

NEW IMPULSES FROM THE SOUTH: CHINA'S ENGAGEMENT OF AFRICA

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China's relations with Africa have grown exponentially over the past decade, both politically but also economically through increasing bilateral trade flows, investment projects and development assistance. During the 1990s Sino-African trade grew by 700 percent and in 2007 China's largest outbound investment was destined for Africa. The Forum for China-Africa Cooperation (FOCAC) was established in 2000, the culmination being the release of China's African Policy Paper in January 2006, indicating China's level of commitment in engaging the African continent at both commercial and political levels.

This engagement has been lauded as a vehicle for boosting African growth and will impact upon the development trajectory of the continent. The multi-faceted political and economic relationship between China and Africa thus provides a rich stimulus for debate. This formed the platform for the 9th annual Africa Day conference co-hosted by the Centre for Chinese Studies, Stellenbosch University and the Department of Political Sciences, University of South Africa (UNISA) in Pretoria, South Africa on the 1st of June 2007.

The conference was structured into four panels around the following thematic topics with key speakers on each panel:

- *An African response to China's Africa Policies*
- *An emerging Beijing Consensus?*
- *Release of the DFID-sponsored report entitled: China's engagement and activity in Africa's Construction and Infrastructure Sectors*
- *China and a harmonious society in Africa*

A number of conference presenters agreed to submit papers in commemoration of a successful and insightful conference. This e-publication collates the valuable thoughts and insights on the topic by some of the speakers.

I would like to take this opportunity to thank the following individuals and sponsors for making the conference as well as this e-publication possible:

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INTRODUCTION

Sanusha Naidu*

China in Africa is the new attraction in academic and policy circles. It is difficult to talk about world politics or development economics today without some reference to China entering the analysis. While in some contexts the “rules of the game” remain the same with polemics of Cold War déjà vu, in other respects it is about redefining whether the “old rules” still apply. Certainly in Africa this has become evident.

China’s deepening involvement across Africa has become the subject of much debate. There are two competing schools of thought, which tend to narrowly characterise China’s behaviour in Africa as either inherently good or bad. For scholars of the former persuasion China’s engagements in Africa is benign and does not threaten Africa’s development. Instead these scholars believe that China’s increased trade, investment and aid will assist in achieving sustainable development across the continent.

For proponents of the doomsday predilection China is part of a New African Scramble. According to them China is the “new imperial power” in Africa with a “colonialist project” that will perpetuate Africa’s underdevelopment through exploitation, extraction and destruction of Africa’s resources and industrial capacity. Both views caricature the debate and make cursory conclusions.

This polarisation of the debate masks some significant issues underpinning the China-Africa discussion. The most important of these is how African governments and policy makers are defining their engagement with China. To this effect China can only be good or bad for Africa depending on how Africa’s political and economic elites engage China.

It was with this in mind that the Centre for Chinese Studies (CCS) in partnership with the Political Science Department at the University of South Africa (UNISA) and the South African Institute of International Affairs (SAIIA) hosted the 2007 Africa Day Conference entitled “*New Impulses from the South: China’s Engagement with Africa*”.

The conference brought together a diverse range of presenters to debate questions about how this engagement is being defined. As part of the discussions the following set of papers examine Africa’s relationship with China. Amongst the issues discussed were the broader set of questions of China’s development assistance to Africa, geopolitics and development in China-Africa relations and the implications thereof for Africa’s domestic environment and the continent’s integration into the global economy.

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In addition, the papers also explore the more sensitive aspects including how African governments are leveraging their relationship with Beijing; to what extent China is re-fuelling Africa's development prospects and what the governance implications are for African leaders and Africa's citizens.

The real thrust of the conference and the subsequent papers is found by outlining an "African response" and policy options that should be adopted to China's increasing engagement across the continent. Whereas the papers and discussions from the conference provide some insight into the burgeoning literature on China's engagement with Africa, it should be seen as a contribution to this growing body of literature on the subject. Therefore as the relationship between China and Africa deepens, the papers from this conference provide a framework for more empirical research to be undertaken.

AFRICA'S STRATEGIC DIPLOMATIC ENGAGEMENT WITH CHINA

Francis A. Kornegay[†]

INTRODUCTION

For Africa to mount strategic diplomatic engagement with China, a clearly delineated African strategic approach must be outlined both in relation to China, and traditional and emerging powers. Therefore, this treatise will focus both on Africa's strategic strengths and weaknesses vis-à-vis China and how these might inform a strategic diplomatic approach toward Beijing.

One of the frustrating aspects of the debate concerning China's involvement in Africa is the invisibility of Africa and the almost incidental manner in which the continent figures in this debate, as it reflects Western concerns about Sino-African relations. Mainstream media commentary and policy discourse on the 'China-Africa' issue invariably emphasise how China's behaviour on the continent may or may not gain favour in the West. Consequently, it is oblivious to the African voice regarding its relations with China. As an emerging global power in a changing world order, Beijing is expected to demonstrate that it is a 'responsible' actor in the way it engages with the African continent; that it should be concerned with Africa's 'good governance' and human rights.

What has been identified as Beijing's neo-mercantilist pursuit of national interest in its quest for energy and natural resources, in the absence of governance and human rights concerns, reflects a dismissiveness toward so-called 'pariah' regimes (such as that of the Nile Arab's in Khartoum or the Zanu-PF regime in Zimbabwe). This would accord with Beijing's accent on 'non-interference'. This bias is further amplified by the tendency for scholars and journalists mainly in the West, but to some extent also in Africa, to voice concern about the potential for a new colonialism being introduced by China.

The almost subliminally racist implications of how the China-Africa debate is framed reflects as much on the absence of pro-active African diplomacy as it does on non-African actors in the absence of an African 'voice' on how Africans perceive their relations with China. It is obvious that China has a strategic interest in the continent and a politico-diplomatic 'African strategy'. Not so clear however is how Africans perceive their interest in China and whether or not there is an evolving strategy toward China and its interest in the continent. An African critique on the China-Africa debate is to a great extent absent from the agenda. African views on the clear Western obsession with Sino-African relations as well as a critique of how Beijing goes about pursuing its interests on the continent would be an important contribution to the debate. Especially with regards to the implications of Chinese engagement and 'good governance' and human rights on the continent – advancing or detracting from Africa's peace and security interests.

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In short, Africa must find its voice in re-defining the 'China-Africa issue' on its own terms, not on Western terms, although there may be important convergent interests between Africa and the West regarding China. For example, it would be in Africa's interest to re-define Western human rights concerns in terms of an alternative emphasis on Africa's 'peace and security' interests, including human rights.

Given the fact that all international relations are ultimately based on power and interests, such an African interrogation of where the continent's relations with China and other international actors are headed is crucial for Africa's ability to advance and secure its interests. African actors need to identify where the continent's interests converge and diverge with China's priorities. In short, the African diplomatic strategy toward China for optimally interacting with Beijing's diplomacy toward the continent has to be identified and formulated. Why has this not yet happened to a sufficient extent?

Attempting to answer this question entails analysing the salient structural dynamics animating interactions between Africa and China. Clearly, China's emerging interest in Africa has provided the continent with a 'window of opportunity' in navigating the international community that has not existed since the Cold War era of Soviet-American competition. This new opening of expanded options and the new scramble for Africa triggered by China's foray into the continent, needs to be examined. A more pro-active African response to this renewed external interest is therefore required and Africa is indeed beginning to fashion its strategic priorities and options toward this new scramble. These options need to be explored within the context of the African imperative of 'unity of approach' which, in turn, suggests an ever greater need for African integration.

One of China's comparative advantages in its relations with Africa compared to that of the West has been Beijing's responsiveness to Africa's infrastructural development needs, something that has never been a high priority in Western investment and donor relations on the continent. Infrastructure has the potential to provide greater economic and market coherence and scale to a fragmented continent. Recent African initiatives regarding its infrastructural imperatives may also illustrate how Africa can pro-actively direct its infrastructural development, rather than simply reacting to Chinese initiatives by bringing to bear its own resources in this critical area.

Finally, the fact that China's African agenda is propelled by the acquisition of energy assets to fuel an accelerated economic growth raises questions about Africa's own energy and resource conservation priorities, most importantly regarding how Africa can emerge as a pro-active actor in the geopolitics of energy in a manner that advances the continent's own interests. In this regard, the China-Africa issue is a fitting point-of-departure for interrogating where Africa is headed in its overall international relations, especially since other emerging powers – and what one commentator has termed the 'geriatric powers' of the former colonial West – are also eyeing Africa's resources. In African terms, this poses the question of agenda setting on the continent: Whose agenda? An African agenda for Africa or a Chinese (and/or other external actor) agenda for Africa?

SINO-AFRICAN VULNERABILITIES: TOWARD STRATEGIC SYMBIOSIS?

No matter Beijing's rhetoric regarding the Sino-African relationship being one based on 'equality' and sincerity, Africa is at a strategic comparative disadvantage in its relations with China. Africa's structural weakness in the Sino-African relationship is embedded in the continent's post-colonial fragmentation into 53 odd sovereign states, most of which are poor, underdeveloped and institutionally weak in governance terms. This asymmetry, based on Africa's structural weaknesses, is not unique to the Sino-African relationship. The weakness replicates itself across the entire panoply of Africa's international relations. The colonial partitioning of the continent and the post-colonial ratification of this fragmentation in the inter-state system ushered in by the founding of the Organization of African Unity (OAU) in 1963, carrying over into the successor African Union (AU), robbed Africa of its 'continental sovereignty'. In its fragmented state, Africa lost some comparable consolidation of geopolitical-economic power residing in a mega-state such as the US, the European Union (EU), Russia, India, Brazil – or China (as well as smaller but former colonial powers such as Britain, France and Germany).

AFRICA'S STRUCTURAL STRATEGIC DISADVANTAGE

In the absence of a consolidated continental sovereignty that has begun to preoccupy many African heads-of-state in their search of a 'US of Africa', Africa's relations with major state actors takes place within a framework of what might be termed 'the one and the many'. In this view, call it 'bi-multilateralism', one major non-African power (Western or non-Western) interacts with a multiplicity of African states. Further, the competitive nature of African state sovereignty accentuates Africa's divisions, rather than any sense of strategic unity and unity of purpose in dealing with external actors.

This competitive nature is reflected in the manner in which many African states relate to one another and in the suspicions and tensions that obtain between the continent's smaller states and larger actors such as Nigeria, Egypt and especially South Africa – the continent's economic giant. This asymmetry and the inherent neo-colonial imperialist nature embedded in the donor dependency of so many African states might challenge policy goals and objectives of external actors on the continent, including African multilateral institutions. Hence, external actors risk reinforcing destructive patterns of domination even if they have no ambition of domination or 'recolonisation' of the African continent.

Africa has one major potential comparative advantage in strategic terms. Should the continent even half-way achieve a semblance of consolidated pan-African governance, coupled with enlarged market economies of scales, this could substantially transform the continent's capacity to exert countervailing power in an increasingly multi-polar world. A more unified African voice could greatly facilitate engagement with mega-states such as China and India, as well as with the West. By mid-century, Africa will be inhabited by more than 1 billion people. The question is whether or not Africa's population expansion will provide it 'great power' momentum or prove to its curse? Will the scourge of poverty and disease pandemics result in a hollowed-out demographic profile of the very young and the very old? Will these maladies combine with the pressure that population can place on ecosystems and such resources as water to further undermine African development while causing instability to become an ever endemic feature of the African condition?

To a large extent, the answer to these questions will be determined by Africa's capacity to pro-actively address these challenges through transnational governance. In the case of China and India, large population size has become a major plus albeit with caution that must be factored into how demography bodes for the respective futures of both countries. For Africa to gain comparably from its population expansion, intra-continental integration becomes imperative. Furthermore, if African demographic growth could be matched with socio-economic development, empowerment and the overcoming of so many of Africa's capacity deficits and debilitating health problems, Africa could potentially become a major actor in the emerging post-Western international order. Substantive equality with the likes of aspiring global giants such as the 'BRIC' grouping of Brazil-Russia-India-China might begin to become a reality for Africa. Pending this evolution, Africa's default option is to rely on South Africa's 'emerging power' leadership in tandem with making greater use of the AU to outline 'continental positions' in relation to external actors. There are signs that this may be beginning to take shape both at the level of South African initiative and within such AU units as the Department of Trade and Industry.

CHINA'S MEDIUM TO LONG-TERM VULNERABILITY

In spite of the power asymmetry characterising Sino-African relations amid Beijing's rapid emergence as an economic juggernaut on the international scene, China is not without vulnerabilities that could affect its power status. Many analysts see China being as much in need of Africa as Africa is in need of China. Here, demography re-enters the picture. According to Scott Zhou, a Shanghai-based analyst, the secret of China's success in becoming a "global manufacturing hub in such a short period of 20-plus years" which lies in its "mammoth population which ensures an endless supply of cheap labour" – which Africa is not in a position to duplicate – may not be an edge that China can maintain for long¹. "Its huge population could become a liability if problems are not properly addressed"². China is set to experience what Zhou calls the "largest demographic transformation in human history" in three "human population waves": aging, shrinking of the labour pool and declining population (while neighbouring India is actually projected to continue growing)³. China already fits within the United Nations (UN) definition of an "aging society" while, by as early as 2015 – just 8 years – China's "baby-boom" generation will start reaching retirement age⁴.

As recently as June 2007, the China Editor of *Asia Times Online*, Wu Zhong, warned that "China will begin to feel the pain of labour shortages nationwide in the next couple of years – much earlier than previously forecast – as the country's seemingly amply supply of rural migrant workers dries up, according to the latest studies by state think-tanks"⁵. This would force China's economy, which relies heavily on labour-intensive export-oriented manufacturing, to undergo a "profound restructuring" as in eventually triggering "a demand for higher wages, possibly as soon as in three years" based on projections by the Chinese Academy of Social Sciences (CASS)⁶. Foreign investors will then "forsake the world's factory floor for cheaper workers elsewhere" prompting Wu Yaowu of CASS's Institute of Population and Labour Economics to "urge the government to speed up its economic restructuring before China completely loses its competitive edge in labour-intensive manufacturing"⁷. Chinese policy analysts are calling on government to enact migration reforms toward an 'internal free movement of

peoples' regime as a means of prolonging the survival of labour-intensive industries in order to buy time for the economic restructuring that must occur.

China, in a sense, is in a race against time. It needs to consume large amounts of commodities in order to close its widening socio-economic gap by elevating an estimated 400 million (out of more than 1 billion) of its citizens out of poverty. This must be done by keeping the price of labour and other factors of production from rising too high so it can overtake the West by 2050 in the combined manufacturing production volume. Africa, therefore, figures critically as China's commodity outlet. This, in turn, appears to be driving its investment strategy in a manner that is raising major hackles in the West as Beijing and its companies seek to buy-up resource assets "at the source". At the same time, China has to set in train a process of economic restructuring out of its 'Factory of the World' status in the face of an erosion in its cheap labour comparative advantage. Hence, an increasing focus on innovation that shifts the emphasis from 'made in China' to 'invented in China,' with all that this implies in China moving up the world economy's production value chain as cheaper labour sources emerge on the scene to attract manufacturing foreign investment. Africa has emerged to figure centrally in China's strategy to effect this complicated transition from the commodity resource end of the value chain.

There are also geo-strategic imperatives at play. Beijing wants not only to reduce reliance on Middle Eastern oil, but lessen dependence on oil and liquefied natural gas (LNG) resources in Russia and Central Asia as well, given its ambivalent relationship with 'strategic partner' Moscow against US regional encroachment (which aims at a 'soft containment' of both China as well as Russia). This is what is behind China Institute of International Studies researcher Xia Yishan observing that turning Africa into China's largest source of oil imports is key to China's energy strategy⁸. Unlike the Middle East and Central Eurasia, Africa is regarded as "an independent oil source" with Xia projecting that he expects that "in a few years Africa will replace Russia and Central Asia to become China's second-largest source of foreign oil, with African oil accounting for 30% of the country's total oil imports"⁹.

More than hydrocarbons are at stake however. Imani analysts Bright B. Simons, Evans Larrey and Franklin Cudjoe see something akin to a Sino-African economy emerging as "trade in many, many goods other than those under the spotlight – oil, copper, bauxite, etc. – is booming. Importers in many African nations are turning to Chinese suppliers for a wider range of goods they once sourced in such places as Turkey, South America and of course the West. Already Kenya, South Africa and Ghana have begun to mutter about their fast-expanding trade deficits with China"¹⁰. They go on to point out that it appears that Chinese entrepreneurs are increasingly becoming aware of a vital role for Africa in their quest for presence in the global marketplace in the sense that "they see an environment where less mature innovations may be tried, tested and honed – a market that Western companies are unwilling to engage beyond the customary hassle over raw materials..."¹¹.

AFRICA'S CHINA-INSPIRED 'WINDOW OF OPPORTUNITY': THE 'NEW SCRAMBLE'

The upshot of the forgoing summary synthesis of analytical perspectives on what might be termed a 'Sino-African strategic symbiosis', is that China's foray into the African economy is as much a reflection

of its own vulnerabilities as an expression of its rising power as a challenger of the West in what many Westerners see as their 'backyard'. In the process, a new 'Scramble for Africa' has been generated. This is very much to Africa's developmental advantage if the continent's leaders, professionals, intellectuals and entrepreneurs are up to the task of pro-actively fashioning their own strategy for optimising China's prioritising of Africa in its foreign economic relations. In short, China has opened up for Africa a 'window of opportunity' reminiscent of the Cold War period of East-West bloc competition on the continent. This time, however, the new competition is considerably more benign and focused on an economic playing field, rather than the lethal business of geopolitical competition.

Deciphering 'China's involvement in Africa' has, almost overnight, become a global 'cottage industry' as Americans and Europeans try to figure out what Beijing is up to and whether or not they are looking at a new Sino-imperialist ascendancy that will cut them out of access to Africa's resources. This is very much to Africa's benefit. One can argue on the basis of interactions between the leading African actors involved in the New Partnership for Africa's Development (NEPAD) heads-of-state and government steering committee and the G8, that the West has largely been 'going through the motions' rather than seriously acting on their 'action plan' commitments. The high point of these engagements was Gleneagles and the associated 'Blair Commission' recommendations for re-energising the developed world's partnership with Africa, interacting with the World Trade Organization (WTO) Doha 'development' round. Without expending a lot of verbiage on what is already generally acknowledged, the results of these G8-Africa engagements have been nothing short of disappointing.

The lesson generated by the recent obsession with China's focus on Africa is clearly that, in the absence of countervailing external power brought to bear on Africa's behalf, the continent and its leaders are mere supplicants at the mercy of whatever attention the West deems sufficient to afford to Africa. The AU is not taken seriously, while there is no state actor that carries sufficient weight in 'global' power terms to attract the West's attention. South Africa is given an audience by dint of the fact of its economic preponderance on the continent and its credibility as Africa's chief global governance interlocutor. But apart from South Africa's 'punching above its weight' in African representational terms, the West's response to Africa is akin with Stalin's legendary response to Churchill: 'how many divisions does the Pope have?' Now, along comes China, and the whole dynamic in regards to Africa's international relations suddenly changes.

EUROPE REDISCOVERS AFRICA POST-GLENEAGLES

At the end of 2006, German Chancellor Angela Merkel could be reported as exhorting Europe not to "leave the commitment to Africa to the People's Republic of China...We must take a stand in Africa" and factor into Africa policy "a air dealing with [African] natural resources"; a comment backed up by a commentator with the German daily newspaper *Berliner Zeitung*, to the effect that "Europe's access to African natural resources and economic interests should be at the heart of any policy toward the continent"¹². In the wake of yet another desultory G8 outcome for Africa in Germany, with Merkel as host, the EU in Brussels issued a clarion call that "the European Union (EU) should launch an enhanced 'partnership of equals' with Africa this year in areas ranging from trade to aid so as to meet a

rise in Chinese influence in its former colonial backyard”¹³. So, the scramble appears to be on with the EU, among other things, launching a 90 million euro facility for investment infrastructure along with moves to shore up Europe’s access to Africa’s energy resources while offering help in modernising its energy sector and in supporting moves to tackle climate change. Europe’s renewed interest also brings with it an interest in joint efforts to better control Africa-to-Europe migration at a time when the new Nicolas Sarkozy government in France is talking about establishing a ‘Mediterranean Union’ between southern European and northern Africa states.

Other ‘emerging powers’ are not to be left out of the scramble either. There are increasing references to India’s interest as well and the fact that India has long been involved in Africa’s post-colonial development (reinforced by pockets of Indian diaspora in eastern and southern Africa). The competitive sense of a Sino-Indian rivalry has generated such articles as a *Financial Times* June 5 report on “India and China: East steps up its engagement with Pretoria,” by Alec Russell reporting on “the two giants that are beating a path to South African doors.”

Here, overlooked was India’s trilateral relationship with South Africa (and Brazil) that offsets the Sino-South African relationship. Further, while China’s expanded engagement in Africa dwarfs India, partly as a result of a 1990s “downsizing of Africa’s importance in India’s international priorities”, India’s strategy and strengths in Africa are seen as quite different from China’s: “China concentrates on resource-based investment, while India has focused on capacity-building. Indian investments are largely private-sector, riding on the back of lines of credit given by the Indian government”¹⁴. However, India is making a China-like bid for energy resources in West Africa, inspiring a recent Chatham House paper on “India and West Africa: A Burgeoning Relationship,” by Sushant K Singh, citing the ONGC-Mittal Energy Ltd (OMEL) oil-for-infrastructure deal in Nigeria.

This ‘new scramble’ for Africa, such as it is, begs questions about African diplomatic strategy. If China’s foray into the continent during an era of global energy-commodity geopolitics is opening up a new post-Cold War window of opportunity for African development, the question of African strategy becomes paramount in terms of how the continent stands ultimately to benefit. In this sense, the devising of an appropriate African diplomacy toward China would necessarily have to involve a much broader strategic perspective. Thus far, the perception is that Africa has largely been reactive in its receptivity to China’s overtures via the Forum on China Africa Cooperation (FOCAC). There are signs that a more considered approach could be emerging. This needs to be explored in arriving at a sense of how an African strategic approach to external powers’ interest in its resources can be fleshed out as a coherent but differentiated diplomatic strategy.

FASHIONING AN AU STRATEGY: IN SEARCH OF AFRICAN UNITY AND UNITY OF APPROACH

In a conference jointly organised by the Friedrich Ebert Stiftung (FES) and Consumer Unity Trust Society, the coordination and liaison manager of the AU’s Department of Trade and Industry (DTI) indicated that the AU had been directed by its Summit to play a bigger role in Africa’s relations with India, Brazil and Turkey beside China, although the Sino-African dimension was the conference focus¹⁵.

It was pointed out that a coordinating role for the AU will be in the interest of “not only African countries but also China”, and would provide for a “greater opportunity for a more focused and better organised engagement with China”¹⁶. Of particular importance in light of the Accra Summit’s ‘US of Africa’ decision to strengthen and rationalise the regional economic community (REC) pillars of the AU, is the continental body’s stated intent to “co-ordinate and guide Africa’s regional economic blocs and member states in coming up with a multilateral approach to doing business with the main emerging world powers”¹⁷.

If such a joint AU-REC coordinating framework for engaging China and other emerging powers is to inform a new African diplomacy, how might such a framework be structured? Here, the article does not spell out such details as may have emerged from the conference. The fact that the conference involved FES as a major German donor is indicative of the EU’s concern about emerging power involvement in the continent rather than how Africa engages with already established developed Western powers like Germany. However the AU/DTI approach to coordinating Africa’s international economic relations will be crafted, it should cover developed and developing worlds alike.

REGIONALISING SINO-AFRICAN DIPLOMATIC ENGAGEMENT

A possible architecture for coordinated multilateral engagement could be for African summits with FOCAC to be broken down into joint AU-REC summits with FOCAC along such lines as: AU/SADC-FOCAC, AU/ECOWAS-FOCAC, AU/EAC-FOCAC, etc. Hence, for example, a *SADC-FOCAC Forum* (or an *ECOWAS-FOCAC Forum*, etc.) involving the facilitating coordination of the AU’s DTI could allow for sub-regional engagements with China at the REC level where more regionally sensitive Sino-African economic relations can be developed. These could be capped off by periodic Africa-wide AU-FOCAC summits. The fact that the grand Beijing summit of FOCAC with all of Africa’s leaders apparently did not feature a central coordinating role for the AU is indicative of what has been lacking in terms of strategic equality between China and Africa with regard to the central role that should be played by the AU in conjunction with the RECs.

Whereas this allowed for Moroccan participation at the FOCAC summit, this ran counter to respect for the AU in as much as Morocco has withdrawn from the body. Yet Beijing rigidly mandates a ‘One China’ conditionality in all its diplomatic relations without exception. Moreover, joint AU-REC diplomacy toward China and other major powers, including the developed countries, adds a crucial dimension and incentive for the AU to begin, in earnest, the difficult and complicated but necessary rationalisation of the multiplicity of RECs into the AU’s five regions. Africa is already under pressure in this regard for implementation of the EU’s Economic Partnership Agreements (EPAs) wherein the regional/sub-regional boundaries of such agreements need to be delineated.

At an early July conference in Cape Town (2007), South African Finance Minister Trevor Manuel stressed that Africa must be in the driver’s seat in determining such boundaries. Here, in fact, is an excellent example of why AU/REC diplomacy with regard to China and other major powers must factor in the EU and the G8 generally. For a regionally-based AU/REC strategy toward China would be immeasurably strengthened by the sort of boundary-setting rationalisation called for by the EPAs.

CONCLUSION: OVERCOMING AFRICA'S COMPLICATED DIPLOMATIC TERRAIN

African diplomatic pro-activity regarding China is complicated by, among other things, the absence of a settlement to the Western Sahara stalemate between Morocco and the 'Saharwi Republic' which is recognised by the AU and by the overlapping proliferation of RECs. The Western Sahara stalemate has also rendered the Arab Maghreb Union (AMU) moribund. This robs the AU of a REC partner to coordinate with in terms of North Africa's extra-continental relations; a predicament made all the more complicated by the EU-Mediterranean Partnership and France's intent on constructing a 'Mediterranean Union' under Paris' new Sarkozy administration. Within the context of periodic Franco-African summits, the AU seems not to have a diplomatic strategy toward Afro-Mediterranean relations even though the issue of sub-Saharan African migration into the Maghreb and beyond into Europe cries out for a more coherent AU-EU structured diplomacy on such issues.

Regarding the issue of multiple RECs, the AU in conjunction with the RECs needs to sort out its own interim inter-African diplomacy of a regionalised engagement with China within the FOCAC framework, pending a more institutionally rationalised REC framework. In the case of southern Africa, SADC naturally takes priority over the Southern African Customs Union (SACU), while South Africa, in the course of negotiating its trade arrangements, incorporates SACU into its trade diplomacy. Therefore, any free trade arrangement arrived at between South Africa and China will have to factor in the SACU interests of Botswana, Lesotho, Namibia and Swaziland. With respect to eastern Africa, the East African Community (EAC) would be the focal point for east African-FOCAC relations.

The problem is that the Common Market of Eastern and Southern Africa (COMESA) embraces both SADC (including SACU) and EAC member states. Perhaps a standing presence of the COMESA secretariat at both a SADC-FOCAC Forum and a EAC-FOCAC Forum, both under the joint coordination with AU/DTI, could serve as a manageable interim arrangement of eastern and southern African diplomacy with China pending the rationalisation of the REC picture in these two sub-regions. Sorting out such inter-African relationships within the context of fashioning a pro-active strategic diplomacy toward China and other world powers is illustrative of the challenge facing Africa in overcoming its fragmentation.

AASROC: A FORGOTTEN STRATEGIC AFRO-ASIAN PARTNERSHIP?

Diplomacy toward China, however, needs to also factor in a broader African strategic approach to Asia as a whole as other major Asian actors such as India also figure into the AU/DTI scope for coordinating Africa's external engagements. In this vein, a differentiated diplomacy toward Asian actors needs to be explored in terms of which Asian actors may have a comparative advantage in given sectors of economic and developmental cooperation that will optimally benefit Africa within the context of South-South cooperation. Here, it appears that the 'New Asia Africa Strategic Partnership' launched at the 50th anniversary of Bandung in 2005 has been overlooked as a diplomatic framework for forging relations between African and Asian RECs. The Asia Africa Sub-Regional Organisation Conference (AASROC), after all, is the mechanism established at Bandung to facilitate such a relationship, especially with the Association of South East Asian Nations (ASEAN). ASEAN must also contend with China's 'peaceful

rise' in Southeast Asia. Both India, through its India-NEPAD Fund and China's FOCAC are affiliated with this Afro-Asian strategic initiative.

Finally, a carefully calibrated and considered African diplomacy toward China should benefit immeasurably from Africa's mobilisation of its own resources. These should, at least half-way, match the resources of external actors like China. In this regard, the recent South Africa-Ghana launch of NEPAD's Pan-African Infrastructural Development Fund (PAIDF) at the tune of a US\$ 625 million investment of pension funds is a welcomed sign. This came in the wake of China's recent US\$ 20 billion infrastructural development commitment for projects in Africa¹⁸. The PAIDF aim is to raise a fund of US\$ 1 billion from own African sources for NEPAD's infrastructural development agenda. To the extent that Africa can leverage its own resources in such crucially strategic areas of developmental investment, it strengthens its diplomatic capacity to direct external investment in the continent in accord with Africa's agenda. The strategic diplomatic aim must be to ensure that Chinese and other investments reinforce the NEPAD blueprint for continental renewal.

PROSPECTS FOR A COHERENT AFRICAN POLICY RESPONSE: ENGAGING CHINA

Dr Garth le Pere[‡]

INTRODUCTION

I have approached this assignment with a certain amount of trepidation and anxiety. This stems from what I think is exaggerated consternation and fear about China's growing footprint across Africa that borders on dangerous sophistry and Machiavellian dissimulation. While there are legitimate and justifiable concerns about how to manage the engagement, the phobia over which Chinese engagement in Africa is perceived as a threat is largely a product of Western-inspired hypocrisy and arrogance that is increasingly finding echo among Africans themselves.

The historical record will show that European and American policies in Africa were characterised by a mixture of exploitation, aggression, hubris, injustice and oppression. The engagement of the Western powers was organised mostly for economic gain and buttressed by political expediency rather than ethical restraint. The imperative of coherent policy responses towards China by Africa must therefore not fall prey to lazy caricature and crude stereotyping lest we fall into a trap of moral relativism where the West is held to one set of standards and China to another (see for example Taylor, 2006 and Tull, 2006). With that caveat in mind, I will attempt to provide a balance sheet of the salient features of China's closer strategic partnership with Africa and its increasing economic, social and political activities on the continent, highlighting both the positive and the negative, and concluding with some prospects for framing a coherent African response.

Sino-African relations date back to the days of antiquity. As a measure of links, reference is often made to the ancient Chinese mariner, Zheng He, who visited the east coast of Africa in the early days of the Ming dynasty in the 15th century. Another historic landmark was the visit of Zhou En-lai in 1963/64 when he articulated five principles which would underpin the promotion of friendly Sino-African relations (Snow, 1988). Those principles have endured over generations of Chinese leadership and are no different in letter and spirit from Jiang Zemin's Five Point Proposal for cooperation with Africa: to promote friendship and sincerity; respect the principles of sovereignty and non-intervention; promote development on the basis of equality and mutual benefit; establish norms of solidarity and consultation in international affairs; and cooperate to create a more peaceful, stable and prosperous world.

The China-Africa Summit that took place in Beijing from 4-5 November 2006 was the third summit to be held under the auspices of the Forum on China-Africa Cooperation (FOCAC), initiated in 2000. The summit in 2006 is said to have been the largest international gathering ever held in China. 48 countries and 43 African Heads of State participated in the summit. Even the five countries that still maintained diplomatic relations with Taiwan at the time were invited: Burkina Faso, Gambia, Malawi (which in

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December 2007 officially recognised the PRC), Sao Tomé e Príncipe and Swaziland. The summit marked six years of intensive bilateral cooperation and coincided with 50 years of diplomatic relations between China and African states.

SHAPING THE SINO-AFRICAN NEXUS

THE FOCAC PROCESS AND TRADE

More than four decades after Zhou's visit in the 1960's, FOCAC now embeds the Chinese discourse about mutual economic benefit, development assistance, political dialogue and international cooperation. If statements by African leaders are anything to go by, it appears that these principles are generally endorsed and accepted. As made clear by China's Africa Policy paper published in January 2006, China respects African countries' independent choices and paths of development. Hence, it will provide and increase its assistance to African countries with no political conditions attached.

At present, China has diplomatic relations with every African country except the four countries mentioned above. Thus 49 countries participate in FOCAC frameworks and processes of cooperation which cover the entire spectrum of relations, from political to social, cultural and scientific, and from economic to trade and investment (le Pere and Shelton, 2007: 141-159). In contrast to the perceptual prism and deficit model of the West, in the view of which Africa is characterised by chaos, conflict, poor governance, underdevelopment and, in essence, a looming apocalypse. China holds a different picture of the African continent. In the Chinese view, rich diversity in culture, religion, social dynamism and popular energy is complemented on the African continent with vast development synergy and of course, great opportunities for business. It is the complementarities in needs and resources that propel the burgeoning relationship between China and Africa (see Goldstein *et al*, 2006).

Indeed, China has about one fifth of the world's population, yet only 7% of its productive land. Hence the oil, timber, and the mineral resources that China lacks are absolutely critical to sustain its rapid economic growth and modernisation. It is hardly surprising then that trade between 1999 and 2006 has increased tenfold to about US\$ 56 billion. China's imports from Africa are mainly oil and minerals and its exports to the African continent include a wide variety of consumer goods. Official figures are not easy to come by, but development assistance was estimated at US\$ 5.7 billion by 2006. By 2004, 800 Chinese companies had invested more than US\$ 1 billion in Africa (Tjonneland *et al*, 2006).

THE ROLE OF CHINA'S EXIM BANK

China's Export-Import (EXIM) Bank, the official credit agency of the People's Republic of China, assists with financing infrastructure required for extracting and transporting energy and mineral resources. Its loans primarily benefit state-owned enterprises (SOEs) while private companies use China's informal and private lending markets. By the end of 2005, China's EXIM Bank approved loans worth US\$ 6.5 billion, for 260 projects in 36 African countries. Concessional and low-interest loans for infrastructure development amount to US\$ 12.5 billion and more than 80% are concentrated in Angola, Mozambique, Sudan and Zimbabwe. Projects in electricity generation account for 40% of the loans, followed by multi-

sector commitment (24%), transport (20%), telecommunications (12%) and water projects (4%). Projects at various stages of development include hydropower dams in Congo-Brazzaville, Ethiopia, Mozambique, Sudan and Zambia; railway lines in Angola and Sudan; copper mines in the Democratic Republic of the Congo (DRC) and Zambia, and platinum mines in Zimbabwe.

At the FOCAC summit in November 2006, President Hu Jintao announced that China would double its assistance by 2009, provide US\$ 3 billion in preferential loans and US\$ 2 billion in preferential buyer's credits to Africa over the next three years. It will also establish 3-5 trade and economic cooperation zones, the first and second of which are likely to be established in Chambishi, Zambia and in Egypt. Enhanced market access on the basis of zero tariffs will be provided to Africa's least developed countries (LDCs) through an increase from 190 to 440 export products. Furthermore, China has signed 27 framework agreements with African governments regarding concessional loans. In practice, once a government has proven its pedigree in establishing close political and economic relations with China, outstanding loans and debt are typically forgiven as was the case at the second FOCAC meeting in Addis Ababa in 2003, when China unconditionally cancelled the debt of 31 African countries to the total of US\$ 1.27 billion (le Pere and Shelton, 2007: 122-32).

SOCIAL DEVELOPMENT

Trade, investment and improved communications infrastructure are crucial parts of the calculus that defines Sino-Africa relations. However, social development also forms an integral part (Bräutigam, 1997). From the first medical team sent to Algeria in 1963 until the end of 2005, there have been over 15 000 Chinese medical personnel active in 47 countries. In 2006, there were more than 1000 Chinese doctors and nurses working in 36 countries. The China National Overseas Engineering Corporation has built two pharmaceutical plants in Africa for the sole purpose of manufacturing artemisinin (a derivative of the Artemisia shrub) which is very effective in treating malaria. At the Beijing Summit, Hu Jintao also announced support for 30 new hospitals in Africa, 30 malaria prevention and treatment centres and an additional US\$ 38 million for the provision of artemisinin over the next three years.

By 2009, government scholarships for African students to study in China will be doubled from their present 2000; and 15 000 African professionals will be trained in technical, scientific and administrative fields in 2007-09. This will increase the potential pool of local labour that China can draw on in its development and business projects. Over 10 000 Chinese agro-technicians have been sent to work on some 200 agricultural projects. In contrast to G8's desultory pledges to Africa, at the next FOCAC meeting in Egypt in 2009, there will be a full audit and direct assessment of all commitments made in Beijing last year.

AREAS OF CONCERN

Most concerns about China's conduct in Africa focus on its 'no strings attached' approach and its permissive policies which, it is alleged, support and strengthen undemocratic and repressive regimes, undermine the fight against corruption and good governance, weaken social and environmental standards, and could initiate a new cycle of debt and dependence. Let us examine some examples.

SUPPORT TO “ROUGE STATES”; THE EXAMPLES OF SUDAN, NIGERIA AND ANGOLA

Sudan is often cited as the most prominent example of China's support for an undemocratic and repressive regime, and where its non-interference principle has been most criticised. China is the main investor in Sudan's oil exploration, chemical industry and rail transport. China has sold arms to Sudan and there are claims that these have been used to fuel the conflict in Darfur (Askouri, 2007: 74-85). China has also supported Sudan in the United Nations (UN) Security Council, threatening to use its veto against attempts to impose an oil embargo on Sudan. However, to China's credit it has urged Khartoum to be more flexible in allowing UN peacekeepers to enter the country and has been publicly supportive of urging the Sudanese government to accept the proposed African Union/UN hybrid force to which it has now agreed.

Nigeria is also becoming a challenge since Chinese oil workers have become targets of the militant Movement for the Emancipation of the Niger Delta, who want to see greater redistributive justice in oil revenues and want reparation for decades of environmental destruction.

Angola is another African country where China has faced sharp criticism and scrutiny. Human Rights Watch claims that between 1997 and 2002, a startling US\$ 4 billion in Angola's oil revenues was skimmed from public coffers. The large Chinese oil investments in the country have allegedly allowed the government to evade international pressure to strengthen transparency in its oil sector. A concessional loan of US\$ 2 billion from China's EXIM Bank also gave the Angolan government the possibility to ignore clamour from Western donors and international agencies to improve its good governance record.

It could be suggested that more engagement and political dialogue at the AU level would facilitate the development of strategies as to how China could become more supportive of the continent's democracy, good governance and human rights agenda without compromising its non-interference principles. Indeed, there seems to be a creeping realisation in China that over time, non-interference could prove anathema to and collide with its deepening interests in Africa.

THE PROBLEM OF CORRUPTION

China has ratified the UN Convention against Corruption in January 2006. However the Chinese fight against corruption applies more to its domestic regime than its international economic activities. The Bribe Payers Index (BPI) (Transparency International, 2006) is a ranking of the propensity of the firms of 30 of the world's leading exporting countries to bribe when operating abroad. In October 2006, the BPI ranked China 29th out of 30 countries, indicating that Chinese firms operating abroad are highly likely to pay bribes. In addition, the Chinese EXIM Bank does not have an official policy on corruption. It has no mechanism in place for ensuring that projects it finances are free of corruption, more so since these are not subject to international competitive bidding. China is aware of the problem, and it is encouraging to note its commitment at the November FOCAC summit to ensure that its African projects are in line with international best practice and principles of fairness, equity and transparency.

In September 2006, an African Union task force examined Chinese investment practices. It focused on financial transparency and combating of corruption as key elements of Africa's evolving partnership with China. In order to develop a framework for action in the matter, the OECD's full Action Statement on Bribery and Officially Supported Export Credits could be a useful model.

GROWING ENVIRONMENTAL CONCERNS

The African Union task force also highlighted the necessity for China to pay greater attention to environmental protection in its investment practices (Chan-Fishel, 2007). For example, concern has been raised about the Merowe Dam project in Sudan, which is one of the largest hydropower projects currently under construction with its planned capacity of 1250 megawatts. China's EXIM Bank is providing half of the total US\$ 1.4 billion in multinational project financing. With a 174km long reservoir and a surface area of 476km, the project will have severe social and environmental impacts, and already more than 50 000 people are being displaced from the fertile Nile valley to other arid desert locations to make way for the dam project (Askouri, 2007).

In this regard, it would again be useful for China and the AU task force to examine the OECD guidelines and practices embodied in its Common Approaches to the Environment and Officially Supported Export Credits. These guidelines contain very specific standards, benchmarks and measures for assessing projects that might have adverse environmental impacts. If China is not held to higher standards, the obvious fear is that there will be an environmental and social race to the bottom since China will finance projects that western agencies reject due to environmental and social concerns.

Conversely, western financial institutions may use competition by Chinese banks as an excuse to lower their own standards. Nevertheless and alive to the challenge, the Action Plan adopted at the 2006 FOCAC summit enjoins China to give high priority to African concerns relating to environmental protection and sustainable development. Furthermore, the above mentioned Chinese policy paper of January 2006 refers to active China-Africa cooperation in climate change, water resources conservation, anti-desertification, bio-diversity and other areas of environmental protection. In this regard, monitoring at all levels and by all concerned actors becomes an imperative.

CHALLENGES OF IMAGE MANAGEMENT

Another concern is China's vertical integration formula of investment, project operation and business conduct in Africa (Alden, 2005). The adherence to this formula varies, as to a greater or lesser extent, management, project design, labour, material, components, and technology used in projects on the African continent might originate in China. This might limit technology transfer and a positive impact on local African economies. Furthermore, the dumping of cheap Chinese imports and the displacement of local industries, especially within clothing and textiles, has aroused growing anti-Chinese sentiment and popular antipathy across the continent. While some Africans argue that China has neither encouraged participation of local business nor supported technology transfer into the local economy, the Chinese pose that they find it very difficult to identify appropriate African sources and partners for their needs and that project completion and quality could be compromised in such a search. In addition, the cultural

and linguistic distance complicates the issue further. The burgeoning Chinese communities across Africa have allegedly become closed enclaves, insensitive to local custom, norms and social practices.

China is aware of the growing impact of this negative image and has started a process of establishing Confucius Institutes in Africa in an attempt to bridge the language, information and cultural divide. Increasing numbers of Chinese visitors also help to bridge this perceived cultural divide. With 26 African countries now being accorded 'Approved Destination Status' by China, it is projected that there will be 1 million Chinese tourists travelling to Africa by 2020, compared to the 110 000 in 2005.

Chinese companies have also been urged to be more conscious of their social and corporate responsibility and there has even been a hint by Cheng Siwei, Vice-Chairman of the Standing Committee of the People's Congress, that Chinese companies will in future be held to stricter codes of conduct and could face legal penalties where they are found wanting in their social responsibility, including adhering to local labour and occupational safety standards. The National Development and Reform Commission, the Ministry of Commerce and business associations in China have also been seized with giving corporate social responsibility a Chinese character and have been studying the OECD Guidelines for Multinational Enterprises. As such, there is a proposal that all chief executives of major Chinese companies must take compulsory courses on corporate social responsibility.

DEFINING CHINA'S STRATEGIC APPROACH

What then are the key themes and strategic factors that define China's involvement in Africa? There are essentially six broad areas that come together in a coherent logic and help to shape China's approach to Africa (see le Pere, 2006 and Garrett, 2006). These themes can be summarised as follows:

- China's attempt to develop a strategic partnership with Africa is consistent with Beijing's global foreign policy strategy and its vision for a different kind of international system. As such, China's core national interests and strategic needs will increasingly bind it to Africa. China needs resources for its growth and modernisation, export markets to sustain its growing economy and political alliances to support its global ambitions.
- Chinese leadership and officials believe that China's historical experience and its development model are instructive and useful for Africa. This belief resonates strongly among African countries and governments, giving the Sino-African relationship a comparative advantage that the West does not enjoy. China has experienced colonial domination and encroachment of more than a century, and knows the effects of internal chaos and economic destitution. Africa finds common ground with China, because in Beijing's view, the western development experience has been too remote and fractious, offering few transferable lessons, and moreover, the legacy of western involvement in Africa's development has hardly been a resounding success; rather, it has been sanctimonious, bureaucratic, and highly conditional.

- China's history of solidarity, sincerity, friendship, respect for and assistance to Africa remain overarching values that in the Chinese rhetoric continue to define its strategic engagement with Africa. The Chinese support for principles of sovereignty and non-interference in the internal affairs of African countries dates back to the Bandung Conference of 1955 and is contrasted to what is seen as 'hegemonism' of the West and the poor political and security environment stoked by US and Soviet rivalry in Africa during the Cold War. Beijing has also not forgotten the support of 27 African countries in 1971 in helping it to gain its seat in the UN.
- China believes that Africa is on the threshold of a developmental take-off. This gives China an opportunity to play a positive and active role in assisting the continent to address its multiple challenges. Peace and stability are important and China, for example, is increasingly committing resources to and participating in UN peacekeeping operations in Africa. Chinese peacekeepers and support staff have participated in UN missions in countries such as Sudan, Liberia and the Democratic Republic of Congo (FOCAC, 2006).
- China views the bilateral state-centric approach as the preferred avenue for its engagement in Africa, for developing its core strengths and for defining common interests with African countries. The Beijing Action Plan of 2006 is a result of several years of political dialogue, government planning missions and high level reciprocal visits by heads of state and senior government officials and ministers. China's Africa policy is not complicated by private domestic constituencies and interest groups since it lacks organised, independent business and civil society sectors. Hence, state leaders and official diplomats have a relatively free hand in shaping and implementing its approach to Africa. Thus, in business activity on the African continent, China's engagement is orchestrated by the highest political instance and led by state-owned or state-influenced companies.
- China views engagement with third parties regarding its approach to Africa as serving its interests and is open to dialogue with the US and other developed countries, but will only do so on its own terms, incrementally and cautiously. Such collaboration could however be of good use since there is western expertise, experience and knowledge of Africa that could be salutary for China, especially with regards to how to engage regional organisations, civil society and business partners. However, China remains very sensitive to western engagement and criticism of its approach to Africa. This reflects ongoing concern about United States' domination, its overreaching power, influence and hypocritical moralising and the related fear that America's long term intention is to undermine China's emergence as a global power.

CONCLUSION: CRAFTING AN AFRICAN RESPONSE

FOCAC forms the basis for managing the relationship between China and Africa across a range of strategic dimensions and has proved its worth as a forum for codifying an increasingly complex and rapidly expanding cooperation agenda and development framework. There are, however, tensions and points of friction that are emerging, which I have tried to highlight. An African response can, therefore, be crafted in the following six areas which could help to strengthen and reinforce the essential underpinnings of the engagement.

STRENGTHEN AFRICAN AGENDA IN RELATION TO CHINA THROUGH CIVIL SOCIETY

There is a need for Africans to make more of an effort to overcome obstacles related to language, culture, and racial bias, the so-called 'yellow peril' stereotype. Demonising China is not helpful; rather, Africans themselves must become better cultural ambassadors for engaging Chinese diplomats, businessmen, technicians, labourers, doctors, peacekeepers and tourists. The non-governmental sector, both in terms of religious and civil organisations, could become the champions in establishing networks of China-Africa friendship societies (see Obiorah, 2007).

This could be a helpful circuit since such bodies have a wide range of networks and extensive linkages within and among societies in Africa. They also exercise strong opinions in matters of public debate and interest. The non-governmental sector and civil society actors can further play an important role in socialising and sensitising China to governance and accountability imperatives in Africa. They have expertise and experience across multiple sectors including, for example, election monitoring, independent media, human rights, and the empowerment of women.

THE DEVELOPMENT OF COMMON STANDARDS FOR FOREIGN AID DONORS IN AFRICA

African countries must become more involved in insisting on harmonisation of donor activity in Africa in such a manner that international and bilateral donors systematically share data and develop complementary approaches with China. China has signed the 2004 Paris Declaration on aid effectiveness which, among other things, calls for improved alignment between donors and the development policies of aid recipients. China also increasingly refers to assisting Africa with meeting the benchmarks of the Millennium Development Goals (MDGs), another arena that invites closer multilateral cooperation.

As mentioned above, there is mounting concern that Chinese unconditional lending practices might undermine western debt relief strategies for reducing Africa's debt. Critics have warned that China's lending practices may reintroduce unsustainable debt burdens in Africa. Washington is particularly concerned with Africa's current borrowing patterns and the impact this may have on the long-term effectiveness of the Highly Indebted Poor Country (HIPC) debt relief initiative. At the continental level, the AU should insist on deepening the US-China regional sub-dialogue initiated in 2005 as a means for addressing US rising concerns about China's role in Africa with regard to Darfur, debt, energy competition, business practices, and relations with autocratic regimes.

CHINESE SUPPORT OF THE EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE

African governments and the non-governmental sector should urge China to actively support and consequently participate in the Extractive Industries Transparency Initiative (EITI). EITI was initiated in 2003 and seeks to improve governance and poverty reduction in resource-rich countries through the verification and full publication of company payments and government revenues from oil, gas and mining. Currently 15 countries (of which nine are African) are candidate to the EITI and nine (of which seven are African) are pending since a decision has not yet been taken regarding their possible candidate status.

The EITI also enjoys the support of other western governments, multinational companies in the extractive sector, industry associations, international organisations, NGOs and major institutional investors. The active support of the EITI principles by Chinese companies operating in Africa, and a subsequent Chinese participation in EITI, would significantly enhance both the legitimacy of Chinese extractive activity in Africa and the possibility of resource rich African countries to fight corruption and promote greater transparency. (www.eitransparency.org)

IMPROVEMENT OF AFRICAN REGULATORY FRAMEWORKS IMPERATIVE

Closely linked to the undertaking of the EITI is the need for African governments to improve their own regulatory frameworks and policies for business, investment, environmental protection, and labour relations (Shelton, 2001). It is widely argued that the Chinese mission in Africa simply consists of pursuing its national interest. Hence, it is argued, China acts rationally and pragmatically in seeking business and investment opportunities where these exist and cannot be held accountable for the absence of appropriate regulatory mechanisms and administrative systems in Africa.

It is the responsibility of African governments to monitor Chinese business practices by, for example, ensuring that there are competition laws and policies in place to prevent the abuse of market dominance and uncompetitive practices which many Chinese companies stand accused of. Importantly, strategic sectors such as energy, infrastructure, communications, fisheries, forestry and mining require extra vigilance in management and governance practices. Lastly, to build local competence and to stimulate debate regarding China's engagement in Africa, there is a growing need for empirical research and analysis initiated and carried out at local African level.

IMPROVEMENT OF SINO-AFRICAN COOPERATION

The time has come for the AU task force to explore with China the need to establish a FOCAC Secretariat in Africa or a similar high-level coordinating body to guide and implement the increasingly complex mix of ambitious political, economic and social policy initiatives that comprise the Sino-African cooperation agenda. Importantly, regional economic communities such as the Southern African Development Community (SADC) and the Economic Community of West African States (ECOWAS) must become more engaged in the exercise and should develop regional mechanisms that complement and support the continental strategy.

In short, African ownership in the FOCAC process must be deepened and enhanced lest it risks to be seen as a Chinese Trojan horse. Such deepened influence would help to better identify priorities and targets in China's ambitious assistance goals and economic aspirations and could also give African leaders and civil society a greater say in shaping the level and nature of China's engagement (Marks, 2007). It could also provide third parties with an appropriate institutional interlocutor and channel to initiate and coordinate collaborative activities in Africa. Lastly, regular consultations with African stakeholders would help to give greater legitimacy and transparency to Chinese policies.

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SEEING THE NEW AFRICAN SCRAMBLE FOR WHAT IT REALLY IS: REFLECTIONS ON THE UNITED STATES AND CHINA

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A new scramble for Africa is underway. After decades of neglect, the continent and its riches are once again being sought by the outside world. This is most graphically demonstrated in the data on foreign investment to the continent. The United Nations Conference on Trade and Development's (UNCTAD) World Investment Report 2006 indicates that foreign direct investment in Africa increased from lows of US\$ 2 billion to US\$ 3 billion per annum in the early 1990s to US\$ 31 billion in 2005. This represents a 78% increase on 2004 figures and all indications are that the figures have risen for 2006. These figures also demonstrate that all of the world's major economic actors have a presence on the continent. Yet it is two of them – the United States and China – whose footprints could leave the most lasting legacy. And this legacy is unlikely to be positive.

The US's recent engagement in Africa suggests that it has developed a new sense of urgency with regards to the continent. Driven by its need to diversify its sources of energy away from the Middle East, and constrained by the Chavez factor in Latin America, the US has begun to cast a longing eye at Africa's sources of oil. Moreover, concerned about Africa becoming a haven and a breeding ground for terrorists, it has recast the gaze of its 'war on terror' on parts of the continent.

This mix of concerns has led to three innovations in its engagement with Africa. First, the US has identified four anchor states – Egypt, Ethiopia, Nigeria and South Africa – to partner with in stabilising and containing the continent. Second, it has established a new military command, Africom, to take direct responsibility for US interest in Africa. Finally, it has established a whole new set of bilateral deals with oil rich regimes, many of whom have questionable democratic and developmental credentials.

China, on the other hand, has also begun to play the field in Africa. Driven by its own energy demands that are increasing exponentially as a result of its booming economy, it has established multiple bilateral relations with oil and mineral rich states. Offering a mix of loans on generous terms, debt forgiveness, assistance with infrastructure development, playing on its 'developing world' status, and the fact that its assistance does not come with political conditionality, China has made significant political and economic inroads into the continent. It has formal political relations with 50 of the 54 African countries. Moreover, it has significantly increased its trade with the continent since 1999, which approximated US\$ 56 billion by 2006. It is important to note that this is likely to continue given the Chinese State's control over billions of surplus dollars, its command over the investment decisions of Chinese firms, and its consolidation of political relations with almost all of the African countries.

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Two growing foreign footprints are thus becoming evident on the continent, and they have generated two distinct responses. On the one hand, there are a group of researchers, business men and politicians (mainly located in the opposition) who advocate for South Africa throwing its lot with the US and Western camp. Warning of the autocratic nature of the Chinese regime, its relations with unsavoury leaders on the continent, and the capacity for corruption to flower to the detriment of the continent's citizens, they argue that partnerships with the US are likely to have more positive democratic and developmental effects. On the other hand, there are many on the left, and even some businessmen savouring the prospect of making enormous profits from an engagement with the booming Asian economy, who recommend a partnership with China on the grounds of real-politik and real-economik, and/or the fact that its development represents an alternative path that holds promise for the African continent.

Both these responses are surely flawed. The advocates of the 'western partnership' too easily gloss over the hypocrisy of US and the EU, who also have relationships with their own favourite autocrats, and whose engagement with Africa has been just as, if not more, corruption-inducing as the Chinese. But western hypocrisy should not lead us to be blind to the problems of the Chinese expansion. The Chinese approach which is founded on two principles – bilateral engagements organised through political elites, and ignoring the domestic record of governments as being a matter for the internal affairs of states – could have adverse consequences for democracy and development if only because so many of the regimes they engage with are authoritarian and unresponsive to the concerns and interests of the African citizenry. Ultimately it would be prudent for advocates of African development to recognise that both countries are on the continent to advance their own national interest, and any harbouring of illusions to the contrary would only result in future disappointment.

Unfortunately this is not the case. While many progressive African advocates of development see through the propaganda of the US and EU in this regard, many are too easily beguiled by the Chinese promise of an alternative path to development. The most dramatic example of this is Garth le Pere whose *Prospects for a Coherent Policy Response: Engaging China* provides one of the more sophisticated defences of Chinese engagement in Africa. Le Pere, concerned with the China bashing, which he perceives as largely the product "of western-inspired hypocrisy and arrogance", insists that the Asian country's engagement with Africa holds the potential for a more equitable and citizen responsive development on the continent.

He makes this case by arguing that there has not only been a ten-fold increase in Chinese-Africa trade to US\$ 56 billion between 1999 and 2006, but the former has also been willing to provide economic assistance (US\$ 5.7 billion by 2006) without political conditionality, and has extensive social and educational involvement on the continent. Le Pere of course acknowledges that there is some merit to the charge that China is too willing to deal with authoritarian governments and look the other way when citizens' rights are trampled, and could do more with regards to mitigating the environmental and social consequences of its investments. However, he insists that this could be easily achieved with a more transparent and managed engagement with Africa.

This attempt to correct the paranoid analyses of China must be welcomed. But care must be taken not to replace paranoid analyses with romanticised ones. There is evidence of this at three levels in Le Pere's contribution. First, on the methodological front, it is useful to note that the case for China's involvement in Africa cannot be made simply on the basis of what is stipulated in official documents. All official documents, and especially foreign policy ones crafted in diplomatic gatherings, are drenched with lofty phrases and promises, very little of which is implemented. Therefore, the case to be made, if there is one, has to be premised on the actual practice and behaviour of China. It is worthwhile to note that as in the case of US-Soviet relations in the cold war era, foreign power interventions in Africa are as much determined by their competitors' actions as it is by their own interventions. In this regard, Chinese behaviour is very much conditioned by the nature and character of US involvement on the continent.

Second, Le Pere and others have trumpeted China's approach to provide aid and loans without demanding political conditionality, suggesting that there is not only an implicit equality between giver and receiver in the relationship, but that it also has better developmental consequences for the continent. This argument is attractive especially since much of the conditionality demanded in structural adjustment programmes by western powers and international financial agencies over the last two decades have primarily advantaged multi-national corporations and domestic political elites. Conditionality is thus widely perceived as an instrument to enable the family silver to be sold off and Africa's future to be mortgaged to the West.

Yet, while there is much truth in this assessment, it needs to be realised that conditionality can have both positive and negative consequences, depending on the specific parties, the nature of their relationship, and the stipulated preconditions of aid. Obviously if the target of the conditions is an authoritarian government, and the purpose is to protect citizens from arbitrary action and repression, then such conditionality can have positive outcomes. China's respect for 'sovereignty' in these cases, and its refusal to consider domestic variables in its aid engagements, could have adverse consequences for some of the continent's citizens.

Finally, the recommendations advanced by Le Pere, that are located mainly at the level of managerial processes, really do not go far enough in creating the conditions for a more equitable Sino-African relationship. The problem is that Le Pere does not seem to recognise that ultimately, Chinese engagement in Africa is driven by national interest, and that the skewed benefits in favour of the Asian power is largely the result of the unequal distribution of power between it and African countries. If the goal is to construct a more mutually beneficial relationship, then this unequal distribution of power between the parties has to be addressed.

Moreover, it is true that China has successfully implemented an alternative development path, which may have more developmental possibilities for the African continent. However it is important to note that the promise will only be realised if Africa does not become compliant to the Chinese agenda and is able to play off the competitors for Africa's resources with a view to maximising the benefits for the continent.

This requires a strategic engagement and a set of actions designed specifically to enhance the leverage of African countries in their relations with China.

Such a transformation in the distribution of power is also necessary for averting what is perhaps the greatest danger looming from this new scramble for Africa's resources: the emergence of proxy wars and the establishment of client states. The last time such a scramble took place, during the period of the Cold War, the consequences were devastating for the continent. Both foreign powers – the US and Soviet Union in that case – established client regimes, funded rebel armies, and engaged in proxy wars. The result was a continent wracked by civil wars, displacement of citizens, and cross border refugee flows. Africa's political elite should be concerned with ways to avoid this scenario being repeated in the future.

There are some who would dismiss this potential continental threat as a doomsday scenario. Yet these same individuals would be hard pressed to explain current developments in Sudan and Somalia without reference to the destructive roles of the US and China. In Sudan, an autocratic regime supported by China is in power, housing rebel armies both in the South and in Darfur which receive military and other aid covertly from the US and its allies. Similarly, the Ethiopians did not suddenly wake up and decide to invade their Somali neighbours. They were encouraged and provided with support to do so by the US in particular, with the intention to stabilise the Horn and strengthen US interests in the region. Sudan and Somalia then represent the first proxy wars of the new scramble for Africa.

What can be done to avoid both Chinese and US dominance in their engagements with Africa, and the more general threat of proxy wars and political instability occasioned by the race for Africa's resources? A collective African response may be the only solution to this continental threat. What form would it take? Some would argue for a pan-African solution in the form of a United States of Africa. But while such a development would be positive, it is for all practical purposes unfeasible in the short to medium term. What about the possibility of a Continental Charter of Rights governing investments and engagements on the continent? Such a charter, which would have to be negotiated in the African Union, could supersede bilateral agreements and force all external powers to accord to a specific set of practices. Of course the administrative weaknesses and the capacity constraints of the AU may hinder compliance. But if such a charter were to be agreed to by the AU, it could be subsequently ratified in the UN, thereby extending and strengthening its institutionalisation, and enhancing the reach of its compliance.

Is this likely? Probably not, given the divisions within the AU. It is clear however that there is an urgent need to develop a continental African response. The failure to do so would have serious consequences for the continent and undermine all of the significant achievements of the last decade. Given this, should this not be the principal focus of South Africa's foreign policy in the coming year? Should South Africa's foreign policy not be directed to focusing African minds in a realistic attempt to develop a collective African response to a developing continental threat?

CHINA'S PREFERENTIAL TRADE POLICY AS A FOREIGN POLICY TOOL

*Philip Alves***

INTRODUCTION

As is now routinely observed, China's interest in Africa is based primarily on its need for two things: natural resources and diplomatic support. But Beijing is also extremely conscious of its international image and standing, and its interactions with Africa are important in that regard.

Arguably, however, much of the interaction to date has done China's image more harm than good. China's aversion to involving itself in the domestic affairs of African countries ensures goodwill amongst African governments, as does its eschewing of western-style conditions on the money it lends. Yet, it is precisely this principle of non-interference that has commentators and policymakers, especially in the West but now increasingly in Africa too, levelling serious criticism against Beijing. China is accused of coddling human rights violators, undermining international efforts to improve governance standards, and contributing to potentially unsustainable debt levels.

China is naturally eager to counter these charges, and deploys both rhetorical and policy tools to do so. Economic assistance in the form of billions of dollars in aid, project finance, state-led investment, technical cooperation, and debt relief for Africa bolsters Beijing's self-projection as a 'partner in development'. It also lends credibility through China's insistence on cooperation, mutual respect, and mutual benefit. And although this cooperation does not silence Beijing's critics, it does contribute to building pro-Beijing constituencies in Africa.

An additional facet of China's foreign policy towards Africa – preferential market access – has received much attention in the African press, but almost no hard analysis. It is among the clearest attempts by China to elevate its international standing, often mentioned alongside Beijing's recent forgiveness of over US\$ 1 billion in least developed country (LDC) debt. After all, offering preferential market access to fellow developing countries is both extremely rare and difficult to criticise. It is a display of magnanimity China uses to simultaneously reinforce relations with Africa and signal its rise to great power status. The question for Africa remains: is there economic value in this diplomatic offering?

WHAT DO WE KNOW ABOUT CHINESE FOREIGN POLICY?

China hinted at a more assertive foreign policy in 2003. Public statements by the former Vice Principal of the Central Party School Zheng Bijian acknowledged China's "... potential as a regional and global power" (Economy, 2006: 270)¹⁹, coining the now often-quoted phrase 'China's peaceful rise'²⁰. Many of the ideas therein are based on Beijing's so-called 'new security concept' of the late 1990s, which

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argues that Cold War-style competition between nations is out-dated and dangerous, and that the best route to greater international security and prosperity is through greater diplomatic and economic interaction.

The new 'policy-speak' emerged well after China's global footprint had begun to grow in meaningful ways. Nevertheless, Beijing's preoccupation with mitigating the 'China threat' view, which it perceives to be gaining currency in too many of the world's capitals, remains. 'Peaceful rise', for example, was rapidly replaced by 'peaceful development' on the basis that 'rise' itself is too threatening a term.

Hence, China's top foreign policy goal is the maintenance of a stable international environment. It views this as critical to achieving China's top domestic goal: ongoing economic transformation. China would thus presumably be committed to pursuing its interests within established international systems and legal frameworks. It is a 'system maintainer', at worst a 'system shaper', rather than a system destroyer, despite having had little influence in that system's development (Zhao, 2006).

Beijing frankly accepts that it does not (yet) possess the 'comprehensive national power' to approach international relations more aggressively. If its reading of global politics is accurate, it needs no other approach. First, the Chinese leadership expects no conflicts involving great powers over the medium term, and there is an acceptance that the uni-polar world dominated by the US is likely to remain as such for at least the next twenty years. Indeed, the major security threat of the future is seen as unconventional, brought on by the events of September 11, 2001 and the subsequent US response. In addressing it China understands that the US and its allies will require China's cooperation, making direct military confrontation less unlikely (Medeiros, 2006)²¹.

Second, China embraces globalisation, at least in the economic sense. In many ways Deng Xiaoping's decision in the late 1970s to open China to the world economy was the most important strategic foreign policy choice the Chinese Government has ever made. China's post-Mao leaders recognised early on that globalisation is an inevitable and intensifying process that necessitates greater economic interdependence among sovereign states. They recognise also that under such circumstances economic and 'soft' power become extremely important in international relations.

Yet, current foreign policy debates in China are not uncontested. Some support a far more assertive China. But for now, the cautious approach to foreign policy, instilled in the early 1990s, seems to dominate. The basic belief that China "...must keep a low profile in international affairs, bide its time, never take a lead, and build up its capabilities" (Zhao, 2006: 36), rather than seek hegemony (Economy, 2006: 270), still holds.

Medeiros (2006) succinctly summarises China's global foreign policy goals, which follow from above-mentioned considerations that Beijing takes to be important:

- To create a stable security environment for economic development.

- To seek opportunities for more trade and investment; secure and diversify access to natural resources, energy supplies.
- To reassure regional nations that China's rise is not threatening.
- To reduce the willingness and ability of regional nations to attempt to constrain China's rise; reduce international support for 'containment'.
- To reduce Taiwan's 'international space' and the ability of others to confer status and legitimacy on Taiwan.

THE FOCUS ON AFRICA

While China prioritises relations with its immediate neighbours and the US, it puts headline-generating emphasis on relations with Africa. Why? Yes, access to energy and other natural resources sits atop China's list of priorities. It is well-known that Africa is rich in a diverse range of raw materials, much of which remains underexploited. It is also becoming clear that China has little difficulty at the governmental level in securing access to Africa's subsoil and off-shore resources. And it is willing to explore, invest, and trade in marginal areas and pariah states where western companies will not tread.

China also sees Africa as an important market for its exports, and as a good incubator for emerging Chinese state-owned multinational companies. Chinese officials reportedly expect Africa's own economic take-off to begin soon, which will expand consumer markets for Chinese goods (Gill *et al*, 2006)²². In fact, according to China's own trade data, most African economies already import more from China than they export to it. And, in some instances, Africa's long-standing preferential access to western markets offers 'back door' entry for some Chinese producers.

But China's contemporary engagement with Africa – largesse backed with political solidarity and a commitment to non-interference – goes well beyond commerce. It furthers China's political interests in at least two important areas. The first is Taiwan; the second may be labelled 'global affairs'. Regarding the former, China has aggressively sought to foreclose Taiwan's diplomatic space on the African continent. Today only four African countries still recognise Taipei, down from fourteen since the end of World War Two²³. Taiwan's vigorous 'dollar diplomacy' strategy – buying through aid and investment a country's commitment to Taipei – appears to be reaching the limits of its effectiveness (Taylor, 2002).

Regarding global affairs, China's objectives are to counter the perception of a 'China threat', to garner support for the positions it takes in international fora, and to build a constituency for its increasing geopolitical eminence and eventual challenge to US primacy. It does so by attempting to inculcate in African governments a 'common vision' of globally important issues, and a belief in South-South cooperation and co-development. This is especially true of interactions in the United Nations, where China has courted African allies to shield itself from criticism and censure over human rights abuses, most notably since the Tiananmen Square massacre (Tull, 2006).

How does China do it? First, it uses history to its advantage. We know that China's interaction with Africa has a long history, dating back as far as the 15th century. At that time the relationships comprised

little more than gift-exchanges. But China's key arguments today, especially when countering criticisms from African sources, are that it never colonised Africa, that it will never become a neo-colonial or neo-imperial power in Africa, and that it eschews the free-market 'strait-jacket' imposed by the west. These have met with success:

By blaming Africa's underdevelopment on colonialism, Beijing believes it has established the moral high ground. From training "fighters for freedom" in the revolutionary 1960s and early 1970s to providing scholarships to children of African elites, China has been exporting its values for years. By successfully linking neo-colonialism with the neo-liberalism of Western countries, China has been able to win the hearts and minds of African elites. (S. Zhou in Gu and Humphrey, 2006: 5).

Second, Cold War politics provided space to cultivate enduring friendships. China's principal strategic goal was to counter the US and the former Soviet Union's influence in general, and it deployed various forms of assistance, including aid and military support for insurrections, in attempting to achieve it. Because of this, China, along with many other powerful countries, developed close relations with all manner of African regimes. The salient example is the former Zaire, which became one of China's largest aid recipients for its role in challenging the Soviet-backed regime in Angola (Brautigam, 1998: chapter 3).

More broadly, development assistance projects during the Cold War (like the Tanzania-Zambia railway employing 15 000 Chinese for over five years) were deployed to illustrate solidarity with the largely non-aligned Third World²⁴. Such projects also stimulated Chinese exports (although under Mao China was never concerned with trade) and secured contracts for Chinese construction companies. Such activities have, along with astute propaganda, helped to bolster Beijing's image in recipient countries (Brautigam, 1998: chapter 3).

Today, only three things have changed. First, the importance of political interests notwithstanding, the reasons why China engages Africa now have much more to do with commercial interests than with ideology. Indeed political pragmatism now best describes Chinese behaviour; politics smoothes often-turbulent processes that are driven by basic economic needs. Second, the array of policy tools at Beijing's disposal has widened and become more sophisticated. And third, the scale of the interaction – the sheer number and size of the projects and initiatives China is involved in – is much larger than before.

Of course, rhetoric remains vital, and China takes every opportunity to stress that its relationship with Africa is based on co-development, not mercantilism. Beijing's goal in all relationships with other developing countries is to foster cooperation, not to 'help', 'aid', or 'assist'²⁵.

China's massive financial entry into Africa, under the banner of solidarity and non-interference, has the potential to gradually match the influence on the continent of traditional donors. This is likely to occur

more rapidly in the many countries where the Washington Consensus is unpalatable, liberal governance is a long way off, and infrastructure is the development priority of the day. While it may prize 'a low profile' and good relations in Washington, Beijing is deploying rich country foreign policy tools, wrapped in developing country rhetoric, to project itself as an alternative to western donors in Africa.

China's newest such tool is the extension of unilateral trade preferences to Africa's least developed countries (LDCs). This is perhaps the least studied aspect of China's evolving Africa policy. To date, trade preferences for developing countries have been the preserve of rich countries, with mixed results for the recipient economies. While it is too early to judge the results of China's package of preferences, we can explore its design and assess its economic potential for African LDCs. Whether or not they will have an economic impact in Africa, they have already won praise there.

PREFERENTIAL MARKET ACCESS: A NOVEL SOUTH-SOUTH DEVELOPMENT

In the past few years Chinese officials have announced the elimination of tariffs on 440 products exported by LDCs in Africa that hold diplomatic relations with China. Few have seen the list of products covered, and no one has yet shown the economic value for the African LDCs.

This question is briefly examined. But first, to inform the analysis of new trade preferences, a look at the empirical record of US and EU trade preferences for these African LDCs, with special attention to shortcomings and missed opportunities is necessary. Following that is an assessment of the potential economic value of the Chinese preferences, examining the importance of the 440 products for the African LDCs and the margins of preference that apply. This is followed by a survey of the demand-side factors that could dampen the benefits for African economies: Chinese non-tariff barriers, restrictive rules of origin, and existing Chinese preferences for Asian LDCs. Based on the conclusions of the preceding sections, an outline of the probable impacts of these preferences in the African economies follows.

The development economist's argument for trade preferences is about windows of opportunity. Trade preferences, if well-designed and implemented, provide developing country exports with a price advantage. This advantage erodes as multilateral trade liberalisation reduces overall tariff levels, diminishing the margins of preference. Preference receivers are supposed to use the temporary price advantage to expand existing export industries and perhaps develop new ones, increasing efficiency enough to eventually compete on less preferential terms. If all goes well, this will stimulate sustained export-led growth, precisely what is needed for many developing countries to grow.

Trade preferences for African LDCs have existed in various forms for more than 20 years, but their results have been somewhat disappointing. The two most important preference schemes for African LDCs are the US African Growth and Opportunities Acts (AGOA I and II) and the EU Everything but Arms Initiative (EBA). The US and EU (considering it a single economy) are Africa's two largest export markets, and the preferences they offer African LDCs are broad. AGOA, which applies to 37 African

countries, some LDCs and some not, provides preferential access to over 6 400 products. EBA preferences apply to LDCs worldwide, covering 10 200 products. Because of their coverage and market size, the US and EU preferences are the standard-bearers for trade preferences to LDCs. However, their modest performance suggests that either something is wrong with the design of these preferences, or the African economies do not have what's needed to take advantage of transparent price incentives. Both turn out to be true.

While some very good empirical literature suggests that AGOA has generated a significant export response from African countries (see e.g. Fraser and van Biesebroeck, 2007), most studies show that the largest benefits were distributed narrowly across countries and industries. After AGOA took effect in 2000, African exports of AGOA goods to the US more than tripled in four years. But oil alone accounts for 89% of this growth. Brenton and Hoppe (2006) argue persuasively that this growth in oil trade was due largely to the tight global market, though it may have been helped by the small margin of preference given by AGOA. More important to the analysis of AGOA's impact, oil exports historically contribute very little to LDC economic development; in fact, dependence on these exports often retards it.

The good news is that AGOA countries' non-oil exports to the US did increase somewhat as a share of total exports from these countries. The main driver of this increase is apparel, which has contributed very positively to economic development in some LDCs. Though 96% of AGOA apparel exports came from just seven countries (Brenton and Hoppe, 2006), the AGOA-related development of apparel industries in African LDCs like Lesotho and Mozambique would, if sustained, represent an important achievement.

Brenton and Hoppe (2006: 8) find the relaxed rules of origin responsible for "all of the growth in apparel exports under AGOA since 2001." Rules of origin also explain the dismal performance of LDCs under Europe's EBA initiative. As African LDCs' apparel exports to the US have more than tripled under AGOA, apparel exports to the EU have actually declined despite duty-free treatment (Brenton and Hoppe, 2006). The difference lies in the rules of origin: EBA prohibits the use of the most cost-effective inputs from countries like China and Bangladesh, while AGOA allows it. In fact, on average only 50% of LDC exports to the EU utilised the applicable EBA preferences in 2001; by contrast, the utilisation rate for AGOA in 2005 was 95% (Brenton and Hoppe, 2006). The EBA's restrictive rules of origin and costly documentation requirements exhaust the price advantage of preferences and the technical capacity of African LDC exporters (Brenton, 2003)²⁶.

The empirical literature shows that non-tariff barriers like rules of origin and costs of documentation can easily undermine what seem like generous preference schemes for LDCs. The literature also concludes that supply-side constraints in African LDCs are very important, particularly weak or missing infrastructure and an adverse domestic policy environment (Broadman, 2006). The implication is that blanket duty-free treatment will not necessarily aid LDC development: non-tariff barriers must be minimised and supply side constraints must be addressed either through 'aid for trade' or targeting

industries where African economies have existing export capacity. China's new and relatively short list of unilateral preferences does not bear much direct comparison with the expansive US and EU schemes, but the same supply- and demand-side constraints deserve consideration.

Speaking before the United Nations on its 60th Anniversary in 2005, Chinese President Hu Jintao announced that Beijing would offer duty-free treatment to imports from the 39 LDCs around the globe with which it has diplomatic relations. This was Beijing's admission that it too, as a global power, had a responsibility to aid developing countries, "commensurate with its capacity".

At that time, Beijing announced duty-free treatment for 190 products from its 39 designated LDCs, 28 of them in Africa. In November 2006, at the third Forum for China-Africa Cooperation (FOCAC) summit, China announced that it would more than double the size of duty-free list for African LDCs, providing preferential treatment to 440 items, now applicable to 30 countries on the continent. The date of implementation for these preferences was not stated in the official records from FOCAC. The announcement does appear in the FOCAC Beijing Action Plan (2007-2009). It can be assumed that the preferences will take effect by end-2009²⁷.

These preferences are well-tailored to the African LDCs' export capacity: 88% of the products are current-decade exports from the African LDCs to China²⁸. As the literature demonstrates, these LDCs' myriad supply constraints make targeting preferences in this way essential to their effectiveness.

The average margin of preference for the products exported by the African LDCs is 10.4%. That is, China's MFN trade partners will face an average 10.4% tariff on products where the African LDCs will face none. This is a significant margin of preference, considering that the benefiting countries already exported all of these products to China prior to special treatment.

Using a simplistic 'implicit transfer' calculation²⁹, the overall economic value of these preferences is of the order of US\$ 10 million per year. The most economically valuable Chinese preferences are summarised in Table 1. They are all primary products or simply transformed manufactures, including sesame seeds, cocoa beans, various leathers, and copper and cobalt materials. Twenty one of the 30 beneficiaries export at least one of these 10 most valuable preferences to China.

Naturally, many products are excluded from these preferences. The most important omission is raw cotton, a vital export for many of these LDCs, which faces a 40% tariff in China. The cotton tariff costs the 30 LDCs an implicit transfer of US\$ 68.6 million per year, but it is unrealistic to expect China to reduce the protection it affords its cotton farmers.

Table 1: Most Valuable Preferences

Product	HS8 Code	Margin of Preference (%)	Estimated Annual Value of Preference (US\$)	Exporters
Sesamum seeds	12074090	10	4,695,623	Djibouti, Eritrea, Ethiopia, Mali, Mozambique, Niger, Senegal, Somalia, Sudan, Tanzania, Togo, Uganda
Copper cathodes	74031100	2	1,334,359	Democratic Republic of Congo, Tanzania, Zambia
Octopus	3075900	17	1,066,201	Guinea, Mauritania, Mozambique, Senegal, Tanzania
Unrefined Copper	74020000	2	376,161	Democratic Republic of Congo, Tanzania, Zambia
Goat skin leather	41062100	14	353,211	Eritrea, Ethiopia, Rwanda, Senegal, Somalia, Sudan, Tanzania, Uganda
Cuttlefish & squid	03074900	12	341,595	Angola, Mauritania, Somalia
Unwrought Cobalt	81052090	4	231,683	Democratic Republic of Congo, Uganda, Zambia
Vegetable Materials for Plaiting	14019090	10	158,564	Madagascar, Mauritius
Cocoa beans	18010000	8	151,299	Ethiopia, Guinea, Sierra Leone, Tanzania, Togo, Uganda
Sheep or Lamb skin leather	41051010	14	150,262	Ethiopia, Mauritania, Sudan, Tanzania, Uganda

Source: China Customs data courtesy of Tralac and own, World Trade Atlas

What of less sensitive products that are also excluded? Assuming that Chinese products with an MFN (most favoured nations) tariff below 20% are likely candidates for future preferences, the implicit transfer of removing all tariffs below 20% for African LDC is US\$ 5.1 million annually. It bears mentioning that fully US\$ 4.4 million of this transfer would come only from removing the 10% tariff on flue-cured Virginia tobacco. This may be the prize of another round of Chinese preferences.

There are 49 preference-receiving products currently not exported by the African LDCs to China. These could also hold economic benefit if supply constraints are not too great and the margin of preference is significant. Most of these products are textiles, yarn, and thread: higher value-added opportunities for African countries if they can cost-efficiently transform their silk, cotton, and wool. The average margin of preference for these products is 9.4%, which does offer African countries a real advantage over China's MFN trade partners. In textiles it is also significant, as it represents tariff de-escalation for African exporters. China's protection of raw cotton imports in tandem with duty-free preferential access for cotton products incentivises African producers to attempt greater local processing before exporting. In traditional markets the opposite incentive structure, discouraging higher value-added exports, is often the case.

However, African LDCs will be competing with Asian LDCs that currently export 35 of these products to China under the same preferential treatment. Beijing recognises 11 Asian LDCs in all³⁰; they also enjoy

duty free access for the original 190 products offered to all of China's LDC partners in 2005. This point is often forgotten.

This competition may not apply in the remaining 250 products, as no press statement indicates that these Asian economies have been offered the full list of 440 products designated for African LDCs. Still, these Asian economies currently export 301 of the 440 products to China. According to the numbers, this competition may limit African export potential, but does not stifle it: the African LDCs have greater Chinese market share than the Asian LDCs in 243 products, including all of the 20 most valuable preferences. If the 250 new lines promised to African LDCs are not also extended to the Asian LDCs, the African economies' market share vis-à-vis Asian counterparts may well increase.

What of Chinese non-tariff barriers? China's rules of origin are stricter than those in AGOA: at least 40% of value must be added in the exporting country, compared to the 35% regional value-added requirement for AGOA (this is currently more relaxed for apparel exports, but could change in future). As mentioned, the EBA rules of origin are stricter. However, China's preferences cover in large part primary commodities or simple manufactures, which are unlikely to contain substantial imported content. The 40% local value-added requirement will therefore probably not strip much value from preferences for such products.

Other non-tariff barriers may pose a greater problem. A widely cited index of trade restrictiveness shows that China's non-tariff barriers in agriculture are much lower than those of the US, EU, and even the average sub-Saharan African country (Kee *et al*, 2006, cited in Broadman, 2006), but this excludes sanitary and phytosanitary measures (SPS) and discretionary import prohibitions. According to China's 2006 WTO Trade Policy Review, 6.5% of tariff lines were subject to discretionary import prohibitions for health, environmental safety, and national security concerns (WTO, 2006). A partial list of these restrictions shows they did apply to at least two of the 440 preferred lines, but it is unclear if they were applied against any African LDCs. There is real potential for future import prohibitions against African LDCs on the basis of health and environmental concerns, given that many of the duty-free products are of animal origin and that capacity for quality control in LDCs is weak.

In sum, Chinese authorities have designed a preference scheme well-fitted to the export capacity of the benefiting African economies, yet it will likely have only a small economic impact. With an implicit transfer of about US\$ 10 million per year spread across 30 countries, the estimated economic value is only about 1.2% of these countries' non-oil exports to China. As Table 2 shows, about half of the beneficiaries may see an implicit transfer of less than US\$ 100,000 per year. Barring an incredible supply response in Africa, the preferences will not much alter the trade flows to China, and certainly will not close the bilateral trade deficits run by Africa's non-oil economies.

Table 2: Value of Preferences by Country

Country	Estimated Annual Value of Preferences (US\$)	2005 Trade Balance with China (US\$)
Ethiopia	3,259,639	-198,970,058
Zambia	1,888,753	203,259,756
Sudan	1,510,671	1,320,937,191
Mauritania	970,083	-70,245,846
Tanzania	611,055	-132,883,162
Somalia	380,483	-13,296,675
Madagascar	261,349	-169,371,553
Uganda	203,437	-59,484,335
Congo, Dem. Rep.	188,526	125,967,401
Senegal	173,635	-125,561,193
Togo	156,009	-505,369,064
Mozambique	120,112	-17,831,835
Mali	117,760	13,590,033
Benin	46,845	-812,964,952
Angola	42,730	6,207,819,317
Eritrea	25,762	-7,598,174
Guinea	23,599	-141,260,366
Djibouti	16,078	-110,885,404
Lesotho	4,831	-55,488,880
Sierra Leone	3,951	-29,274,444
Rwanda	3,863	-780,715
Niger	1,755	-33,913,978
Guinea Bissau	1,109	-5,793,889
Comoros	622	-1,841,888
Central African Republic	372	1,902,443
Burundi	352	-11,562,009
Liberia	93	-135,580,338
Equatorial Guinea	19	1,467,269,133
Cape Verde	11	-5,187,788
Chad	0	184,788,412

Source: China Customs data courtesy of Tralac and own calculations World Trade Atlas

CONCLUSION

China's foreign policy toolkit has indeed become more sophisticated, and its trade preferences to Africa (and Asia) are at least a dual-use policy. One is the ostensible purpose of the preferences: to allow Africa's poorest economies to increase and perhaps diversify their exports through advantageous market access. While the benefits are modest for most of the 30 beneficiaries, the preferences were thoughtfully targeted to these countries' export capacities.

But clearly their primary use is diplomatic. They reinforce relations with African governments while simultaneously signalling China's role as a generous global power in Africa, and thus an increasingly

viable alternative to western primacy in the region. Importantly, unlike some of China's investment and project finance activities, these preferences are immune to criticism.

They clearly will not represent significant costs to the Chinese economy or fiscus, but then neither does AGOA or EBA cost the US or EU a great deal. Nevertheless, granting preferential market access forms a critical element in any country's broader political engagement with Africa, and will surely improve Beijing's international and African standing. And, while AGOA will remain the more valuable preference package for African economies, it may soon be Chinese-financed roads and rail that bring AGOA goods to African ports.

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CONSTRUCTIVE ENGAGEMENT: AN OVERVIEW OF CHINA'S ROLE IN AFRICA'S CONSTRUCTION INDUSTRIES³¹

Lucy Corkin & Chris Burke^{††}

INTRODUCTION

The People's Republic of China (PRC) has become an important and influential role-player in Africa and an increasing source of political and financial support for governments across the continent, particularly countries rich in natural resources. The once ideological motivations behind the PRC's engagement with Africa are now commercially driven by the need for energy and raw materials, and the development of export markets.

Except for a relatively small number of resource-endowed countries, the majority of African economies have mounting trade deficits with the PRC as they are flooded with cheap consumer goods. Beijing has attempted to offset these imbalances with more favourable terms of trade for African products and the provision of aid in the form of soft loans and infrastructural development. The PRC's involvement in Africa's construction and infrastructure sectors has proved extremely effective in building relations with African governments and engaging their economies, both increasing PRC influence and expanding commercial access for Chinese state-owned enterprises (SOE) to the continent.

HISTORY OF RELATIONS

Chinese traders had been navigating the Indian Ocean and visiting the east coast of Africa since the Tang Dynasty (AD 618-907). In the early 15th century, the famous Chinese explorer Admiral Zheng He sailed down the coast of East Africa with a fleet of over 250 ships and 25,000 people, rounded the Cape of Good Hope and sailed up along the west coast as far as the Cape Verde islands before crossing the Atlantic (Menzies, 2003). Shortly thereafter, China's exploration was severely curbed, although growing evidence suggests that China's trade with East Africa and many parts of the world continued well into the 19th century.

After the PRC was established in 1949, Beijing established diplomatic relations with many African states within days of their independence in an effort to increase its influence within the United Nations, counter Taiwan's claims to sovereignty over Mainland China, draw US and European attention away from Southeast Asia, and temper the United Socialist Soviet Republic's (USSR) influence on the African continent. The PRC provided financial support, equipment and training to a variety of liberation movements, particularly in southern Africa including Angola, Congo, Mozambique, Namibia, South Africa, and Rhodesia, now Zimbabwe. Chinese economic aid to newly-founded African states' governments consisted primarily of soft commercial loans focused on infrastructure and development with the construction of high profile projects such as the Tanzam railway between Tanzania and

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Zambia³². In addition to teachers and medical personnel, China also provided technical assistance in agriculture and basic processing, often in the form of turn-key joint venture projects to be operated as co-operatives such as textile and grain mills.

PRC'S POST COLD WAR RE-ENGAGEMENT

Following the political turmoil resulting from the death of Mao Zedong in September 1976, the Chinese Government turned inward throughout the 1980s and early 1990s. During this period, the PRC's assistance to Africa was eclipsed by World Bank and International Monetary Fund (IMF) support for structural adjustment programmes requiring extensive economic privatisation and liberalisation, which included reducing tariff barriers and trade restrictions (Tangiri, 1999: 77). By the early 1990s, the economic reforms in the PRC initiated under the leadership of Deng Xiaoping began to produce results and the PRC's economy was recording significant growth. Chinese assistance to Africa resumed, continuing its focus on key industries such as textiles and agriculture. These projects were administered by the Chinese Ministry of Foreign Relations and Trade (MOFERT), with a change in policy to the more flexible use of loans.

Trade between the PRC and Africa increased from US\$ 6.5 billion in 1999 to US\$ 73.5 billion at the end of 2007. While the majority of countries have experienced growing trade deficits with the PRC – importing enormous quantities of consumer goods in addition to light manufacturing and agricultural equipment – a small number of resource-rich countries such as Angola, Nigeria, Sudan, Nigeria, and Zambia enjoy mounting surpluses, notably due to their rich oil and mineral deposits. At the second Ministerial Conference of the Forum on China-Africa Cooperation (FOCAC), Beijing announced the Special Preferential Tariff Treatment programme implemented in January 2005 that removed import tariffs on 190 different items from 25 African countries³³.

In order to further encourage Chinese business activity in Africa, President Hu Jintao also announced the establishment of a US\$ 5 billion fund to further encourage Chinese companies to invest in Africa.

AFRICA'S CONSTRUCTION INDUSTRIES

Particularly following China's increasing engagement on the continent in recent years, the construction industries of various African countries have seen extraordinary growth. This is due not only to the large soft loans that the PRC has made available to various African countries for national infrastructural development, but also due to the increased activity of Chinese construction companies in Africa, undertaking large-scale projects.

Construction industries across Africa offer interesting comparisons with considerable variations in size and growth that are usually tied to the particular country's overall economic performance and the interests of investors and donors. The smaller industries generally attract fewer foreign companies that are restricted from entering new markets by economies of scale. However, as the industry grows, foreign firms enter and often push aside local companies that often lack the necessary skills, experience and financial resources for large scale projects.

Access to capital or at least collateral for bid bonds, advance payment and performance bonds is perhaps the single greatest challenge to construction companies, particularly in emerging economies. It can be extremely difficult for small firms to raise capital for all of these and even large firms face difficulties raising such capital for several projects simultaneously. African governments are looking at ways to address these challenges with the implementation of cooperatives aimed to provide the required capital. In some instances governments and donor institutions give indigenous construction companies a certain amount of credit when assessing their bid contracts. The impact of such assistance however has been negligible and has had detrimental effects on quality and standards in some cases.

In many of Africa's larger construction industries, the only real competition foreign construction companies face is from other foreign firms, and it is here that Chinese construction companies particularly are having the greatest impact.

CHINESE CONSTRUCTION COMPANIES

China's domestic construction industry has been instrumental in the PRC's development and has experienced annual growth rates of 20% since 1999, representing approximately 7% of GDP. Until recently, the majority of construction companies in the PRC were state-owned enterprises. Many of these companies are now undergoing privatisation and the rise of private companies has further diversified the market. There is an enormous variation in the size, capacity and capability of different Chinese construction companies with further differences in ownership structure, methods of operation, experience operating overseas and the capital and technology at their disposal.

Before 1979, SOEs were among the few Chinese institutions permitted to operate outside the PRC. With decades of experience in the construction of large-scale infrastructural projects, often in extremely isolated areas, it is no surprise that these companies are at the forefront of the PRC's efforts to engage Africa. SOEs continue to play an important role; however, the number of private companies with a competitive edge is growing quickly.

It is difficult to find accurate figures on the number of Chinese construction companies operating in Africa and even more difficult to find the true value of their operations on the continent. African bureaucracies are not usually very efficient at recording and collating such figures; Beijing is guarded and appears keen to downplay the PRC's influence and the companies themselves will often undervalue their activities to avoid attracting undue attention and to reduce taxation and tariffs on their operations.

A growing number of private Chinese construction companies are being established in Africa, making it technically difficult to classify them as Chinese companies per se apart from the ethnicity of the owner. These companies do, however, continue to follow modes of operation and work practices similar to other Chinese companies and appear to have ready access to Chinese government capital through various state-owned banking institutions, most notably China Export-Import (EXIM) Bank.

MARKET ENTRY STRATEGIES

While focusing on resource-rich countries, the PRC is expanding its presence across the African continent relatively evenly albeit with a strong preference for the larger and/or more stable markets such as South Africa, Tanzania and Nigeria.

The Chinese Government adopts a long-term view of its business forays in Africa. This longer term vision of commercial engagement also quantifies risk in a different manner than traditional players. Chinese SOE players are ostensibly less cognizant of risk when investing in Africa when compared to other foreign-invested firms. China's "state capital" approach to engagement through the likes of China EXIM Bank is answerable to political stakeholders, not private or institutional shareholders. This allows such companies to invest in large-scale projects with returns that emerge in the long-term, rather than being held accountable to shareholders expecting short-term gains.

China EXIM Bank has in recent years offered sizeable loans to various African states, with the express purpose that this money is used for the rehabilitation and construction of national infrastructure. An example of this is the US\$ 2 billion loan extended to the Angolan Government in 2004, subsequently extended to US\$ 4.5 billion in 2006 and 2007 when Luanda fell foul of the IMF after failing to comply with prescribed standards of good governance and transparency.

According to the requirements of China EXIM Bank, in principle all contractors and exporters linked to the contract funded by a China EXIM Bank loan should be Chinese and 50% of all procurements should be from China. Such conditions give Chinese companies a decided advantage in terms of new market entry.

The Chinese Government identifies Chinese construction companies for such selected technical aid projects through a competitive tendering process conducted in the PRC. SOEs still tend to dominate the PRC's construction market and continue to win the majority of international contracts; however as already noted the size and capacity of private companies is growing rapidly.

Winning the bid for such a government-endorsed contract enables the Chinese company in question also to secure low-cost capital from the PRC's overseas lending facilities such as China EXIM Bank to cover the expensive start-up costs associated with moving the necessary equipment into place. Before leaving the PRC, these companies regularly engage a host of private Chinese sub-contractors specialising in different areas of construction such as plumbing, electrical engineering and air-conditioning that they bring with them. This is generally because a condition of China EXIM Bank overseas contract financing; the Chinese contractor must ensure that export spin-offs from China, such as labour, materials and equipment, account for no less than 15% of the overall bid value.

Once the project is undertaken within the respective country, the company will use the opportunity to gain first-hand knowledge and experience of the local environment in an attempt to identify additional opportunities. While seeking large-scale government projects the companies also engage in small-scale

private projects and make full use of their access to relatively cheap capital from Chinese banks when necessary. Contrary to the finding of a recent World Bank study (Broadman, 2007), Chinese companies, especially smaller private companies, frequently secure investment financing from local banks. It is at this juncture as they begin to engage in smaller projects that the Chinese companies first encounter competition with local companies that often lack capacity for large-scale projects.

The sub-contractors and individual employees also seek opportunities to establish their own businesses in host economies. This is often done through personal networks where the assistance from friends or family members brought out from the PRC serve as a platform to set up small enterprises either in the service sector or manufacturing with small-scale assembly plants. This phenomenon was observed amongst Indian labour brought out by the British to East Africa as well as in other parts of the British Empire during the colonial period (Lugard, 1968). In so far as the emergence of small-scale Chinese traders have enabled African consumers to gain access to new products and services that were previously either unaffordable or inaccessible, these Chinese enterprises have also served to deepen the PRC's penetration of the African economy and more especially its presence amongst the informal sector through the establishment of new markets and a subsequent demand for these products now that they available.

THE PRC'S EDGE

Chinese construction companies have a range of advantages over their local and foreign competitors including: 1) good quality low-cost skilled labour, 2) hands-on management style, 3) high degree of organisation, 4) general aptitude for hard work, and 5) access to relatively cheap capital.

While the SOEs can secure the necessary funds for advance payment and performance bonds from their head offices in China, they and other smaller private companies may also secure loans at flexible rates from Chinese banks such as the Bank of China, the China Development Bank and the China EXIM Bank. Chinese nationals from the executive down to the labourers invariably live and work on the site full time with few visible differences between them. Such arrangements facilitate understanding and communication, and drastically reduce costs. Chinese worksites are usually highly organised and this 'hands-on' style of management provides management with a solid understanding of the project and the ability to deal with challenges as they occur. This approach is also respected by local labourers engaged in the project, who are used to the conspicuous consumption of other expatriate contractors while in-market.

While local and foreign construction companies operate on profit margins of 15-25%, Chinese companies usually operate on margins of under 10%, making them extremely competitive. One executive with a large SOE in Tanzania disclosed that his company and many other SOEs operate on profit margins as low as 5% (Burke & Corkin, 2007). There have also been reports of a large Chinese SOE in Ethiopia slicing projected profit margins as low as 3% (Taylor, 2006). Chinese companies may under certain circumstances undercut competitors by up to 25% on the price of the overall bid (Bosten, 2006). However, such low prices are an exception rather than the rule. The differences between

Chinese bids and the traditional market players are usually considerably less than perceived especially where private Chinese companies are concerned. A list of sixteen tenders submitted for the construction of a school in Zambia where the eight Chinese companies were relatively evenly spread through the middle of the field is common, especially in markets where the Chinese presence is more mature. Chinese companies are also quickly earning a reputation for good quality and timely work, rendering them popular in both the public and private sectors (Burke & Corkin, 2007:75).

The PRC has established Chinese Trade Centres that provide information to both local and Chinese businesses wishing to enter the respective market either through trade or investment options. These Centres also provide limited logistical support assisting with the organisation of accommodation, transportation and in some instances telecommunications. Such services are usually offered for a fee. The Economic and Commercial Counsels, which are attached to PRC Embassies but have a larger degree of autonomy than other desks, restrict their assistance to the provision of information. The Counsels also authenticate and provide translations of official documents issued in the PRC such as company registrations and academic qualifications.

The Chinese government is clearly very supportive of Chinese construction companies, although PRC officials remain adamant that this support is in accordance with World Trade Organization (WTO) regulations and limited to what they describe as 'political support'. In practical terms this means assisting Chinese nationals with administrative problems that they may encounter with local authorities; however, put more crudely this would appear to amount to identifying and accessing appropriate government officials, which can be a costly and time consuming affair, for commercial operations especially when seeking payment.

With the increased trade in commodities and services between these two regions, travel between the PRC and Africa is increasing steadily with the rise in the number of flights per week. Kenya Airways and Ethiopian Airlines have introduced three flights a week to the PRC and both airlines are also expanding their services across Africa. Air Zimbabwe has had weekly flights to Harare since November 2004 (People's Daily, 2004) and TAAG, the national Angolan carrier, is currently in negotiations to provide a flight between Luanda and the Chinese capital. PRC Embassies are also streamlining the visa application process to facilitate greater travel between the PRC and Africa. At the same time, it is becoming increasingly difficult for African businesspeople and construction professionals to access European and North American markets, networks, and academic institutions as immigration policies are tightened, encouraging them to seek alternatives (Bayart, 1999).

COMPETITION WITH TRADITIONAL PLAYERS

The arrival of the Chinese construction companies had a significant impact on the local industry in the initial stages of the PRC's reengagement. Foreign companies, mainly from Europe, South Africa and the Middle East, which traditionally dominated the construction sector with large-scale projects were the first to experience competition with Chinese contractors that now control up to 30% of the market in many African countries. As already mentioned, few indigenous companies have the capacity for large-

scale projects and rarely find themselves competing with Chinese companies, although this is already changing as Chinese companies move into the lower end of the market and take on smaller projects such as housing.

Even in countries where the local construction industry is well developed, such as South Africa, it seems that the government is encouraging market penetration by Chinese companies. According to Finance Department deputy director general Malcolm Simpson, this is due to South Africa's lack of skills and the need to break the monopoly held on bidding prices by South Africa's six construction companies (SAPA, 2007).

Western construction companies in many countries continue to maintain a slight competitive edge over the Chinese in specialised or technical areas of construction and in the finishing or final appearance of the project. There are also lingering perceptions, that Western companies are generally more reliable which enables them to secure work and access finance, especially from local sources. The gap is, however, closing. A senior manager with a foreign contractor in Tanzania is resigned to the fact that companies such as his company will eventually be squeezed out and only able to engage in subcontract work for Chinese firms. He had subcontracted for a Chinese company before and cited a number of other foreign-based companies that had also worked for Chinese companies. His overall impression of the Chinese companies was very positive, a sentiment echoed by several prominent companies.

Two senior executives with a large Kenyan-based contractor operating in Tanzania remained very optimistic that their company will find a niche area as the construction market becomes more competitive. When pressed as to where this niche might be, they pointed out that donors such as the EU will not fund Chinese companies directly and went on to explain that other sources of funds such as the World Bank are obliged to engage contractors from a range of countries and cannot therefore use Chinese companies for every contract, no matter how competitive they might be.

CHINA ON CHINA COMPETITION

The majority of Chinese companies in the initial phase of the PRC's engagement were SOEs; however, as discussed above, the number of private construction companies appears to be growing. While SOEs may receive greater assistance from the Chinese government in terms of access to local government and information on tenders, private construction companies are at times, more efficient in project implementation. In the initial stages of penetration, Chinese companies often share information and even equipment, particularly companies engaged in private sector projects. As competition increases such cooperation decreases, especially in the more lucrative areas of civil construction.

Once established, the only serious competition Chinese companies appear to face is from one another. Pricing decisions by Chinese construction firms have been found to be "dependent on the behaviour of other Chinese construction firms in Africa than on the firms of other nationalities" (Broadman, 2007:191). Competition can be extremely fierce and serves to streamline operations, reduce costs and improve

quality; however, low profit margins expose companies to currency fluctuations and rising energy, transport, and commodity prices and margins in the range of 5% are clearly unsustainable. Indeed a representative of one private Chinese company in Luanda complained that the extreme competition between some Chinese companies was unsustainable as it was compromising the quality of materials and equipment used. It was suggested by a senior executive of one Chinese company that such low profits were maintained to increase market share and weed out the less viable companies irrespective of whether they are local, international or Chinese.

QUALITY AND STANDARDS

Perceptions of the quality of work done by Chinese companies remain mixed especially in finishing; however, most agree that it is improving. In South Africa and Zambia, where a comprehensive institutional framework exists to police construction quality, the standards achieved by the Chinese are generally very high. The awarding by South African state-owned water utility of a US\$ 60 million contract to Chinese Overseas Engineering Company (COVEC) in South Africa's Mpumalanga province raised eyebrows. COVEC was however in compliance with all requirements, including black-economic empowerment (BEE) criteria. The COVEC bid was also 25% lower than the other two local consortia competing for the tender (Creamer, 2006). In Sierra Leone, where the construction industry remains small and building regulations are poorly enforced, the quality of construction is relatively low.

It is important to remember that in general terms, the quality of construction is dependent on the following five factors: 1) design, calculations and drawing; 2) materials specified by the consultant; 3) contractors' compliance in procurement of specified materials; 4) workmanship, and 5) effective supervision by consultants. Accordingly, the only areas where building contractors can possibly prove deficient are in the procurement of specified materials and workmanship. For example, in Angola, where many political elites control and make their fortunes from import/export ventures (Vines *et al*, 2005: 9), there is very little incentive to enforce regulations regarding local procurement quotes for projects, regardless of quality. Supervision is of critical importance. Non-compliance or irregularities in the procurement of materials and problems in workmanship can only be the result of poor supervision and/or collusion between the contractor and the consultant.

Chinese companies do not appear any more susceptible to such practices than their competitors. The critical variable is the political will and ability of government to enforce building codes and the law.

PROCUREMENT

Considerably cheaper than their Western competitors the quality and price of Chinese materials varies. Most observers agree that the quality is improving. As the Chinese buy an increasing amount of European and North American engineering and manufacturing technology their capacity to produce high quality products is increasing and many Chinese companies are now capable of producing building materials to the highest international standards. However, in Africa to date, the primary demand has been for low cost products and building suppliers across the continent are sourcing an increasing amount of Chinese building materials, either directly from the PRC or through Dubai.

As already described, the procurement of materials is usually stipulated in the tender or contract agreement and these stipulations are often flouted with the complicity of the consultants and/or government clients. Chinese construction companies engaged in the delivery of aid projects make use of their own supply chains, although bulky items such as sand and cement are sourced locally if supply is available. Chinese companies are regularly granted tax breaks on the importation of construction materials in an attempt by African governments to attract foreign direct investment (FDI). There were widespread reports that these privileges are being abused and that consumer goods such as furniture, clothes and electrical items are being smuggled in along with construction materials. Such allegations remain difficult to verify.

LABOUR

Labour has been an extremely contentious issue with widely held perceptions that Chinese construction companies bring their own labour from China, seriously underpay local workers, and subject them to extremely harsh conditions. This tends to vary from country to country, according to the strength of local construction industry and labour regulations in countries where Chinese companies have a mature market presence, such as Tanzania and Zambia. With a few exceptions such as Angola and Sierra Leone, notably recovering post-war economies, local workers account for the vast majority usually in the vicinity of 85-95% of the total workforce.

While predominantly employed as unskilled casual labourers, there were numerous instances of locals employed in administration and managerial positions in countries where the Chinese are well established. Similarly, in South Africa, whose construction industry has traditionally been very competitive, Chinese companies such as COVEC, discussed above, are winning tenders through strict compliance with regulations, including those of black economic empowerment (BEE) and only a reported 10 expatriates entering the country for the project (Creamer, 2006).

A study conducted by the International Labour Organization (ILO) on labour practices at eleven large construction sites in Tanzania in early 2005 found that three of the four sites with the lowest standards were operated by Chinese contractors. The study reports that the Chinese companies had: “exceptionally low standards, with long working hours, low pay, low standard occupational safety and health (OSH) and a poor record on workers' right” (ILO, 2005: 98). It concluded that the success of the Chinese contractors in winning an increasing number of tenders may, to some extent at least, be at the expense of the labour force (ILO, 2005: 11). A similar situation has been observed in Chinese SOEs operating elsewhere on the continent; however it is interesting to note that the conditions offered by private Chinese companies are often markedly better. Chinese construction companies are constantly frustrated by the lack of skills and experience, poor work ethic and the extremely high turnover of local workers. To address these problems, Chinese companies are slowly increasing wages to retain competent workers.

There are widespread rumours of Chinese construction companies using Chinese prison labour, though there is no evidence to support such allegations. Indeed the labour dynamic that exists within China

should be examined in order to understand current trends as regards Chinese construction firms operating in Africa. Salaries for unskilled labourers in China vary enormously, but generally range between US\$ 1-3 a day depending on location, ownership of the company and the legal status of the workers. There are over 100 million migrant workers from rural areas in Chinese cities without work permits supplying approximately 80% of China's construction labour (Liu, 2006). The conditions are usually poor and they are notoriously underpaid, if paid at all.

Chinese construction workers can expect a significant salary increase as an incentive to work overseas. Chinese employees interviewed also explained that working in their company's overseas operations provides an opportunity to broaden the scope of their responsibilities, such as the management or supervision of local employees, and enables them to work on a single project from beginning to end. Working overseas enables Chinese employees to look for opportunities to establish their own business as traders or restaurateurs. Consequently, despite Western opinions of the conditions of Chinese labourers working outside of China, this is seen as a favourable option by many Chinese labourers. However, there are exceptions to this kind of enthusiasm: one senior manager of a prominent SOE suggested that working overseas was detrimental to his career development because in his company's Africa operations, he was not exposed to the cutting-edge technology used in China.

JOINT VENTURES

Managed correctly, joint ventures offer excellent opportunities for skill transfers and improvements in the capacity and output of local industry. Government officials in many African governments are very keen to make it mandatory for foreign companies wanting to invest to form joint-ventures with local companies and while legislation in some countries stipulate that public sector contracts may only be awarded to foreign companies engaged in joint ventures with local firms such requirements are easily circumvented and often poorly enforced.

Chinese construction companies generally have little interest in joint partnerships with local partners due to a lack of trust and widespread perceptions that local partners have little to offer. An erstwhile notable exception was the proposed construction of the Sonaref refinery in Lobito, Angola. The US\$ 3 billion project was to be undertaken by a joint venture formed between state-owned Chinese oil company Sinopec and Angolan state-owned oil company Sonangol. Negotiations however collapsed in March 2007, and Sonangol has subsequently made the decision to build the refinery alone. To date, collaborations between Chinese and African firms in the construction sector are very rare. The preferred mode of engagement with indigenous companies is through sub-contracting arrangements for discrete sections of work.

CAPACITY BUILDING

Chinese technology is generally recognised as 'appropriate' for Africa. The techniques and practices many of the Chinese companies initially bring are usually low-tech and relatively easy for African construction companies to emulate as opposed to the often specialised and capital-intensive equipment employed by western companies. While some Chinese companies maintain the use of low-level

technology, others are slowly adopting more sophisticated methods and technology, though still utilising comparatively cheap equipment within the reach of indigenous firms.

Chinese construction companies regularly provide local workers with on-the-job training, particularly machine operation, though no cases of formal training were identified. The Chinese take considerable pride in the Confucian values of hard work and discipline and a government official in Sierra Leone recently suggested that these values are transferable and of considerable benefit to Africa's workforce.

IMPLICATIONS FOR AFRICA

There are concerns that Chinese companies are contributing to the atrophy of local African industry and economic de-industrialisation (Mbeki, 2005). These concerns seem to be arising from other foreign multinationals since most of the areas in which Chinese corporates have shown an interest do not involve competition with local African companies, but rather with their foreign counterparts.

In addition, the products and services that Chinese companies offer, especially in terms of telecommunications and construction, are considerably less expensive than those of European or South African corporates. In the construction industry for instance, Chinese companies have been known to undercut the closest bidder by 25% (Bosten, 2006: 5). This allows Africa cheaper access to infrastructure that is essential for economic growth.

The state-directed nature of Chinese engagement in Africa results in “coalition investment” across various sectors and is very evident in countries such as Angola between the energy and construction industries. China’s commercial engagement of Angola is primarily concerned with extractive industries, mainly oil. But a major feature of China’s commercial presence in Angola is the involvement of multiple sectors in engaging the country. Thus we see large amounts of infrastructure spend that is tied to the securing of oil contracts.

This endows “China Inc” with a competitive advantage that its traditional competitors do not enjoy. The competitive landscape of Africa is being transformed by China’s commercial engagement. African economies are welcoming beneficiaries of this emerging trend but this is likely to come at the expense of traditional players – European and more recently South African – on the continent.

Of concern, however, are the challenges posed by a lack of institutional regulatory frameworks and government capacity to monitor and encourage direct investment in terms of local skills development and technology transfer. Linked to this is also the issue of whether enough is being done to cultivate and harness the development of local companies and/or small and medium enterprises (SMEs).

While many Chinese companies report extensive training facilities for locals (Xinhua News Agency, 2006), other Chinese companies reportedly import all their labour and equipment needs directly from China, circumventing any kind of technology transfer (Botequilla, 2006:8). This occurs in countries such as Angola where Chinese companies are relatively new arrivals to the market and the local level of

skills is inadequate for their immediate use. It is hoped that once more firmly established in the market, these multinationals will facilitate the training of local workers for employment in their projects and investments.

A further anxiety is the social impact of the influx of Chinese workers and businessmen into Africa. Michael Sata, the opponent to President Levy Mwanawasa in Zambia's September 2006 presidential elections, achieved great popularity for his anti-Chinese rhetoric and campaign promises to expel Chinese nationals living in Zambia (Hanson, 2006). Although unsuccessful in his presidential race, Sata's popularity is indicative of the rising anti-Chinese sentiment in some African countries, where Chinese workers are perceived to be taking jobs away from locals.

CONCLUSION

Chinese construction companies, both SOEs and the growing number of private companies, provide a convenient platform to penetrate new markets and secure access to natural resources through investment, trade and military assistance. Although they face many of the same challenges as their indigenous and foreign competitors associated with the lack of infrastructure, high administrative costs, corruption, and shortage of skilled and reliable labour; the Chinese appear to adapt more easily to the African environment and quickly find their feet in terms of a competitive edge. As one observer suggested, 'they learn faster than their Western counterparts'. Chinese construction companies have had a significant impact on Africa's construction industries and their influence can only be expected to grow. Competition with indigenous companies that has been minimal to date is also likely to increase.

In a remarkably short space of time, Chinese multinationals are emerging to claim their share of the increasingly promising African market. Such expansion is not without its challenges. Despite the lack of affluence amongst African consumers, some still shun the cheaper Chinese products under the misconception that they are always of inferior quality. In fact, the quality among Chinese companies is variable (Burke & Corkin, 2006: 68). Many Chinese firms have however shown their mettle and are overcoming the stigma attached to the label 'made in China'.

Neglected until the late 1980s, the contribution of infrastructural development to broader economic and social development is now widely acknowledged (World Bank, 1994). Chinese multinationals' engagement in Africa has the potential to benefit both African countries and Chinese commercial interests. Africa will benefit by receiving cheaper goods and services than it would from traditional market players, as well as the possibility of technology transfer. The advantage for Chinese companies is that they can realise their global aspirations in Africa, having been less successful in the more developed markets of America and Europe. Despite the enormous challenges China faces concerning its own development, Beijing's focus on infrastructural development in Africa, with the construction of roads, bridges, hydroelectric and irrigation schemes, schools, hospitals, health centres and an array of government buildings, has driven private sector competition and made a clear and definite contribution to improving the lives of people across Africa.

However, there are several issues, discussed above, which will need to be resolved in order for this potential to be realised. If left unaddressed, these issues will cause China's multinationals to have their international reputations needlessly tarnished and African economies will miss out on much needed infrastructural rejuvenation.

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CHINA AND AFRICAN NATURAL RESOURCES: DEVELOPMENTAL OPPORTUNITY OR DEEPENING THE RESOURCE CURSE?

John Rocha^{‡‡}

INTRODUCTION

The emergence of China as a key player in Africa's natural resources sector could present a unique opportunity to unlock the continent's vast economic potential and development prospects. Drawing from current trends, it is evident that the continent's "Look East" policy is producing enormous benefits for several African countries. Not only is China's phenomenal economic growth a key factor behind the skyrocketing prices that have come to characterise the commodity sector, but China is also injecting much needed revenue into the coffers of resource-endowed African countries. China is providing funding for infrastructure development, an area previously not regarded as a priority by the West until the advent of the New Partnership for Africa's Development (NEPAD) and even then, only after much cajoling by Africa's leaders. The World Bank estimates that China EXIM Bank loans to African infrastructure amounted to over US\$ 12.5 billion by mid 2006³⁴.

China's commitment and investment in this regard is a welcome relief to a continent desperately in need of infrastructure. With trade between China and Africa set to rise to US\$ 100 billion by 2010³⁵, the continent's development prospects can only be enhanced. In essence, China is increasingly being seen as the antidote of the unbridled exploitation of the continent's wealth by the West.

But for this partnership to be meaningful and transformative in character, Africa should not portray herself as a mere beneficiary of Chinese benevolence. Rather, Africa should use this opportunity to address the distortions in the international system that have reduced it to the periphery of the global economy. For this to happen, Sino-Africa relations must be characterised by a strategic partnership based on common interests, mutual benefits and inter-dependence in real terms. It must go beyond the mere expression of intent as spelt out in the China Africa Policy or any of the many pronouncements made after every Summit of the Forum on China-Africa Cooperation (FOCAC).

The fact is China needs Africa as much as Africa needs China. China needs raw materials from Africa and elsewhere to sustain its growing economy but also to nourish its roaring exports to the rest of the world, including the European Union and the United States of America. Similarly, enhanced cooperation with China is necessary to enable Africa to extricate herself from the doldrums of poverty and underdevelopment. But in the same breath, reliance on China alone cannot be the only recipe for the African Renaissance as advocated by NEPAD. Both China and Africa are interlocked in complex yet

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mutually reinforcing partnerships with parties outside the geographical boundaries of their territories. And to this extent, these parties all have a vested interest in the unfolding developments regardless of its different designs and implications.

For instance, in the five months to May 2007, two-way trade between China and the EU rose by 29% to US\$ 129.9 billion whilst that with the US ascended by 18.2% to US\$ 115.2 billion³⁶. Similarly, in 2006, Europe imported 36% of Africa's total oil exports while the US accounted for 33%, with China a distant third at 8.7%³⁷. This rides on the back of previous years (2005) wherein the EU purchased 36.4% of Sub-Saharan Africa's exports, with an estimated total of US\$ 9.2 billion worth of minerals, while oil imports by the US amounting to US\$ 40.1 billion – accounting for 79.8% of all US purchases – continued to dominate imports from Sub-Saharan Africa.

The externalities generated by this inter-related and interconnected relationship add new dynamics to an already complex environment. Managing these intricacies effectively will be a key determinant of Africa's development trajectory. China could be useful in propelling Africa into the mainstream of the global economy through its linkages with economies in Asia, Caucasus, European Union, Middle East, North America and South America. Africa needs to capitalise on these linkages to enhance its development prospects.

But the dynamics generated by these intermingling of interests also raises serious challenges for Africa's development trajectory. The perception in some quarters that China poses an emerging threat to the West is a case in point³⁸. In the event that such views find fertile ground, it is bound to elicit actions and counter reactions that could be detrimental to Africa's development. To counteract against any eventuality and safeguard its own self-interest, Africa needs to deepen its understanding of the strategic implications that stronger cooperation with China entails. In essence, Africa needs to design its own game plan and allocate a specific role for China based on a common agenda at the continental as well as international level. If Africa is to extricate maximum benefits from its enhanced cooperation with China, it simply needs to redefine the rules of the game to make it more amenable and less threatening to Africa's interests.

Unfortunately, the composition and pattern of trade with China is not showing signs of deviating from previous trends. Rather than steering its direction, Africa's response to China, in particular, or the commodity boom in general, seems to be limited to riding the crest of the wave. This is best illustrated by the export-oriented approach and the rentier mentality that has so far characterised Sino-Africa cooperation. Some countries are going to the extent of granting China near monopoly over their natural resources in a blinded attempt to conjure images of a backlash³⁹. This is not only counter-productive but also extremely short-sighted. These countries are exposing themselves to the boom and bust effect of the Chinese economy⁴⁰.

In addition, by mortgaging natural resources in exchange for cheap loans and other forms of assistance African countries could jeopardise their long-term economic prosperity and development prospects

since very little provision is being made for the future development needs of the continent. The fact is, development is quite often accompanied by a corresponding increase in demand and consumption of raw materials. The question is, to what extent are African countries factoring in this important aspect into their policies and practices?

In this paper I posit that managing the intricacies and dynamics of the global environment, its linkages and implications for Africa is central to ensuring that Africa's relationship with China does, indeed, translate into a developmental opportunity. But to do so Africa must set its sight beyond Beijing as the benefactor and take advantage of the numerous opportunities that such a partnership could generate at the global level.

The paper starts by contextualising China's foray into Africa within the framework of China's "Going Global Strategy" and examines the implications that this holds for Africa's development. It argues that China's engagement with Africa is not unique rather it is an integral element of Beijing's strategy to achieve its developmental goals. The paper also examines the extent to which China's conduct so far exhibits traits that could either undermine or compliment this agenda by drawing from country specific cases. This paper asks the following critical question: What is Africa's end game given its strategic position in the global economy, and how does China fit into this mixed puzzle of contrasts, opportunities and opportunism known as international relations? The paper ends with a brief exposition of the challenges that could confront Africa and makes some proposals about what Africa must do to avoid the 'resources curse'.

PUTTING THE CHINA-AFRICA COOPERATION INTO CONTEXT

GOING GLOBAL STRATEGY

In 1987 the Chinese government put forward a clear and definite economic development strategy which aimed to double the 1980 gross national product (GNP) and ensure that its people had enough food; quadruple the 1980 GNP by the end of the 20th century; and lastly, to increase the per capita GNP to the level of the medium-developed countries by the mid 21st century⁴¹. The Chinese authorities realised that natural resources were central to the attainment of these goals. As such, in 2003, China issued a Policy on Mineral Resources whose overarching objective was "to build a well-off society in an all-round way in the first 20 years of the new century".

In pursuit of the above objective, China embarked upon a global expedition to lock in much needed natural resources in order to satisfy its insatiable appetite for raw materials. Even though China still has enormous potential for mineral resources prospecting and exploitation, these can neither meet an ever increasing domestic demand, nor sustain China's dramatic economic growth (see Table 3). In light of these projections, China is scouring the world to meet some of its short, medium and long-term needs. To this extent, countries in Africa, Asia, Latin America, Middle East, the Caucasus and Central Asia as well as Russia have all fallen within the Chinese radar screens. The following section provides a broad overview of China's global footprints.

Table 3: Projections for China's Commodity import Demand

Commodity	Unit	Annual Demand		2006-2020, Percentage Change	
		Latest	2020	Total	Average p.a.
Iron Ore	m tons	148	710	380	10
Oil	m tons	91	1860	1940	20
Soy	m tons	26	50	80	4
Coal	m tons	11	810	7400	20
Copper	m tons	3	20	600	10
Manganese	m tons	3	13	360	10
Wood	m cub	34	150	330	10

Source: Deutsche Bank Research

China and Latin America

While Africa claims the limelight, a rather more subdued but also critical partnership is crystallising itself between China and Latin America. In 2005, trade between China and Latin America amounted to US\$ 50 billion and the region attracted US\$ 6.5 billion worth of investments from China. Beijing is increasingly looking to Latin America to satisfy its critical raw materials needs, buying vast quantities of bauxite, copper, iron, manganese, soybeans, timber, tin, and zinc, with Chile supplying 20% of its copper import⁴². At present Latin America only supplies 3% of China's oil imports but this figure is set to increase through its contracts signed with Brazil⁴³, Cuba and Venezuela⁴⁴, and its exploration activities in Argentina, Bolivia, Chile, Colombia, Ecuador and Peru⁴⁵. In 2005 China was the region's third largest trading partner. To put this into perspective, in 2005 Chinese foreign direct investment (FDI) in Latin America amounted to US\$ 1.7 billion compared to US\$ 317 million in Africa⁴⁶. Between 1994 and 2004 Latin America accounted for just over 4% of total Chinese imports while Africa took about 3%.

China and Russia

Russia is also turning out to be a strategic partner to China. During President Hu Jintao's visit to Russia in March 2007, the two countries signed cooperation agreements to the total value of US\$ 4.3 billion. In 2006, the trade value between China and Russia amounted to US\$ 33.4 billion⁴⁷. China is Russia's second largest trading partner after Germany.

China and the Caucasus

China is also securing extensive oil interests in Kazakhstan and Uzbekistan. CITIC (China International Trust and Investment Corporation) Resources Holding Ltd has offered to purchase oil assets in Kazakhstan for US\$1.9 billion from Canada based Nations Energy Co. Ltd in 2006. These assets have proven reserves of more than 340 million barrels⁴⁸. This deal follows the acquisition of Petro-Kazakhstan by China National Petroleum Corporation (CNPC) for US\$ 4.2 billion in August 2005 and the agreement to build a 1000km pipeline from the central Karaganda region to Xinjiang worth US\$ 3.5 billion reached in May 2004⁴⁹.

In May 2005, China struck an oil deal which would see CNPC investing in 23 oil fields in a joint venture. The deal is aimed at attracting about US\$ 600 million into Uzbekistan⁵⁰.

China and the Middle East

China enjoys excellent relations with the world's leading oil producing region. The Dubai based DP World is funding a port development project worth US\$ 500 million in Tianjin, while a US\$ 5 billion refinery in Guangdong province will be built by Kuwait. Saudi Arabia is also planning to build an oil tank farm on Hainan Island with a capacity of 25 to 30 million metric tonnes worth US\$ 5 billion. A series of agreements on natural gas and oil with one valued at US\$16 billion has also been signed with Iran⁵¹. Even Iraq has not escaped the Chinese reach and in October 2006 the two countries revived a deal worth US\$ 1.2 billion signed during the Saddam Hussein era in 1997⁵². In general, the Middle East accounts for almost 50% of Chinese oil imports.

China and Asia

China's reputation as a consumer par excellence of natural resources is not only being felt in countries far and away, its neighbours are also feeling the intensity of China's appetite for commodities. Chinese companies have set their prying eyes on Cambodia which is on the verge of striking it rich with the expected discovery of black gold. China National Chemical Engineering Corporation is helping to build a 40 000 barrel per day refinery at a total investment of US\$ 420 million⁵³. China also plans to start construction on a crude oil pipeline to link the south-western Yunnan province with a deepwater port in neighbouring Myanmar⁵⁴.

Even alternative energy sources cannot escape the attention of China with an expected investment of US\$ 5.5 billion for biofuels production in Indonesia through China National Offshore Oil Corporation (CNOOC). In addition, Petronas – Malaysia's state-owned company – also signed a deal worth US\$ 25 billion over 25 years to supply liquefied natural gas to Shanghai LNG Co⁵⁵. In general trade between China and the Association of South East Asian Nations⁵⁶ (ASEAN) grew to US\$ 130 billion in 2005 from a low base of US\$ 8 billion in 1991⁵⁷.

Chinese Incursion into Africa

It is clear that while Chinese incursion into Africa attracts much attention, Chinese investments on the continent are low in comparison with other areas, as trade between China and Africa still has the lowest nominal value. For example, Africa is attracting less investment, raking in a mere US\$ 317 million corresponding to 5.8% of total Chinese FDI outflows in 2005, in comparison to Latin America, which attracted US\$ 1.7 billion accounting for 32%. Asia pulled off US\$ 3 billion, representing 54.6% of total Chinese FDI outflows.

The same applies to China-Africa trade. For instance, while Chinese FDI outflows into the West are still negligible, Africa is dwarfed in comparison when it comes to trade volumes. This could be attributed to the composition and pattern of trade. Africa trades in volumes in the form of raw materials, while the

rest of the world trades in value in the form of manufactured goods. But even then, with the exception of oil and woods, Africa's share of total commodity imports by China is still negligible (see Table 4).

Table 4: Share in total imports and origin of the 20 most dynamic primary commodities in China's imports, 1999-2003

Product Group	% of Imports by China in World Imports	% of African Imports in Total Chinese Imports
Nickel	8.9	4.3
Iron and Steel scrap	9.5	0.1
Residual petroleum products	8.3	0.7
Iron ore and concentrates	29.1	5.9
Crude petroleum	4.7	24.1
Base metals	15	5.5
Copper	17.1	1.7
Other wood	23.4	20.5

Source: COMTRADE

STRATEGIC IMPLICATIONS FOR AFRICA

THE POLITICAL ECONOMY OF AFRICA'S NATURAL RESOURCES

China-Africa cooperation is not taking place in a vacuum. Africa's natural resources are of strategic and vital significance to many countries around the world. Growing global demand for commodities is also generating a renewed interest in Africa. As a result, there is now a multiplicity of actors seeking to access, control and exploit Africa's riches. It is within this context, that a nuanced understanding of the political economy of Africa's natural resources becomes particularly pertinent. International relations is by its very nature a murky affair of give and take with the tendency to leave the most vulnerable at the mercy of those who wield the power by virtue of their ability to dictate and impose terms of engagements vis-à-vis third parties.

Thus, through its economic linkages, the international community, particularly the US and EU could bring its pressure on the Chinese government to bear. The more China integrates into the global economy, the greater the prospects of exogenous factors influencing its policies towards Africa. The world is already witnessing an incredible amount of pressure being piled onto China. The US's impatience with China's undervalued Renminbi and its resort to the International Monetary Fund (IMF) to fight its battle is illustrative of the battles yet to come. In responding to these challenges China will be compelled to make concessions and compromises which may or may not necessarily be friendly towards Africa.

IMPACT OF CHINA ON AFRICAN DEVELOPMENT

DEVELOPMENTAL OPPORTUNITY

It is indisputable that enhanced cooperation with China could generate positive spin-offs for many African countries. Chinese engagement with Africa has been a key factor in the positive economic growth we are witnessing in many African countries. Notwithstanding its shortcomings, China remains a strategic partner for Africa. China is investing in vital infrastructure, is providing an alternative source of revenue and is helping African countries to unlock its vast economic opportunities. The effective and efficient utilisation of these additional resources can certainly enhance Africa's development prospects.

It is also plausible that the short to medium-term gains over the past few years could lay a solid foundation for accelerated economic growth and sustainable development in the long run. But this depends largely on how African countries maximise and optimise the benefits arising from such a partnership. Africa needs to use the windfall generated by the commodity boom to break the dependency syndrome. To do so Africa must invest in the development of secondary and tertiary industries. This is vital to stimulate backward and forward linkages with the local economy; generate additional employment opportunities, bolster revenue for the state, enhance economic growth and boost the continent's development prospects. But this partnership also presents its fair share of challenges and threats for development.

DEEPENING THE RESOURCES DEPENDENCY

There are ominous signs that Chinese investments could deepen the 'resources curse'. I draw on four country-specific cases to illustrate this point (see Box 1). While these cases do not reflect the totality of Chinese interventions on the continent, a replication or expansion of these outcomes could have serious implications for development in Africa. Africa exports mainly raw materials such as oil, minerals and cotton to China and continues to import manufactured goods.

Box 1: Examples of country specific experiences related to problematic Chinese engagement

ANGOLA

China's role: Part of the 9 cooperation agreements signed in 2006, including the construction of an oil refinery in Lobito estimated at US\$ 3.7 billion. The refinery would enable Angola to meet increasing domestic demand and increase supply to regional markets within the Southern African Development Community (SADC).

China's impact: According to a statement attributed to Anabela Fonseca, vice-president of Sonangol, the Angolan state oil company has decided to "dump" China and proceed ahead on its own⁵⁸. The negotiations broke down because of the insistence from Sinopec that the bulk of the refined oil be exported to China.

Possible threats to Angolan development: Resource dependency, no economic diversification, problems meeting domestic demand and impaired prospects for increased intra-Africa trade.

CENTRAL AFRICA

China's role: China is a major player in industrial logging⁵⁹ in Central Africa where more than 30% of the forest under logging concession and the clearing of these forests could significantly increase carbon emissions⁶⁰. (Source: Woods Hole Research Center)

Possible threats to Central African development: Environmental degradation, climate change⁶¹ and impaired human security.

SOUTH AFRICA

China's role: The export of raw chromite-ore was "throttling" South Africa's ferrochrome prospects due to the biases towards the import of raw chromite⁶².

China's impact: Serious implications for job creation as well as South Africa's ability to maximise and optimise the value⁶³. The viability of the company – which had just invested over US\$ 200 million in a new project – could also be put at risk.

Possible threats to South African development: Diversification, value addition and human security.

ZAMBIA

China's role: Two years ago China invested an amount of US\$ 200 million in a mine in Kabwe.

China's impact: Zambia authorities ordered the mine to shut down because of failure to comply with environmental laws. The mine was beginning to represent a health hazard.

Possible threats to Zambian development: Health hazards and impaired human security.

To reverse this trend, Africa needs to explore opportunities for complementarities in terms of value addition, not only as a means to diversify the composition of its exports, but also destinations. However, higher tariffs on processed products hamper Africa's ability to move higher up the value chain. China has promised to increase the number of items eligible for zero tariffs from 190 to 440 during the Forum on China-Africa Cooperation (FOCAC) held in November 2006.

ENTRENCHMENT OF THE RENTIER STATE

The concept of 'rentier state' was coined by Hossein Mahdavy which referred to pre-revolutionary Pahlavi Iran in 1970⁶⁴. In its broadest sense the theory defines rentier states as those "*countries that receive on a regular basis substantial amounts of external economic rent*"⁶⁵. According to Hazem Beblawi⁶⁶, there are four characteristics that would determine whether or not a state could be identified as rentier:

- if rent situations predominate;
- if the economy relies on a substantial external rent-and therefore does not require a strong domestic productive sector;
- if only a small proportion of the working population is actually involved in the generation of the rent;

- and perhaps most importantly, that the state's government is the principle recipient of the external rent.

The characteristics mentioned above are manifestly present in Africa's engagement with China. This rentier mentality is leading African countries to engage in unproductive rent-seeking activities based on shortsighted, inadequate and ineffective policies⁶⁷. As a result African governments are entrenching their roles as allocation states, instead of transforming themselves into production states⁶⁸. Further, for many African countries the income and wealth generated through this partnership is more the product of chance or circumstance rather than a reward for hard work. According to Douglas Yates, "this type of economic behaviour embodies the breakdown of the work-reward causation..."⁶⁹.

PROSPECTS AND CHALLENGES FOR DEVELOPMENT

The commodity boom and bust of the 1970s and 1980s led to the deceleration in economic growth in many natural resource based economies. According to Dani Rodrik, this is a "*function of both the magnitude of the shocks and a country's social capability for adapting to the shocks*"⁷⁰. This thesis is supported by Terry Karl who said:

"It matters whether a state relies on taxes from the extractive industries, agricultural production, foreign aid, remittances, or international borrowing because these different sources of revenues, whatever their relative economic merits or social import, have powerful (and quite different) impact on the state's institutional development and its ability to employ personnel, subsidise social and economic programs, create new organizations, and direct the activities of private interests. Simply stated, the revenue a state collects, how it collects them, and the uses to which it puts them define its nature"⁷¹.

What lessons has Africa learnt from the 1970s and 1980s episode and to what extent are these lessons influencing current policies, strategies as well as practices? Further, Agenda 21 conceives of sustainable development in three main dimensions: economic, environmental and social. I use this notion of development to benchmark and gauge the prospects and challenges for African development.

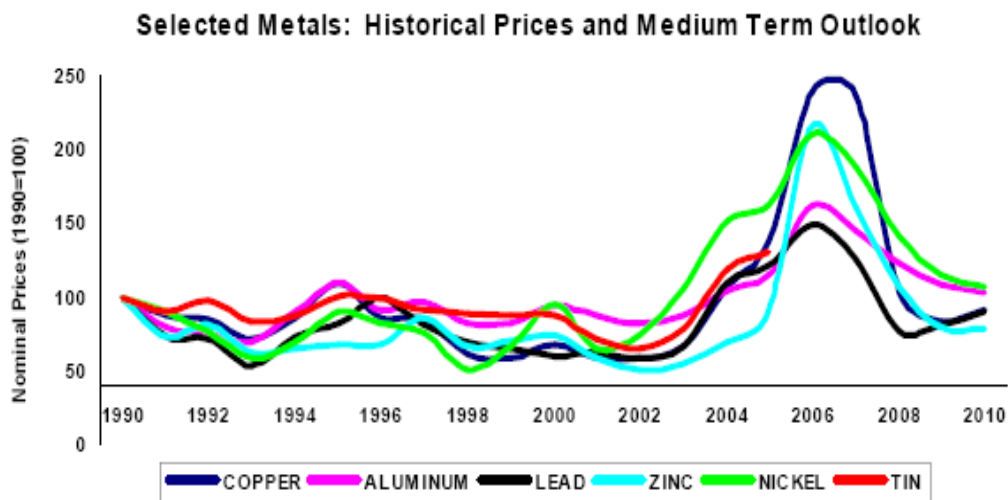
THE ECONOMY

The link between the positive economic growth currently witnessed in Africa and China is well recognised. China is increasingly becoming a key player in oil, mining, infrastructure and is also expected to increase its investments in Africa. A recently published report by the United Nations, *World Economic Situation and Prospects Report, 2007*, argues that the prognosis for African economies remains positive into 2008. However, economic growth in the aggregate is not sufficient to guarantee progress of an entire society in the long run. Accompanying qualitative changes, particularly in terms of human development, are needed as well.

Another major challenge confronting Africa is the cyclical pattern of price fluctuations. The Commodity Research Unit (CRU), London, one of the world's leading metals markets consultants, predicts that

prices are expected to retreat from current levels within the next year or two. The contributory factors would be an expected increase in supply as current expansions and investments come into operation, as well as a decrease in the rate of demand of metals (see Figure 1)⁷². Those African countries that fail to capitalise on the current commodity boom by making adequate provisions for the future will be affected most severely. The resultant impact could be catastrophic for many African economies arising from high indebtedness and an inherent inability to cope, as well as adapt to a changing environment. Enhancing Africa's ability to cope and adapt to these shocks will be a key determinant of its development trajectory.

Figure 1: Metals Prices 1990-2010 (1990: 100)



Source: *Commodities Research Unit, London*

THE ECOLOGICAL FOOTPRINT

China's ecological impact in Africa has not yet attracted that much attention in the current debate but it is nonetheless critical. The case of Zambia is not the only one where Chinese enterprises have been found to deliberately flout the laws. In Gabon, the conduct of Sinopec has attracted the ire of environmentalists for prospecting for oil in one of Gabon's pristine national parks. The company was accused of a whole range of unacceptable practices including pollution, exploding dynamites and carving roads through the park. This park is part of an area covering 67 000km declared a nature reserve in 2002 by the Gabonese authorities⁷³.

Since Cameroon, Congo, Democratic Republic of Congo, Equatorial Guinea, Gabon and Liberia are all major suppliers of timber to China, the conduct of industry in the Congo Rainforest has serious ecological and other implications for the entire continent. There are already indications that the effects of climate change will be most severe in Africa. Thus, continued mismanagement, in all its dimensions, of Africa's natural resources, renewable and non-renewable, will have catastrophic consequences for the continent.

SOCIAL RAMIFICATIONS

It is already a well-documented fact that China is assisting African countries to address many of the social ills that afflict the continent through the provision of medical assistance, training of African professionals, and building of basic infrastructure for water and sanitation etc. However, according to the United Nations (UN), Africa is the only continent that is not on target to meet the Millennium Development Goals by 2015. Angola and Nigeria, two countries that have benefitted the most from Chinese largesse are making very little progress in terms of human development, both ranking at a lowly 161 and 159 respectively⁷⁴. Mauritius, ranked at 63, is the only African country with a high human development index.

Linked intricately to the above are the Chinese overseas labour contracts. According to the Chinese Ministry of Commerce (MOFCOM), in the first quarter of 2006, Chinese overseas project contracting produced a turnover of US\$ 5.96 billion, representing an increase in the range of 65.2% on a year-on-year basis. The share of these projects by countries and regions is as follows: 7% in Hong Kong, 6.2% in Algeria, 5% in Angola, in 5% Sudan, 3.7% in Nigeria and 3.2% in Singapore. By the end of March 2006, total turnover of Chinese overseas project contracting hit US\$ 141.8 billion and the value of signed contracts was US\$ 194.2 billion. While this arrangement is certainly beneficial to China, for Africa the inverse is the reality.

For example, 70% of the labour force employed and contracts awarded in the Chinese-funded projects in Angola are allocated to China. Most of these projects are labour intensive with a great potential of absorbing a significant number of Angolan nationals, but this is unfortunately not the case. This is in stark contrast to the policy of *Angolanisation*⁷⁵ that was purposefully adopted to compel oil companies to increase the number and categories of Angolans employed within the industry. These contradictions can seriously compromise the ability of the Government to create and expand the opportunities for nationals both in terms of employment or other economic opportunities.

CONCLUSION

It is indisputable that China's engagement with Africa is producing positive results in the economic dimension of development. However, it is also clear that this engagement is not yet producing any meaningful impact in the lives of ordinary citizens. Instead of investing in its people and other productive activities, some countries are channelling the revenue generated towards unsustainable consumption patterns. Further, Africa's natural resource base and ecosystems are under continuous threat arising from an increase in exploitation activities. Under such circumstances, the so called 'resource curse' is likely to fall upon some of the resource-rich African nations.

Ultimately, to avoid this 'resource curse', Africa must use its natural resource rents wisely, adopt effective and suitable policies, and enhance its capability to manage the boom and bust scenarios effectively. Africa needs to adopt a holistic and integrated strategy to manage its natural resources for its own development, including providing for future generations. Africa also needs a multi-pronged approach that seeks to extract maximum benefits from the global commodity boom. The cornerstone of

this approach should be enhanced cooperation with other developing countries such as Brazil, Russia, India and China (BRIC). Together with Africa, these countries will represent the largest consumer markets, in terms of population size and demand by 2025 and beyond. Such an alliance will also bring together the regions with the highest natural resources potential both in terms of endowment, as well as future consumption. Strategically, this could offset against the political machinations and economic manoeuvres of the developed countries.

MUTUAL BENEFIT? - THE IMPACT OF CHINA'S INVESTMENT IN AFRICA ON CHILDREN

Alison Holder & Rebecca Jackson^{§§}

INTRODUCTION

Despite the recent proliferation of debate about China's investment in Africa, significant questions are yet to be answered. How much money is being invested in what kinds of projects? How much is invested by Chinese private sector companies and how much by Chinese state-owned enterprises? How much is direct aid from the Chinese government? What are the terms upon which each of these projects was agreed?

What we do know is that China's investment in Africa, whether in terms of economic aid or foreign direct investment (FDI), is larger than ever before, and is growing dramatically. Chinese FDI in Africa was at the end of 2005 estimated to be US\$ 1.6 billion (UNCTAD), a 30-fold increase on investment in 1991. Similarly, Chinese aid to the continent until 2006 was estimated at US\$ 5.7 billion (Bosshard, 2007); nearly double aid levels in 2004.

As China's involvement in Africa has become more visible, questions have been raised about the potential impact of Chinese investment on human rights, environmental protection, transparency, and accountability across the African continent. But the spotlight of these enquiries has not yet been turned on poverty reduction and the potential impact of Chinese investment on Africa's 360 million children (UNICEF, 2007: 125). While this is a subject that warrants much deeper study, there are three features of Chinese investment in Africa that must be taken into account when analysing the impact on children.

First, Chinese investment in Africa is taking place in some of the poorest and most fragile countries in the world. Though these countries have the greatest need for investment, they also have the greatest economic and social vulnerability. Second, there is evidence that Chinese investment in Africa – in the priority sectors of construction and infrastructure in particular – is not yet resulting in the livelihood opportunities and backward linkages⁷⁶ so important to the development of these very poor countries. Finally, the construction and infrastructure projects that China has prioritised in its investment portfolio carry particular social and environmental risks for children.

This article does not seek to provide definitive analysis of the impact of Chinese investment on children in Africa, as it is a vast topic that should be subject to future research. Instead this article seeks to identify areas of study that warrant further attention, and to highlight specific concerns about the social impact of major construction projects. This analysis is based on Save the Children's experience with the Zambezi Bridge, a large bridge construction project in Mozambique.

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Save the Children UK, a member of the International Save the Children Alliance and the world's leading independent children's rights organisation, is uniquely positioned to contribute to the debate about the impact of Chinese investment in Africa on children. Not only does Save the Children have country programmes in many of the African countries targeted for Chinese investment, but it also has more than 20 years experience operating as an international NGO in China. Save the Children has been operating in China since 1995, and in 2006 it received the Chinese government's 'China Philanthropy Award' in recognition of its work on child welfare. Save the Children has also facilitated previous collaboration between Chinese and African government officials, including hosting a visit from the Chinese Department of Social Welfare to South Africa, to share approaches to caring for orphans and vulnerable children.

MUTUAL BENEFIT: THE CHINESE APPROACH TO FOREIGN AID AND FDI

AID

Although some sense of China's foreign aid effort can be achieved by piecing together formal announcements from China, it is not a member of the Development Assistance Committee (DAC), and therefore official statistics are scarce. China last officially reported its development aid to Africa in 2002, when the figure was US\$ 1.8 billion (Broadman, 2007: 274).

The best estimates are that, by 2004, Chinese aid to Africa totalled US\$ 2.7 billion, comprising a significant (estimated) 26% (see Figure 2) of China's total international aid (Kurlantzick, 2006)⁷⁷. By 2006, total Chinese aid to Africa had nearly doubled, to US\$ 5.7 billion (Bosshard, 2007). According to the 'New Strategic Partnership' between China and Africa announced at the November 2006 China-Africa Cooperation Forum (FOCAC), Premier Hu Jintao promised to double China's foreign aid to the continent over the next three years to US\$ 10 billion. This is in addition to US\$ 3 billion in preferential loans and US\$ 2 billion worth of buyer credits to Africa (see Figure 3).

Figure 2: Donor spend on Africa, as a % of total international aid

<i>(figures for 2004)</i>	Estimated Aid to Africa	Estimated Aid to Africa, as a % of total international aid
China	~US\$ 2.7 billion ⁷⁸	26% ⁷⁹
<i>(figures for 2005)</i>	Aid to Africa⁸⁰	Aid to Africa, as a % of total international aid
Japan ⁸¹	US\$ 2.01 billion	15.3%
UK ⁸²	US\$ 3.05 billion	28.4%
US ⁸³	US\$ 3.90 billion	14.1%

Figure 3: Growth in China's Aid to Africa

	2002	2004	By 2006	2007 – 2010
Chinese aid to Africa	US\$ 1.8 billion ⁸⁴	~US\$ 2.7 billion ⁸⁵	~US\$ 5.7 billion ⁸⁶	~US\$ 20 billion ⁸⁷

China is also using debt relief as part of its aid packages to African countries. Since 2000, Beijing has taken significant steps to cancel the bilateral debt owed by 31 African countries to China: in 2000 it wrote off US\$ 1.2 billion in African debt; in 2003, it forgave another US\$ 750 million (Broadman, 2007). Beijing's new Africa Policy white paper, released in early 2006, describes debt relief as a continuing priority in China's aid to Africa.

Beyond financial assistance for key investments and debt relief, which are aspects of China's aid to Africa that have received overwhelming attention to date, China announced a series of initiatives for Africa in November 2006 that align more closely to Western and Japanese notions of aid. China will, over the next three years train 15,000 African professionals, send 100 senior agricultural experts to Africa, set up 10 special agricultural technology demonstration centres, build thirty hospitals in Africa and provide US\$ 300 million of grants for 30 new malaria prevention and treatment centres, dispatch 300 youth volunteers, build 100 rural schools, and double the number of Chinese government scholarships from the current 2000 per year by 2009 (Wissenbach, 2007: 9). This is in addition to the 950 Chinese doctors and nurses currently working in 36 African countries.

The growth in China's foreign aid to Africa has raised questions about the quality and effectiveness of its aid programmes, including the extent to which Chinese aid meets the DAC Principles for Effective Aid, and the Paris Declaration in particular. Issues such as tied aid (tying aid to contracts with a donor country's companies), policy conditions, country ownership, and the use of off-budget spending, are of particular concern. An example of aid tying is that China's loans often come with the requirement that at least 50% of the materials for the project be sourced from China. This is normal for export credits but not for aid (Bosshard, 2007).

FDI

Most European companies abandoned Sierra Leone long ago, but where Africa's traditional business partners see only difficulty, the Chinese see opportunity. They are the new pioneers in Africa, and – seemingly unnoticed by aid planners and foreign ministries in Europe – they are changing the face of the continent.

-Linsey Hilsum, Journalist and Writer, 2006

The Chinese approach to FDI differs from that of Western countries and Japan. Historically, Western and Japanese FDI in Africa have come from private or publicly owned corporations, focused on maximising profits within a relatively short period of time. Much of Chinese FDI, on the other hand, comes from firms that are either partly or wholly state-owned. Chinese state-owned companies have access to low-cost capital and preferential loans, meaning that their investment horizon can be much longer term. Because they are not under the same profit maximisation pressures as private or publicly-traded companies, the investments of state-owned companies are driven not only by economic but also by political, strategic and diplomatic factors (Kavaljit, 2007: 39).

According to official Chinese statistics in 2005 Chinese FDI in Africa amounted to US\$ 1.5 billion, while the World Bank puts the figure at US\$ 1.18 billion, and UNCTAD as high as US\$1.6 billion (see Figure 4).

Figure 4: Variations on reported Chinese FDI Stocks in Africa

<i>(figures for 2005 in US\$)</i>	Estimated FDI stocks in Africa	Estimated, as a % of worldwide FDI stocks
China - Official Chinese statistics	US\$ 1.5 billion ⁸⁸	2.8%
China - World Bank statistics	US\$ 1.18 billion ⁸⁹	<i>not available</i>
China – UNCTAD statistics	US\$ 1.6 billion ⁹⁰	3.5%
<i>(figures for 2003 in US\$)</i>	FDI stocks in Africa⁹¹	As a % of worldwide FDI stocks
US	US\$ 15.1 billion	0.8%
UK	US\$ 9 billion	0.8%
France	US\$ 3.9 billion	0.6%

While the absolute figures of Chinese FDI in Africa are uncertain, the commitment to increase Chinese FDI in Africa is not. Recently, the Chinese government created an investment fund valued at US\$ 5 billion, aimed at encouraging Chinese enterprises to invest in Africa.

Chinese FDI involvement is rapidly overtaking that of traditional partners, such as Europe, Japan and the US. As a percentage of total FDI, China’s investment in Africa is larger than the US, the UK, or France (see also Figure 4).

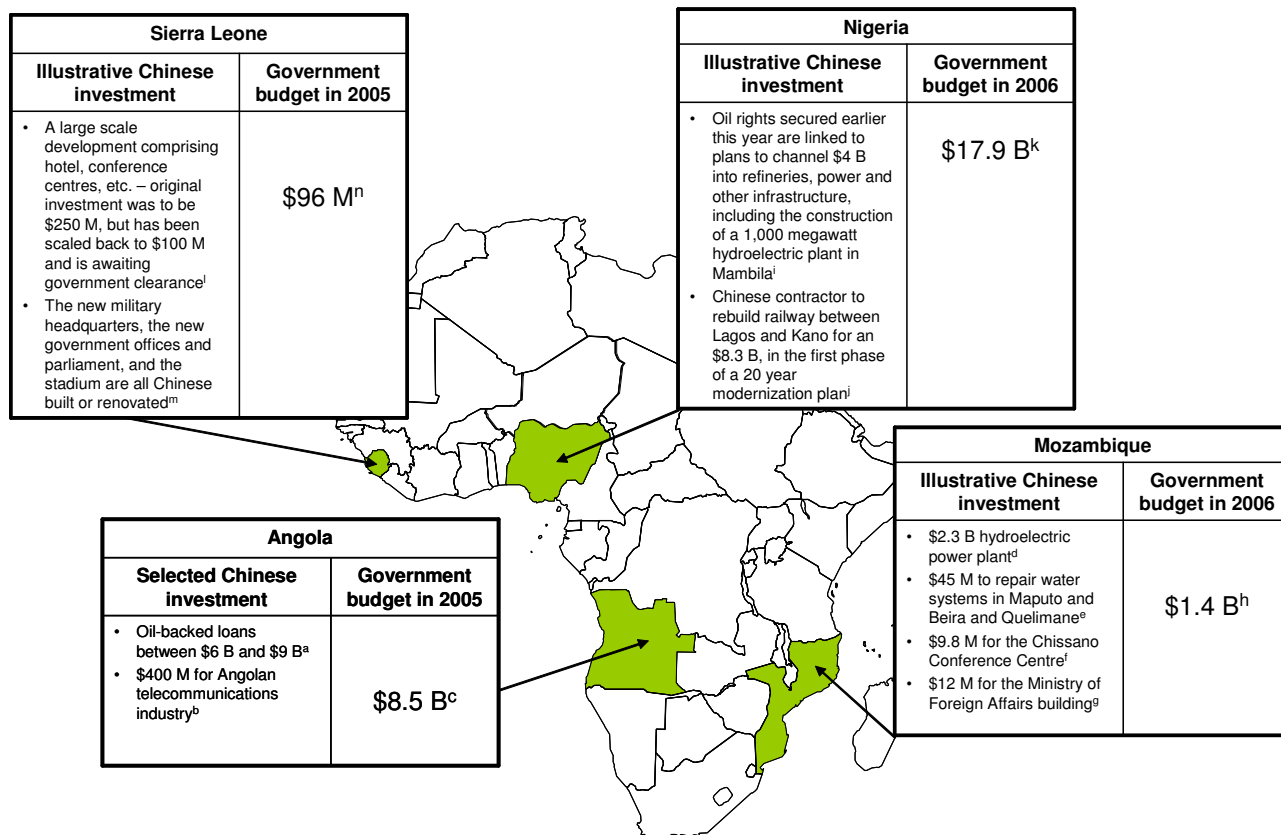
THE IMPLICATIONS OF INVESTING IN POOR AND FRAGILE COUNTRIES

The list of destination countries for Chinese investment includes many of the poorest and most fragile countries in the world. According to the World Bank, more than 80% of the loans made by China’s EXIM Bank were concentrated on Angola, Nigeria, Mozambique, Sudan and Zimbabwe (Broadman, 2006: 275). Every one of these five countries, save for Sudan, ranks in the bottom 20 of the 177 countries measured by the Human Development Index. The average life expectancy across these countries is just 44 years, compared with a global average of 67 years.

It is illuminating to look at examples of Chinese projects in certain key African countries and compare these with the recipient government’s total annual government budgets (see Figure 5).

Figure 5 below, while by no means representative of the entire Chinese investment portfolio in Africa, gives an indication of the type and scale of Chinese projects underway in Africa, in comparison with the resources otherwise available to these countries’ governments on an annual basis. One could argue that this comparison would hold true for investment funded by any country or institution; but it is precisely the “scale of Chinese operations, combined with the condition of the African state and its inability to monitor and manage such large inflows of investment and foreign economic activity that has caused concern amongst many of the traditional actors [in Africa] [emphasis added]” (CCS, 2006: 77).

Figure 5: Illustrative Chinese Investments in Africa compared with 2005 Government Budget, by country



Sources:

- ^a Centre for Chinese Studies, Stellenbosch University, "China's Interest and Activity in Africa's Construction and Infrastructure Sectors", p. 20
- ^b Centre for Chinese Studies, Stellenbosch University, "China's Interest and Activity in Africa's Construction and Infrastructure Sectors", p. 18
- ^c Centre for Chinese Studies, Stellenbosch University, "China's Interest and Activity in Africa's Construction and Infrastructure Sectors", p. 15
<http://www.macauhub.com.mo/en/news.php?ID=1702> (accessed on 12 June 2007)
- ^d Kaplinsky, McCormick, and Morris, "The Impact of China on Sub-Saharan Africa", Institute of Development Studies, University of Sussex, April 2006, p. 18
- ^e Kaplinsky, McCormick, and Morris, "The Impact of China on Sub-Saharan Africa", Institute of Development Studies, University of Sussex, April 2006, p. 18
- ^f Kaplinsky, McCormick, and Morris, "The Impact of China on Sub-Saharan Africa", Institute of Development Studies, University of Sussex, April 2006, p. 18
- ^g CIA Factbook
- ^h CIA Factbook
- ⁱ David White, "A spectacular resurgence", FT, Tuesday, November 21, 2006, Special Report, p. 2
- ^j David White, "A spectacular resurgence", FT, Tuesday, November 21, 2006, Special Report, p. 2
- ^k CIA Factbook
- ^l Centre for Chinese Studies, Stellenbosch University, "China's Interest and Activity in Africa's Construction and Infrastructure Sectors", p. 37
http://www.pbs.org/newshour/bb/asia/july-dec05/china_7-05.html (accessed on 12 June 2007)
- ^m Centre for Chinese Studies, Stellenbosch University, "China's Interest and Activity in Africa's Construction and Infrastructure Sectors", p. 31

It is, of course, true that China's investment and aid programmes would bring enormous benefits if they were to help generate pro-poor growth, contribute to poverty reduction, and improve access to schools, hospitals and recreational facilities for the children who most need it. Whether investment in poor countries, regardless of the country from which it is derived, actually delivers these benefits is the subject of much debate. The potential benefits of free flows of investment across borders – the transfer of technology, creation of jobs, quality products and service, along with managerial efficiency – must be weighed against the costs for workers, consumers, and communities in the host countries (Singh, 2007: 42). Kavaljit Singh argues that "...neoliberal approaches do not give adequate attention to these economic, social and environmental costs and thus fail to establish the links between foreign investment, poverty reduction and development" (Singh, 2007: 42).

In addition to questions related to the relative benefits of investment to the host country, there are valid concerns about the governance processes and transparency surrounding Chinese investment in Africa. More work needs to be done to better understand these governance processes, both in China and in the host African countries. Ultimately, if the full benefits of investment in Africa are to be realised, the citizens of the host African countries must be able to hold their governments to account for the investments made on their behalf, regardless of which country or institution is funding the project.

THE NEED FOR BACKWARD LINKAGES AND DECENT WORK OPPORTUNITIES

Chinese investment in Africa has the potential to provide jobs to local people, as well as to share production technologies that African entrepreneurs can adopt. With official unemployment estimated to be more than 30% (CCS, 2006: 15) in Angola and as high as 60% (CCS, 2006: 32) in Sierra Leone, these are jobs that are desperately needed. Investment projects, however, do not automatically lead to jobs and opportunities for the host country. For example, the rules of China EXIM Bank loans – that 70% of contracts resulting from the loans be granted to Chinese companies (CCS, 2006: 20) and that at least 50% of goods be sourced from China – mean that few backward linkages with the economies of the host countries are created.

To date, there is no concrete data about the number of local jobs that have been generated in host countries in Africa from Chinese investment. But recent research done by the Centre for Chinese Studies (CCS) at Stellenbosch University on the impact of the Chinese construction industry in Africa indicates that the concerns about minimal backward linkages and job creation are well founded. Across the four countries that the CCS studied – Angola, Sierra Leone, Tanzania and Zambia – it was found that Chinese firms universally imported Chinese labour to work on a contractual basis on infrastructure projects.

For those largely unskilled jobs that are created, Chinese state-owned companies pay state-determined salaries that are often not in line with the market-determined price for labour in the local construction industry. In Sierra Leone Chinese companies reportedly pay very low salaries, and occupational safety standards are rarely followed and never enforced (CCS, 2006: 38). In Tanzania, the ILO found that the Chinese companies had “exceptionally low standards, with long working hours, low pay, low standard occupational safety and health and a poor record on worker’s rights” (CCS, 2006: 52).

Similar reports came from Namibia, suggesting that the Chinese contractors were not adhering to Namibian labour laws and minimum wage structures. A Namibian labour organiser reportedly received numerous complaints from Chinese construction sites, but although investigations had been launched, settlements were made out of court, or workers at suspected sites were found to have been replaced and cases dropped (Anonymous, 2006). All of this means that, while Chinese investment has the potential to create decent work and livelihood opportunities for families in some of the poorest countries in the world, questions remain as to whether enough is being done to protect workers’ rights and to ensure that the jobs available meet the criteria of decent work. Much more could be done to cultivate

and harness the development of local enterprises, which could in turn create valuable livelihood opportunities for poor families.

Putting in place the regulatory frameworks that will protect workers' rights and maximise the ancillary benefits of Chinese investment is, of course, a job for the host African governments. But, as the CCS points out, there are significant concerns about "the lack of institutional framework and government capacity to monitor and encourage direct investment in terms of local skills development and technology transfer" (CCS, 2006: 78). Chinese investors, and all investors who choose to invest in the poorest and most fragile countries in the world, have a role to play in ensuring that effective regulatory frameworks are put in place to maximise opportunities for social and economic development in host countries.

THE SOCIAL AND ENVIRONMENTAL RISKS OF CONSTRUCTION AND INFRASTRUCTURE PROJECTS

The Chinese are doing more than the G8 to make poverty history...If a G8 country had wanted to rebuild the stadium, we'd still be holding meetings! The Chinese just come and do it...I'm not saying it's right, just that Chinese investment is succeeding because they don't set high benchmarks (Hilsum, 2006).

- Sahr Johnny, Sierra Leone's ambassador to Beijing

China has become a key financier of infrastructure projects in Africa. At the end of 2005, China Export-Import Bank had approved around US\$ 6.5 billion for projects in Africa, accounting for roughly 10% of the bank's total approved projects at this time. Furthermore, 79% of the bank's commitments to Africa were for infrastructure projects. Flows to the power sector made up about 40% of total commitments, followed by general or multiple-sector commitments (24%), transport (20%), telecoms (12%), and lastly water (4%) (Broadman, 2007: 275).

It is estimated that in 2006, Chinese contractors won a third of all public works contracts funded by the African Development Bank – eight times the number awarded to any other country. Speaking before the recent Beijing summit, a World Bank official estimated that announcements made by the Chinese in 2006 alone would outstrip the flow of traditional international aid or private sector investment into infrastructure projects in Africa (White, 2006).

The heavy focus on infrastructure projects in China's investment portfolio means that they are especially exposed to social and environmental risks. Jianzhong Lu, vice president of the China Communications Construction Highway Engineering Co., refers directly to these risks, but argues that "the need to establish infrastructure, such as water treatment projects, outweighs the need to address the ensuing environmental problems. These projects can sometimes have health and environmental benefits to people far greater than their environmental impacts...Even though when you invest in any infrastructure project, sustainability should be a consideration; it becomes a problem when it interferes with the implementation of a project."

Save the Children would instead argue that social and environmental impact must be considered throughout the design and construction phase of any major infrastructure project. The importance of considering the social impact in particular can be illustrated by Save the Children's direct experience with a major infrastructure project: the Zambezi Bridge in Mozambique. Although China was not represented in the construction consortia for the Zambezi Bridge, Save the Children believes that the lessons learnt are applicable across all major infrastructure construction projects, regardless of which country or institution is providing funding or carrying out the work.

Save the Children's work in the communities around the Zambezi Bridge construction area has raised concerns that, while these projects are in many cases essential to spur the economic and social development that will benefit children in the long term, there are also risks to children in the short term. This experience also indicates, however, that none of the negative consequences of large construction projects are inevitable if measures to mitigate the negative social impact on local communities are built into the project from the beginning.

A BRIDGE ACROSS THE ZAMBEZI: WHAT NEEDS TO BE DONE FOR CHILDREN?

The Zambezi Bridge project in Mozambique was first conceived 30 years ago, following Mozambican independence from Portugal. In the late 1970s work commenced on access roads to the bridge, but the project was subsequently abandoned as a result of the war in the country. Work was again resumed in 2006 and is scheduled for completion in 2009.

Once completed, the bridge will connect Mozambique's national highways across the river, providing an uninterrupted flow of people and goods from the north to the south of the country. The government argues that the bridge will contribute to poverty reduction in Mozambique by creating jobs, and by attracting investment and encouraging business and agricultural development. When completed, the bridge is also expected to improve access for surrounding communities to basic services, such as health care. But, research by organisations including Save the Children, shows that even when large infrastructure construction projects bring economic benefits, they can also leave behind negative social consequences.

Mozambique is one of the world's poorest countries; nearly 70% of its people fall below the national poverty line, and nearly 40% of people survive on less than US\$ 1/day. Mozambique ranks at the very bottom of the Human Development Index scale – 168 out of the 177 countries measured. The two towns on either side of the proposed bridge site are extremely poor and are heavily affected by the influx of large numbers of single, male workers flush with money. For example, the communities around the Zambezi Bridge construction area have seen increases in the sexual and physical exploitation of local women and children.

In interviews with children as young as 12, it became clear that the area around the bridge construction site carried great risks for children, with men from the construction sites, for example, paying young girls for sex (Save the Children, 2006: 16). Young girls also claim to have suffered sexual violence by

workers and motorists, including unwanted attention, being touched, being forced to touch in a sexual way, or being forced to have sex. In some instances, due to extreme poverty, parents knew about their children's involvement in prostitution but are unable or unwilling to stop it.

The river crossing area is also a transit point for the transmission and spread of sexually transmitted diseases, including HIV/AIDS. The Learning Clinic, an organisation in Johannesburg concerned with the spread of HIV/AIDS in Southern Africa, has described the risks associated with such projects. It suggests that people whose jobs requires them to travel significantly, such as truckers, traders, seafarers and army personnel are vulnerable to HIV and sexually transmitted diseases: "In the case of truck drivers, overnight stays away from home, less social control, long waiting periods in ports and border stations and the availability of commercial sex, and other factors work together in creating this vulnerability" (Save the Children, 2006: 15). Investigations found that many girls had slept with truck drivers and workers and had subsequently become ill, with some eventually dying of AIDS.

The communities around the Zambezi Bridge project have also seen children leaving home and dropping out of school in order to find employment on or around the construction site. Some children move in with the workers at their camps, others live at the barracas where they work. There is concern in particular about the hazardous nature of this work for children in the construction industry, including the risks of injury from heavy lifting.

Evidence suggests that boys as young as ten or eleven are working and sometimes living by the river, with little time to play or go to school, and enduring precarious and unsafe conditions, as well as assuming adult responsibilities, often out of necessity to provide for themselves and their families. One 15-year old boy described his working day in a barraca: "I wake up early at four o'clock; I clean inside and outside the barraca. I clean the house while I prepare tea for my master. After that I fetch water in the river and I start cooking for the customers. I go to sleep at eight o'clock. I earn 150.000 Meticasi (about US\$ 6) at the end of the month; my rest is on Sunday afternoon" (Save the Children, 2006: 17).

Save the Children has found, however, that none of the negative consequences of large infrastructure construction projects are inevitable, if measures to mitigate the negative social impact on local communities are built into the project from the beginning. Since first publishing its report highlighting concerns for children around the Zambezi Bridge construction site, Save the Children in Mozambique has witnessed some positive developments. For example, the Zambezi Bridge construction consortia have fulfilled their contractual obligation by hiring an institution responsible for conducting HIV/AIDS awareness and prevention activities for construction workers and local communities. A new Chief of Police with knowledge of and experience in dealing with social issues and child protection has been hired for the region.

Save the Children in Mozambique also continues to advocate for additional measures, such as strict enforcement of the project consortia's code of conduct in relation to child abuse and exploitation and, importantly, the formation of a Project-Community Liaison Committee.

The lessons Save the Children has learned in Mozambique provide an example of the practical concerns that must be taken into account when considering the possible impact of Chinese investment, in infrastructure construction in particular, on children.

OUTLOOK FOR FUTURE ENGAGEMENT

China is in a unique position to contribute to Africa's economic development by addressing the chronic underinvestment in Africa's infrastructure. Its growing exposure in Africa could also mean that it will increasingly be interested in building stability across the continent. The optimistic view is that "the more interests there are to protect, the more [China] will support better governance" (Wissenbach, 2007: 9). It remains to be seen whether this will prove true.

It is evident that Chinese firms, like multinational companies across the world, are increasingly coming up against the difficulties of operating in very poor and fragile environments. For example, in early 2007, Hu Jintao was forced to cancel a planned visit to Zambia's copper region because of instability and resentment regarding the working conditions in Chinese mines (Bosshard, 2007). In Nigeria in April 2006, the Chinese were targeted with a car bomb, accompanied by a message warning the Chinese Government and its oil companies to steer well clear of the Niger Delta. In April 2007, 65 Ethiopians and 9 Chinese oil workers were killed in Ethiopia in an attack by gunmen seeking to claim control over an oil-rich region being explored by the China's Zhongyuan Petroleum Exploration Bureau.

The relationship between stability and responsible business appears to be recognised, at least rhetorically, at the highest levels of the Chinese government. Deputy Commerce Minister, Wei Jianguo, has said that he has not heard of cases of Chinese firms destroying the environment in Africa, but has promised tough action if they do: "We will mete out severe punishment...and revoke their license to operate anywhere outside China...The Chinese Government attaches great importance to the responsibility of Chinese enterprises when they operate in Africa" (Coonan, 2006: 31). In February 2007, Chinese television showed Hu Jintao lecturing Chinese investors in Namibia on the need for better behaviour in their host countries" (Wissenbach, 2007: 8). And, an official Communist Party magazine recently published an article recognising the importance of socially responsible business: "Even in developing countries, foreign companies that turn a blind eye to their social responsibilities will be kicked out of the market" (Bosshard, 2007).

While serious problems remain, there is evidence to suggest that the environment is shifting, even slightly, in ways that will help organisations like Save the Children ensure that Chinese investment in Africa results in the best outcomes for children both in the short and long term.

For example, the Chinese Government recently took an interest in issuing codes and standards for its companies operating overseas. The Ministry of Commerce, citing the Zambian mine incident in April 2006, promulgated new regulations calling for Chinese companies to act responsibly in Africa. The regulations urge companies to practice localisation such as hiring local workers, respecting local customs, and adhering to African and international safety standards (Gill & Reilly, 2007: 47).

Addressing the stringent criticism it has received for the impact of its business dealings in Sudan on the people of Darfur, China has appointed its first diplomat devoted to Darfur. This suggests a significant shift in China's policy towards the crisis and towards Khartoum. China increasingly views peace and stability in Sudan as important to its own long-term interests. As assistant foreign minister, Zhai Jun said on Hu Jintao's most recent trip to the country, "I believe this visit will not only boost bilateral ties, but also peace and stability in the region" (Ewing, 2007).

For Save the Children, it is imperative that we set aside the rhetoric that has characterised so much of the debate about China's role in Africa in recent months. Instead we are interested in seeking answers to the many outstanding questions about the impact of China's engagement in Africa on children: How does China's aid programme align with the DAC principles on effective aid? To what extent does China's aid target poverty reduction? How can aid to Africa from all donors, including China, be best harnessed to meet the challenges of the Millennium Development Goals? Important questions also remain that do not pertain to China specifically, but to the impact of investment on poor countries in general: Who benefits? Who loses? What strategies are needed to ensure that investment contributes to the realisation of wider developmental objectives?

The answers to these questions, and others, will be best addressed by taking into account the perspectives of a broad range of stakeholders: from government to civil society to the private sector, and across countries including China, host African governments, as well as other interested countries and institutions. Save the Children feels optimistic that, especially in light of recent events such as the memorandum of understanding on cooperation signed by China's EXIM Bank and the World Bank, there has been a shift, no matter how subtle: Opportunities to work collaboratively on answering questions such as those posed above exist where perhaps they previously did not. These opportunities must not be missed.

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EXPERIENCES AND IMPRESSIONS ON DIPLOMATIC ENGAGEMENT WITH THE PEOPLE'S REPUBLIC OF CHINA: A SOUTH AFRICAN PERSPECTIVE

*Ambassador Johannes J. Spies ****

According to historians, the first recorded contact between Africa and China took place during the naval expeditions by the celebrated Chinese Admiral Zheng He. These voyages date between 1405 and 1433, and took place during the Ming Dynasty. Not much was however achieved, apart from an exchange of gifts, including zebras and giraffes to the Imperial Zoo.

China has indeed had a long and active involvement with Africa, dating back to the early days of its support to African liberation movements in the 1950s and 1960s. At that time, China's intentions were primarily political and diplomatic, and to gain support for the eventual ejection of Taiwan from the United Nations (UN). Furthermore, China's activities in Africa were noted by lavish infrastructure projects, not always with a sound economic development connection. The construction of Olympic-style stadia in West Africa and the construction of the Tanzania-Zambia railway line in East Africa are prime examples. Throughout the next several decades, China provided technical expertise, medical teams, scholarships, and various other forms of aid.

Chinese influence and involvement in Africa became less prominent in the 1980s but with her re-emergence as a significant world player, she has returned to prominence in Africa with not only a need for resources but with the economic and political muscle to play the game dramatically and competitively.

During South Africa's democratic transformation China sent a clear signal that diplomatic relations between the two countries would be impossible as long as diplomatic relations with Taiwan existed. After a brief period when South Africa and China were represented in their capitals through "Interest Offices", South Africa adopted the "One China" Policy in December 1997, and established full diplomatic relations with the People's Republic of China (PRC) on 1st January 1998.

In April 1998, the then South African Deputy President Mbeki visited China. In February 1999, his counterpart, the Chinese Vice President Hu Jintao visited South Africa. In May 1999, South Africa's President Nelson Mandela paid a State Visit to China and during April 2000, the Chinese President Jiang Zemin was welcomed in South Africa. It was during the latter visit that the two heads of state signed *the Pretoria Declaration on the Partnership between the People's Republic of China and the Republic of South Africa*, emphasising the strategic importance of the diplomatic relationship. A Bi-

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National Commission was established in 2002, the third session of which was held in Beijing in September 2007.

China's rapid rise as a global power had a major impact on geopolitical relations around the world, including the African continent. In January 2006 China released an official policy document entitled "China's African Policy" that clearly spelled out its redesigned policy of engagement with Africa.

In response to these rapid developments, South Africa's policy towards China was re-examined with the specific aim to develop a long-term, stable relationship with China that is responsive to the changing international profile of China, as well as beneficial to Africa and South Africa. The overarching objective of South Africa's relationship with China is the establishment of a strategic bilateral and multilateral partnership of equality, mutual benefit and co-operation.

During a visit by the Chinese Premier Wen Jiabao in June 2006, South Africa and the PRC signed a "Programme for Deepening the Strategic Partnership". During November 2006, President Mbeki concluded a State Visit to the PRC, where he attended the Forum on China-Africa Cooperation (FOCAC) Summit in Beijing. President Hu Jintao in turn visited South Africa in February 2007. At the conclusion of his visit, President Hu announced support for South Africa's ASGISA (Accelerated and Shared Growth Initiative for South Africa) and JIPSA (Joint Initiative on Priority Skills Acquisition) through the donation of 200 million Yuan for the setting up of a Vocational Training Centre, and 30 million Yuan for an Agricultural Technology Cooperation Centre.

South Africa is China's key trade partner in Africa, accounting for nearly 21% of the total volume of China-Africa trade. In 2006 South African exports amounted to nearly R 14.02 billion, with imports reaching R 46.72 billion according to South African figures. In 2006, China became South Africa's second largest import trading partner, and sixth largest export partner. Total trade between South Africa and the Greater China region (PRC, Hong Kong, Macau and Taiwan) reached a massive R 80.52 billion during 2006. South African exports in 2006 amounted to R 23.54 billion, while South African imports from the region amounted to R 56.98 billion.

South Africa's exports to China consist mainly of raw materials such as aluminium, nickel, manganese, zirconium, iron ore, vanadium oxides, chromium ores, granite, platinum and gold. China's exports to South Africa have included mainly manufactured products, such as footwear, textiles, plastic products, electrical appliances, tableware and kitchenware. The complementary nature of the two economies provided the impetus for the growth of trade. At the same time, bilateral trade amounts to only a very small percentage of both China and South Africa's international trade profile, suggesting that there is still enormous potential for an increased exchange of goods and services.

Whilst China's increased engagement with the African continent presented an opportunity for a valuable contribution to Africa's growth and development, it simultaneously presented a challenge in that it could also erode these countries' growth benefits, undermine the role of the African Union (AU), as well as possibly undermine the implementation of Africa's New Partnership for Africa's Development (NEPAD)

programme. As a result, a positive pro-active approach on the relationship between China and Africa needed to be developed and implemented, in order to harness resources and focus activities towards meaningful deliverables that would serve primarily the interests of Africa.

The Forum on China-Africa Cooperation was initiated in October 2000, as the chief instrument of engagement between the PRC and Africa. At the third FOCAC meeting in November 2006, China and Africa committed themselves "properly (to) handle issues and challenges that may arise in the course of cooperation through friendly consultation in keeping with China-Africa friendship and the long-term interests of the two sides". At the conclusion of the FOCAC Summit, China and Africa adopted the sector-specific *Beijing Action Plan (2007-2009)*, based on the shared imperative to "promote friendship, peace, cooperation and development", and to "advance the new type of strategic partnership between China and Africa in keeping with" the FOCAC Beijing Declaration.

To advance these goals, President Hu Jintao announced an extensive programme of support for Africa, which includes, amongst others, the doubling of development assistance, debt relief, assistance in the training of professionals, assistance in the development of health infrastructure, and the opening of the Chinese market to African products. President Hu Jintao also stated that "China will continue to support Africa in implementing the New Partnership for Africa's Development (NEPAD), and in its effort to strengthen itself through unity, achieve peace and stability and economic revitalisation in the region and raise its international standing".

In February 2007, President Hu Jintao followed up on the announced programme of support with a visit to eight African countries, including Cameroon, Liberia, Sudan, Zambia, Namibia, South Africa, Mozambique, and the Seychelles.

Historically, China has maintained good relations with Africa and has, at various stages, had an active involvement on the continent. In its international engagements China emphasises her status as a developing country. South Africa has adopted a strategy to leverage China's influential role to advance the cause of the South and in particular of Africa in key multilateral fora, including within the context of the UN Security Council. With this in mind, a commitment to enhance cooperation in multilateral fora was enshrined in the *Programme for Deepening the Strategic Partnership* signed in June 2006 between South Africa and China. Regular consultations on key international issues are vital in this process, and were included on the agenda during all high profile visits; for example: June 2006 – Premier Wen Jiabao to South Africa; November 2006 – President Mbeki's visit to Beijing; February 2007 – visit to South Africa by President Hu Jintao; May 2007 – Minister Dlamini Zuma's visit to Beijing to meet the newly appointed PRC Minister of Foreign Affairs, Yang Jiechi.

This increased interaction is evidence that the Sino-South African relation is set to develop further in the future.

ENDNOTES

- ¹ "China's reverse population bomb", by Scott Zhou, *Asia Times Online*. 2006/10/31.
- ² Ibid.
- ³ Ibid.
- ⁴ Ibid.
- ⁵ "China's cheap labor pool running dry", by Wu Zhong, *Asia Times Online*. 2007/06/01.
- ⁶ Ibid.
- ⁷ Ibid.
- ⁸ "China aims to diversify oil sources", *Asia Times Online*. 2007/02/28, p. 3.
- ⁹ Ibid., p.4.
- ¹⁰ "China smiles at Africa with two faces", *Asia Times Online*. 2007/01/12. Co-authored by Bright B. Simons, Evans Lartey and Franklin Cudjoe.
- ¹¹ Ibid.
- ¹² "China swaggers into Europe's 'back yard'", by Julio Godoy, *Africa Times Online*. 2006/11/16.
- ¹³ "EU moves to challenge China in Africa: Europe jolted into action as it finally wakes up to Beijing's rapidly expanding influence on the continent", *Business Day*, 2007/06/28, p. 9. Also see: Conference summary: "Partners in competition? The EU, Africa and China," Brussels, 28 June 2007.
- ¹⁴ "India pushes people power in Africa", by Sudha Ramachandran, *Africa Times Online*. 2007/07/13.
- ¹⁵ "AU to Help Continent Benefit from Trade with China", by Francis Ayieko, in *East African*, Nairobi, 2007/06/26 (allAfrica.com).
- ¹⁶ Ibid.
- ¹⁷ Ibid.
- ¹⁸ "Africa urged to embrace unity now", *Business Day*, 2007/07/03, p. 2. Also: "New spirit will free Africans from poverty, says Mbeki," *Business Day*, 2007/07/30, p. 4.

- ¹⁹ Tull (2006) argues that the origins of China's more 'assertive' foreign policy - to the extent that such a thing exists - lie in the much earlier 1989 Tiananmen Square incident, which forced China to seek diplomatic support from uncritical governments, many of which were found in Africa. Whether this constitutes a conscious and pro-active shift in foreign policymaking is an open question.
- ²⁰ See Bijian (2005) for more details.
- ²¹ This clearly does not mean that US-China relations will encounter no challenges. For example, the increasingly fractious bilateral commercial relationship has eroded much political goodwill in recent years.
- ²² Many disregard the importance of African markets due to their tiny size and significant fragmentation. But much of what China exports is not produced in Africa, and is much more affordable than similar exports from competing suppliers. Hence, Africa's 900 million or so people represent a sizeable market for Chinese products. As the saying goes, 'there is a lot of money at the bottom of the pyramid'.
- ²³ Some African countries, like Chad, have switched between Taipei and Beijing more than once. The four remaining countries recognising Taiwan are Burkina Faso, the Gambia, Sao Tome and Principe, and Swaziland. All but the Gambia has received little or no assistance, economic or otherwise, from Beijing. The most recent to switch from Taipei to Beijing were Malawi, Chad, Liberia, and Senegal.
- ²⁴ Brautigam (1998) reminds us that the Tan-Zam railway and the trans-Himalayan highway project that China also financed during the Cold War were by far the exceptions to the rule. The vast majority of Chinese aid projects, especially in Africa, were small-scale, and to this day comprise a significant chunk of China's overall aid effort.
- ²⁵ See China's 'African Policy', the first of its kind, launched in January 2006. Available at <http://www.fmprc.gov.cn/eng/zxxx/t230615.htm>.
- ²⁶ The LDCs here exclude Europe's designated African, Caribbean and Pacific countries, which because of superior access under the Cotonou Agreement, scarcely utilised the EBA at all in 2001.
- ²⁷ No English-language list of the 440 products was published with FOCAC materials or elsewhere on the worldwide web. The author is grateful to the Chinese diplomatic staff who provided the list of products and the applicable rules of origin. As it is unclear if this information is embargoed, it will not be reproduced in this publication. The author's analysis is based upon it. African exporters might take greater advantage of these preferences if the Chinese Ministry of Commerce (MOFCOM) publishes this information in English, French, and Portuguese on the MOFCOM and the FOCAC websites.
- ²⁸ Current decade refers to 2000 onward. The data used are complete through December 31, 2006.
- ²⁹ This calculation merely multiplies the margin of preference by the average annual export value. In reality, this 'transfer' will not necessarily accrue to the exporter; it is only a crude approximation of the value of a preference. The true value will depend upon price elasticity of demand and supply for these products in China and the African LDCs, respectively. This is very difficult to estimate, so we settle for the implicit transfer to provide a magnitude of the preference value.
- ³⁰ These are Afghanistan, Bangladesh, Bhutan, Cambodia, Laos, Maldives, Myanmar, Nepal, Timor Leste, Vanuatu, and Samoa.

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- ³¹ This article is based on the study “China’s interest and Activity in Africa’s Infrastructure and Construction Sectors” conducted by Chris Burke and Lucy Corkin for the Department for International Development (DFID) in 2006.
- ³² The Tanzania-Zambia Railway remains one of the PRC’s foreign aid projects. The 1,860 km railroad runs from Dar es Salaam to Kapri Mposhi in Zambia and was built to provide Zambia with an alternative route to the coast. The project which involved approximately 50,000 Chinese workers was started in May 1968 and handed over to the Government of Tanzania in July 1976.
- ³³ These include Benin, Burundi, Cape Verde, Central African Republic, Comoros, Democratic Republic of Congo, Djibouti, Eritrea, Ethiopia, Guinea, Guinea-Bissau, Lesotho, Liberia, Madagascar, Mali, Mauritania, Mozambique, Niger, Rwanda, Sierra Leone, Sudan, Tanzania, Togo, Uganda, and Zambia.
- ³⁴ Peter Bosshard, China’s Role in Financing African Infrastructure, May 2007
- ³⁵ Premier Wen Jiabao at the High-level Dialogue and 2nd Conference of Chinese and African Entrepreneurs. Source: chinadaily.com, 04 November 2006
- ³⁶ Business Report, China’s trade surplus soars to US\$ 22.5 billion in May, Business Report, Tuesday, 12 June 2007.
- ³⁷ International Herald Tribune, Chinese Commerce Minister Bo Xilai at a news conference, China defends oil trade with Africa, 12 March 2007
- ³⁸ Refer to the following literature: The China Threat by Bill Gertz; Hegemon: China’s Plan to Dominate Asia and the World by Steven Mosher; The Coming Conflict with China by Richard Bernstein; Unrestricted Warfare: China’s Master Plan to Destroy America by Qiao Liang; China: The Gathering Threat by Constantine C. Menges; Red Dragon Rising: Communist China’s Military Threat to America by Edward Timperlake
- ³⁹ In Gabon, a Chinese consortium headed by China National Machinery and Equipment Import and Export Corporation (CMEC) has been granted sole rights to exploit huge untapped iron ore reserves and build costly rail links needed to reach them in the tropical forest. This has been at the expense of the world’s leading iron miner, Companhia Vale do Rio Doce (CVRD). According to the WTO, China accounted for 64% of total Sudan oil exports in 2004.
- ⁴⁰ Chinese demand for commodities is set to remain steady for the foreseeable future (at least for the next 10 years) but the challenge for many African countries is what happens next.
- ⁴¹ The Three Step Development Strategy, www.china.org.cn/english/features/38199.htm
- ⁴² Derek Mitchell & Chietigj Bajpae, China and Latin America, July 2007.
- ⁴³ Brazil is the third largest supplier of the iron ore to China accounting for 23% of China’s iron ore imports.
- ⁴⁴ China and Venezuela are on the verges of finalising a Joint Oil Fund targeting exploration and production project amounting to US\$ 6 billion. In late March, Mr. Chavez unveiled a raft of proposed oil-related deals with China valued at about US\$ 13 billion through a joint partnership between China National Petroleum Corporation and state oil company Petroleos de Venezuela SA. This is part of a deal to supply China with one million barrels a day by 2012. Currently Venezuela supplies 150 000 barrels a day up from a mere 12 000 barrels a day in 2003.
- ⁴⁵ As the world’s leading copper producers, Chile and Peru, together, accounted for more than 50% of China’s copper imports in 2004. The China National Petroleum Corporation also purchased 45% of Peru’s main crude producer, Plus Petrol Norte. According to The Economist, China National Petroleum Corporation along with Sinopec bought the Ecuadorian assets of Canada’s Encana for US\$ 1.42 billion in 2005. Further, Sinopec signed a memorandum of understanding with PetroEcuador to jointly develop the Ishpingo-Tambococha-Tiputini (ITT) oil field. The ITT has proven oil reserves of about 4 billion barrels with projected investments of over US\$ 5 billion.
- ⁴⁶ China Ministry of Commerce.
- ⁴⁷ China Chemical Reporter No.10 (544), Vol.18, China and Russia strengthen energy cooperation, 6 April 2007
- ⁴⁸ Donny Kwok and Judy Hua, Reuters, CITIC Resources to buy Kazakh oil assets for US\$ 1 billion, 8 May 2007
- ⁴⁹ Accenture, China Spreads its wings: Chinese Companies go global, 2006
- ⁵⁰ Accenture, China Spreads its wings: Chinese Companies go global, 2006
- ⁵¹ Jim Krane, The Associated Press, Warm Relations between China and the Gulf Arab Countries, 11 April 2007
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- ⁵³ Sherry Su, Cambodia Braces for Oil Boom, China May Profit from It, Dow Jones Energy Service, 26 October 2006
- ⁵⁴ Reuters, China-Myanmar oil pipeline work to begin this year, 21 April 2007
- ⁵⁵ Michael Bristow, S.E. Asian nations to develop alternative energy sources with China, Kyodo News, 31 October 2006
- ⁵⁶ ASEAN has 10 members: Malaysia, Thailand, Indonesia, Singapore, the Philippines, Brunei, Vietnam, Cambodia, Laos and Myanmar.
- ⁵⁷ Michael Bristow, S.E. Asian nations to develop alternative energy sources with China, Kyodo News, 31 October 2006
- ⁵⁸ China Economic Review, Angola calls off Sinopec oil investment, 8 March 2007
- ⁵⁹ 20% of wood imports into China come from Africa.
- ⁶⁰ www.mongabay.com, Logging roads rapidly expanding in Congo rainforest, 7 June 2007
- ⁶¹ Africa is expected to bear the brunt of the effects of global warming – the Congo rainforest is an essential ecosystem.

⁶² Martin Creamer, Raw-ore exports to China throttling South Africa's ferrochrome prospects, local producers warn, July 28, 2006, source: Xstrata Alloys MD Deon Dreyer

⁶³ Martin Creamer, Raw-ore exports to china throttling South Africa's ferrochrome prospects, local producers warn, July 28, 2006, source: Xstrata Alloys MD Deon Dreyer

⁶⁴ Thomas Stauffer, Hazem Beblawi, Giacomo Luciani, Mahmoud Abdel-Fadil, Michael Chatelus, Hamid Ait Amara, Dirk Vandewalle, Larbi Jaïdi, Hesham Garaibeh, Afsaneh Nafmabadi, contributors to the Rentier State, vol.2, Nation, State and Integration in the Arab World, ed.Hazem Beblawi and Giacomo Luciani (London: Croom Helm, 1987)

⁶⁵ Hossein Mahdavy, "The Pattern and Problems of Economic Development in Rentier States: The Case of Iran", in Studies in Economic History of the Middle East, ed.M.A.Cook (Oxford: Oxford University Press, 1970) p.428.

⁶⁶ Beblawi, H., 1990, The Rentier State in the Arab World, in Luciani, G., *The Arab State*, London, Routledge, p.85.

⁶⁷ Jann Lay and Toman Omar Mahmoud, Kiel Working Paper No1218, Bananas, Oil and Development: Examining the Resources Curse and its transmission channels by resource type, August 2004

⁶⁸ A production state relies on taxation of the domestic economy for its income; taxpayers stay involved with government decisions because they are supporting them with onerous taxes. An allocation state, by contrast, does not depend on domestic sources of revenue but rather IS the primary source of revenue itself in the domestic economy. The primary goal of the allocation state's economy is spending. (Yates, p.15)

⁶⁹ Douglas A. Yates: "The Rentier State in Africa". Africa World Press, Trenton,NJ.1996

⁷⁰ Rodrik,Dani , 1999a, Where did all the growth go? External shocks, social conflict and growth collapses, *Journal of Economic Growth* 4(4):385-412

⁷¹ Karl L. Terry, 1997, The Paradox of Plenty-Oil Booms and Petro States, September. University of California Press.

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⁷³ Ian Taylor, China's environmental footprint in Africa, 2 February 2007

⁷⁴ Human Development Report 2006, Beyond Scarcity: Power, poverty and global water crisis. UNDP

⁷⁵ A process that requires oil companies to employ Angolans at different levels of their operations.

⁷⁶ Backward linkages exist when the growth of an industry leads to the growth of the industries that supply it.

⁷⁷ This article asserts that most of this US\$ 2.7 billion would be classified as aid even under the Development Assistance Committee definition.

⁷⁸ Kurlantzick (2006)

⁷⁹ Kurlantzick (2006)

⁸⁰ Refers to Sub-Saharan African aid only

⁸¹ OECD (2007)

⁸² OECD (2007)

⁸³ OECD (2007)

⁸⁴ Broadman (2007)

⁸⁵ Kurlantzick (2006)

⁸⁶ Estimated by He Wenping, director of African Studies at the Institute of West Asian and African Studies, Chinese Academy of Social Sciences. As cited in Bosshard (2007).

⁸⁷ US\$ 10 billion plus US\$ 3 billion in preferential loans plus US\$ 2 billion in buyer credits plus US\$ 5 billion investment fund to encourage companies to invest in Africa.

⁸⁸ National Bureau of Statistics of China, <http://www.stats.gov.cn/english/>, viewed on 13 June 2007

⁸⁹ Broadman (2007)

⁹⁰ UNCTAD

⁹¹ UNCTAD, FDI Country Profiles, FDI stocks abroad by geography, converted into US Dollars at 2003 365-day average currency exchange rate.

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