

## Policy Department External Policies

# CHINESE RESOURCES AND ENERGY POLICY IN SUB-SAHARAN AFRICA

DEVELOPMENT

August 2007

EN

This study was requested by the European Parliament's Committee on Development.

This study is published in the following languages:

**EN**

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Publisher European Parliament

Manuscript completed on 18/06/2007.

The study is available on the Internet at  
<http://www.europarl.europa.eu/activities/expert/eStudies.do?languageEN>

If you are unable to download the information you require, please request a paper copy  
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Brussels: European Parliament, 2007.

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## **Executive summary**

This report concludes that China has embarked on a well-conceived go-out policy that should enable Chinese companies to gain direct control over African natural resources. The strategy has resulted in a rapidly accelerating flow of African commodities to the People's Republic, despite the fact that China's equity projects in Africa remain limited. The Chinese resources and energy policy tends to confirm the conception of Africa as the world's mining pit. However, only a small number of African countries reap substantial rewards. Moreover, if we go beyond the national trade statistics, it appears that political elites profit most and that new opportunities are unlikely to trickle down or to benefit sectors other than the primary sector. With regard to the EU's Africa policy, China's resources and energy policy undermines both the conditional engagement approach and the actorness of the EU as an international player.

We recommend the European Union to:

- . facilitate further study on the role of and interaction between all important investors, e.g. Brazil, China, the Gulf states, EU, India, Japan, Russia and the United States;
- . facilitate informal and formal exchanges between scholars and officials from these countries to explore each other's interests, policies and expectations;
- . support the African Union's initiatives to bring all actors around the table;
- . support and facilitate the drafting of a development agenda for Africa (within the NEPAD framework), approved by all major partners;
- . support and facilitate the formulation of joint guidelines regarding corporate behaviour and transparency;
- . concretize the EU's expectations regarding external policies in relevant country strategy papers, especially in policy papers regarding China,;
- . go beyond the current EU-African Business Forum and conceive a coherent action plan to stimulate and diversify European investments in Africa;
- . curb qualitative restrictions and assist Africa in meeting the EU's qualitative import criteria.

## **Acknowledgements**

The authors are grateful to the Development Committee of the European Parliament for providing us with the financial means to realize this report. This report would not have been possible without the officials, diplomats, ngo-workers and experts who were prepared to share their knowledge and insights during our many interviews and informal conversations.

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## Introduction

'Twenty years ago I drove an Italian moped. Ten years ago I had a second-hand Japanese mini bus. Nowadays, as you can see, I drive a brand new Chinese Geely.' Davis manoeuvres his taxi skilfully through the jammed main road that links up the Ugandan national airport with Kampala. At that time, August 2003, *China's scramble for Africa* had hardly hit the media headlines, save for perhaps the curiosity expressed by some local Ugandan newspapers about the 'new entrants from Asia' and 'a Chinese crew that arrived to repair an obsolete dam in Jinja'. Since 2005, however, China's presence on the African continent has led hundreds of journalists and researchers to pore over this intriguing issue. What is China up to? Is this about natural resources? Is it respecting human rights? Is Africa's economy benefiting from this soaring trade with the People's Republic? What is the impact of this all on the European Union's position?

In this survey, we address all these questions once more. The aim is not to present a meticulous study. It essentially offers a critical discussion of what has already been analyzed. The bibliography at the end gives an extensive overview of the studies consulted and other sources. Where we found evidence missing, additional research was carried out. For instance, there was a lack of sufficient empirical information on Chinese activities in Africa's mining sector, and certain statistical information on trade and investments was also in short supply.

Following the project description, the study focuses on China's current interests in Africa's natural resources. This does not imply that questions about Sino-African relations in terms of political issues, security fears and trade in services or goods are not relevant. The Chinese resources and energy policy in Sub-Saharan Africa cannot be separated from these other dimensions. Nor can one grasp the significance of this particular area of interest without taking into consideration the role of other actors, state and non-state, that are involved in Africa. China's policy does not operate in a vacuum. We will try to sketch this context as adequately as possible, but this study still has to be considered an incomplete picture of an extensive and complex puzzle.

We start by shedding light on the causes of China's growing appetite for natural resources, and assess the relevance of Africa as a supplier. Second, we focus on China's go-out policy and give an overview of the levers that are used to gain access to African deposits of raw materials. Subsequently, the dossier weighs up the advantages and drawbacks of this policy, asks whether or not it has been successful so far and what we can expect from it in the near future. Finally, we evaluate its impact on Africa's development.

For practical reasons we chose to define *Sub-Saharan Africa* and *Africa* similarly, comprising the following countries: Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Central African Republic (CAR), Chad, Congo (ROC), Côte d'Ivoire, Dem. Rep. of the Congo (DRC), Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, Sao Tome and Principe, Senegal, Sierra

Leone, Somalia, South Africa, Sudan, Swaziland, Tanzania, Togo, Uganda, Zambia, Zimbabwe.

For this report we tried as much as possible to have all information double checked. This is in particular the case of the interviews. Numerous formal in informal conversations took place in order to test our opinions or to gather additional facts. For each interview we looked for at least one other independent source as confirmation. The same goes for statistical sources. Figures on one particular issue, especially trade statistics, often vary from source to source due to differing methodological approaches or inaccuracy.

Brussels, 19 March 2007

## 1 China's go-out policy with regard to natural resources

### 1.1 Context

'China should take substantive measures to shift its focus from pursuing speed to improving the quality and efficiency of economic growth,' President Hu Jintao stressed when he commented on the Eleventh Five Year Plan (2007-2011). This emphasis on efficiency rather than on economic growth figures as an end in itself reveals the exigencies of China's transition process. Beijing is increasingly taking the side-effects of its growth miracle into account. One of the most vexing side-effects pertains to the question as to how China should reconcile its ambitious economic goals with the relative scarcity of its natural resources. In the past decade, the People's Republic has become a net importer of almost all important natural resources. In 1993, the country for the first time drew more oil from foreign wells than it exported. Between 1995 and 2005, its mineral oil imports multiplied almost five-fold, turning China into the world's second largest customer on the international oil market. In the same period, imports of iron ore surged by 570 percent, copper by 738 percent, cobalt by 4,145 percent, and aluminium by 2,247 percent. Except for aluminium, China has been exceeding the European Union's imports volume for all types of mineral ores. Organic raw commodities have also been flooding to the People's Republic. According to the Food and Agricultural Organization (FAO), China's imports of round woods have risen from 7.2 million cubic meters in 1996 to 30.4 in 2005.<sup>1</sup> A simultaneous evolution for cotton and rubber has transpired. China is the world's largest importer of these two goods.

	China			EU
	1995	2000	2005	2005
Aluminium	92	404	2,166	14,287
Cobalt	5	16	199	55
Copper	484	1,813	4,060	2,999
Iron ore	41,154	6,997	275,229	132,159
Manganese	1,290	120	4,578	1,270
Niobium	132	169	561	489
Rubber	321	851	1,406	1,250
Cotton	741	830	2,567	483

*Tabel 1.* Imports of raw material categories (1,000 tonnes). Source: UN Comtrade, 2006.

Despite the need for curbing the resource intensity of its economic growth, China's appetite for raw commodities will undoubtedly grow stronger. Industrial productivity will remain the driver behind this soaring demand. Although resource intensity is declining in most sectors, resource-intensive sectors themselves continue to expand. The metallurgical branch, for instance, has been outperforming the growth rate of light industry for many years, and will carry on its expansion, given China's boom in railway construction, shipbuilding and

<sup>1</sup> FAO (2006), Statistical Database, see: <http://faostat.fao.org>. See also: Zhu, C., Taylor, R. and Feng, G. (2006), *China's Wood Market, Trade and Environment*, WWF, Science Press, New York.

automobile manufacturing. The same goes for the petrochemical industry, which will also have to meet the rising demands for carburant as a result of the orders put in by producers of synthetics. The Eleventh Five-Year-Plan more than ever places a heavy emphasis on high-technological growth. This does not mean, however, that China will neglect the other industries; after all, there is increasing domestic demand for Chinese goods, a clamour for more job creation, and an urgency to attract more industrial development land inwards. Moreover, even high-tech production will be obliged to look for various specific minerals; cobalt, niobium and tantalum among others. Changing consumption patterns as well will add to this thirst for raw materials. This relates first and foremost to the expansion of private transport. In 2006 alone, more than 6.5 million new cars hit the Chinese roads. By 2010, China is expected to produce 10 million automobiles a year for the domestic market: a target that not only heralds a huge rise in fuel demand, but also an increasing need for aluminium.<sup>2</sup> Another significant factor is the changing pattern of household heating. Simultaneous with the urbanization process, more and more farmers are leaving their charcoal, straw or fuel wood fires behind in exchange for gas or petrol heaters.<sup>3</sup> In addition, accelerating urbanization, construction fever and rising incomes will continue to fuel the demand for wooden products. All scenarios indicate that China's dependence on imports of raw materials will increase. The national government estimates that China will have to draw 55 percent of its oil from overseas markets by 2010. For iron ore this is 57 percent, 70 percent for copper, and 80 percent for aluminium.<sup>4</sup> According to estimates of Deutsche Bank, based on a comparison with the economic growth trajectory of other countries, this evolution implies that the total commodity import demand is going to record an annual increase of 10 percent for most minerals and 20 percent for oil.<sup>5</sup>

Beijing's reaction to this skyrocketing import dependence is twofold. On the one hand, the Chinese government is well aware that it has to open its market to foreign suppliers. Therefore it has lifted quantitative restrictions on almost all commodities and curtailed import subsidies. From the late 90s, foreign energy companies have been allowed to play a role in both upstream (exploration and drilling) and downstream (refinery and distribution) activities. On the other hand, state officials have been more tenacious in maintaining control over the production of and trade in natural resources than in other economic sectors. In October 2006, for instance, the Ministry of Finance imposed temporary tariffs on the export of commodities such as copper, raw iron and several forest products.<sup>6</sup> Furthermore, the opening up to foreign corporate players has coincided with a determined attempt to stimulate and assist Chinese state-owned and private companies to gain direct control over foreign resources. This pragmatic go-out strategy is inspired by a practical analysis of the international natural resources market. To start with, this market is anything but liberal and

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<sup>2</sup> 'China Faces Overproduction in 11 Sectors', *People's Daily*, 18 December 2005.

<sup>3</sup> Jiang, L. and O'Neill, B. (2004), 'Energy Transition in Rural China', *Global Energy Issues*, n°21, p. 23-28.

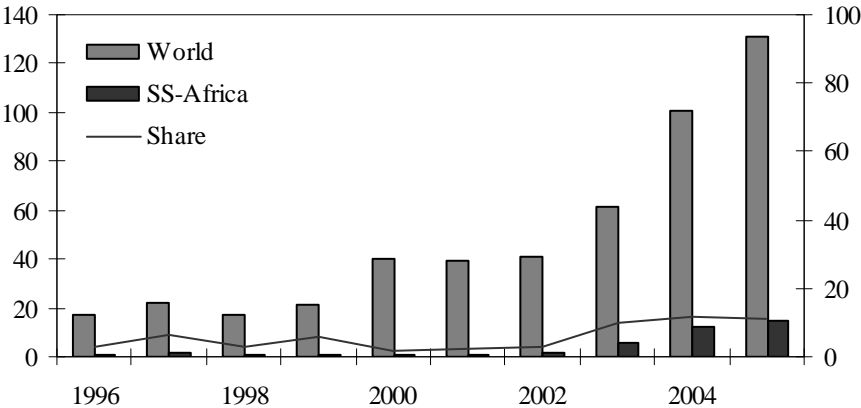
<sup>4</sup> 'China to Slow Mineral Imports', *People's Daily*, 1 June 2005. See also: Statement by Ambassador Tang Guoqiang, Third OPEC International Seminar, Vienna, 14 September 2006, [www.chinesemission-vienna.at](http://www.chinesemission-vienna.at).

<sup>5</sup> Trink, T. and Voss, S. (2006), *China's Commodity Hunger: Implications for Africa and Latin America*, Deutsche Bank Report, Frankfurt.

<sup>6</sup> 'China Imposes Tariffs on 110 Exported Goods', *Xinhua*, 28 October 2006.



remains subject to protectionism and state-affiliated monopolies.<sup>7</sup> China has already discovered this to its own detriment. In Canada, a special law was voted to impede Minmetals from taking over the Canadian mining company Noranda, for instance. CNOOC, one of the PRC's three energy giants, also drew a blank when the US Congress interfered with its plans to acquire Unocal, a company that exploits several oil fields in Southeast Asia.<sup>8</sup> That natural resources and political interests are intertwined, is a fact also acknowledged in China's national energy strategy: 'Oil is the key to wealth, but also influences international relations, the global economic order and military operations.'<sup>9</sup> By controlling the wells, Beijing also aims to curb down-stream prices for Chinese consumers: this is an important comparative advantage vis-à-vis other low-wage countries, and helps to restrain inflation. In addition, it wants to guarantee supply in the long run. China is not the only customer, so foreign suppliers will try to play their clients off against each other in order to generate maximum profits. In this regard too, it is crucial to gain control over foreign reserves to avoid being over-dependent on other actors. In conclusion, Beijing pursues a pragmatic approach that draws from both private- and state-controlled resources in order to guarantee long-term supplies.



Graph 1. Value of China's raw materials imports from Sub-Saharan Africa and the world (bn USD). Share of Sub-Saharan Africa in China's total raw material imports (%). Sources: China Customs and UN Comtrade, 2006.

Sub-Saharan Africa takes a particular position in this go-out policy. Generally speaking, the continent is not the enormous natural treasure it is assumed to be. Most of its mineral reserves are actually rather small compared to the huge deposits in Brazil, India, Canada and Australia. Take Africa's production of copper, iron ore and niobium for instance: it accounts for no more than 4 percent of global output.<sup>10</sup> For oil and natural gas this is 6.5 and 1.2 percent respectively. The most notorious exception is provided by cobalt, of which the region produces 51 percent, with the Democratic Republic of Congo (DRC) alone accounting

<sup>7</sup> See for instance: 'Oil giants face new rivals', in *Wall Street Journal*, 19 April 2005.  
<sup>8</sup> Holslag, Jonathan (2005), 'China in de Olie', *Internationale Spectator*, October 2005.  
<sup>9</sup> State Council, *China's National Energy Strategy and Policy*, Development Center, State Council, Beijing, 2003.  
<sup>10</sup> USGS, *Minerals Information Database*, see: <http://minerals.usgs.gov/minerals/pubs/commodity>.

for 31 percent. Yet, Africa is an attractive market from the perspective of China's go-out strategy.<sup>11</sup> Apart from South Africa, most African states do not have the capacity to exploit their own assets and have to rely on foreign expertise and investments. Economic emancipation is less pronounced than, say, in India or Brazil. Besides, in numerous states instability and violence have kept multinational mining giants away, so that the coast has been clear for their fledgling Chinese counterparts. Given their public's scrutiny, Western companies are still reluctant to invest in several instable states such as Sudan and Zimbabwe. Finally, a vast share of Africa's mineral potential is still left unexploited. This is, for instance, the case in several areas of the DRC, Angola and Ethiopia. As a consequence of new discoveries, African proven oil reserves rose by 58 percent between 1995 and 2005. The Gulf of Guinea is also expected to become an important source of natural gas.<sup>12</sup> Hence, for several reasons Sub-Saharan Africa is still a vital target for China in its hunger for resources.

## 1.2 China's quest for resources

### 1.2.1 Actors involved in China's Africa policy

How is China's go-out policy implemented? What are the tools Beijing has at its disposal to acquire control over African resources? In order to answer these questions, let us first look at the actors involved. Despite the swift liberalisation of China's economy, the political apparatus is still in charge of safeguarding the national need for natural resources. Central bodies of the Communist Party, such as the Politburo Standing Committee, set out the general guiding principles within which national development has to materialize. However, with regard to the supply of resources, its influence is rather indirect. Concrete policy making is left to the national government. It is the State Development and Planning Commission (SDPC) that defines the aspirations for all economic sectors. Its plans anticipate China's future needs in terms of natural resources and formulate the strategies as to how these should be met. Taking the general political desiderata of the Party leadership and the SDPC's guidelines as a starting point, economic policies are specified and coordinated by the National State Council, the apex of the central government which, in turn, supervises the actual implementation of these policies by ministries and specialized agencies. Under the aegis of the Council, the Ministry of Foreign Affairs and the Ministry of Commerce are in charge of the execution of the national policy on trade in natural resources. These ministries are backed by the Ministry of Finance. An exception is made for China's overseas energy strategy, which is supervised by the Energy Leading Group. This body was established in

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<sup>11</sup> Apart from its natural resources, Africa is an attractive investment market for several other reasons. Its enormous need for the construction of public infrastructure has caught the attention of Chinese contractors. Other companies perceive Africa as a testing ground before entering more competitive markets. This is for instance the case of telecommunication and technologic development. Several export companies are also interested and try to set up distribution centres to tap into the African consumer market. See: Holslag, Jonathan, 'China's New Mercantilism in Central Africa', *African and Asian Studies*, vol. 5 (2).

<sup>12</sup> See: Bruso, J.M., Getz, S.L., and Wallace, R.L, (2004), 'Gulf of Guinea Geology', *Oil & Gas Journal*, 12 February 2004; Mañe1, Damien, *Emergence of the Gulf of Guinea in the Global Economy: Prospects and Challenges*, IMF Working Paper, Washington, 2005.

2005 in order to foster more coherence in policy making. Therefore it functions directly under the State Council and is chaired by the Prime Minister. The SELG is still in its infancy and tries to coordinate the different departments under the State Council. When it comes to energy issues the Ministry of Foreign Affairs acts at the request of the State Council, the SDPC and the Ministry of Commerce. Through the latter the three state-owned oil companies (CNPC, Sinopec and CNOOC) also have a strong bearing on investment decision-making. Despite several attempts to streamline China's energy policy, it is still in a state of flux. The Chinese government is still learning how to guide its various vested interests in the domestic energy market for its announced policy goals to be successful.

Beijing sustains its companies' overseas activities financially through several institutions. First, there is the national Export and Import Bank of China (Exim Bank). This institute, the world's third largest export credit agency, is entirely funded by the central government and has to provide Chinese companies with the cash flow needed to expand their foreign presence. Aside from the Exim Bank, the government-owned China Construction Bank (CCB) is active too and provides financial services to stimulate investment and trade between China and Africa. In this respect its recently established branch in Johannesburg is expected to play a key role. Particular support is also given to the mining industry by means of special capitals and tax reductions designed by the Ministry of Finance. A senior official of the Ministry of Finance summarized the policy as follows: 'To promote the implementation of the strategy of going overseas, to encourage and to guide geological institutions and mining enterprises to explore and utilize foreign mineral resources, the Ministry has arranged special capitals for the work of general survey on foreign mineral resources, feasibility studies and initial stage venture surveys. These funds initiated and implemented a group of projects on overseas venture survey, reducing the initial exploration risks for mining enterprises to go overseas.' China's Ministry of Commerce (Mofcom) also backs companies financially 'to process and assemble products with brought-in materials from overseas.' Finally, in 2006, Beijing decided to set up a China-Africa development fund that will raise 5 billion USD in total to encourage Chinese companies to invest in Africa and provide support to them.

State companies are still the main actors realizing the aspirations defined by the government. This is certainly the case in the energy sector. In 2006, China labelled this branch a 'strategically important sector', implying that state capital will continue to play a leading role and that the sector will remain subject to political steering. In the case of China's mineral industry, the government decided that iron, steel, and non-ferrous metals production should be dominated by state-owned enterprises. For many years, the central government has been trying to regroup its fragmented mining branch into a limited number of leading companies that are able to play a significant role on the international scene. As one senior official stated, state-owned mining companies have to 'expand in volume, optimize in structure and grow into leading world businesses' and gain influence on

international mineral prices.<sup>13</sup> Under the banner of ‘grasping the large, releasing the small’, Chinese entrepreneurs are barred from starting new companies. Instead, thousands of small firms and mines have already been closed or absorbed by ‘national champions’. In 1998, Beijing amalgamated the shattered domestic energy industry in three large companies with each a particular responsibility.<sup>14</sup> It is these three companies, i.e. CNOOC, CNPC and Sinopec, which are also reaching out to foreign wells. In 2002, a similar development took place in the metals sector when 16 companies joined forces under the umbrella of China Nonferrous Metals Mining (CNMIM).<sup>15</sup> Nowadays CNMIM presents itself as the ‘forerunner in carrying out the go-out policy’ and controls a vast share of China’s copper and nickel imports.<sup>16</sup> A year later, the Chinese Aluminium Group (CAG) was founded as a new aluminium-sourcing consortium consisting of aluminium producers.<sup>17</sup> Among the mining companies, Minmetals is the central government’s favourite. This ‘flagship enterprise’ leads the country’s mineral mining. It took over 18 smaller Chinese companies and has representations in 17 countries.<sup>18</sup> In 2005 Minmetals received a 2 billion USD credit line to prop up its go-out activities.<sup>19</sup> Even though several state-owned companies have carried out initial public offerings (IPO), the government keeps a tight rein. Not only has it maintained at least a majority stake and guaranteed its position as chief financier; the government’s State-owned Assets Supervision and Administration Commission (SASAC) appoints all company managers.<sup>20</sup>

Coordination and coherence form the foundation of China’s foreign economic policy, especially with regard to natural resources. The government is well aware that China can only defend its interests by pooling all the actors involved.

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<sup>13</sup> ‘Zhao Huaxin China Names Key Industries for Absolute State Control’, *China Daily*, 19 December 2006. See also: ‘China to Speed up Fostering Multinational Mining Groups’, *People’s Daily*, 29 October 2004.

<sup>14</sup> Zhao, Jimin (2001), *Reform of China’s Energy Institutions and Policies: Historical Evolution and Current Challenges*, John F. Kennedy School of Government, Harvard; ‘China to Foster Mineral Conglomerates to Boost Yield’, *China Mining*, 27 December 2006.

<sup>15</sup> Ministry of Commerce, China, *China Nonferrous Metal Mining (Group) Co., LTD, Company Profile*, 16 November 2006. See:

<http://fec2.mofcom.gov.cn/aarticle/listofchina/200611/20061103751333.html>.

<sup>16</sup> Damian, Brett and Magnus, Ericsson (2006), ‘Chinese Expansion to Create New Global Mining Companies’, *Commodities Now*, October 2006.

<sup>17</sup> Brooks, David (2005), ‘Chinese Group, Global Alumina Ink Offtake Pact’, *American Metal Market*, 18 May 2005.

<sup>18</sup> Minmetals (2006), *CMN Organisational Structure*, October 2006, see: [ww.cmnd.com/2zzjg.htm](http://ww.cmnd.com/2zzjg.htm).

<sup>19</sup> Minmetals (2006), *Minmetals and Exim Bank Seal Credit Line*, 15 November 2005, see:

[www.minmetals.com/english/new1212/news/newsxq/200512150178.htm](http://www.minmetals.com/english/new1212/news/newsxq/200512150178.htm)

<sup>20</sup> Note: despite these efforts, Chinese mining and oil companies remain modest international players. In 2006, UNCTAD ranked only one Chinese enterprise among the world’s twenty largest mining TNCs. Two firms made the oil top-20, but their assets are minor compared to the six largest international players. Source: UNCTAD, *World Investment Report 2006*, UNCTAD, Geneva and New York, 2006, p. 123.

### 1.2.2 *The diplomatic charm offensive*

Ever since its existence, the People's Republic has been cultivating **bilateral ties** with African countries, but the content of these relations has changed significantly. Whereas China placed a heavy emphasis on ideological alliances in order to counterbalance the two Cold War superpowers in the 60s, diplomatic recognition became an end in itself in the 70s and 80s when Beijing prioritized its *de jure* sovereignty and decided to exchange its revolutionary foreign policy for diplomatic predictability. As from the 90s, economic cooperation gained prominence as a consequence of the growing interest in gaining direct access to export markets and resources. By 2006, all Sub-Saharan African countries recognized Beijing, except for São Tomé and Príncipe, Burkina Faso, Gambia, Malawi and Swaziland. The Chinese government is vigorously continuing its attempts at convincing these states to end their relationship with Taiwan.<sup>21</sup>

Under the current President Hu Jintao and Prime Minister Wen Jiabao, China has thrown all its weight behind the campaign to maintain African momentum. Between 2003 and 2006, these two top-officials paid 15 visits to African countries. In this period they hosted state-to-state visits from 30 Sub-Saharan African leaders, representing 29 different countries. (See annex 2) Apart from these eye-catching events, permanent bilateral cooperation bodies were strengthened as well. Chinese embassies in Africa saw their staff numbers expanding significantly. In several capitals China's embassies became the centre of diplomatic activity, outperforming their Western counterparts in their relations with local governments and business communities. The Ministry of Commerce deploys Economic and Commercial Councillors to 43 embassies. Joint Economic Committees gather officials from both African governments and Chinese ministries such as the departments of commerce, foreign affairs, agriculture and education. The Foreign Affairs Ministry has established a regular consulting mechanism with 24 African countries. Legislative power plays a role as well. Between 2003 and 2006, the National Congress exchanged parliamentary delegations with among others Botswana, Gabon, Kenya, Mozambique, Nigeria, South Africa, and Uganda. In 2005 more than 24 African states sent their delegations to China, while 19 CCP delegations visited Africa. In addition to the national government, provincial administrations too vie for the African market. Their Overseas Chinese Affairs Offices and Foreign Economic Trade Commissions act as trade departments.<sup>22</sup> In 2006, South Africa alone received official delegations from the provinces of Guangdong, Hebei, Jiangsu, Shaanxi, Shandong and Zhejiang.

Apart from bilateral contacts, China is increasingly present in **multilateral forums** as well. Since 2005, Beijing has been strengthening its contacts with the African Union (AU). That year it appointed a special representative to the Union and donated 400,000 million USD to

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<sup>21</sup> 'China convida São Tomé e Príncipe à cimeira sino-africana', *Panapress*, 19 October 2006.

<sup>22</sup> For several affluent coastal provinces the size of these bodies is comparable to that of a ministry of an average European country. See: Cheung, P.T.Y. and Tang, J.T.H. (2001), 'The External Relations of China's Provinces', in Lampton, David, *The Making of Chinese Foreign and Security Policy*, Stanford University Press, Stanford, pp. 91-123.

support the organisation's mediation efforts in the Darfur crisis. In January 2006, China made its first public appearance at the Sixth African Union Summit in Sudan. In July Wen Jiabao met with AU President Denis Sassou Nguesso. That same month, at the Seventh Summit in Gambia, the Chinese delegation actively participated in discussions about regional integration in Africa. In November 2006, Hu Jintao announced it would finance and construct a new conference building in order to 'strengthen unity and cooperation with Africa'.<sup>23</sup> In 2003 China was invited to participate in the New Partnership for Africa's development (NEPAD). Chinese officials have repeatedly expressed their support for this initiative and set up some grants for development programmes. China has also secured itself a seat at the conference table of many a regional organisation, such as the Common Market for Eastern and Southern Africa (Comesa), the Economic Community of West African States (Ecowas) and the Southern Africa Development Community (SADC). For these economic forums Beijing has appointed a permanent representative whose primary task is to lobby for stronger commercial relations. Recently, the Ministry of Commerce has increased its capacity to follow up on the negotiation agendas. Regional development banks are another target of China's charm offensive. Since 2003 the country has a governor on the board of the African Development Bank (ADB). Although China is still a small shareholder compared to Western countries, it nevertheless takes up a clear position. During the election for a new president of the African Development Bank for instance, the Chinese governor resolutely opposed the candidate who was supported by European and American donors.<sup>24</sup> China became the only non-African shareholder in the Eastern and Southern African Trade and Development Bank (PTA Bank) and has succeeded in strengthening its influence in the West African Development Bank (WADB) since 2004. The People's Republic has provided the latter with a bilateral technical cooperation fund. In 2006 they jointly organized a China Day that welcomed around 100 delegates from Chinese banks, ministries and enterprises. The same year, the East African Development Bank (EADB) and China Development Bank (CDB) signed a 30 million USD credit line and started negotiations on the possibility of the CDB buying a stake in EADB.<sup>25</sup>

China's interest in Africa's existing regional cooperation mechanisms is multi-faceted. First, it can be attributed to the country's overall diplomatic charm offensive and its attempts to present itself as a responsible stakeholder in the international economic and political arena. 'Co-operation to realize common development' is a central part of China's peaceful development policy.<sup>26</sup> Second, regional summits are an attractive place to do business with official delegates and the many businessmen that hover around. Third, Beijing has a lot to gain from the further liberalization of the African market. The open regionalism that is steadily developing will decrease the risk of constraints and enable China to improve its current commercial relations. For instance, with Comesa it brokered a laxer visa-procedure, for Chinese businessmen. With the South Africa Customs Union (SACU) it has started

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<sup>23</sup> 'China to Build Conference Center for African Union', in *People's Daily*, 4 November 2006.

<sup>24</sup> Patrick Smith (2005), *Battle for Control of African Development Bank*, South African Institute of International Affairs, Braamfontein, 2005.

<sup>25</sup> 'East Africa Development Bank, CDB Sign \$30 Million Credit Line', *East African Business Week*, 16 October 2006.

<sup>26</sup> Li, Zhaoxing (2005), *Banner of Diplomacy Stressed*, Ministry of Foreign Affairs, 23 August 2005.

negotiations for a free trade agreement (FTA).<sup>27</sup> Beijing has designs on eventually setting up FTAs with all African regional organisations 'when conditions are ripe'.<sup>28</sup> Fourth, by boosting China's influence in regional organisations and development banks, it will become easier for Chinese representatives to back companies in their bidding for trans-national projects, e.g. in the sectors of telecommunications, transport, and energy infrastructure. In regional development banks China often combines the positions of lender, decision-maker, and contractor. China's appearance in regional organisations clearly suits its economic interests on the continent. With regard to natural resources this stake is rather indirect, but it does contribute towards generating a favourable climate to do business.

China has also provided itself with a permanent platform, the China-Africa Cooperation Forum (FOCAC). Established in 2000, the FOCAC forms an interface for officials and business leaders through ministerial conferences, senior officials' meetings, and the China-Africa Joint Business Council. Its initial goals were highlighted in the Addis Ababa Action Plan and entails issues related to peace and security, multilateral cooperation, economic development, and social development.<sup>29</sup> Let us take a closer look at the economic aspect. A first priority in this regard is the development of Africa's agriculture 'in order to strengthen the food security of Africa and to increase its exports to China and other markets.'<sup>30</sup> Through financial and policy-incentive schemes, China will also continue to support and encourage strong and viable Chinese enterprises in order to develop agricultural cooperation projects in Africa. A second priority, and particularly stressed, is infrastructure development: 'China will encourage its enterprises to take an active part in Africa's infrastructure projects and expand cooperation in transportation, telecommunication, energy, water supply, electricity and other fields.'<sup>31</sup> The third aim is to promote trade through import-tariff reduction, initially on commodities; later on, other goods too might be included after bilateral negotiations between China and each individual African state. Fourthly, the mentioned above Action Plan eases the investment procedure, 'focusing on simplification of approval procedures for Chinese companies, which are interested in investing in Africa.' African countries are also urged to hold consultations with the China Council for the Promotion of International Trade (CCPIT) with a view to establishing a China-Africa Chamber of Industry and Commerce. The development of tourism follows on from here. In this regard China is expected to grant its Approved Destination Status (ADS) to more African countries. The sixth promise concerns China's intention to 'take an active part in resources development projects in African countries and increase its investment in this area.' In this regard, African countries are urged to provide 'all necessary information' and to 'accord facilities for Chinese enterprises.' Other elements of the economic section of the Action Plan are debt

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<sup>27</sup> Draper, P. and le Pere, G. (2005), *Enter the Dragon. Towards a Free Trade Agreement between China and the Southern African Customs Union*, South African Institute of International Affairs, Johannesburg;  
Alves, P. (2006), *Exploring the Contours of a SACU-China Trade Deal*, South African Institute of International Affairs, Johannesburg.

<sup>28</sup> Ministry of Foreign Affairs, China (2006), *China's Africa Policy*, Ministry of Foreign Affairs, 12 January 2006, paragraph 1.2.1

<sup>29</sup> *Addis Ababa Action Plan*, Addis Ababa, 26 December 2003. See: [www.iss.co.za/AF/chinaafrica03.htm](http://www.iss.co.za/AF/chinaafrica03.htm).

<sup>30</sup> *Ibid.* art. 4.1.1.

<sup>31</sup> *Ibid.* art. 4.2.2.

relief and development aid. At the Third Ministerial Summit organised in Beijing in 2006, these goals were reiterated and some of them translated into more concrete targets. The conference was very important in terms of its symbolic value; 48 heads of states endorsed the so-called 'new type of strategic partnership' and vowed to strengthen political and commercial contacts. Compared to the African initiatives for multilateralism, FOCAC is unmistakably a case of unilateral multilateralism: it is an exclusive tool to enable China to extend its influence by means of diplomacy, commerce and soft power.

On top of the contacts themselves, it is also striking how Beijing adheres to a carefully planned official discourse that is articulated consistently at every occasion. In 1996, then President Jiang Zemin laid the foundation of China's current discourse. He captured China's Africa policy in five cornerstones: sincere friendship, equality, unity and cooperation, common development, and looking towards the future. In 2003, this approach was slightly modified when Hu Jintao formulated six pillars that can be summarized as: non-interference, African ownership in dealing with problems, mutual trust and cooperation, the increase of economic assistance without political conditions, an appeal to the international community to pay more attention to Africa, and the promotion of a friendlier international environment for Africa's development. This approach can also be discerned in earlier statements by Hu, such as the key speech he delivered in 1999:

'China will, as always, adhere to the Five Principles of Peaceful Coexistence, respecting independent choices of political system and development road by African nations according to their realities; supporting the just struggle of African nations to safeguard national independence, sovereignty and territorial integrity; supporting these nations' efforts to maintain domestic stability and unity, invigorate national economy and promote social progress. In international affairs, China will actively support African nations' participation in international affairs, strengthen bilateral consultations and cooperation, and make concerted efforts to safeguard the just rights of the developing nations, trying to help establish a fair and reasonable international political and economic order at an early date. China also urges the international community, especially the developed countries, to respect and show concern for Africa, pay attention to Africa's peace and development, and adopt effective measures to promote stability in Africa, help Africa develop its economy, get rid of poverty at an early date, and narrow the gap in development between Africa and the rest of the world.'<sup>32</sup>

A first element of this approach is the emphasis on the historical foundations of the Sino-African relationship, the so-called 'Bandung spirit'. Despite being the world's most spectacularly growing economy, China is loath to place itself above the third world. Instead, it underlines that it is still part of the historical alliance of third world countries that was founded at the Bandung Conference (1955). 'China will always side with developing

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<sup>32</sup> 'Chinese Leaders on Sino-African Relations', *China.org*, 10 December 2003, see: [www.china.org.cn](http://www.china.org.cn).



countries no matter what changes the internal situation will undergo,' Hu Jintao asserted.<sup>33</sup> At the Ministerial Summit of the China-Africa Cooperation, Trade Minister Bo Xilai accentuated China's double identity. Even when the coastal provinces are developing swiftly, 'there are about 200 million people whose living standards could not meet the UN's criterion of 1 USD per person per day.'<sup>34</sup> In their contacts with African nations, political leaders also frequently refer to historical events such as the establishment of the Non-Aligned Movement, the Group of 77, etc.

This idea is extended to South-South cooperation in several current domains. China contends that developing countries have to close their ranks in dealing with the West. When the criticism arose that China was defending other stakes at the expense of the poorest countries in negotiations for a new international trade agreement, Beijing reacted furiously to attempts 'to subdivide the third world front' against the developed nations.<sup>35</sup> During the Doha Round, China repeatedly stressed that it did defend the stakes of the developing countries. Bo Xilai, for example, lashed out against the American and European export subsidies in agriculture and urged these markets to open up to third world commodities.<sup>36</sup> The same goes for the Millennium Development Goals, which were invoked to accuse the West of neglecting the underdeveloped regions of the world. At a United Nations summit, Hu Jintao urged rich countries to meet the 0.7 percent target for development aid and to make more efforts towards debt relief. He also proposed to establish an evaluation framework to 'monitor and promote the delivery of promised international cooperation and development.'<sup>37</sup> China clearly does not want to approach Africa from a superior position. On the contrary, it wants to be perceived as a *primus inter pares*, an actor that shares many of the constraints and interests of the impoverished continent.

Non-interference is another prominent element in China's political communication with Africa. In reference to Hu Jintao's statement on page 15, non-interference is about 'respecting independent choices of political system and development road by African nations according to their realities'. It pertains to safeguarding national independence and sovereignty. Building on this principle, Beijing explains that it wants to cooperate without political conditionality. For example, at a meeting in Cape Town, Prime Minister Wen Jiabao stressed: 'We do not seek to export our own values to Africa. We provide assistance without

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<sup>33</sup> 'Hu Says China Cherishes Cooperation With Developing Countries', *Xinhua*, 23 June 2003.

<sup>34</sup> Speech of Mr. Bo Xilai at the Third Ministerial Conference of Forum on China-Africa Cooperation Monday, 13 November 2006, see:

<http://wto2.mofcom.gov.cn/aarticle/bilateralvisits/200611/200611.html>.

<sup>35</sup> 'China against subdivision of developing countries: Bo', *People's Daily*, 14 July 2005.

<sup>36</sup> Ministry of Commerce, China (2005), *Bo Xilai Meeting With EU Trade Commissioner Peter Mandelson*, Ministry of Commerce, Beijing, 17 July 2005, see:

<http://boxilai2.mofcom.gov.cn/aarticle/activity/200507/20050700167799.html>

<sup>37</sup> Statement by President Hu Jintao of China at the high-level meeting on Financing for Development at the United Nations Summit New York, 14 September 2005, see:

[www.fmprc.gov.cn/ce/ceun/eng/zt/shnh60/t212916.htm](http://www.fmprc.gov.cn/ce/ceun/eng/zt/shnh60/t212916.htm).

any political strings attached to African brothers and sisters.’<sup>38</sup> Non-interference also refutes a universal interpretation of human rights. The third Sino-African Summit in Beijing, for instance, concluded that: ‘Countries that vary from one another in social system, stages of development, historical and cultural background and values, have the right to choose their own approaches and models in promoting and protecting human rights in their own countries.’<sup>39</sup> In its position paper on United Nations reform, the Chinese government urged countries to depoliticize human rights issues and to reject double standards. Another dimension of non-interference relates to the international community’s responsibility to protect when a state is no longer able to ensure the safety of its own citizens. According to Beijing ‘there should be more prudence’ in peace enforcement. Moreover, the resolution of internal conflicts should mainly come from the efforts of the leaders within the state. ‘No country or group of countries, has the right to impose its will on others, to interfere, under whatever pretext, in other countries’ internal affairs, or to impose unilateral coercive economic measures on others.’ The emphasis on sovereignty is clearly rooted in China’s own internal situation, where issues such as human rights and democracy are under permanent scrutiny of external players. In international bodies such as the former Human Rights Commission of the United Nations and the actual Human Rights Council, Beijing has frequently sought the support of African nations to avert criticism. It is striking that when officials travel to the West they try to convince their hosts that China is improving its respect for democracy and human rights, but when they are received in Africa it is argued that the West should stop harping on about these issues. From the perspective of the go-out policy, this chameleon diplomacy of China clearly curries favour with its African partners. By separating economics and politics, it has created an optimal business climate.

In accordance with the former principle, China is also sticking to the primacy of the state in economic development. Beijing places economic growth squarely at the heart of nation building and asserts that economic growth primarily has to contribute to domestic stability.<sup>40</sup> Thus the Chinese government overtly rejects the traditional Washington Consensus that recommends third world political establishments to keep their hands off the economy as much as possible. China also rejects the swift opening-up and liberalisation of their market as promoted by the structural adjustment programmes of the International Monetary Fund and the World Bank. Instead, it makes an appeal for ‘gradualism’ and following a developing course that suits ‘national conditions’.<sup>41</sup> The Chinese Minister of Foreign Affairs has endorsed the request of several African countries to apply temporary

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<sup>38</sup> National Government, China (2006), *China Provides Assistance to Africa without Political Strings*, National Government, Beijing, 22 June 2006, see: [http://english.gov.cn/2006-06/22/content\\_317581.htm](http://english.gov.cn/2006-06/22/content_317581.htm).

<sup>39</sup> National Government, China (2006), *Beijing Declaration of the Forum on China-Africa Cooperation*, 26 October 2006.

<sup>40</sup> Ministry of Foreign Affairs, China (2003), *Premier Wen Jiabao Holds Talks with Ugandan Prime Minister*, Ministry of Foreign Affairs, Beijing, 9 September 2003, see: <http://www.fmprc.gov.cn/eng/wjb/zzjg/fzs/gjlb/3109/3111/t25661.htm>

<sup>41</sup> See for instance: Speech by President Hu Jintao of the People’s Republic of China at Joint Session of the Gabonese Parliament, 2 February 2004, retrieved from: [www.fmprc.gov.cn/eng/wjdt/2649/t61853.htm](http://www.fmprc.gov.cn/eng/wjdt/2649/t61853.htm)

protective measures until they are able to meet the free trade standards promoted by the World Trade Organisation.<sup>42</sup>

Finally, Beijing denies that African countries face competition from the Chinese economy. Moreover, it maintains that there is a huge opportunity for economic interaction as Africa and China both have particular comparative advantages. 'We are aware that China and Africa enjoy huge economic complementarity,' National Congress Chairman Wu Bangguo argued when visiting Tanzania. 'Africa has rich natural and human resources while China has applied technology and experience in development, which offers each other broad markets and great potential for cooperation.'<sup>43</sup> Whereas in terms of its trade with Africa China is still a modest player compared to Europe, the country capitalizes on the high expectations and stresses that the best is yet to come. 'Our cooperation potentials are expanding rather than diminishing,' the Chinese ambassador in Ethiopia asserted. 'China will definitely do more for Africa as it achieves remarkable economic development.'<sup>44</sup> In 2005 Vice-Premier Huang Ju announced it would triple Sino-African trade and double Chinese investments by 2010. In several countries promises to double trade were also made on a bilateral basis.

In Short, China's vision on its economic relations with Africa is informed by a common desire to pursue a policy that differs from the currently dominating Western approach. Instead of prescribing bitter structural adjustment plans and stringent requirements, Beijing only beckons with sweet carrots. Instead of forcing African countries to adapt, the PRC adjusts its own policy in such a way that it is perfectly compatible with the demands of the African political establishments. Whether or not this is commercial pragmatism, a heartfelt ideology, or both; it is clear that this approach generates goodwill and an optimal climate for China to do business.

### *1.2.3. Sources of economic leverage*

Along with its political effects, China's go-out policy brings into play a wide array of economic levers. Beijing is prepared to pay high prices for concessions. Its companies have repeatedly outbid competitors from other countries. In 2006 SINOPEC acquired an exploration contract in Angola after it added 420 million USD to the original signature bonus of 310 million USD that was offered by the Indian ONGC. In 2004 and 2005, ONGC underwent the same fate in Nigeria and Sudan: the Chinese bids simply dwarfed those of India's state-owned enterprises. In Zambia and Zimbabwe, South Africa missed out on mining contracts as a consequence of the enormous sums offered by Chinese excavators.

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<sup>42</sup> Statement by Mr. Li Zhaoxing, Minister of Foreign Affairs of China at the General Debate of the 60th Session of the UN General Assembly, 19 September 2005. China stated to be in favour of Special and Differential Provisions for instance, terms that allow developing countries longer time periods for implementing free trade agreements and commitments. See also: Declaration by the Group of 77 and China on the Fourth WTO Ministerial Conference, Doha, 22 October

<sup>43</sup> 'Top Legislator Makes 5-Point Proposal Sino-African Relations', *Xinhua*, 11 June 2004.

<sup>44</sup> 'Interview with Chinese Ambassador Lin Lin', *ABBI Weekly*, 6 December 2006.

Payments are not limited to direct rewards for concessions. Chinese envoys curry favour with African governments by means of package deals. China often offers an investment package that encompasses several other economic branches. In Angola for instance, Vice Premier Zeng Peiyang went about charming his host by promising several investment projects: 369 million USD in civilian telecommunication, 300 to 500 million USD in transport infrastructure, 100 million USD in military transmission, and millions of dollars in agriculture. The concessions to China's mining companies in Zambia's Copperbelt province are mainly due to investments in railways, agriculture, public broadcasting and airways. In Gabon, the People's Republic has pumped millions into the construction of dams and public infrastructure. In Nigeria, Chinese investments outside the energy sector amount to 4 billion USD. Generally, such projects are an end in itself for numerous Chinese companies in other sectors than natural resources. However, from the perspective of China's dire need for raw materials, these investments are an additional enabling factor.

China also beckons with cheap loans. With a foreign exchange reserve of nearly a trillion USD, the People's Republic's coffers seem bottomless.<sup>45</sup> According to the International Monetary Fund (IMF), the country has grown into the largest creditor of all emerging markets, leaving states such as India and Brazil trailing in its wake. The exact number of state loans to African countries is unknown, but according to official figures, China has carried out 58 preferential-loan projects in 26 African countries. In 2005 and 2006 at least 15 states received credit, adding up to a total of 4.5 billion USD flowing to Angola and Nigeria and 300 million USD to 13 other partner countries. (See annex 3) Between the 2002 peace accord and 2006, China provided 58 percent of Angola's foreign credit at a time when the country was experiencing difficulties in mobilizing foreign lenders. This financing was described as an 'example' of South-South Cooperation: 'No humiliating conditions were imposed on Angola. The agreement therefore greatly surpasses the contractual framework imposed on the Angolan government by European and traditional markets and opens up a practical means of sustained and mutually advantageous cooperation with one of the world economies with the highest growth rate.'<sup>46</sup>

In 2005, China became a net donor of development aid. The People's Republic has always granted development assistance to African countries and repeatedly set up ambitious projects to step up the country's ties with the Third World. Several actual development programmes are a continuation of this long-term engagement. The deployment of Chinese medical staff that started in the 1950s is a case in point. By the end of 2005, China had dispatched more than 15,000 doctors to Sub-Saharan Africa. The cooperation on education also dates back from Mao Zedong's *tiersmondisme*. China's Human Resources Development Fund has offered up to 18,000 governmental scholarships to African students: 2,000 in 2005 alone. Numerous Chinese expatriates are also involved in agricultural and technological development projects. In total, the People's Republic is estimated to provide between 1 and 2 billion USD to such programmes in Africa, and Beijing has vowed to double this budget by 2009. On the sidelines of the Third Ministerial Summit organised in Beijing in 2006, the

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<sup>45</sup> Important in this respect is the fact that the central government's budget actually runs a deficit.

<sup>46</sup> 'Angola/China: an Example of South-South Cooperation', *AllAfrica*, 25 March 2004.

Chinese government also promised to set up 100 new rural schools, to increase the number of scholarships for African students in China to 4,000 a year, to send out 100 senior experts on agricultural technology and set up 10 demonstration centres for this agricultural technology. In contrast to most Western countries, China's aid is not limited to a small group of African countries. Instead, its assistance projects are equally divided over almost all states of the continent. The same goes for China's debt relief. Between 2001 and 2004, it cancelled 1.38 billion USD worth of debts accrued by 31 African countries. There are no indications that a direct link exists between China's designs on Africa's resources on the one hand, and its development aid on the other. The People's Republic has provided as much assistance to resource-poor countries as to prominent mining states. Development aid serves several purposes.<sup>47</sup> The first is to give leeway to the go-out strategy. This relates to raw materials, but it also implies helping Chinese companies to export Chinese industrial products and 'to spread the Chinese brand name'. The second purpose is to boost China's image as a promoter of Third World countries. Since 1995 China has therefore invested quite heavily in prestigious infrastructure projects that catch the public's eye such as bridges, stadiums, railways and roads. Finally, although there are no explicit political conditions attached to the current development aid, an underlying requirement clearly is to keep the support of the African countries in the UN with regard to issues such as Taiwan and human rights. In general, development aid remains a lever to encourage local governments into taking a more amicable stance. This can also explain why the Ministry of Commerce is still in charge of the national foreign aid fund and takes care of the preparation and implementation of China's foreign aid policies.

Finally, there is the importance of arms provision. In general, China is not a major arms supplier to Africa. The country reportedly contributed only 2 to 3 percent of the total arms supplies to developing countries.<sup>48</sup> This is mainly because China's arms industry is not as developed as the military industrial complex in, say, the United States, Western Europe and Russia. Consequently, it is only a modest exporter of expensive equipment such as fighter planes, helicopters, etc. In contrast to many European and former Soviet countries, the People's Republic is still increasing its own defence expenditures.<sup>49</sup> It is rapidly modernizing its armed forces, but it has not prioritized the re-equipment of the army's land component. This means that it has fewer redundant weapons to dispose of. Still, in some African countries Beijing uses military cooperation and arms provision as an economic lever. First and foremost, this is the case in Sudan where China is one of the few partners to still maintain military cooperation programmes.<sup>50</sup> Given the sanctions of several Western countries, the delivery of cheap arms has undoubtedly contributed to China's strong position in the Sudanese oil industry. The same goes for Zimbabwe and Gabon, where arms and security cooperation has constituted an essential element of the People's Republic's

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<sup>47</sup> Interviews with Chinese scholars, Beijing, 12-15 March 2007/

<sup>48</sup> Grimmatt, R.F. (2005), *Conventional Arms Transfers to Developing Nations, 1997-2004*, Congressional Research Service, Washington, p. 9.

<sup>49</sup> *Ibid.*, p. 12.

<sup>50</sup> 'Chinese, Sudan Militaries to Increase Exchanges', *Sudan Tribune*, 16 July 2005.

charm offensive and appeals to the militarist aspirations of local political leaders.<sup>51</sup> In poverty-stricken Zimbabwe, arms deliveries have directly been related to access to the county's tobacco and ivory markets.<sup>52</sup>

#### 1.2.4 *How China is paving its way in Africa*

Railways have always been the main arteries to link up Africa's landlocked natural resources with coastal repositories and seaports. Nowadays, China appears to be well on track to restoring two vital railway corridors that penetrate into the resource-rich heart of the continent. In 2005, a state-owned company started to upgrade the 1,300 km Benguela railway that connects the Angolan seaport of Lobito with the Congolese mining town Lubumbashi. The track, planned to be completed *medio* 2007, is financed by a Chinese loan of approximately 400 million USD. Several Chinese companies consider the port of Lobito as a major transit hub through which they hope to transport commodities from the Central and Southwest African region.<sup>53</sup> This view is also confirmed by a note of the China Development Bank that describes Congo as 'Central Africa, northeast of Angola'.<sup>54</sup> More to the east, Chinese contractors have refurbished the Tanzara Railway that unlocks Zambia's Copperbelt Province via Tanzania to the port of Dar es Salaam on the Indian Ocean. This iron road, to be operated by a Chinese firm, will also facilitate the shipping of natural resources, both from the eastern corner of the Democratic Republic of Congo and the Chinese-owned copper mines in Chambishi, Zambia.

When completed, both railway tracks will form one logistical corridor that stretches from the Atlantic to the Indian Ocean. If China succeeds in acquiring more concessions in Central Africa, this infrastructure will certainly rupture the current north-south transit of minerals that is mainly controlled by South Africa. Instead, the People's Republic will be able to establish its own *fillières* and control the entire process from the mining pits to the seaports, and from these African docks to China. Beijing finances another 560 km railway track in Gabon that connects Belinga in the mineral and forest-rich northeast of the country with the seaport of Owendo and the future deepwater port of Santa Clara, partially funded by China as well.<sup>55</sup> In Nigeria, China has partially financed two iron roads from the coast to the north. These projects has not only endowed a Chinese contractor with a 8.3 billion USD project; when completed they will also provide access to the natural resources around the northern towns Kano (tantalum), Jos (tin, columbite), and eventually to Maradi in Niger (uranium, iron ore, cotton) in the long run.

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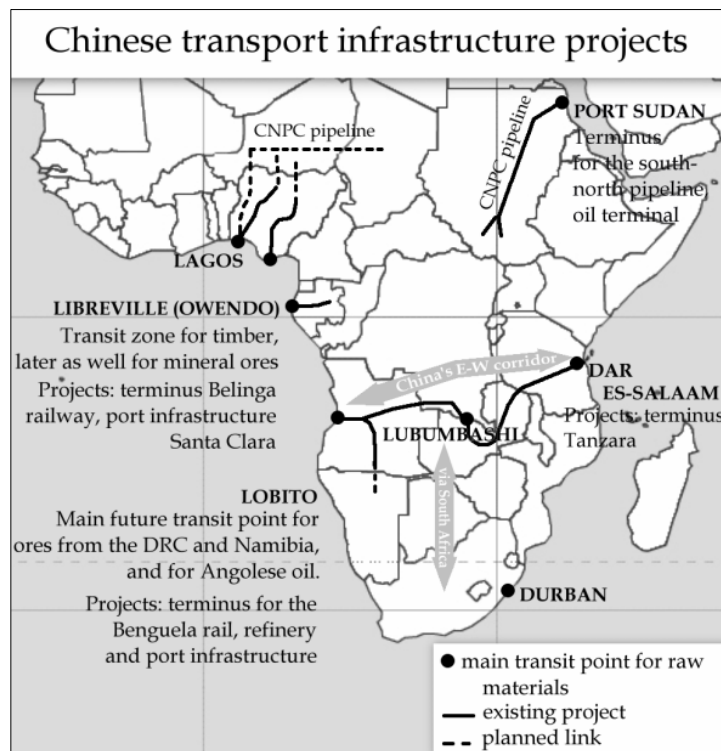
<sup>51</sup> 'Defence Ministers of China, Gabon Discuss Stronger Military Ties', *Xinhua*, 26 September 2006.

<sup>52</sup> Arms deliveries to Sudan: helicopters, K-8 Karakorum fighter jets, military vehicles, small arms. Zimbabwe: 12 K-8 Karakorum fighter jets (2005-2006), 100 military vehicles, small arms. Gabon: artillery (2004) Sources: 'China Trades Guns for Market Access in Zimbabwe', *The Vancouver Sun*, 30 October 2003; 'Zimbabwe Reveals China Arms Deal', *BBC World*, 14 June 2004; SIPRI, *Arms Transfer Database*, see: <http://first.sipri.org>.

<sup>53</sup> Interview with Angolan government official, Luanda, 1 March 2007; interview with port authority in Luanda, 28 February 2007.

<sup>54</sup> Diplomatic Source, Brussels, 12 October 2006.

<sup>55</sup> 'Des responsables chinois présentent à Bongo Ondimba l'étude de faisabilité du projet fer de Bélinga', *Le Potentiel*, 21 March 2006.



Map 1. China's transport infrastructure projects. Sources: Xinhua, various local sources (2006-2007).

Apart from railway links, Beijing also invests in infrastructure for the shipment of oil and gas. In 1999, CNPC finished a 1,500-kilometre oil pipeline from Sudan's southern oil fields to the Red Sea. The same company is reported to consider several pipelines in Western Africa: one that could link Niger, Chad and Sudan, and another connecting Niger and Nigeria.<sup>56</sup> In all four countries, CNPC is involved in oil exploitation or exploration activities. Chinese oil companies have also invested in oil refineries in Angola, Nigeria and Sudan, and an export tanker terminal in Sudan. China's government not only backs the construction of land infrastructure on the African continent, it also dictates that Chinese actors should maintain control over maritime transport. The clamour of several Chinese shipping companies for African ports has got louder. Thus, it is clear that it considers logistics to be a crucial part of its go-out and control-over-the-well strategy.

### 1.3 Conclusion

In the international natural resources market, China is a latecomer. Until the 1990s, it was self-sufficient in terms of all major commodities. Before 1997, it was even a net-exporter of oil. As a consequence of its rampant economic development, however, several domestic resources were swiftly depleted and numerous exotic types of raw materials had to be found elsewhere to meet the specific demands of new industries. The Chinese government plays a pivotal role in the management of commodity consumption and supply. Its current strategy

<sup>56</sup> 'China's CNPC Mulls Oil Pipeline Projects in North, West Africa', *Xinhua*, 2 November 2006.

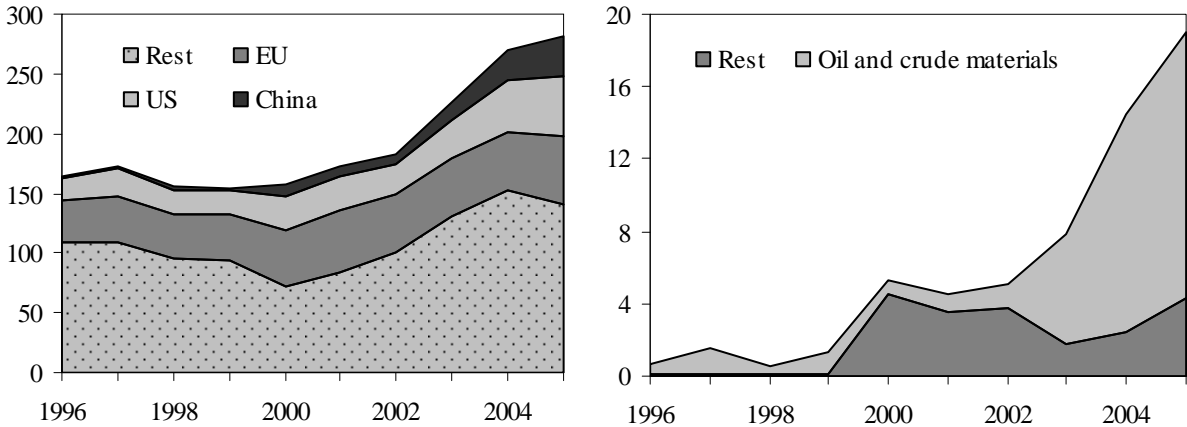
is multi-faceted, but in general it tries to promote resources efficiency as well as to guarantee long-term foreign supplies. The external dimension of its policy combines both mercantilist and liberal approaches. On the one hand, Beijing is increasingly prepared to allow multinationals to enter the domestic market. Until now, this was mainly related to downstream activities such as processing and distribution. Since recently however, especially since the new resources strategy of 2003, more and more foreign players are also allowed to participate in upstream projects as well, such as offshore oil drilling and mineral exploration. On the other hand, the Chinese government still approaches the international commodity market from a realistic perspective. Not only are states or state-owned companies controlling a vast majority of the deposits; most powerful private enterprises are considered as progenies of former mercantilist strategies. Besides, Beijing is not inattentive to the strong ties that still exist between prominent oil and mining companies and their respective political patrons. Consequently, China carefully combines its free-trade policy with a realistic control-over-the-well approach in which political support embeds the overseas activities of Chinese companies. The fact that these companies are still inexperienced as international investors additionally strengthens the need for political support and pragmatism.



## 2 The results of China’s Africa offensive

### 2.1 General evolution of Sino-African Trade

Since the 1990s China has been forever strengthening its economic impact on Sub-Saharan Africa. Between 1996 and 2005, its share in Africa’s trade surged from 0.8 percent to 9 percent. With a trade volume of 32.1 billion USD, the People’s Republic became the region’s third partner, only outperformed by the United States with 60.6 billion USD and the EU with 56.4 billion USD.<sup>57</sup> China will become Africa’s largest trade partner before 2010. China’s steep climb in Africa’s trade statistics, similar to the US’s ascension, is mainly caused by the country’s imports of African natural resources. This particular category of commodities accounted for 55.1 percent of the increase in Sino-African trade between 1996 and 2005. The most dramatic rise in China’s raw commodity imports occurred between 2002 and 2005, when the annual supply of these goods soared from 1.9 to 16.9 billion USD. The share of resources in Africa’s total exports to China increased from 20.3 in 2001 percent to 77.6 percent in 2005. Sub-Saharan Africa today accounts for 2.9 percent of the People’s Republic’s total imports, but 11.3 percent of its imports of natural resources.



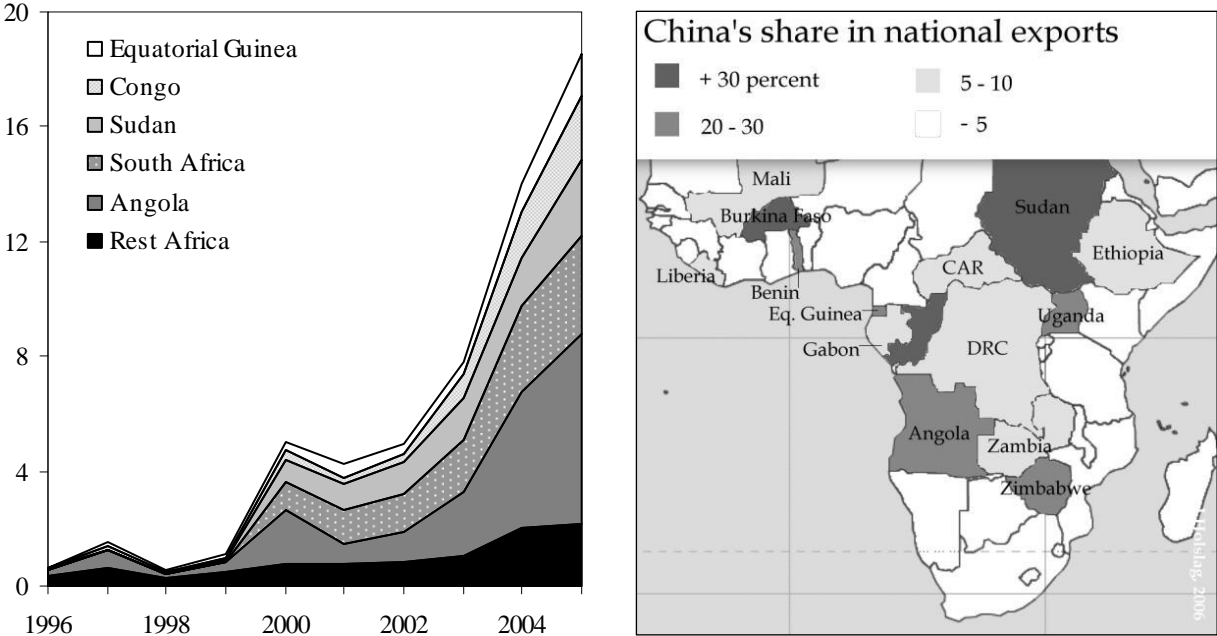
Graph 2. SS-Africa’s trade volume (bn USD). Source: UNCTAD, China Customs, US Department of Commerce and European Commission

Graph 3. China’s imports from SS-Africa (bn USD). Source: UN Comtrade

The strength of China’s trade relations varies widely from state to state. On the one hand, the share that different African countries take up in China’s imports differs significantly. In 2005, Angola and South Africa jointly accounted for 52.6 percent of total import volume from Africa. The share of the top-five exporters to China in Africa’s overall export flows increased from 46 percent in 1996 to 86 percent in 2006. All five are important suppliers of raw materials and 4 of them are oil producers. On the other hand, China’s stake in the African nations’ exports fluctuates between 68.3 percent in the case of Sudan and 0.01 percent in the case of Malawi. On a country-by-country basis, the People’s Republic

<sup>57</sup> Statistics for 2005. Sources: China Customs, US Department of Commerce, and European Commission.

accounts for 8 percent of their total exports on average. Only in the case of Sudan, Equatorial Guinea, Benin, Angola, Zambia, the ROC, Zimbabwe and Uganda, this is more (see map 1). The same goes for China's foreign direct investments (FDI). In general, China's accounts for a mere 0.71 percent of Africa's total inward FDI stock, but in countries such as Sudan and Zimbabwe this increases to 4.5 and 3 percent respectively.



Graph 4. Top-5 African exporters to China (bio USD). Source: UN Comtrade.

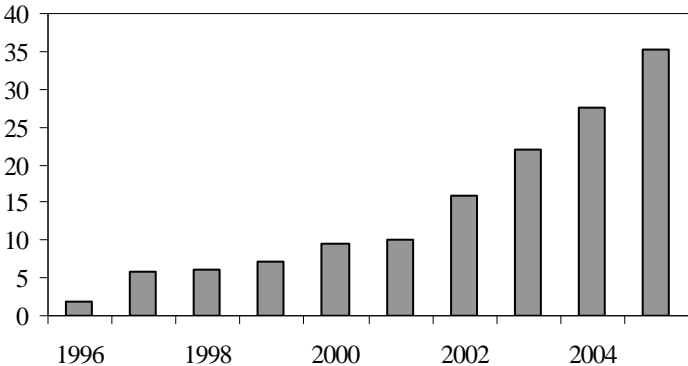
Map 2. China's share in African countries' exports (%). Sources: UN Comtrade and various national commerce statistics.

2.2 Sino-African trade in terms of particular natural resources

Between 1996 and 2005, China managed to increase its African oil supply from approximately 1.9 million to 35.3 million tonnes. As a result it surpassed Japan as the second largest importer and equalled the volume of the European Union. Compared to the United States, however, China remains a modest customer, amounting to only 37 percent of the American oil imports from the African continent. In 2005, Africa provided 21.1 percent of China's total oil imports. In general, 15.3 percent of Sub-Saharan Africa's oil is shipped to the People's Republic, compared to 1.4 percent in 1996. Thus, in terms of quantity, Beijing's oil diplomacy in Africa has been most successful. In terms of long-term control and ownership however, achievements are modest. China's African oil deposits are, for instance, smaller than those of the Brazilian Petrobras and the Malaysian Petronas. Chinese companies only produce significant amounts of equity oil in Sudan: 140,000 barrels a day (bpd) in 2005, good for 45 percent of China's worldwide equity oil imports.<sup>58</sup> In this east

<sup>58</sup> The total amount of equity oil secured mainly by the 3 Chinese oil giants is around 400 thousand barrels per day at present, equivalent to roughly around 15 percent of China's total crude imports. By 26

African country, CNPC controls 60 to 70 percent of national oil production. CNPC owns the largest single share (40 percent) of Greater Nile Petroleum Operating Company (GNPOC), Sudan’s national oil company, has a near monopoly over a vast block in Darfur (Block 6), and participates directly in three development zones (Blocks 3,7,15), indirectly via GNOPC in two other blocks (1,4). Although in 2006 Angola became China’s largest oil supplier, these deliveries are based on trade contracts, not on the output of equity oil. CNPC holds a shared concession of an offshore production area (blocks 17, 18) and will receive fifty percent of its 200,000 bpd output. In Nigeria, Africa’s largest oil producer, China accounts for 4.2 percent of the country’s exports, most of them also supplied under a trade contract. In 2004 Sinopec managed to obtain a concession to develop two blocks in the Niger Delta (Blocks 64 and 66) on a total number of more than 200 blocks. Sinopec also started to participate in a joint development zone in the territorial waters of both Nigeria and Sao Tome. Two years later CNOOC received a production-sharing contract (45 percent) for the Akpo field, believed to contain about 620 million barrels of liquids and 2.5 trillion cubic feet of natural gas. Other production-sharing contracts were signed in the republic of Congo (Marine XII and High Sea C blocks), Gabon (LT2000, DR200 and GT2000), Equatorial Guinea (S Block for a period of five years), and Mauritania (Block 12, 20, Ta 13, Ta 21). As these projects have just started to bear fruit, China’s volume of equity oil will undoubtedly increase in coming years. Moreover, besides these investments, Chinese oil companies are carrying out prospective research in several other places in Angola, Chad, the Republic of Congo, Ethiopia, Ivory Coast, Kenya, Liberia, Mauritania, Niger and Nigeria.



Graph 5. China’s oil imports from Africa (million tonnes). Source: BP Statistical Reviews (2002-2006) and East-West Center Energy Programme Database (1996-2000).

Comparable to its position on Africa’s energy market, China has been securing 15 to 20 percent of the exported **metalliferous ores** exported by the southern continent.<sup>59</sup> According

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comparison, US energy analysts estimate that the overseas equity oil of the three largest US companies (ExxonMobil, Chevron, and ConocoPhillips) is 3.9 million barrels per day, 35 percent of total US imports and 71 percent of total liquid production for the three companies. Judged from this perspective, the impact of China’s overseas petroleum investments on the global energy markets is limited.

<sup>59</sup> This figure has to be interpreted with a certain level of caution. Statistics on mineral trade flows are less reliable than those of oil. Many countries did not report the value and the volume of their mineral exports to China. Even when African states did give an account (consulted via UN-

to China's Customs Statistics, the imported value of these minerals increased from 37 million USD in 1996 to 1.5 billion USD in 2006, making ores the largest category after mineral oils. Nevertheless, with 4.5 percent of China's total mineral ores imports, Africa remains a modest supplier compared to Australia, India and Brazil who account for 24.7, 14.4 and 12.2 percent respectively. Iron ore is by far the largest group of ores that the People's Republic buys from African countries. Next is cobalt, of which Sub-Saharan Africa is the most important furnisher. With regard to manganese, niobium and tantalum, Africa is also a vital source of supply. These 4 products are all indispensable for the production of high-tech electronics such as mobile phones and cameras. Thus, in contrast to Africa's minor position in China's overall metalliferous ores imports, the region contributes significantly in several niche-categories. More than 65 percent of Africa's total metalliferous ores exports to China are supplied by South Africa. The country's iron ore exports alone make up 38 percent of China's African ore imports, but this dominance also exists with regard to copper, nickel, chromium and several other categories of rare ores. Second is the DRC, from which ore exports to China surged from 209,500 USD in 2000 to 169 million in 2005. With a value of 151 million USD in 2005, the DRC became China's largest single supplier of cobalt. Gabon comes third and grew into the People's Republic's second largest vendor of manganese, finishing only after Australia in the statistics. Similar to China's investments in Africa's oil industry, Chinese companies have only obtained control over a few African deposits. Even the largest national mining enterprises have not managed to obtain many large-scale concessions. Take the Chambishi Mine in Zambia, for instance. In 1998 China Non-Ferrous Metal Mining (CNMIM) Group bought this copper source, and at that time it was China's first overseas nonferrous metal mine. CNMIM invested more than 150 million USD to revitalize the mine's production, but it still only accounts for 39 percent of Zambia's total refined copper exports to China and 11 percent of Africa's total copper supply to the People's Republic.<sup>60</sup>

Even in cases where China has succeeded in securing extensive African ore assets, these concessions are not without constraints. The Belinga iron mine in Gabon is a case in point. This excavation is expected to contain 500 million to one billion tonnes of iron ores.<sup>61</sup> If this turns out to be correct, Belinga will become one of the world's largest sources of iron ore.<sup>62</sup> The project is very capital-intensive, however, and for that reason several large international mining companies were not even interested.<sup>63</sup> Moreover, even though Chinese investors

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COMTRADE and IMF-DOTS), the figures of several African reporters did not match these of China's custom statistics.

<sup>60</sup> In 2005, the Chambishi mine had an output of 20,000 ton refined copper, whereas Zambia's exports amounted to 50,900 ton. Source: Comtrade and Guoping Liu (2006), *CNMC Mining in Africa*, presentation at the International Coppers Study Group Conference, September 2006, Lisbon, Portugal.

<sup>61</sup> Government of Gabon (2006), *Dossier spécial fer de Bélinga*, see : <http://www.legabon.org/exploitationferbelinga.php> See also: CEBEX, China Signs the Big Contracts of the Overseas Mining One after Another, [www.cbex.com.cn/hwxm/topic013-2.shtml](http://www.cbex.com.cn/hwxm/topic013-2.shtml)

<sup>62</sup> *Government Grants Belinga Licence to Chinese Company*, The Economist Intelligence Unit, 2 Augustus 2005, see: [http://eiu.ecnext.com/coms2/summary\\_0294-228271\\_ITM\\_Gabon](http://eiu.ecnext.com/coms2/summary_0294-228271_ITM_Gabon)

<sup>63</sup> The Belinga reserve was deemed too expensive to develop because of the large distances and the mountainous environment.

bear the brunt of the costs, 3 billion USD for exploration, infrastructure and logistics, the Gabonese government initially obliged them to cooperate with other companies from Brazil and France.<sup>64</sup> In Guinea, the China Aluminium Corp (CAG) was left trailing in the wake of Russian and Australian competitors when it made a bid to gain access to the country's vast bauxite reserves. CAG was fobbed off with an offtake agreement for an annual 700,000 metric tonnes at variable prices.

	Import value	Share in ores imports from SS-Africa	Share of SS-Africa in China's total imports
Iron ore	741	49	4.0
Cobalt	254	17	89.9
Manganese	239	16	34.9
Niobium, tantalum	82	5	28.8
Chromium	71	5	11.9
Copper	52	3	1.4
Other	32	2	3.1
Nickel	0.2	0	0.1
Bauxite	0.1	0	0.0
<b>Total ores</b>	<b>1,501</b>	<b>100</b>	<b>4.5</b>

Table 2. China's imports of metalliferous ores from Sub-Saharan Africa in 2005 (million USD and percentages). Source: UN Comtrade, 2006

Weighed against mineral oil and ores, **woods** and forest products account for only 2.7 percent of China's imports from Africa. Nowadays, the continent contributes 5.3 percent of the People's Republic's global woods supply. Most forest products are sourced from Russia and Southeast Asian states such as Indonesia, Malaysia and Myanmar. Nevertheless, customs statistics reveal a considerable surge in Africa's timber export to China. Between 1996 and 2005, its official value climbed from 186 million to 513 million USD. Nearly half of Africa's woods supply is drawn from Gabon. Second comes Congo, whose exports tenfolded between 2000 and 2005. It is not possible to give a reliable assessment of China's share in Africa's total exported value of woods, but country-by-country figures give a valid impression. Gabon, Africa's main timber producer, supplies 32 percent of its exports to China. For Equatorial Guinea this is 79 percent, for Congo 57 percent, for the Central African Republic 20 percent, and Cameroon 9 percent. In all cases there are no large Chinese state-owned enterprises present. In countries such as Gabon and Congo, Chinese companies have acquired logging concessions, but these consist mainly of small private business ventures that bargain with local governments on an autonomous level, leave the logging to locals, and afterwards just control the shipping to China. Often these entrepreneurs left China after

<sup>64</sup> Note: Huazhou (CICMH) also bought a manganese concession in Gabon, good for a deposit of 30 million tonnes, near to Ndjole. Le président gabonais pose la première pierre des travaux d'exploitation du manganèse assurés par une société chinoise, *Jeune Afrique*, 14 December 2006.

the national ban on logging, but there are also several sub-contractors who are thoroughly acquainted with the place, and handle the local activities for large sawmills in China.

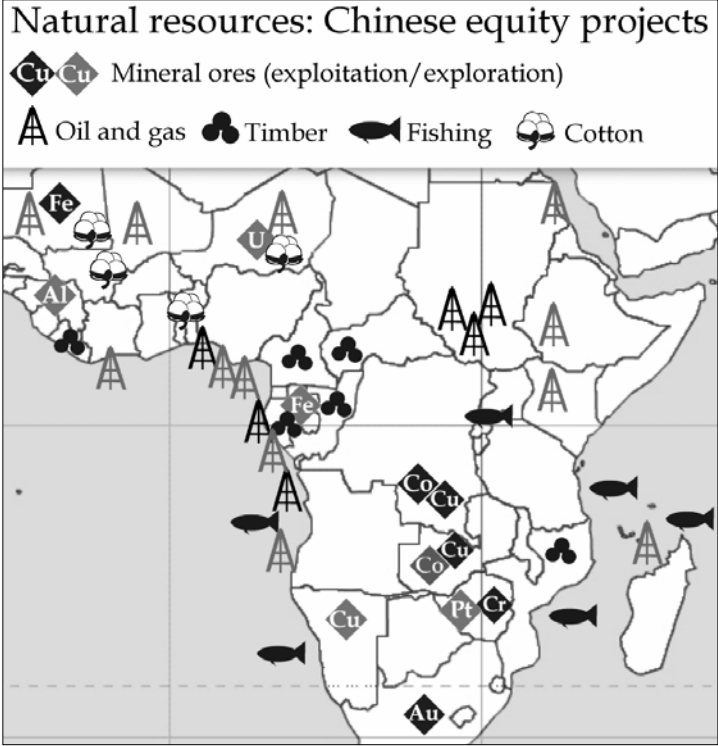
Until now, China's go-out policy with regard to natural resources has been partially successful. Certainly in the past five years, Chinese mining companies have increased their presence all over the African continent. The People's Republic has managed to expand its share in Africa's natural resources exports significantly. In terms of Beijing's aim to gain control over foreign wells, progress has been less spectacular. Chinese companies only control a small part of Africa's natural deposits. Most exports are guaranteed via offtake agreements that ensure delivery but at variable and thus rising prices. China still relies on intermediaries such as international companies that already have a strong grip on Africa's resources. In the case of mineral ores, South Africa still acts as gatekeeper of the continent. Up to 65 percent of Africa's metalliferous minerals are supplied by that particular country, and these do not just include South African minerals, but also commodities that are imported from the rest of the continent. South African ore brokers have repeatedly proven to be hard negotiators.

This shortcoming has to be put in context, however. China only started to implement its go-out policy between 2001 and 2003. Ever since, companies have stepped up their efforts to obtain more concessions in Africa; with success. During the 90s production concessions for Chinese energy companies were limited to Sudan; nowadays they are starting to pump up oil in six countries and are carrying out prospective research in 7 other Sub-Saharan African states. For Chinese mineral mining companies there is a similar evolution. Whereas current equity production is concentrated in Zambia, they are starting excavations in all but 4 African countries. In the oil branch as well as in the ores sector, Chinese investments have not only increased in value; they also target a larger number of countries and have now widened the geographic scope to encompass the entire African continent. Still, Chinese firms seldom obtain exclusive rights to exploit a particular source. They are often urged to cooperate with local state companies within a legal framework that varies from a loose partnership to a joint venture. Frequently they are also required to join in with other foreign companies. This, however, is not unique to Chinese excavators. Other foreign investors are also obliged to set up joint projects. Host governments see such collaborations as a guarantee for production increase and thus higher revenues.

### 2.3 Conclusion

China's influence on Africa's mining industry is not only a matter of controlling and exploiting local deposits. Chinese actors are strengthening their positions along the entire economic supply chain. Large state-owned enterprises, oil companies in particular, are building and securing the infrastructure not only for excavating, but also for shipping their yields overland and by sea. In addition, Chinese brokers, mainly private entrepreneurs, are

starting to set up depositories or *comptoirs* to stockpile resources produced by local miners.<sup>65</sup> From there goods are transported to seaports such as Lobito and Dar es Salaam and shipped to East Asia. This way, a division of labour is developing between state companies and Chinese private actors.



Map 3. China’s equity projects in Sub-Saharan Africa’s primary sector. Sources: various sources (until 2006)

It is certain that China will achieve its goal to double its trade volume with Africa in the coming years. Africa’s raw materials will make up the largest part of this increase. In particular, oil exports to China are expected to skyrocket. For instance, it suffices that CNPC achieves its production targets for block-6 in Sudan for at least 2 billion USD to be added to the current Sino-African trade volume of 6.4 billion USD.<sup>66</sup> Although mineral oil should remain the dominant category of exported commodities, it is likely that Africa’s trade flows to China will diversify, that is to say within the segment of raw materials. Apart from rare types of ores, China is starting to add several other goods to its shopping basket: hides and leather, natural fibres, fish, vegetable oils, rubber, precious stones and pearls, etc. This diversification will, however, have a limited impact on the financial composition of China’s imports. Mineral oil and metalliferous ores remain the key targets of China’s Africa offensive.

<sup>65</sup> For instance : Tsumeb, Namibia (minerals); Katanga, DRC (minerals); Kigali, Rwanda (minerals); Gabon, Port Owendo (timber)  
<sup>66</sup> Estimate based on the minimum-target of 60,000 barrels per day at the low-cost-scenario price of 60 USD per barrel. Source: company information CNPC.

### 3 The impact on Africa's development

#### 3.1 Introduction

'A win-win situation', that is how the Chinese government depicts the economic relations between the People's Republic and Africa. As outlined in the previous section, China's commercial footprint on the African continent is expanding, but it is not yet dramatic in size compared to the European Union and the United States. Hitherto, expectations and promises have been at least as important as actual achievements to explain Africa's economic reorientation. The question arises whether or not China will be able to live up to the conviction that it will become the region's new driver for growth and prosperity. Can we expect China to lift African societies to a higher level of development? In this part we take a closer look at the progress and prospects. The first paragraphs elaborate on the economic consequences of China's hunt for natural resources. Subsequently, an assessment is carried out about the effect of Chinese development aid, the impact on the local environment, labour conditions and regional security.

#### 3.2 Impact on Africa's economic development

At first sight China's appetite for natural resources has come as a blessing for Africa. After all, China's demand for raw commodities has contributed significantly to Africa's exports. Between 1996 and 2006, the region's exports soared from 86.3 to 172.4 billion USD: a total growth of 86.1 billion USD. Of this increase, the export of raw materials to China accounted for 18.2 billion USD or 21.2 percent. In the period from 1996 to 2005, China purchased African crude materials for an accumulated value of 40 billion USD. Besides, the People's Republic is gaining importance as a source of Foreign Direct Investments (FDI). Chinese flows of capital to excavation projects are anything but excessive compared to the massive investments of the leading international firms, but nevertheless African governments are well aware that the Asian country is prepared to offer a lot for uncertain or small returns. Chinese mining companies are willing to invest in expensive exploration projects that most other companies shun for being too risky. They are equally disposed to funnel money into dilapidated projects. This was the case in Gabon, where Sinopec gave a new lease of life to a couple of dried-up oil wells that had been abandoned by Total and Agip. In 2006, China provided 2 billion USD to refurbish the run-down Kaduna oil refinery in Nigeria. The decision of Minmetals to start up iron ore excavation in Gabon's remote Belinga region came after the local government had already been trying for years to attract other investors. The same goes for Zambia where the Chambishi copper mine was closed in 1988 due to declining production. Apart from the direct gains, African countries also profit indirectly. China's economic growth boosts the rates of raw materials.<sup>67</sup> Between 2000 and 2004, the People's

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<sup>67</sup> On China's impact on international oil prices, see: OECD, *Oil Price Developments: Drivers, Economic Consequences and Policy Responses*, OECD Economic Outlook n° 76, OECD, Paris; African Development Bank Group (2006), *High Oil Prices and the African Economy*, Concept paper prepared for the 2006



Republic contributed 23 percent of the increase in global oil demand and 18 percent of the worldwide metallic ore purchases.<sup>68</sup> China's emergence as a new important investor in Africa also enables local governments to play off more potential bidders against each other in order to obtain higher rewards for concessions and contracts. Thus, it appears that the economic position of the resource-rich Africa is strengthened through this process.

This macro-economic optimism has to be tempered, however. China's focus on raw materials not only bypasses an important group of African countries that are less endowed with natural resources; the Chinese international trade position in general prevents those states from developing alternatives to the primary sector consisting of industry and services. For the majority of African countries, China's commercial charm offensive raises high expectations, but does not create the conditions for sustainable economic growth. Even for the states that do reap huge rewards as a consequence of their booming exports, China remains a mixed blessing. The financial gains cannot conceal the many flaws, not from an economic perspective, nor from a political, social or ecological point of view.

China tends to widen the division in economic development between important producers of mineral resources on the one hand, and countries that are less blessed with natural deposits on the other. This has become most evident in Sub-Saharan Africa's balance of trade. In 2005, the region achieved a trade surplus with China of 6 billion. If you extract oil and raw materials from this balance, it would turn into a 9 billion USD deficit. Graph 6 on page 35 disaggregates Africa's trade statistics to a national level. It clearly reveals that the terms of trade turn out positive only in the case of 14 countries. Seven of them are chief oil exporters, all others important suppliers of raw materials. 30 African states import more from China than vice versa. Most countries of the latter category have little or nothing to gain. For 20 African states, trade revenues make up less than 25 percent of their total trade volume, which implies that they have to pay China at least three times more than what they earn from their exports. The division between *net-winners* and *net-losers* has been widening for almost a decade. Between 1996 and 2005, the total deficit of the 30 net-losers increased from 1 billion to nearly 6 billion USD, whereas the surplus of the winners augmented from 210 million to 11.7 billion. (Annex 3, graph 1) This does not mean, however, that China causes these countries' trade imbalances, since many of the *net-losers'* total trade balances have been in the red for decades. Statistics reveal that the People's Republic just purloins the surplus of other non-African trade partners. Thus, in general, it does not exacerbate trade inequities, but it does not offer incentives to resolve them either.

The difference in trade balance is mirrored by diverging FDI inflows. China's foreign investments in Africa are resource driven.<sup>69</sup> Until 2003, FDI stocks had been dispersed over a

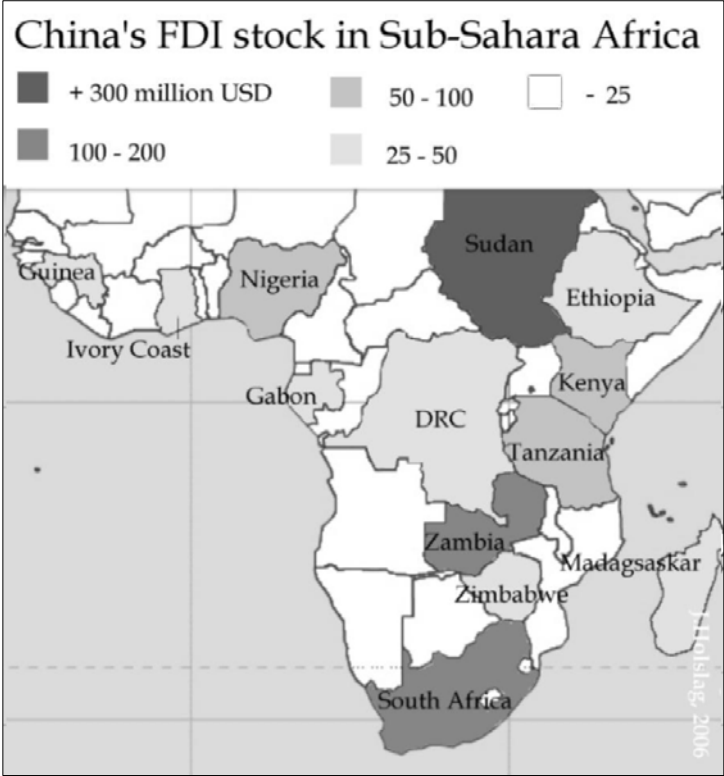
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African Development Bank Annual Meeting, Ouagadougou. For a general overview of other resources, see: IMF, *World Economic Outlook*, IMF, Washington, 2006, chapter 5.

<sup>68</sup> Broadman, Harry (2006), *Africa's Silk Road. China and India's New Economic Frontier*, World Bank, Washington, p. 56

<sup>69</sup> Note: This is confirmed by the Outward Investment Country and Sector Guidance Catalogue of the Ministry of Commerce and the Ministry of Foreign Affairs. For all African countries, investments in

large number of economic sectors. Nowadays, important investments are increasingly clustered in oil and mineral excavation. Oil and mineral projects in Sudan and Zambia alone account for nearly 40 percent of China’s entire FDI stock in Africa. Additionally, China’s low-rent credits are more and more concentrated in a selected group of oil producing countries. By 2006, the group of surplus countries attracted more than 70 percent of the totality of the loans approved by the Exim Bank to Africa.



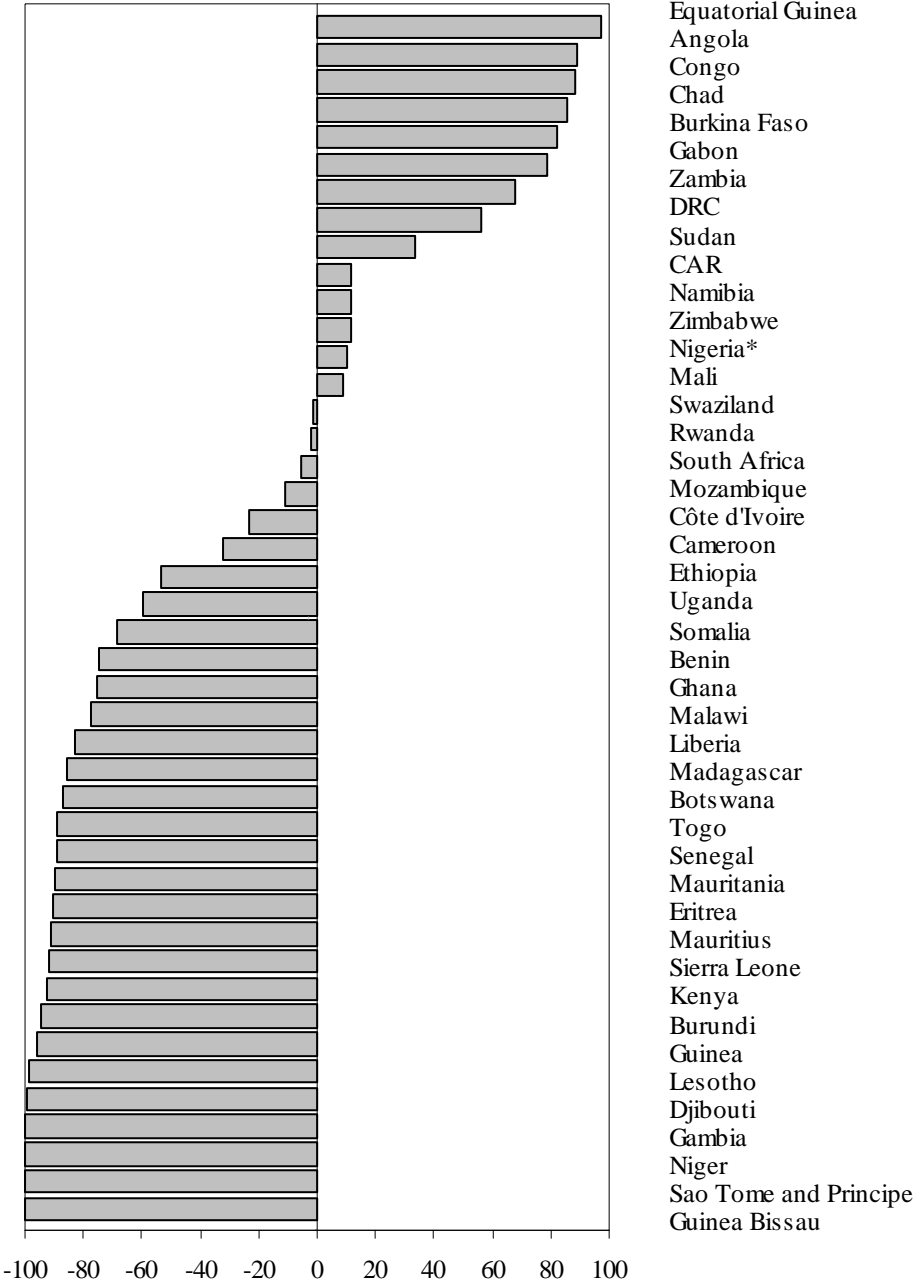
Map 4. China’s FDI stock in Sub-Saharan African countries. Source: Ministry of Commerce (Figures for 2005).

But there is more. China’s commercial relations with Africa hinder countries that try to develop other economic branches than the primary sector. To start with, the import of Chinese fabricates undermines the existing domestic capacity of production and distribution.<sup>70</sup> With regard to fabricates, the impact is of course experienced mainly by the African countries that do have an industrial production base, such as Ethiopia, Ghana, Kenya, Nigeria and South Africa. In all five states, domestic production has been displaced by imported products from China, notably in the case of leather and shoes, clothing and furniture. Nigerian trade unions blame the People’s Republic for the loss of 350,000 jobs. A study of 96 small and medium producers in Ethiopia reported that as a consequence of Chinese competition, 28 percent were forced into bankruptcy, and 32 percent were forced to

the primary sector are listed as a priority. See: *Outward Investment Country and Sector Guidance Catalogue*, Ministry of Commerce, Ministry of Foreign Affairs, Beijing, 12 May 2005.

<sup>70</sup> World Bank, 2004.

downsize activity.<sup>71</sup> Hence, the People’s Republic not only supersedes several of Africa’s suppliers of consumer goods; Chinese goods also replace the few African products.



Graph 6. Net trade revenues as share of total bilateral trade with China in 2005 (percent). Source: UN Comtrade. \*Nigeria: 2006.

A similar phenomenon is occurring in services. Chinese construction contractors in particular eclipse their African rivals by offering tenders at half or a quarter of the common

<sup>71</sup> Egziabher, Tegegne Gebre (2006), *Asian Imports and Coping Strategies of Medium, Small and Micro Firms: The Case of Footwear Sector in Ethiopia*, Addis Ababa University, Addis Ababa.

rates.<sup>72</sup> Thanks to the financial backing of Chinese state-owned banks, they are even capable of charging their contractors unprofitable rates. In 2005, Deng Guoping, general manager of China Road and Bridge Corporation, China's largest infrastructure construction company, admitted that he was instructed to cut projected profit margins to such an extent that losses became inevitable: 'We are a government company,' he contended, 'and the Chinese government wants us here building things.'<sup>73</sup> The same goes for several Chinese telecom operators that are only able to carry out their expansion plans thanks to government subsidies. Africa's urban centres are mainly dominated by large international telecom companies; other areas remain an interesting testing place for Egyptian, Nigerian and South African operators, but these regions are increasingly eyed-up by Chinese firms as well.

Competition is also tangible beyond the African continent. African exporters of fabricated goods are losing the battle for overseas consumer markets.<sup>74</sup> For instance, after the United States abolished its quota on textile imports in 2004, Africa's supplies of textile products tumbled by 17 percent.<sup>75</sup> The subsequent year, employment in the textile industry decreased with 56 percent in Swaziland, 28 percent in Lesotho, 12 percent in South Africa and 9 percent in Kenya. For countries such as Swaziland and Lesotho, this implied a 20 to 30 percent cut in their export revenues. Research has also demonstrated a causal relation between China's surging furniture exports and Africa's falling sales to third-market countries.<sup>76</sup> Several states reacted to this evolution by slashing taxes on goods and services to export-oriented factories.<sup>77</sup> In Kenya this has resulted in a limited recovery of textile exports, but at the expense of state incomes and investments in other development programmes.

The problem with the Sino-African trade relationship is not only that it allows just a selected segment of the African economy to profit; it also disables countries from developing other branches than their primary sector.

What about the argument that Chinese investments are starting to drive industrial growth in Africa? It is true that Chinese entrepreneurs are funnelling capital into non-mining activities? Whereas in terms of value China's investments are concentrated in the primary sector, in terms of quantity most investments projects are situated in manufacturing and

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<sup>72</sup> Kaplinsky, R., McCormick, D., Morris, M. (2006), *The Impact of China on Sub-Saharan Africa*, IDS, Brighton, p. 3.; Boston, Emmy (2006), *China's Engagement in the Construction Industry of Southern Africa*, Paper Presented at the Workshop on Asian drivers, St.-Petersburg, 19 January 2006.

<sup>73</sup> Leggett, Karby (2006), 'China Forges Deep Alliance with War-Torn Nations in Africa', *Wall Street Journal*, 30 March 2005.

<sup>74</sup> Kaplinsky, R., McCormick, D., Morris, M., op.cit.; Kaplinsky, R. and M. Morris (2006), *Dangling by a thread: How sharp are the Chinese scissors?* Institute of Development Studies, Brighton.

<sup>75</sup> In 2004, the Multi-Fibre Arrangement (MFA) was terminated. The impact of China on Africa's textile industry is discussed comprehensively in: Jauch, Herbert and Traub-Merz, Rudolf eds. (2006), *The Future of the Textile and Clothing Industry in Sub-Saharan Africa*, Friedrich Ebert Stiftung, Bonn.

<sup>76</sup> Kaplinsky, R. and M. Morris (2006), op. cit..

<sup>77</sup> Mutume, G. (2006), 'Loss of Textile Market Costs African Jobs', *Africa Renewal*, vol. 20 (1), p. 18.

services.<sup>78</sup> Consequently, it is attractive to herald China as the budding catalyst of Africa's economy. Still, this evolution has to be put into perspective. To begin with, China's investments only represent a limited share in Africa's total inflows. Between 2003 and 2005, the region attracted 47.5 billion USD of foreign direct investments (FDI) of which China contributed 0.66 billion.<sup>79</sup> Second, a considerable number of new Chinese factories would be needed to make up for job losses in product categories such as textile, shoes and furniture. Further research has to be carried out to reveal the exact figures, but already it is clear that a couple of thousands of jobs created in Chinese plants do not compensate for the tens of thousands laid off elsewhere. Third, the 1.3 billion USD of accumulated Chinese investments in Africa's secondary sector remains negligible compared to the amount of foreign capital that the People's Republic has attracted to its own industry.<sup>80</sup> In the early 1990s a significant dislocation of FDI occurred from the secondary sector of several stable African countries to China.<sup>81</sup> Fourth, the prevailing aim of Chinese investors in Africa's industry is to escape from the cut-throat competition in their oversaturated homeland. Chinese factories in Africa mainly belong to companies that are not able to compete in their own country because of a lack of quality, a lack of scale, or because of very low profit margins. What they mainly look for in Africa is the ability to produce at conditions and according to quality norms that are even lower than in the People's Republic. Moreover, the fact that Chinese factories in Africa still face the cheap exports of their larger counterparts in China itself heightens the downward pressure on production costs. Thus, it is highly debatable whether China's new factories in Africa are increasing efficiency or whether they are a consequence of a lack of innovation capacity. Fifth, contrarily to the industrial development in China, Chinese investments in Africa's industry are not likely to increase the region's export revenues, as most projects exclusively target the less-demanding local consumer markets. Finally, if investments occur in export-oriented industries, these are tightly related to the production of the primary sector and, consequently, do not contribute much towards the diversification and reduction of Africa's reliance on trade in raw materials. In conclusion, it is too early to depict China as a driver of growth in any other than Africa's primary sector. In this regard, one should not forget that several Chinese provinces have the same level of development as many African countries. Given the need for investment in land inward impoverished areas for regional regeneration and the necessity for job creation, a substantial spill-over of investments to Africa's secondary sector is not to be expected for the near future.<sup>82</sup>

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<sup>78</sup> World Bank (2004), *Patterns of Africa-Asia Trade and Investment: Potential for Ownership and Partnership*, Washington D.C.; Gelb, Stephen (2005), 'South-South Investment: The Case of Africa', in Teunissen, J.J. and Akkerman A. eds., *African in the World Economy: The National, Regional and International Challenges*, FONDAD, The Hague, pp. 200-206.

<sup>79</sup> Total FDI inflows in Sub-Saharan Africa (UNCTAD, 2006) compared to China's FDI outflows to that region (Ministry of Commerce, 2006).

<sup>80</sup> Total Chinese outward FDI stock in Sub-Saharan Africa in 2005 (Ministry of Commerce, 2006).

<sup>81</sup> For more on relocation, see e.g.: Daper, Peter (1995), 'Disinvestment and the Restructuring of the South African Computer Hardware Industry', *South African Journal of Economic History*, vol. 11 (1); Kaplinsky, R. and M. Morris (2006), op.cit.; Sonobe, Tetsushi, Akoten, John and Otsuka, Keijiro (2006), *The Development of the Footwear Industry in Ethiopia: How Different Is It from the East Asian Experience?* Institute of Policy Analysis and Research, Nairobi.

<sup>82</sup> See: Holslag, Jonathan (2006), 'A New Phase in China's Economic Transition,' in *Studia Diplomatica*, vol. 54 (4).

## FOCUS: The Chinese diaspora in Kitwe, Zambia

The new relationship between China and African countries has transformed the face of many African cities. To illustrate this, one can refer to Kitwe, one of the major towns in the Copperbelt of Northern Zambia. With its 360,000 inhabitants, it is the third-largest city in Zambia. There are two Chinese restaurants (Fang Yuan and Luck Star) and two Chinese fast food joints (Divine food and Zako). Various shops are owned by Chinese entrepreneurs, as well as half of the private surgeries and hospitals. There is one optician in town, in Chinese hands. Except for one of the Chinese restaurants that has been there for more than five years, all other Chinese business ventures are younger than three years. The same can be said for the industrial sector. There is a company that specializes in Chinese-made agricultural equipment (Sinozam), a company that recycles old metal to be used in the production of copper ore (Zamchin), and a number of firms involved in road and construction activities (China Lord and Bridge Company and China Henan).

The population of Kitwe has mixed feelings about the Chinese presence in their town. They say that Chinese hospitals and private surgeries are slightly more expensive than their Zambian counterparts but have a good reputation. However, the population has difficulties with the doctors' habit to import their own medicines from China. The Chinese population of Kitwe is not communicative and lives in compounds in certain neighbourhoods or within the premises of the companies. They send their children to a Chinese school in Ndola. This lack of interaction makes people suspicious about the Chinese community of Kitwe. People also complain about the fact that they used to be able to buy Zambian products such as canned food, tooth paste, etc. These products are no longer available and have been replaced by products made in China. Many people are saying that the Chinese companies exploit the weaknesses of the state's law enforcement mechanisms. Companies do not respect workers rights; many interviewees will give the example of an explosives factory situated nearby where an accident caused the death of 50 Zambians a year ago. The workers had not received proper training, were not wearing adequate clothing, etc.



The depiction of Chinese merchants as 'creative pioneers' has to be qualified.<sup>83</sup> In most African countries, the arrival of Chinese retailers has resulted in a fall in prices and a wider array of consumer goods. Chinese vendors owe their success mainly to a high degree of efficiency. Due to their common origin, often even hailing from the same province or district in China, they are collaborating tightly. They reduce costs by purchasing shared stocks and organizing logistics jointly. As a result, Chinese merchant groups control the entire chain from the supply of the 'Made in China' goods through African ports to the retail in little stalls or on jam-packed streets. Whereas cheap Chinese stores might cut the daily expenses of African urban families, at the same time they also decrease the income of urban dwellers who are involved in formal and informal commerce networks. The latter are probably less efficient, but they constitute an important source of revenue for uncountable numbers of Africans. The Chinese networks do not offer alternative opportunities, being extremely exclusive due to language differences, a feeling of ethnic and racial superiority and the isolated life-style in the Chinese diasporas.<sup>84</sup>

Even for the African countries with the largest surpluses, trade relations with China are more complicated than a profit-only story. In the short term, the most pressing side-effect relates to transparency and good governance. Repeatedly, China's opportunistic application of non-interference in its hunt for resources has come at the expense of transparent budgetary management. China's financial support for oil producing states without demanding transparency has frequently allowed local governments to obscure their finances. Angola serves as a good example of this. In need of foreign funding to rebuild the country after the civil war, Luanda initially turned to the IMF for a reconstruction loan. From the beginning, IMF negotiators made it clear that the government had to open its books before new credit could be considered. Simultaneously however, China was bargaining with Luanda to obtain access to its oil deposits and immediately offered a 2 billion USD loan for several reconstruction projects. Because talks with Beijing were going smoother than those with Washington, Angola decided to cut off its negotiations with the IMF. It agreed to supply 10,000 barrels per day of crude oil, to be increased later to 40,000 barrels per day, as well as to award construction contracts to Chinese companies. In the summer of 2006, Chad decided to establish diplomatic ties with the People's Republic in the midst of a row with the World Bank on the transparency requirements that were tied to a 39 million USD loan. Chad's decision to opt for China instead of Taiwan was reported to be strongly influenced by Beijing's promise to invest in the central African country's infrastructure and its pledge to provide unconditional credit for poverty-reduction programmes and infrastructure.<sup>85</sup> Kenya is another example. In April 2006, on the very

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<sup>83</sup> Dobler, Gregor (2005), *South-South Business Relations in Practice: Chinese Merchants in Oshikango*, Namibia, Institute for Social Anthropology, Basel University, p. 18.

<sup>84</sup> Interviews in Kittwe, Johannesburg and Lubumbashi, February 2006.

<sup>85</sup> Another important lever applied by China was the promise to exert pressure on Sudan to stop the support of Chadian rebels. Reportedly, Chad was also interested in attracting a new important investor in oil exploration in order to counterbalance the dominance of US investments at that time. Sources: Interview with French official, Paris, 9 September 2006; interview by e-mail with British humanitarian aid worker, Bangui, 10 January 2007. A first consignment of a 60 million USD loan was

same day the Dutch government suspended nearly 150 million USD in aid to the country after longstanding concerns over corruption, Hu Jintao granted millions of USD for urban development and announced Chinese investments in oil exploration.<sup>86</sup> From a commercial angle, non-interference implies that transparency is the business of the hosting government. It is not said that China is actively promoting corruption; it merely fosters an *enabling climate* by offering alternatives to the administrative requirements that are often imposed by other financiers or trading partners. It remains the decision of the African governments themselves whether or not they decide to cut off non-Chinese aid programmes.

This opportunistic ambivalence also exists with regard to the practice of Chinese mining and logging companies abroad. Beijing supports their efforts to take their slice of Africa's natural deposits, but there are no criteria imposed on *how* they achieve this. Customs regulations with regard to illicitly imported resources do exist, but are seldom enforced and will be no priority in the near future.<sup>87</sup> The issue of Chinese companies' involvement in illegal timber trade is documented at great length. Approximately 70 percent of China's timber import from Sub-Saharan Africa is illegal.<sup>88</sup> First, Chinese loggers break the law by evading concession or export taxes. In Gabon and Cameroon it is estimated that taxes are not paid on 60 percent of the area allocated as forest concessions.<sup>89</sup> Second, forest companies neglect production ceilings that are imposed by local administrations. In the Republic of Congo Chinese companies are reported to clear 5 times more trees than allowed. Third, they do not live up to the obligation to process a part of their exports in the country of origin. In order to promote employment, the Gabonese government decreed in 2001 that 85 percent of the cut trees should be sawn or transformed before shipping them to overseas markets.<sup>90</sup> In practice more than 80 percent of Gabonese forest products arrive in China as round woods.<sup>91</sup> The same goes for the Republic of Congo and Mozambique.<sup>92</sup> In Cameroon the World Bank also discovered that a Chinese company had been falsifying the origin of logs to deceive export controls. Extensive research by several environmental organisations revealed that Chinese companies were able to continue their illegal activities by bribing government officials: from the lowest administrative level to the higher echelon of cabinet ministers. In the eastern area

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approved by China on 7 January 2007. See also: 'Chad chooses China for cash, power', Business Online Africa, 7 August 2006, see:

[www.businessinafrica.net/news/central\\_africa/507923.htm](http://www.businessinafrica.net/news/central_africa/507923.htm).

<sup>86</sup> China signs oil exploration deal with Kenya, *Afrol*, 28 April 2006. See also: Taylor, Ian (2006), *Unpacking China's Resource Diplomacy in Africa*, School of International Relations, University of Stellenbosch, Stellenbosch, p. 19. Note: earlier in 2000, the Chinese ambassador in Nairobi announced an increase in development aid, on the same day the IMF temporarily suspended a Poverty Reduction programme.

<sup>87</sup> Interview with Chinese scholar, Brussels 7 March 2007.

<sup>88</sup> *Africa: Environmental Impact - More of the Same? Illegal Logging*, Royal Institute of International Affairs, London, 14 December 2006, see: [www.illegal-logging.info/news.php?newsId=1844](http://www.illegal-logging.info/news.php?newsId=1844); Sun, Xiufang et al. (2004), *China's Forest Product Import Trends 1997-2002: Analysis of Customs Data With Emphasis on Asia-Pacific supplying countries*, Forest Trends, London.

<sup>89</sup> *Africa: Environmental Impact - More of the Same? Illegal Logging*, op.cit.; Global Timber (2005), *China Illegal Imports and Exports*, Global Timber, London, [www.globaltimber.org.uk](http://www.globaltimber.org.uk).

<sup>90</sup> Lumisa, Godefroid B. (2004), 'Ruée des Chinois sur les forêts africaines', *InfoSud*, 12 February 2004. Perdrix, Philippe (2006), 'La filière gabonaise à la peine Philippe Perdrix', *Afrique Echos*, 22 June 2006.

<sup>91</sup> Most exports to the EU and the US are processed.

<sup>92</sup> Global Timber (2005), *China Illegal Imports and Exports*, op.cit.



of the DRC, our own research revealed similar practices in the mining industry. Hitherto, the bulk of Chinese mining activities in East Congo has been carried out via intricate *filières*. Congolese diggers, mostly artisan miners who extract ore illegally, carry out the groundwork. Their yields are collected by individual Chinese traders, operating without residence or work permits and without registering. These intermediaries collect the ores in *comptoirs* that are situated in artisan mining centres like the sites near Luisha and Kolwezi. From there, the ore is exported to Zambia without being processed before leaving the country. Taxes and custom duties are evaded by bribing the border control officials. The truckloads finally arrive at Ndola, where they are processed in a number of furnaces built by larger Chinese companies. Besides these chains, several Chinese corporations set up joint ventures with the Congolese state-owned company Gécamines. One of the most important among them is the agreement between COMIDE and Wanbao. COMIDE is a partnership between Gécamines and CICO, a shady corporation known as 'the President's company'. Wanbao is a subsidiary of NORINCO, a major Chinese arms producing company. The agreement between both parties in fact served as a payment for Chinese weapon deliveries to the entourage of the Kabila family.<sup>93</sup>

Resource suppliers tend to take for granted that China will continue to act as an economic milking cow, providing them with high revenues and pushing up international commodity prices. To a large extent, this is wishful thinking, however. In the medium long run, China's upward impact on international prices is expected to diminish. This will be caused by a simultaneous levelling off of demand with a rise in the production of raw materials. A significant part of the country's growing demand for commodities is caused by a relocation of consumption, as more developed countries have 'outsourced' a large part of their industrial activity to the People's Republic. Within a couple of years this transfer will be completed.<sup>94</sup> Moreover, the dramatic expansion of China's infrastructure, demanding large amounts of raw materials, is reaching its nadir as well. As private consumption in China will continue to rise, this implies that the domestic demand will remain high, but that its explosive growth rate will decline. This effect has to be related to the fact that worldwide production of raw materials is on the rise again. In the late 1990s, investments in excavation capacity reached a historic low. This was certainly true for mineral oil, but for most other resources as well. Hence, rising productivity and cooling Chinese demand will lower prices. In addition, China is stepping up its capacity to level off price peaks due to speculation or instability on the international market. Beijing is investing in buffer stocks for oil and minerals, and stimulates the formation of domestic demand cartels. If it succeeds in this effort, China not only will be able to strengthen its influence on international price rates, it will also increase its bargaining power towards relatively small and divided African suppliers.

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<sup>93</sup> Field research in Eastern Congo 2006-2007.

<sup>94</sup> A recent assessment of mining giant BHP Billiton confirms this prognosis. See: <http://www.bhpbilliton.com/bbContentRepository/Presentations/CRUPresentationApril2005DHerandez.pdf>.

It is not certain either that the People's Republic will boost African incomes from the export of agricultural produce such as cocoa and coffee. For a couple of years now, the People's Republic has been making a concerted effort to transform its own patchy agriculture into a well-oiled agribusiness.<sup>95</sup> Its annual coffee yields for instance increased from 0.3 to 2.7 million tonnes between 1996 and 2005, which resulted in booming exports. In subtropical provinces such as Yunnan, the government heavily supports the intensive large-scale production of coffee and other crops that are also endemic to Sub-Saharan Africa. Likewise, China is eager to step up its exports of horticulture products; another market segment in which Africa had vested its hopes of pulling more subsistence farmers out of poverty.<sup>96</sup> This also explains why during the world trade negotiations, the Doha Round, Beijing has urged for the least developed countries to be allowed to protect their farmers, but within a much tighter framework than many African states themselves proposed. Therefore, even the successful resource-rich countries should not rest on their laurels. In the short term, China is prepared to pay high prices for its entrance tickets. In the longer run, the aim is to obtain the bargaining power needed to gain cheaper access.

The optimism with regard to the Sino-African partnership is premature. It is compelling to conceive of the relationship between the People's Republic and Africa as a lucrative division of labour. This enthusiasm, however, will probably not be sustained as short term gains are likely to be diluted by a lack of job creation outside the primary sector, a lack of transparency, and a cooling of international commodity prices. A closer look actually reveals a *hierarchy of labour*, in which China adds much more value to its production process and succeeds to lift hundreds of millions out of poverty at home while it doesn't leave many options to Africa other than the possibility to offer its natural materials for sale. However, this picture needs to be qualified as well. Even as China grows into the world's factory, and even though its trade surpluses are skyrocketing; not that much value is added in the People's Republic either. Most of China's exports are still re-exports for which it imports fabricates from elsewhere, adds some cheap labour, and then has the products exported mainly by overseas companies that reap most of the profits. In fact, the glut of 'Made in China' products is simultaneously an indication of weakness and strength. China is as much dependent on overseas export markets as African countries are for their resources.

If China succeeds to continue its rampant growth and to lure industrialisation to the western parts of its territory, Africa can expect to see much of the same in the short and the medium long term. In the longer run, a developed Chinese market might indeed grow into a more substantial outward investor in industry and other sectors rather than raw materials. Asia would likely be the main beneficiary, but Africa might reap more benefits as well, if its stability is guaranteed. This is, however, the issue on which China's current trade relationship could have a detrimental impact. Africa's economic atrophy is undermining

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<sup>95</sup> Rosen, D., Scott, Rozelle, S., and Huang, J. (2004), *Roots of Competitiveness: China's Evolving Agriculture Interests*, Institute for International Economics, Washington.

<sup>96</sup> Wahl, T.I., Yamazaki, F. and Paggi, M.S. (2006), *China as Horticultural Competitor*, Washington State University, Washington.

social stability. By focussing on resources only, states and political elites are placed at the forefront, while private initiatives are hindered, and an autonomous business community of the middle classes prevented from emerging. Importing Chinese labour force and concentrating investments in labour-extensive mining and oil drilling will not address the problematic un- and under-employment of African societies. These two outcomes in turn are likely to result in a widening legitimacy gap and public resentment: high expectations, but low delivery in terms of jobs and grass roots development.

### 3.3 Other issues: development aid, labour standards, environment, and security

Several other issues hamper sustainable development as well. This section elaborates on China's development aid, the labour and environmental standards applied by Chinese companies, and the impact of China's scramble for resources on security.

Apart from establishing diplomatic recognition, image building is and always was the primary goal of **assistance** to the third world. It adds to the image of China as the *primus inter pares* among the developing countries. This might also be the reason why the country's development programmes are spread out over all African countries. There is no geographical concentration and there are no measures to assess the impact of these projects on local development. Most Chinese aid workers are deployed as medical experts or teachers, but in terms of financial means the emphasis rests squarely on economic programmes. Current Chinese development aid shows clear similarities to the paternalistic approach of Europe after decolonisation. It is a one-way approach. As mentioned earlier, China's development aid is managed by the Ministry of Commerce. Therefore it comes as no surprise that most assistance is tied. Doctors use and promote Chinese medical products, agricultural experts teach Africans to work with Chinese machinery, teachers in higher education focus on the propagation of the Chinese language, infrastructure is built by Chinese contractors, etc. Although Beijing tries to depict its development cooperation as structural, it is not helping Africa to stand on its own two feet. This is especially the case for concessional loans. In the past two years, 1.24 billion USD of old African debts have been cancelled; more than 14 billion of new debts were created. This increasing amount of aid and loans has given birth to a new generation of white elephants. China prefers to tag its financing to prestigious, eye-catching initiatives such as sports stadiums, official buildings and dams. In 9 African countries, Chinese companies renovated presidential palaces or parliament buildings with development aid money; in 12 countries they erected sports stadiums. Even the decision to cut tariffs on imports from the least developed countries is to no avail. Although most preferential tariff exemptions concern raw materials, less than half of the exported products correspond to the 190 export lines with zero tariffs.<sup>97</sup> The most noteworthy category is textiles. While China has granted zero tariffs to 18 lines in this category, African countries only exported products in 7 of these lines in 2004. In terms of magnitude, the exports under zero tariffs account for only 1 percent of total exports in the

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<sup>97</sup> Broadman, Harry (2006), op.cit., p. 170.

textile category.<sup>98</sup> In general, the import tariffs levied by China on most African goods are significantly higher than those imposed by other Asian states.

For most Chinese investors, the main reason to build up their activities in Africa is to circumvent the competition of their home market and to bring down production costs to levels that are even lower than in China. As they do not aim to export to critical consumers in the West, it speaks for itself that the respect for **labour conditions** is not a priority. 'In general,' a Ugandan journalist summarized, 'Chinese companies are not even exporting the inadequate labour laws of their own country, but even want to go beyond them.'<sup>99</sup> In several countries, this approach has already elicited criticism. In Namibia, Congress of Democrats President Ben Ulenga introduced a motion that was specifically targeted towards Chinese 'malpractices in the building industry, like non-compliance with tender regulations, lack of standards and the role of foreign contractors.'<sup>100</sup> In Zambia, Chinese and Indian mines are employing people on short-term contracts and, in some cases, Zambian workers are forced to sign forms before going underground to declare that they are working at their own risk, so that there could be no compensation in case of an accident.<sup>101</sup> In 2005, 51 Zambian miners died in an explosion in a mine run by the Chinese, in Chambishi. This incident sparked public outrage against the Chinese community and obliged the Zambian government to demand more safety. In the DRC's Katanga Province, companies from China, India and the Gulf region deploy child labour to unearth various kinds of minerals.<sup>102</sup>

It has already been pointed out that Chinese companies are the driving forces behind the expanding deforestation of Africa.<sup>103</sup> China is also triggering a surge in Africa's illicit ivory trade. In several countries, Chinese smugglers are reported to promote the hunting of elephants. South Africa has frequently lambasted the unwillingness of the Chinese government to take a stand against the soaring inflows of illegal ivory.<sup>104</sup> The same goes for fishery. Illegal Chinese trawlers have been confiscated in Mozambique, Madagascar and South Africa. In these cases, environmental damage is mainly inflicted by private and individual ventures. State companies are not exactly blameless either. In Gabon, Sinopec has been accused of abusing its oil exploration licence and employing methods that respect neither the law nor the environment. Sinopec was blamed for dynamiting and polluting the Loango National Park and destroying the forest to pave roads. Additionally, the Gabonese **environment** ministry stated that the Chinese company was acting illegally because the environmental impact study it had been forced to carry out in Loango had not been approved.

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<sup>98</sup> Ibid.

<sup>99</sup> Interview by email with Ugandan journalist, Kampala, 4 Januari 2007.

<sup>100</sup> 'Namibia: 40.000 Chinese in Namibia, MP Says', *AllAfrica*, 21 November 2006.

<sup>101</sup> 'Zambians Wary of 'exploitative' Chinese Employers', *IRIN*, 26 November 2006.

<sup>102</sup> Interviews and observations in the DRC, Katanga, 2006.

<sup>103</sup> In 2005, the WWF published a study focussing on the environment-related motivations of Chinese investors, see: Peng, Lei and Pamlin, Dennis (2005), *Chinese Companies in the 21<sup>st</sup> Century*, WWF, Gland, pp. 18-21.

<sup>104</sup> Stoddard, E. (2005), 'China Seen as Main Target for Illegal Ivory', *IOL*, 21 December 2005.

In two cases there has been a direct link between China's hunger for natural resources and its support for acts of **violence**. In Sudan, the Chinese oil company CNPC several times demanded the support of government troops to clear the area around its plants in the southern part of the country. With regard to Darfur, the same company permitted troops to use its infrastructure to carry out raids against citizens in this devastated western province of Sudan. In Zimbabwe, Chinese officers trained and equipped the regular militias guilty of violent repression and the elimination of political opponents. In exchange for the delivery of arms, Chinese investors have reportedly been granted privileged ownership of tobacco farming land and trade markets.<sup>105</sup> Both states are China's main African arms purchasers, with orders ranging from Karakorum fighter jets to rifle bullets. Especially with regard to small arms, Zimbabwe and Sudan have repeatedly acted as transit countries for Chinese-made small arms to other conflict areas such as Chad and the Democratic Republic of Congo. Between 2004 and 2005, Chinese AK-47 assault rifles became common among soldiers, militia and armed groups operating in the Kivu Provinces and the Ituri District of the Democratic Republic of the Congo.<sup>106</sup> In November 2005, researchers in the Democratic Republic of the Congo (DRC) investigated the origins of 1100 weapons collected by the United Nations MONUC peacekeepers in Bunia, in the Ituri district. Seventeen percent of these were Chinese copies of AK-47 assault rifles, known as Type 56s. In Chad, rebels of the United Front for Change (UFC) are reportedly equipped with Chinese small arms from Sudan.<sup>107</sup>

Also important is China's refusal to deal with violent conflicts in international organisations. In 2000, the UN Security Council Expert Panel reporting on Sierra Leone recommended an embargo on Liberian timber exports, arguing that the 'off-budget' proceeds from timber exports, along with diamonds, was helping to finance Taylor's military support for the rebel factions in Sierra Leone. Together with France, China objected to the inclusion of timber sanctions in the Security Council resolution on Liberia. It was argued that this would hurt ordinary Liberians. At that time, 50 percent of official Liberian timber exports in 2000 went to China, and 26 percent to France. According to Chinese customs statistics, Liberia's wood exports to the People's Republic halved after the end of the last episode of civil war in 2004.<sup>108</sup> In 2005, China threatened to use its veto to stop the United Nations Security Council's criticisms of Zimbabwe's slum clearances. However, it has to be said that since the

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<sup>105</sup> See: Meldrum, Andrew (2005), 'Police in Zimbabwe Arrest 9,000 Traders', *The Guardian*, 25 May 2005; Qiang, Xiao (2005), 'Mugabe Sells Bankrupt Zimbabwe's Assets to China', *China Digital Times*, 2 July 2005; Friedrich-Ebert-Stiftung (2004), *The 'Look East Policy' of Zimbabwe now Focuses on China*, Policy briefing paper, Harare.

<sup>106</sup> Amnesty International, *Democratic Republic of the Congo: Arming the East*, July 2005 (AI Index: AFR 62/006/2005)

<sup>107</sup> Interview with French official, Paris, 9 September 2007; interview by e-mail with British humanitarian aid worker, Bangui, 10 January 2007.

<sup>108</sup> Smillie, Ian (2002), *Diamonds, Timber and West African Wars*, International Institute for Sustainable Development, Ontario, p. 9.

90s, Chinese representatives are less inclined to threaten overtly with their right to veto resolutions.<sup>109</sup> Impediments to interventions are articulated in more subtle ways.

Again, for Africa this posture has been most outspoken vis-à-vis Sudan. In the winter of 2004, American and British diplomats started to gain information about the position of the other members of the Security Council with regard to the humanitarian crisis in Darfur and the lingering tensions in the south of Sudan. In January, they issued three proposals for a resolution. Eight of the fifteen members immediately agreed on these documents. China, however, made it clear that it would refuse to endorse them and announced informally that it would use its veto right if Chinese interests in Sudan came under threat. At the same time, the Chinese delegation was aware it had to avoid a quandary in which it would have to resort to this right overtly, given the importance accorded to the diplomatic proverb of 'peaceful rise' and specifically given the pressure of the African Union to act. In February and March, diplomats commuted continuously between Beijing and Khartoum in order to compel the Sudanese government to accept some of the demands. Meanwhile in New York, the Chinese representative struck a more conciliatory tone, and showed himself willing to discuss the resolutions on the proviso that Khartoum was confirmed as the sole authority and that the integrity of the country would be guaranteed. He also insisted that no troops could be allowed in Darfur and that blue helmets were only allowed to be deployed in southern areas where the violence had already eased. These were the blueprints for negotiation set by the Sudanese government.

The results of this bargain were three diluted resolutions. Resolution 1590 decreed that, after the consent of Khartoum, peacekeeping troops were sent to Southern Sudan, not to Darfur. China even objected to any form of communication between the weak observer mission of the African Union on the one hand that had already been approved by Sudan, and the UN peacekeepers on the other. Four days after the resolution was passed, Minister of Foreign Affairs Li Zhaoxing and his Sudanese colleague discussed the follow-up of the new operation and the second resolution that would be tabled the day after. This document, resolution 1591, contains several sanctions of the armed parties, but at the time of the meeting between both ministers, China had already been successful in neutralizing the implementation. It was an explicit demand from Beijing that the persons subjected to these measures would be selected informally by a restricted committee. China abstained during the voting, and the days afterwards it explained that punitive measures were counter-productive. The third resolution was the most controversial. Several members of the Security Council pushed for a referral of the Darfur question to the International Criminal Court (ICC) in The Hague in order to trial war criminals. Initially, Beijing assumed the United States would bring this resolution to a halt, given Washington's opposition towards the ICC. However, the pressure of American public opinion became so strong that the Bush administration gave in and decided to abstain. An early counter-proposal of the Chinese delegation to charge Sudanese courts with the investigation drew a blank, but still it was confident enough that the resolution could be passed without threatening government

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<sup>109</sup> Note: The People's Republic has only used its veto right twice, compared to 81 times (Russia) and 122 times (United States).

officials in Khartoum. After all, the scope of the ICC would entirely depend on the cooperation of the Sudanese government.

In the spring of 2006, China's diplomatic skills were put to the test again. This time, the United States and several other members of the Security Council urged for replacing the paralyzed AU observers in Darfur by a fully-fledged UN mission. In 2004, China had achieved to negotiate a suitable concession, but this time the appeal was more resolute, and the AU appealed for approving the operation as well. The options for the Chinese delegation were limited, but then it could rely on other members of the Council who sympathized with Khartoum's oil nationalism: Russia and Qatar. Beijing indicated to be prepared to let pass the two countries' proposed resolution that related the deployment of troops to the formal permission of the Sudanese government. Other than that, China demanded to stress the sovereignty of the country and its territorial integrity. The final resolution was approved on 31 August. On 6 September, the Sudanese vice-president Nafie-Ali Nafie was invited by Beijing to tilt the balance in their favour. In December, Khartoum only gave its consent to limited logistical UN support to the AU mission. The case of Sudan clearly demonstrates that despite China's efforts to become accepted as a responsible stakeholder in the international community, pragmatism and *realpolitik* prevail when economic interests are at stake. Chinese Deputy Foreign Minister Zhou Wenzhong summarized this stance as follows: 'Business is business. We try to separate politics from business... I think the internal situation in the Sudan is an internal affair'.<sup>110</sup>

### 3.4 Conclusion

China's go-out strategy for resources capitalizes on weak, corrupt, and repressive regimes. In these countries Chinese companies not only face less competition; laws are less rigorous or not enforced, so that production costs can be minimised. In this regard, there is a considerable gap between theory and practice. China adheres to non-interference, but in a number of cases, Beijing has released guidelines to curb misconducts abroad. The Chinese government has, for instance, imposed conditions on the export of arms and vowed to curb the proliferation of small arms in Africa. It has prohibited the illegal imports of raw materials and participates in the Kimberley Process, among others. In the case of Zambia and Namibia, Beijing has even signed a memo of understanding to improve the labour standards of Chinese mining companies. In practice, however, enforcement is absent due to the inability to check the torrents of goods flowing across the border each day, corruption, and political unwillingness.

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<sup>110</sup> Quoted in *The New York Times*, 22 August 2005.

#### **4 Conclusion and implications for the European Union**

Will China become the world's first industrial superpower without having to resort to colonial practices? This fundamental question is formulated in Africa as well as in China. On the African continent criticism is mounting as more and more local opinion leaders associate the People's Republic's economic aspirations with 'neo-colonialism' and 'imperialism'. Even politicians no longer withhold their criticism. The discussion about a new colonial policy does not come as a surprise. After all, the People's Republic is now at the stage where in the past other industrial superpowers decided to provide themselves with colonies or fiefdoms alike. Overcapacity, saturation of the domestic market, the need for raw materials, and looming protectionism in other affluent states had been these economic heavyweights' main motives. All these circumstances are present in contemporary China. There is a considerable congestion of cheap consumer goods. The internal competition is excruciating. The scarcity of natural resources is alarming. In key export markets appeals for protectionist measures are made without cease. A determined go-out strategy towards Africa is one of the policies with which Beijing tries to address these problems. However, it goes beyond the scope of this survey to assess the historical resemblances between China's current Africa-offensive and the colonial adventures of other powers in previous centuries. Besides, labelling one country or another as colonialist is more likely to end up in a trench war than a constructive debate.

What we can conclude, however, is that China's go-out policy is starting to reap its rewards. Although Chinese companies have not yet succeeded in claiming exclusive control over many excavation projects, the flows of raw materials to the People's Republic are expanding dramatically. In the coming years, this trend will persist. In several African states, China is just starting to build up its presence. Additionally, in many of its current strongholds, potentially very lucrative projects are still in an exploration phase. Once these oil blocks and mineral mines become productive, exports will increase by billions of USD more. For these reasons, China will undoubtedly attain its goal of 100 billion USD trade with Africa by 2010.

Until now, the African society has not benefited much from China's economic offensive. Many countries have missed the boat, and if we move beyond the national statistics, even the success of large commodity exporters turns out to be rather skin-deep. In general, rising export revenues, surging inward investments, and massive concessional loans do not trickle down to the entire population and economic activities outside the primary sector. Instead, the interplay between China's aspirations and the ambitions of local elites tends to result in economic atrophy and political misuse.

Chinese analysts and policymakers explain that their country cannot afford to deal with Africa in another way, given the enormous domestic pressure and the heating up of competition with other powers. This argument certainly makes sense. China's interest in Africa started to increase when other powers also began paying more attention to the continent. This was especially true with regard to Africa's deposits of mineral fuels. After



the increasing tensions in the Middle East and the terrorist attacks of 9/11, Washington and Western Europe discovered Africa to be a vital means of diversifying their own vulnerable supplies. At the same time, India stepped up its efforts to meet its oil deficit with African crude oil. In the mineral sector, countries like Australia, Brazil, Canada and Russia are backing ambitious national mining giants to enlarge their scope from the domestic market to the African bonanzas. The end of drawn-out violent conflicts and the need to rebuild roads, bridges and other public infrastructure has attracted the interest of numerous contracting firms from all over the world. The result is a cut-throat competition that enables local elites to play off many bidders against each other. These contests are not only about cash, but also about offering external legitimacy, diplomatic backing and even military aid. Nowadays, it is still the local leaders that hold the reins, but for how long? In most oil producing states, the power pyramid is controlled by an autocrat with the average age of 64. There is a risk that external actors will become embroiled in the battle for succession, and will try to benefit from the ensuing malaise. In that case the race to the bottom will relapse into overt or covert proxy wars.

Africa will not be able to avert such a scenario. However, an awareness of China's presence is growing indeed. Chinese ventures are under close scrutiny of local media, labour unions, universities, and politicians. Recently, the African Union (AU) appointed a task force that should guide the continent in its relations with emerging powers like China, Brazil and India.<sup>111</sup> Especially the influential South Africa is pressing for a united response. Yet, in states where re-assessment is most urgent, elites are turning a deaf ear to critical noises. Moreover, their economic growth allows them to provide a counterweight to the other players in regional forums.

Finally, the question arises as to how China's re-appearance in Africa affects the position of the European Union.

The impact on Europe's economic interests is limited. In general, Chinese and European companies do not compete in the same niche markets and if they do, China mostly focuses on less developed goods and services. In terms of mining projects, European companies are confronted with strong Chinese bids, but these companies' significance for the European economy is rather small. Energy interests, of course, form a notorious exception. Keeping Russia's energy nationalism and an instable Middle East in mind, Africa's oil and gas reserves are of strategic importance for the diversification of supply. For the time being, European energy concerns are still in the lead, especially in offshore projects. As opposed to China, their stiffest competition comes from North American companies.<sup>112</sup>

In the short term, the main challenge is China's impact on the EU's diplomatic leverage. Given its increasing economic weight and its non-interference approach, the People's

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<sup>111</sup> Mbogo, Steve (2006), *African Countries Draft Plan for Relations With 'Emerging Powers' Like China*, World Politics Watch Exclusive, 23 October 2006.

<http://worldpoliticswatch.com/article.aspx?id=279>

<sup>112</sup> Interview with two energy experts, The Hague, 23 February 2007.

Republic compromises Europe's diplomatic influence directly, as the Chinese approach is completely incompatible with the EU's principles of democracy, transparency and corporate responsibility. China also challenges Europe indirectly, as its ascension contributes to a more competitive climate that stimulates pragmatism and *realpolitik* instead of a serious, constructive commitment. This in turn also affects the EU's *actorness*. The EU's policy towards Africa is based on internal consensus, but it is becoming increasingly apparent that different member states are not of the same persuasion when it comes to dealing with Africa's new circumstances. On the one hand there are members such as Belgium, Denmark, and the Netherlands that intensify their attempts to promote transparency. France, on the other hand, clearly doubts whether this approach will suit its economic interests and political influence on the African continent.<sup>113</sup> Europe cannot get off scot-free. To a large extent, it has to blame itself for the shrivelling of its diplomatic leverage. In past decades, it undermined its own economic position by neglecting the promotion of investments in Africa and obstructing African goods to enter its market. In contrast to the well-coordinated strategy of countries like China, the EU did not manage to speak as one voice and to group its shattered resources into a coherent policy.

In the longer run, the new scramble for Africa is likely to undermine the precarious stability that has been realised after the outburst of violent conflicts in the 1990s. Again, this of course does not only apply to China's role, but to the new struggle for influence in general. In countries like Angola, Ethiopia, Gabon, Guinea, Zambia and Zimbabwe, political clans are already trying to capitalize on the competition between external powers. These fault lines might widen if the pressures of unemployment, rising inequality and the corruption that ensues are not addressed in a proper way. Africa will be the first victim of escalating tensions. Europe is likely to bear the brunt of the fallout, given its geographic proximity. But neither will China and other investors be able to ward off the damage resulting from a disruption of supply.

The current quandary is the result of a multi-layered security dilemma. All major actors involved in the new scramble for Africa are wary that their urgent domestic needs will be compromised if they distance themselves of their own opportunistic and self-centred policies. Short-term gains still prevail over long-term stability.

Neutralizing this destructive development requires a comprehensive and open dialogue between Africa and all its partners. Africa's recent attempts to set this up are certainly a step in the right direction, but the response has been disappointing. It is in this respect that the EU can play a vital role. Apart from the extensive EU-ACP programmes, the Union should actively support African initiatives designed to bring all actors around the table. As there is still a considerable amount of misunderstanding and mistrust, a clarification of interests and expectations would be a first step. If necessary, the EU should not hesitate to exert pressure. In contrast to the economic desiderata, the current European policy papers dealing with emerging markets remain too vague with regard to international cooperation. There is no

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<sup>113</sup> Various interviews with French officials: Paris, 6 September 2006; Brussels, 8 and 9 January 2007.

reason why the EU should not use its economic power towards, say, China, to extort a responsible policy towards Africa. But this also requires that the EU step up its own influence by offering new economic incentives. More than any emerging market, Europe can lift Africa out of the commodity trap. It has a stronger ability to invest in the secondary and tertiary sector, and it can afford to purchase processed goods instead of only raw materials. Therefore, the European Commission needs to intensify its efforts to involve all member states in a policy that prioritizes the development of Africa as a stable and diversified investment market. More attention should be paid to lower quantitative trade barriers and to assist African companies in meeting the EU's qualitative standards. In this way it would even be possible to create a division of labour with Africa's other investors.

To sum up, we recommend the European Union to do the following:

- . facilitate further study on the role of and interaction between all important investors, e.g. Brazil, China, the Gulf states, EU, India, Japan, Russia and the United States;
- . facilitate informal exchanges between scholars and officials from these countries to explore each other's interests, policies and expectations;
- . support the AU's initiatives to bring all actors around the table;
- . support and facilitate the drafting of a development agenda for Africa (within the NEPAD framework), approved and supported by all major partners;
- . support and facilitate the formulation of joint guidelines regarding corporate behaviour and transparency;
- . concretize the EU's expectations regarding external policies in relevant country strategy papers; especially in the policy papers regarding China,;
- . go beyond the EU-African Business Forum and conceive a coherent action plan to stimulate and to diversify European investments in Africa;
- . curb qualitative restrictions and assist Africa in meeting the EU's qualitative import criteria;

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# ANNEXES



## **Annex 1. African leaders on state-to-state visit in China (2003-2006)**

200608 Benin: President Thomas Boni Yayi  
200606 Ghana: President John Agyekum Kufuor  
200602 Togo: President Faure Essozimna Gnassingbe  
200512 Namibia: President Hifikepunye Pohamba  
200512 Lesotho: Prime Minister Pakalitha Mosisili  
200510 Equatorial Guinea: President Teodoro Obiang Nguema Mbasogo  
200509 Republic of Congo: President Denis Sassau-Nguesso  
200509 Mozambique: Prime Minister Luisa Diogo  
200509 Djibouti: Prime Minister Dileita Mohamed Dileita  
200508 Kenya: President Mwai Kibaki  
200504 Nigeria: President Olusegun Obasanjo  
200503 Democratic Republic of the Congo: President Joseph Kabila  
200502 Eritrea: President Isaias Afwerki  
200501 Mauritius: Prime Minister Paul Raymond Berenger  
200411 Zimbabwe: President Robert Mugabe  
200411 Ethiopia: Prime Minister Meles Zenawi  
200410 Mali: President Amadou Toumani Touré  
200409 Gabon: President Omar Bongo  
200408 Central African Republic: President Francois Bozize  
200408 Cape Verde: Prime Minister José Maria Pereira Neves  
200407 Namibia: President Sam Nujoma  
200406 Tanzania: President Benjamin William Mkapa  
200405 Uganda: Yoweri Museveni  
200405 Madagascar: President Marc Ravalomanana  
200404 Mozambique: President Joaquim Alberto Chissano  
200311 Zambia: President Levy Mwanawasa  
200309 Cameroon: President Paul Biya.  
200308 Niger: Prime Minister Hama Amadou  
200306 Comoros: President Azali Assoumani

## 2. Chinese official loans (2005 and 2006)

Angola	2 bn
Benin	2.5 m
Central African Republic	2.5 m
Congo, Dem Republic	1.2 m
Congo, Republic	32 m
Ghana	66 m
Kenya	45 m
Liberia:	7.5 m
Mali	1 m
Mauritanie	7 m
Mauritius	4 m
Mozambique	2.3 bn
Namibia	18.2 m
Nigeria	2.5 bn
Uganda	120 m
Zimbabwe	2 bn (negotiations pending)

### Annex 3. Selected trade statistics

Table 1. China's Africa offensive in perspective (bn USD)

	China	EU 25	US
Imports from SS-Africa	19	57	52
Mineral fuels	12	19	42
Crude materials ex.fuel	3	6	1
Imports from SS-Africa	13	52	10
Manufactured goods	7	30	6
FDI stock	1	65	14
ODA	1	14	3,9
UN Peacekeepers	950	1,400	60

Figures for 2005. Sources: UN Comtrade, US Commerce Dept., European Commission, OECD, UN.

Table 2. China's trade value with SS-Africa (m USD)

	Exports	Imports	Total trade	Balance
1996	1,127	664	1,790	463
1997	1,446	1,510	2,956	-64
1998	2,049	583	2,631	1,466
1999	1,838	1,307	3,145	531
2000	3,509	5,336	8,845	-1,827
2001	4,325	4,498	8,822	-173
2002	4,881	5,085	9,966	-204
2003	6,409	7,861	14,270	-1,453
2004	9,696	14,465	24,161	-4,769
2005	13,089	19,053	32,141	-5,964

Sources: China Customs and UN Comtrade

Table 3. China's disaggregated trade volume with SS-Africa (m USD)

	Crude materials					Mineral oil
	TOTAL	Total	Iron ore	Non-met ores	Textile fibres	
1997	1,510	514	0	47	140	861
1998	583	269	0	41	29	251
1999	1,307	387	0	54	13	825
2000	5,336	801	210	124	21	0
2001	4,498	912	236	193	26	0
2002	5,085	953	242	162	53	373
2003	7,861	1,319	287	193	243	4,821
2004	14,465	2,535	753	588	662	9,487
2005	19,053	2,787	741	730	642	12,000
A. growth	0.62	0.39	0.23	0.53	0.32	0.73

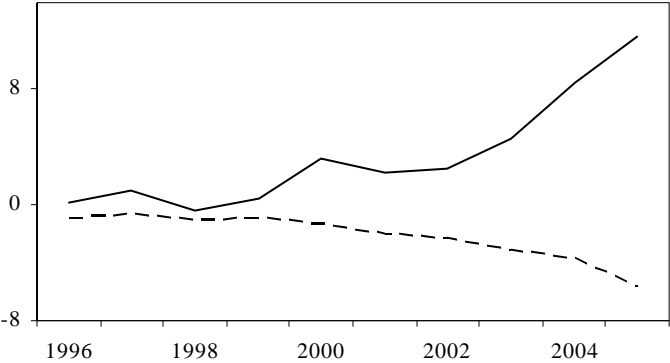
Sources: China Customs and UN Comtrade

Table 4. China's investments in Sub-Saharan Africa (USD and %)

	Inflows 2003-2005	Stock 2005	Share of China's FDI stock	China's share of total FDI stock
Sudan	237,830,000	351,530,000	26.59	4.48
Zambia	17,850,000	160,310,000	12.13	5.04
South Africa	74,140,000	112,280,000	8.49	0.16
Nigeria	123,220,000	94,110,000	7.12	0.27
Tanzania	2,580,000	62,020,000	4.69	0.10
Kenya	5,470,000	58,250,000	4.41	5.23
Madagascar	14,460,000	49,940,000	3.78	7.67
Guinea	31,980,000	44,220,000	3.34	7.65
Zimbabwe	2,210,000	41,630,000	3.15	3.01
Gabon	7,680,000	35,360,000	2.67	6.52
Ethiopia	6,340,000	29,820,000	2.26	1.08
Ivory Coast	16,110,000	29,110,000	2.20	0.67
Dem Rep Congo	17,040,000	25,110,000	1.90	1.08
Mauritius	12,750,000	20,440,000	1.55	2.63
Niger	7,290,000	20,440,000	1.55	16.09
Benin	17,170,000	19,000,000	1.44	6.55
Sierra Leone	6,410,000	18,450,000	1.40	17.08
Botswana	4,760,000	18,120,000	1.37	1.67
Equatorial Guinea	8,520,000	16,560,000	1.25	0.23
Liberia	9,630,000	15,950,000	1.21	0.40
Mozambique	3,540,000	14,680,000	1.11	0.62
Congo	8,620,000	13,320,000	1.01	0.38
Mali	5,410,000	13,280,000	1.00	1.40
Angola	840,000	8,790,000	0.66	0.07
Cameroon	840,000	7,870,000	0.60	0.73
Ghana	5,800,000	7,330,000	0.55	0.49
Uganda	1,320,000	4,970,000	0.38	0.27
Togo	2,190,000	4,780,000	0.36	0.70
Rwanda	1,420,000	4,720,000	0.36	1.69
Seychelles	50,000	4,190,000	0.32	0.51
Chad	2,710,000	2,710,000	0.20	0.07
Mauritania	2,150,000	2,400,000	0.18	0.35
Namibia	800,000	2,360,000	0.18	0.10
Senegal	650,000	2,350,000	0.18	0.21
CAR	0	2,000,000	0.15	1.79
Gambia	40,000	1,190,000	0.09	0.55
Malawi	0	730,000	0.06	0.15
Cape Verde	320,000	600,000	0.05	0.24
Lesotho	630,000	600,000	0.05	0.11
Djibouti	0	400,000	0.03	0.37
Eritrea	0	120,000	0.01	0.03
Burundi	0	0	0.00	0.00
<b>China total</b>	<b>660,770,000</b>	<b>1,322,040,000</b>		
<b>China's regional share</b>	<b>1.39</b>	<b>0.71</b>		

Sources: Ministry of Commerce and UNCTAD.

Graph 1. Surplus versus deficit countries

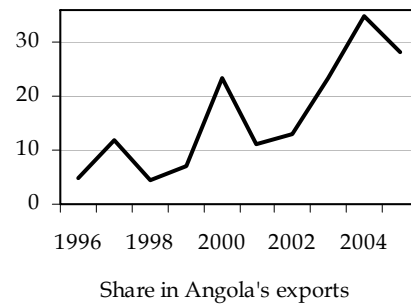


The evolution of the trade balance (billion USD) of the 14 surplus countries and the 30 deficit countries.

## **COUNTRY FACT FILES**

## Angola

**Exports** - Angola is China's largest trading partner in Africa and vice-versa China became Angola's most prominent export market on the continent. United Nations' figures estimate that China's share in Angola's exports increased from 4.7 percent in 1996 to 28.1 percent in 2005, representing a total export volume of 6.6 billion USD. Oil makes up 99 percent of this trade flow, accomplished with a small volume of mineral and iron products. In 2006, the West African country delivering 19.59 million tons of oil and became China's most important oil supplier abroad.



**Investments** - Undoubtedly, Angola is one of China's economic strongholds in Africa. More than 20 large companies invested in the country. Sinopec, one of China's three dominant state-owned oil companies, is the leading investor. Its advance has been impressive. Since 2004, Sinopec has been buying itself into Sonangol, Angola's national oil champion. In March 2006, Sinopec and Sonangol formed a joint venture, Sonangol-Sinopec International (SSI), in which the Chinese partner increased its share from 55 to 75 percent. That year, SSI won a 27.5 percent stake in block 17, a 40 percent stake in block 18 and a 20 percent stake in block 15. These projects implied 2.2 billion USD of Chinese capital. The estimated oil deposit covered by these blocks varies between 2.2 billion and 5 billion barrels. Sinopec aims at a daily oil output 100,000 of barrels. It also formed a prospective partnership with Sonangol to operate Block 3/5 and is the main investor in the development of a 3 billion USD refinery in the port town of Lobito. About 80 percent of its output will be exported to other African countries.

**Contracting** - China is Angola's chief contractor. Most of the post-war infrastructure reconstruction projects are carried out by Chinese companies. The refurbishment of the 1,300 km Benguela Railway, running from Lobito to the southern border of the DRC, is an eye catching project that is valued at 300 to 500 million USD. More than 40 million USD is spent to the rehabilitation of the 856 km Moçamedes Railway from the southern Angolan port of Namibe to Menongue. It is likely that this track will be extended to the mining province Uige and Zambia. China International Fund executes these two projects. China Roads and Bridges (CRBC) is another company with a strong presence on the African market. In Angola it rehabilitates 371 km of roads between Luanda and Uige, 172 km between Ondjiva and Huambo, and builds a 100 m long concrete bridge over the River Dande near Luana. The communication company ZTE is investing 400 million USD in the construction Angolese Telecom's network and the upgrading of Angola's military telecommunications system. Other important contracting projects are:

- . the construction of Luanda's new airport;
- . the construction of the Justice Palace in Luanda, worth 41 million USD;
- . the construction of a water distribution network in the Bengo province, worth 7 million USD;
- . the construction of the Luanda General Hospital, worth 8 million USD;
- . the construction of housing infrastructure in the Cabina Province, worth 6 million USD;

Most of these projects are backed by Chinese loans. In 2004, China's Eximbank approved a 2 billion USD oil-backed credit line to Angola specifically for the refurbishment of infrastructure. In March 2006, this credit line was further increased to 3 billion USD. The Angolese government

vowed to repay the amount over 17 years at 1.7 percent interests and to provide China with 10,000 barrels of oil per day. The total amount of Chinese loans to Angola is estimated between 6 and 9 billion USD. The actual number of Chinese nationals working in Angola is not known, but estimates range between 20,000 and 30,000.

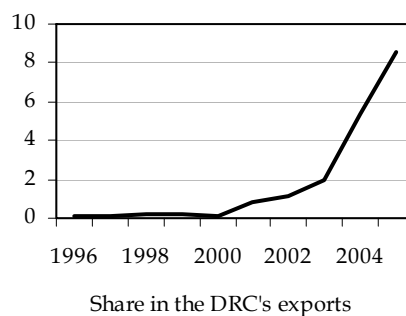
**Aid** - These credits also cover schemes that China categorizes as development assistance, like building small hospitals in province and district capitals. Besides that, China is training dozens of Angolan students, dispatched four agricultural development teams to the Provinces Moxico, Bié, Huila and Kuand Kubango, deployed two medical teams, and maintains several technological cooperation programs.

**Military** - In March 2007, Angola and China announced an agreement on technical cooperation between the PLA and the Angolan Armed Forces (FAA). Yearly, China trains up to 30 officers. Thus far, military supplies have been limited to small arms.



## Congo (DRC)

**Exports** - China is the DRC's second largest single export market. Between 1996 and 2005, China's share in Congo's exports climbed from a mere 0.1 percent to 8.5 percent. This surge in trade volume is entirely made up by cobalt and copper ore. In fact, the DRC is China's largest supplier of cobalt, and ore that is of vital importance to China electronics industry.



**Chinese** - In 2006, China's Ministry of Commerce reported the total Chinese FDI stock in Congo to be 25 million USD. Two types of Chinese companies are active in the DRC: public corporations but also private ones. The two main public corporations are Xinhua and CNMC (China Non-ferrous Metal Corporation). Another public corporation involved in the mining sector is Wanbao, a 100 percent daughter of NORINCO. Among the private corporations, COVEC, COTA Mining, SARDC, Titan Mining and Long Fei are worth mentioning. Most of Chinese activities in the mining sector are the work of small private companies or even individual traders who operate without residence or work permits and whose businesses are not registered. Congo's national mining company Gécamines has concluded five joint ventures with Chinese corporations. One of the most important among them is the agreement between COMIDE and Wanbao. Furthermore, Wanbao has concluded an agreement with FEZA Mining, a mining corporation owning a number of concessions, belonging to Mama Sifa, Joseph Kabila's mother. The purpose of this convention is to produce copper and cobalt alloys necessary for its production of armaments. China's presence in Congo's mining sector is probably at the verge of a significant growth stage. In April 2007, a delegation headed by the Chinese minister of mining reportedly visited the DRC to broker concessions with Gécamines. Even though the initial negotiations were difficult, Congolese officials expect a breakthrough before the end of 2007. Apart from the mining industry, significant Chinese investments only found their way to the telecom sector. In 2000, ZTE and the Congolese government founded Congo Chine Télécoms (CCT), a de facto subsidiary of ZTE that aims to provide national mobile telephone coverage.

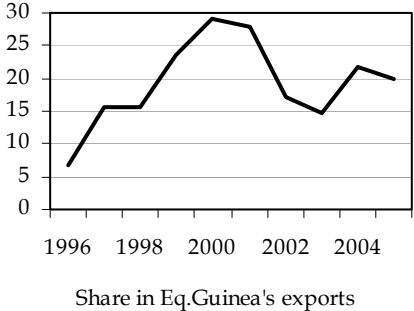
**Contracting** - China's contracting services to Congo have been rather modest compared to neighbouring countries like Angola, the Republic of Congo and even Rwanda. Eye-catching projects accomplished by Chinese companies are the stade de Martyrs and the palais du Peuple in Kinshasa, but these two compounds were erected in the 1970s and 1990s. Since 2002, China International Water and Electric Corporation rejuvenated road sections in between the port of Matadi and Pont Mpozo, between Pont Mpozo, Pont Kuilu and Mbasan Ngungu, between Masi, Manimba and Kikwit in the Province of Bandundu and between Beni in North Kivu and Niania in Orientale. China Roads and Bridges (CRBC) rejuvenated a connection between Bukavu and Kasongo. In April 2007, China offered a 1 billion USD loan to the Congolese government, covering the construction of electricity grids, installations for drinking water and restoring a railway connection between Kinshasa and Matadi.

**Aid** - In 2002, Beijing granted 6.3 million USD for the construction of a hospital in N'Djili. China also dispatched a medical team, grants up to ten bursaries for Chinese students and invites officials for a formation in administration.

**Military** - China provides more than 200 soldiers to the United Nations' Mission in Congo (MONUC). Since 1998, China frequently delivered small amounts of military equipment, often uniforms, small arms and ammunition. In 2004, President Kabila and China inked an agreement on military cooperation that comprised the delivery of military vehicles and the annual formation of 60 Congolese officers.

# Equatorial Guinea

**Exports** - Equatorial Guinea's exports to China grew from 16 million USD in 1996 to 1.4 billion USD in 2005, making China the second largest destination with a share of more than 20 percent in Equatorial Guinea's total export flow. In 2005, crude oil constituted 95 percent of this volume, whereas the remaining 5 percent was formed by timber and forest products. That year, according to official Chinese figures, Equatorial Guinea ended up as China's third largest African supplier of crude oil and unprocessed wood.



**Investments** - Compared with other oil producing countries in Africa, China's investments in Equatorial Guinea are small. Chinese energy companies are only present since 2006, when a subsidiary of CNOOC signed a production-sharing contract for an offshore block. This is only a five-year contract, and the project necessitates comprehensive technological expertise to drill the deep waters of the Gulf of Guinea. According to Chinese and Guinean sources, this is also the main impediment for Chinese companies to tap the vast deposits of the African country. While Malabo is interested in attracting Chinese capital, China's oil firms are aware that their know-how is not sufficient to overcome the geological challenges. Other important projects are situated in the forest industry. According to the Chinese embassy in Equatorial Guinea, there are three state-owned enterprises active in the timber industry. Fhuzhou Zhuang'an Company obtained three concessions for forest exploitation. China Jilin Forest Industry Group and Heilongjiang East Company too are reported to have bought concessions, but they are mainly active in transportation and making the logs ready for shipping. The British NGO Global Timber indicates that most of the woods exported to China are cut and handled by Rimbunan Hijau, a Sino-Malaysian company. Rimbunan Hijau allegedly has access to a dozen or more concessions, encompassing almost 20 percent of the total available forest. It operates as subcontractor to several concessionaires, including the President's family. This way it purportedly avoids direct responsibility for adhering to credible forest management plans and gains immunity from effective prosecution. Rimbunan Hijau accounts for 70 percent of the country's annual production limit and logs account for almost all its log exports.

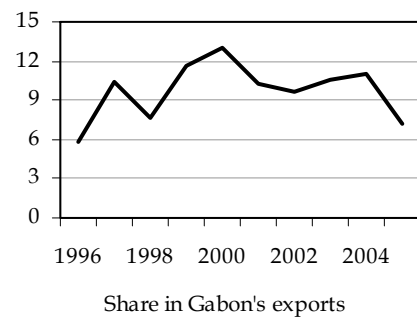
**Contracting** - Already in the late 1980s, Chinese contractors completed several public projects. Chinese workers paved hundreds kilometres of roads that stretch from the port city of Bata via Nefang and Nkue to Bata on the eastern border with Gabon. Chinese engineers also erected the Bicombo Hydropower Station. Recent contracting projects have been limited to the construction of the broadcasting centre for the *Radiotelevisión Estatal de Guinea Ecuatorial*. In 2006, China opened a new credit line to allow Chinese companies to build 10,000 dwellings and 2,000 km of new highways.

**Aid** - In 2005, Beijing cancelled 75 million USD of official debts. That year, the Chinese embassy in Malabo also launched an agricultural assistance scheme. Two Chinese medical teams are deployed to Equatorial Guinea.

**Military** - Thus far, military exchanges were modest. In 2000 a team of Chinese military experts was dispatched to train local officers in heavy weaponry. As Equatorial Guinea did not have this armament, the mission can be interpreted as a publicity stunt for arms deliveries, but apart from some military communication devices, no arms contracts are reported.

## Gabon

**Exports** - China's share in Gabon's exports has been fluctuating from year to year, but remained around 10 percent. Timber and sawn logs represent 93 percent of this volume, manganese forms the rest. The fact that a significant share of Gabon's timber trade is illicit or illegal and that China is the main customer of Gabonese forest products might imply that the current export figures are an underestimation.



**Investments** - China's main investments are situated in the exploration and excavation of iron in Belinga. In 2005, China National Machinery and Equipment Importation and Exportation Corporation (CEMEC or CMEC), Sinosteel, the French company Eramet and the Brazilian mining giant Vale do Rio Doce (CVRD) jointly bid for the deposits of Belinga that are expected to contain 500 million to one billion tons of iron ore. Though, in 2006, this consortium was dissolved as CMEC succeeded to hammer out a monopoly due to the assurance of the Chinese government that the Belinga project would be finished and that the construction of all needed infrastructure was carried out. The total cost of the venture is estimate at three billion USD. Apart from the mining, it comprises a hydro-electric dam, worth 590 million USD, to provide power to the mining activities, the construction of a 560 km long railway, and a bulk commodities and container port in Santa Clara. In northern Gabon, Xuzhou Huayan and Ningbo Huaneng Kuangye invested 35 million USD in the prospecting for manganese mining around Ndjole, whereas Sinosteel is looking for manganese in the southern region of Mbigou.

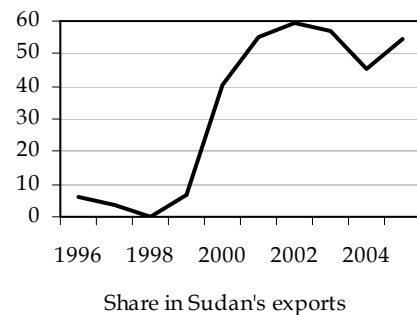
**Contracting** - Most of the actual Chinese services take place under the 3 billion USD contract between CMEC and the Gabonese government. An unknown part of the total amount is made up by cheap loans from China's Exim Bank. In 2000, Beijing granted a 73 million USD credit to pre-finance contracting projects like the construction of a new building for the national assembly, two hospitals, two primary schools, a manioc factory and two timber sawing mills at Port Owendo.

**Aid** - China dispatches 8 to 12 medical teams to Gabon. It financed two small-scale agricultural projects. In 2007, Beijing decided to deploy 44 agricultural specialists to support subsistence farmers. In 2005 and 2007, the Chinese embassy in Libreville delivered toys and medicines as part of the Chinese development aid.

**Military** - China's Minister of Defence visited Gabon in 2001 and 2006. In between these two calls, China invited Gabonese officers for training in Beijing and supplied various types of military equipment, like 20 missile launchers, military vehicles and assault rifles.

## Sudan

**Exports to China** - According to the United Nations, China's share in Sudan's exports surged from 6 percent in 1996 to nearly 54 percent in 2005. 93 Percent of the Sudanese exports to the People's Republic are made up by oil. Between 1999 and 2006 Sudan's oil exports to China increased from 266,126 tons to more than 6.5 million tons. In 2005 and 2006, China imported 47 percent of Sudan's total oil production. Apart from mineral fuel, the African country also exports limited volumes of oil seeds, chromium and leather.



**Investments** - Between 2000 and 2005, China was Sudan's most important single source of FDI. In 2005, the Chinese Ministry of Commerce indicated a total FDI stock of 350 million USD, or 4.5 percent of Sudan's total accumulated investments. This figure however does not reflect the actual inflow of Chinese capital. Between 2000 and 2005, China National Petroleum Corporation (CNPC) alone funnelled more than 4 billion USD into the Sudanese market, as far as it made its investments public. CNPC is by far China's largest investor and has been active in Sudan since 1996. That year, it joined with Sudan's Energy Ministry to build the country's largest refinery. CNPC is the largest shareholder in Greater Nile Petroleum Company (GNPOC), Sudan's National Oil Company. It acquired several oil exploitation concessions. It has a near monopoly over a vast oil block in Darfur (Block 6), participates directly in three other development zones (Blocks 2,7,15), and indirectly via GNOPC in two other areas (Block 1 and 4). CNPC plays a central role in the development of Sudan's oil infrastructure. In 1998, CNPC's construction branch, China Petroleum Engineering and Construction Corporation (CPECC), participated in the building of the 1,500 km pipeline from Blocks 1 and 2 in the south to the Red Sea. In 2004, the Sudanese government awarded CNPC a contract to build a 740 km oil pipeline from the Fula oilfields in Western Kordofan to the main oil refinery in Khartoum. This refinery as well has been constructed by China's energy titan, which now holds a 50 percent share in the plant. Likewise China's Petroleum Engineering Construction Group erected an oil export terminal in Port Sudan.

Besides oil excavation, Chinese companies are present in several other branches. The Petroleum and Natural Gas Exploration and Development Corporation implemented a polypropylene exploitation project in Khartoum. The Chinese also hold a 50 percent share in the Khartoum Chemical Industry Company and is full owner of the Sudanese company Petrochemical Trade Project. Backed by a 149 million USD loan of China's Central Bank, Harbin Power Company erected and manages the Qarre I hydropower station, about 50 km north of Khartoum. Together with Qarre II it will produce 330 megawatts. With an 85 percent shareholding, the Chinese also participate in the 300 megawatt Kajbar Dam.

**Contracting** - Between 2000 and 2005, Sudan ranked permanently in China's top-ten of export countries for labour services and contract projects. CNPC and its subsidiaries are the main suppliers of these services. Apart from that, Chinese firms carried out public infrastructure projects like:

- . the construction of the Merowe Dam, worth more than 1.5 billion USD, by CCMD, a consortium consisting of the China International Water and Electric Company (CWE) and the China National Water Resources and Hydropower Engineering Corporation (CWHEC);
- . the construction of a 762 km railway by China Railway Engineering Group (1.13 billion USD);
- . the construction of a potable water pipeline from the Nile to Port Sudan, 345 million USD;
- . the establishment of a water network for the city of Alfashir, 325 million USD;
- . the construction of 1,745 km power transmission network and transformation stations by CCMD;
- . building of a new presidential palace, 20 million USD;
- . the construction of an international conference centre, 3.6 million USD;
- . the restoration of Khartoum's hospital; 2.5 million USD.

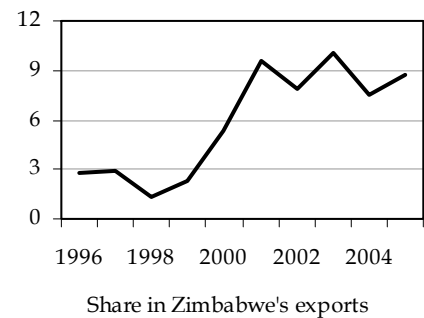
Most of these projects were based on the procedure of pre-financing with Chinese banks providing loans to the Sudanese government to enable it to pay Chinese contractors. Sudanese government officials, NGO workers and business representatives estimate the number of Chinese immigrants between 50.000 and 120.000.

**Aid** - China deploys dozens of teachers and medics to Sudan, erected schools and built several dispensaries in the northern part of the country. In 2007, Beijing cancelled 80 million USD Sudanese debts. Between 2004 and 2006, it approximately provided 1.4 million USD humanitarian aid to Darfur, and pledged 10 million USD to the mission of the African Union in Sudan.

**Military** - Since 2006, 450 Chinese Peacekeepers joined the ranks of the UN Mission to Sudan (UNMIS). The Sudanese and Chinese armed forces have frequent high-level exchanges. A small number of Sudanese military officers studies at the Chinese National Defence University. Since the 1990's China has been the main supplier of arms, together with Russia and France. Deliveries comprised: light attack aircraft, armoured personnel carriers, trucks, ammunition, spare parts of helicopters and aircraft.

## Zimbabwe

**Exports** - Between 1996 and 2005, Zimbabwe's exports to China surged from 69 to 158 million USD, increasing China's share from 3 to 8.9 percent. In 2005, 81.5 percent of Zimbabwe's exports to the People's Republic were made up by tobacco, 10 percent cotton and 8 percent nickel.



**Investments** - In 2006, China's Ministry of Commerce reported that the Chinese FDI stock in Zimbabwe was worth 61.5 million USD. One year later, a Zimbabwean official estimated Chinese investments in his country at 600 million USD. That time, 35 Chinese companies were reported to operate in the African country. China has been interested in Zimbabwe's market since the late 1990s but concrete investments had been severely hampered. This obstruction was mainly due to the fact that Harare requires investors to step into joint-ventures with state-owned companies but is not able to guarantee the viability of these projects. Between 2002 and 2004, Chinese firms were frequently confronted with the fact that the Zimbabwean government was merely able to pay the bills of equipment deliveries. Consider the experience of China's National Aero-Technology Import and Export Corporation (CATIC). In November 2004, the Zimbabwean energy company ZESA Holdings signed a co-operation agreement with CATIC for the expansion of a 600 megawatts power station in Hwange, worth a total of 2.4 billion USD. Though, after two limited deliveries of infrastructure and investing in preparatory research, CATIC found out that the highly indebted ZESA was not able to live up to its financial commitments. China clearly learned its lesson and changed its tactics. In 2006, China and Zimbabwe inked a series of agreements that were based on the swap of Zimbabwean natural resources for Chinese investments. In June, Star Communications of China, backed by the China Development Bank, concluded an agreement with Harare to invest 60 million USD in transmission infrastructure for state radio and television in return for a joint-venture with the state-owned Zimbabwe Mining Development Corporation (ZMDC). This mining venture is expected to deliver ferro-chrome as repayment for the Chinese infusion of capital. The same month, China Machine-Building International Corporation (CMEC) signed a Memorandum of Understanding for the joint venture to open a coal mine in Dande in the Zambezi Valley, promising the delivery of power generation and mining equipment. Meanwhile, CATIC and ZESA negotiated a new contract that implied a Chinese investment of 600 million USD for the construction of coal mines and three thermal power plants. The investments were facilitated by credits from Chinese state-banks, and included a claim on a part of Zimbabwe's natural resources. The CMEC contract laid a claim on the coal mine's revenues or output. CATIC's contract was based on the delivery of chrome to China. The company also assisted ZESA to produce tobacco to generate foreign currency for its import requirements. Reportedly, CATIC has been studying the delivery of more equipment for platinum concessions, released by Zimplats earlier, and coal reserves at Sinamatela near Zambia. In the wake of these investors, several other Chinese companies strengthened their presence. In 2006, ZMDC started negotiations with NORINCO for a joint venture to explore platinum and chrome in Ngesi. China International Water and Electric, has been contracted to farm 250,000 acres in southern Zimbabwe. Shanghai Baosteel International Economic and Trading Company, that was active in Zimbabwe before, decided to plough 50 million USD into its ferro-chrome operations. In December 2006, ZMDC also entered into a joint agreement with Wambao Shinex and formed



Zimbao Mining Ventures in which the former has 49 percent equity. Under the company, projects earmarked for revival include Mhangura Copper Mines, Lomagundi Smelting and Mining and Sanyati Copper Mines where the geological study revealed large ore deposits. They would also develop the new Chimanimani Gold project. Mobilisation of machinery for this venture was already in progress.

**Aid** - China's aid to Zimbabwe has been mainly comprised of loans. Recent examples are:

- . 2001: a 2.4 million USD credit for various small public infrastructure projects;
- . 2005: a 3.6 million USD loan for technical cooperation projects in Zimbabwe;
- . 2006: a 5.3 million USD loan to finance the construction of Zimbabwe's national stadium;
- . 2006: a 200 million USD loan facility for importing 200,000 tonnes of fertilisers and agricultural chemicals and Zimbabwe's acquisition of three MA-60 passenger planes from China;
- . 2006: a 10 million USD line of credit from China to import equipment to extend its national electricity grid;
- . 2007: 58 million USD of loans for 424 Chinese tractors and 50 lorries in return for the delivery of 110,000 tonnes of tobacco to China over two years.

Besides, China also dispatches a medical team and frequently delivered food and medical aid.

**Military** - In 2006, China and Zimbabwe concluded an agreement to intensify military cooperation. Under the agreement, the Chinese army will provide more assistance to the Zimbabwe's armed forces in military materials and personnel training. That same year, China's ministry of defence donated machines and construction equipment worth of 1.5 million USD to the Zimbabwe Defence Forces. In 2005, China reported the supply of 39 military trucks and educational and medical equipment worth of more than 3 USD. However, actual deliveries were more impressive. In April 2005, Zimbabwe's air force received six K8 light fighter jets. In 2004, a Chinese radar system was installed at the presidential palace. In June 2004, Zimbabwe's state-controlled press reported the purchase of military equipment from China, including 12 FC-1 fighter jets and 100 military vehicles, worth an estimated 240 million USD.

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See: [www.vub.ac.be/infovoor/onderzoekers/research/person.php?person\\_id=11227](http://www.vub.ac.be/infovoor/onderzoekers/research/person.php?person_id=11227)

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See: [www.vub.ac.be/infovoor/onderzoekers/research/person.php?person\\_id=20909](http://www.vub.ac.be/infovoor/onderzoekers/research/person.php?person_id=20909)

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See: [www.vub.ac.be/biccs/14\\_staff\\_Jonathan.htm](http://www.vub.ac.be/biccs/14_staff_Jonathan.htm)

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See: [www.vub.ac.be/IERE/ssmis.html#3](http://www.vub.ac.be/IERE/ssmis.html#3).

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