trade between China and South Korea.[15] However trade between China and Africa is growing exponentially and there is great optimism that continuing growth in China could become Africa's own "silk road" to development. Chinese presence in Africa is also good public relations for Africa. Chinese activities in Africa are enervating, and generating interest among, otherwise uninterested and disinterested investment communities in the West and may crowd in significant new investments for Africa.

Japan is the world's third largest oil consumer, behind the U.S. and China, and imports 90 per cent of its oil from the Middle East, according to Asia Times. Until recently Japan has not considered Africa an important source of its energy and other resource needs, maintaining only a marginal presence in Africa's oil industry through operations in North Africa. In the face of sky-rocketing oil prices and the global, but in particular neighbouring China's, rush for oil, Japan has stepped up its Africa diplomacy. A New National Energy Strategy by Japan's Ministry of Trade and Industry has seen officials take the safari trip to Mauritania and Libya to negotiate oil deals, and there are plans to seek development rights in Equatorial Guinea and the Ivory Coast.

With the new strategy, Japan hopes to "[strengthen] relations with resource-rich countries," to enhance the prospects of "securing energy resources abroad through the fostering of more powerful domestic energy companies, and boosting to 40% by 2030 from the current 15% the ratio of 'Hinomaru oil', or oil developed and imported through domestic producers," according to the Asia Times.

Among major stakeholders, China's economic profile in Africa has however produced a "mixed bag" of effects and responses. African government officials are gratified that their ailing economies are being bolstered by high Chinese demand for their resource exports and large investments in infrastructure and other critical sectors long neglected by Western donors. However, sections of the local population, including environmental and human rights groups and businesses, are irked by some unsavoury aspects of the Chinese profile, including the deployment of Chinese labour that limits local employment opportunities, poor labour and environmental standards, and exterminatory Chinese export competitiveness.

Reactions from the international community are equally mixed, but the most pervasive view is that by bankrolling corrupt and repressive regimes China is undermining international efforts to bring economic and political sanity to impoverished and conflict-ridden communities in Africa. Chinese aid practices and China's own success in lifting millions of its population out of poverty without representative government and a free press could encourage a resurgence of non-democratic rule in Africa.

On the whole, however, the majority of Africans believe China can have a positive influence on Africa's development if the negative aspects of its business and aid practices are addressed. African governments could also maximise the benefits of the Sino-African engagement for their communities if they actively promoted policies and rules of engagement to address issues regarding domestic trade capacity and environmental and labour standards. The large windfalls from resource sectors cannot positively impact the lives of the population if a virtuous interaction is not established between resource rents and the development of job-creating industries. For traditional donors, it is time to engage China as a major player in designing the rules of global economic governance and to review aid conditions to identify what does and does not work for African development in order to continue to remain influential and credible in Africa.

China also risks dissipating its cherished credibility as a supporter of liberation struggles in Africa if it continues to bolster dictatorial regimes against the population. Given the frequent competition among local groups for access to resources, a failure to address the concerns of disaffected local communities could spark ethnic tensions and set some part of Africa on fire. Ogaden is one area to watch. This would not only reduce China's influence in Africa but could substantially damage its emerging status as a global power. China's influence in Sudan's recent acceptance to allow resumption of UN peace-keeping operations in the Dafur may suggest that China may begin to apply some "strings" in its dealings with African governments.

Appendix A: Glossary of Terms

AU	Africa Union
CCS	Centre for Chinese Studies (South Africa)
CNOOC	China National Offshore Oil Corporation
CNPC	China National Petroleum Corporation
EIA	Energy Information Authority
FDI	Foreign Direct Investment
FOCAC	Forum on China-Africa Co-operation
GDP	Gross Domestic Product
ICG	International Crisis Group
IMF	International Monetary Fund
MEND	Movement for the Emancipation of the Nigerian Delta
OECD	Organisation for Economic Co-operation and Development
ONGC	Oil and Natural Gas Corporation (India)
ONLF	Ogaden National Liberation Front
SINOPEC	Chinese Petroleum and Chemical Corporation
UK	United Kingdom
UN	United Nations
UNCTAD	UN Conference on Trade and Development
UNDP	United Nations Development Programme
US	United States
WTO	World Trade Organisation

Appendix B: Major Chinese Companies Operating in Africa

Oil and Gas:
China National Offshore Oil Corporation
China National Petroleum Corporation
Chinese Petroleum and Chemical Corporation
Zhougyuan Exploration Bureau

Construction:
Anhui Construction Engineering Group Company Ltd
Beijing Urban Construction Group
China Civil Engineering and Construction Corporation
China Complant
China Geo-Engineering Corporation
China Henan International Corporation Group Company Ltd.
China Huashi Enterprises Corporation
China International Fund Ltd.
China Jiangsu International
CGC Overseas Engineering Corporation
China Road and Bridge Corporation
Golden Nest International Group
Guangdong Xinguang International Group
Guangsha Group
Sinohydro Ltd.

Telecommunications, Electronics & Aerospace:
China Mobile
China National Aero-Technology Import and Export Corp
China National Electronics Import and Export Corporation
Huawei (Telecom)
Zhong Xing Telecommunication Equipment Company Ltd.

Appendix C: Exports and Imports

Major African Exports to China	Major Exporting Countries
Crude oil	Angola, Sudan, Congo Brazzaville, Equatorial Guinea
Logs	Gabon, Congo Brazzaville, Equatorial Guinea, Cameroon, Liberia
Iron ore & concentrates	South Africa, Mauritania, Liberia, Mozambique
Diamonds	South Africa main exporter
Cotton	Benin, Burkina faso, mali, Cote d'Ivoire, Cameroon
Ores and concentrates of non-ferrous base metals	South Africa, Congo Brazzaville, D.R. Congo, Rwanda, Nigeria
Tobacco	Zimbabwe
Iron/steel coils	South Africa
Platinum	South Africa
Manganese ores & concentrates	Gabon, Ghana, South Africa, Cote d'Ivoire
Copper & copper alloys	Zambia, South Africa, Namibia, Congo Brazzaville
Aluminium and alumna	South Africa
Wood of non-coniferous species	Cameroon, Gabon, Congo Brazzaville, South Africa, Ghana

Source World Bank, Africa's Silk Road

Major African Imports from China	Major Importing Countries
Clothing & textiles	Benin, Togo, Gambia, South Africa, Kenya, Nigeria, Ethiopia, cote d'Ivoire, Sudan, Madagascar, Ghana
Footwear	South Africa, Nigeria, Ghana, Benin, Togo
Motorcycles	Nigeria, Togo, Mali, Cameroon, Guinea
Batteries & accumulators	Benin, Nigeria, Togo, Kenya
Rice	Cote d'Ivoire, Liberia, Tanzania, Nigeria, Ghana
Travel goods, handbags, suitcases, purses	South Africa, Nigeria, Ghana, Kenya, Tanzania
Electrical, electronics and telecom equipment	Nigeria, Zambia, Ethiopia, Angola, South Africa, Uganda
Construction equipment/materials	Sudan, Nigeria, South Africa, Ghana, Benin, Kenya

Source: UN COMTRADE

Appendix D: Calendar of Important Events

Below is a selection of events that may be interesting when conducting business in Africa. However, this is incomplete, since some important events are not yet scheduled, and these dates and venues may possibly change. Readers are recommended to continue to monitor relevant websites, including the events calendars on portals such as www.mbendi.co.za or www.africa-investor.com.

Event	Focus	Location	Date
African Development Bank Group Annual Meeting	Annual Meeting	Shanghai, China	16-17 May 2007
UNECA/AfDB Meeting	Joint meeting between UNECA and the African Development Bank	Addis Ababa, Ethiopia	November 2007
World Economic Forum Africa Meeting	WEF's policies and programmes in Africa	Cape Town, South Africa	13-15 June 2007
Commonwealth Heads of Government Meeting	NB Commonwealth Business Forum runs alongside	Kampala, Uganda	8 November 2007
G8	Global issues, including Africa and its development	Germany	6-8 June 2007
Africa Partnership Forum	Forum for Africans to lobby G8 on African causes	Germany	26 May 2007
W.AFRI.TEL EX	International West African Communications and Broadcasting Exhibition	Nigeria	5-7 June 2007
REBUILD NIGERIA	International Building Expo	Nigeria	21-24 Sep 2007
NIGERIA EXPO	Nigeria Trade Expo	Nigeria	21-24 Sep 2007
OFFSHORE WEST AFRICA	Offshore Conference & Exhibition	Nigeria	29-31 Jan 2008
NOG - NIGERIA OIL & GAS	Exhibition, Conference and Technical Sessions about Oil & Gas	Nigeria	18-21 Feb 2008
IFE - INTERNATIONAL FRANCHISE EXPO	International Franchise Expo	South Africa	May 3-5 2007
PETRO.T.EX AFRICA	Exhibition for suppliers to Oil Refineries, Petrochemical Plants, Oil & Gas Installations & Pipelines	South Africa	26-28 June 2007
PUMPS, VALVES & PIPES AFRICA	International Exhibition and Conference for Pumps, Valves & Pipes	South Africa	26-28 June 2007
CHEM.T.EX AFRICA 2007	Chemical Process Technology Exhibition	South Africa	26-28 June 2007
AFRICA'S BIG SEVEN	Retail & Agri Processing Exhibition	South Africa	15-17 July 2007
AGRI-FOOD MANUFACTURERS AND PRODUCERS EXPO	Exhibition of Products and Services for and from Food Producers and Manufactures	South Africa	15-17 July 2007
BIOTECHAFRICA	Biotechnology Expo	South Africa	15-17 July 2007
AFRIWATER	South Africa's International Water, Waste and environmental Exhibition	South Africa	15-17 July 2007
FM EXPO & CONFERENCE	Facilities Management, Outsourcing, Workplace Environment & Procurement Expo & Conference	South Africa	22-23 Aug 2007
FUTUREX CAPE	Information Technology Exhibition, Computer Fair	South Africa	26-28 sep 2007
SECUREX CAPE	South Africa's International Security, Safety & Protection Exhibition	South Africa	27-29 sep 2007
SAITEX	South Africa's Multi-sectors International Trade Fair	South Africa	16-19 sep 2007
WORLD LP GAS FORUM	Global Conference and Exhibition on LP Gas	South Africa	24-26 Oct 2007
MARITIME AFRICA	Industrial Fishing Expo	South Africa	24-26 Oct 2007

Event	Focus	Location	Date
AFRIBUILD	International Infrastructure, Public Works, Building and Construction Exhibition	South Africa	31 Oct-03 Nov 2007
EASTERN CAPE INDUSTRIAL TRADE SHOW	Industrial Products, Services and Solutions	South Africa	20-22 feb 2008
DURBAN MOTOR SHOW	Motor Show	South Africa	March 2008 ?
OIL AFRICA	Oil, Gas & Petrochemical Expo & Conference	South Africa	17-19 March 2008
INTERBUILD AFRICA	International Building and Construction Exhibition	South Africa	23-26 March 2008
WOODPRO AFRICA	International Woodworking Machinery, Timber Processing & Furniture Manufacturing Supplies Exhibition	South Africa	26-29 March 2008
AIRCON-VENT AFRICA	International event covering the Engineering Aspect of Air Conditioning and Ventilation as well as Cooling and the Environment	South Africa	26-29 March 2008
ELECTRA MINING AFRICA	International Mining, Electrical Engineering and Industrial Exhibition	South Africa	8-11 sep 2008
ELENEX AFRICA	African International Electrical Engineering and Lighting and Power Generation Exhibition	South Africa	11-15 sept 2008
AUTO AFRICA	Africa International Automotive Trade Exhibition & Conference	Egypt	2-6 May 2007
Kenyan Election	Presidential election	Kenya	December 2007
Ghanaian Election	Presidential election	Ghana	December 2008
Sierra Leone Election	Presidential election	Sierra Leone	28 July 2007
Mali Election	Presidential election	Mali	13 May 2007
Ethiopia Election	Presidential election	Ethiopia	November 2007
Africa Energy Forum	Gathering of parties interested in the energy sector in Africa	Hamburg, Germany	27 June 2007
Biofuels Africa		Johannesburg, South Africa	28 August 2007
G77 meetings	19th Annual Meeting of Senior Officials of the Group of 77	New York, USA	September 2007
G77 meetings	31st Annual Meeting of Ministers of Foreign Affairs of the Group of 77	New York, USA	September 2007
Economist Conference - Kenya	Business Roundtable between businesses and government	Kenya	16 July 2007
Economist Conference – Egypt	Business Roundtable between businesses and government	Egypt	5 June 2007
Economist Conference – South Africa	Business Roundtable between businesses and government	South Africa	November 2007
Economist Conference – Nigeria	Business Roundtable between businesses and government	Nigeria	January 2008

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