

CHINA'S AFRICA POLICY: BUSINESS NOW, POLITICS LATER

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For the last decade, and increasingly in the last three years, Chinese politicians and businessmen have been taking the African continent by storm. China's growing demand for raw materials has led it to closer involvement in the continent, balancing its growing trade deficit with exports of commodities and labor. But China has not neglected the ideological component of its African policy and is stressing South-South cooperation and promotion of a new world order; it is turning much of its investment aid to Africa, and unlike the West, investment aid from China comes with no political strings attached. The question that this article addresses is China's interest in and goals for its ties with Africa. Is China trying to consolidate a new world order, based on different moral values, conflicting with the current world order; or is China still a pragmatic actor, exploiting African resources in order to satisfy its growing demand for raw materials?

Key words: Chinese foreign policy in Africa, foreign investment in Africa

Introduction

In November 2006, China hosted the third Forum of China and Africa Cooperation (FOCAC), bringing together forty-eight

African delegations and forty-one heads of state in the Chinese capital. Established in October 2000, the FOCAC brings together Chinese and African political and business leaders with the aim of "collective consultation and dialogue and a cooperation mechanism between the developing countries, which falls into the category of South-South cooperation."¹ This forum, gathering heads of state and key ministers, held alternately in China and Africa, met for the third time with great pomp and ceremony.

The closing statements hailed the "new strategic partnership" between China and the African continent and included a Chinese call for reform of the United Nations to give Africa a permanent seat on the Security Council. In addition, China pledged to increase its two-way trade with Africa from the current \$40 billion to \$100 billion by 2009, set up three to five special economic zones, and institute a \$5 billion development fund to encourage Chinese investments in Africa. Moreover, 100 new schools will be built, 16,000 professionals will be trained, and the Chinese language and culture will be massively introduced into the continent.

This highly publicized event was yet another milestone in the growing attention to China's diplomatic and commercial thrust into the African continent, held only months after China issued its African White Paper in January 2006, detailing its Africa policy and sealing two years of intense high-level official exchanges.² China's Africa³ policy has therefore been attracting

growing attention in the last few years: massive investments in African natural resources, an increasing trade balance, renewed stress on development aid, and ever growing amounts of Chinese exports to the continent. Coupled with political statements about a change in the global system, these Chinese initiatives are making analysts wonder about the nature of the PRC's renewed interest in the continent.⁴

China is turning increasingly toward Africa at a time of immense change within the country. The choice of Africa as a "strategic partner"—a denomination that the European Union (EU) has also been given—can be attributed both to China's global ambitions and to its need for natural resources. The political dimension, as illustrated by the white paper and the cooperation forum, revolves mainly around three issues: Africa's weight in the UN and other international forums, the need to isolate Taiwan on the international scene, and possibly the promotion (in rhetoric or reality) of a new world order based on the five principles of peaceful coexistence.

However, upon closer scrutiny of Chinese activities and rhetoric in Africa, it seems that China's Africa policy is in a process of gradual elaboration, and in this evolutionary stage, some contradictions arise. On one hand, Beijing stresses China's noninterventionist policy and anti-colonial affinities with the continent as a basis for "working towards the establishment of a new international political and economic order in the 21st century."⁵ But on the other hand China stresses ideological neutrality and diplomacy that specifically serves China's economic needs.⁶ These incon-

1. Characteristics of FOCAC from the website of the Chinese Ministry of Foreign Affairs at www.fmprc.gov.cn/zflt/eng/gylt/ljij/t157576.htm.

2. After President Hu Jintao made an initial visit to Egypt, Gabon, and Algeria in January 2004, he returned to the continent in April 2006, going to Morocco, Nigeria, and Kenya. Foreign Minister Li Zhaoxing then travelled to Cape Verde, Senegal, Mali, Liberia, Nigeria, and Libya in January 2005, and Premier Wen Jiabao visited Egypt, Ghana, the Republic of Congo, Angola, South Africa, Tanzania, and Uganda in June 2006.

3. In this article "Africa" refers to the continent as defined by the Chinese Ministry of Foreign Affairs: Angola, Benin, Botswana, Burundi, Cape Verde, Comoros, The Central African Republic, Cameroon, Congo, Cote d'Ivoire, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea Bissau, Kenya, Lesotho, Liberia, Madagascar, Mali, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, Sao Tome and Principe, Senegal, Seychelles, Sierra Leone, Somalia, South

Africa, Tanzania, Togo, Uganda, Zambia, and Zimbabwe. Other countries traditionally included in Africa fall, in China, under the category of Western Asia. For Sudan, see Yitzhak Shichor's article in this issue.

4. For just a few examples see Abraham McLaughlin, "A Rising China Counters US Clout in Africa," *Christian Science Monitor*, March 30, 2005; Craig Timberg, "In Africa, China Trade Brings Growth, Unease," *Washington Post*, June 13, 2006; and the Chinese response in an interview with State Councillor Tang Jiaxuan, "'China Threat' in Africa 'Unfounded': Interview," *People's Daily* (Beijing), October 24, 2006.

5. Chinese Ministry of Foreign Affairs website.

6. Li Anshan, "Transformation of China's Policy towards Africa," paper presented at the China-Africa Links Workshop, Center on China's Transnational Relations, The Hong Kong University of Science & Tech-

sistencies manifest the transitional state of China's foreign policy and strategic thinking: While decision makers appreciate the need for a more value-based strategy, and would arguably like to equip the country with one, the current level of China's development calls for a more pragmatic, even opportunistic policy. Can the two be reconciled? Africa might prove to be a real test case for China.

The question that we will therefore address is China's interest in and goals for its ties with Africa. Is China trying to consolidate a new world order, based on different moral values that conflict with the current world order; or is China still a pragmatic actor, exploiting African resources in order to satisfy its growing demand for raw materials?

This article will assess the different interests at stake and identify the main motivations for China's Africa policy in the 21st century. Through an overview of historical ties, economic and commercial projects, and political ties and affinities, the article will show that China's Africa policy is the result of a convergence of interests and goals, and that while natural resources have been a driving force, they can by no means fully explain the new diplomatic thrust in the continent. On the other hand, even though Chinese thinking on foreign policy and the international order has undergone profound changes, it would not serve China's interests to unsettle its major global partners and undermine the current system, in which China enjoys being a "free rider."⁷

Rhetoric and Diplomacy: The Historical Foundations of China's Africa Policy

The Early Years

China's Africa policy kicked off slowly in the 1960s after the Bandung Conference (1955) and attempts by Beijing to assert its leadership over the Third World and the nonaligned movement.

nology, November 2006, available at www.cctr.ust.hk/china-africa/index.htm.

7. Discussions with a Chinese analyst from Renmin University, Brussels, October 2006.

Diplomatic recognition of Egypt followed quickly in 1956 and relations with black Africa then started with normalization of ties with Kenya in 1963. Ties with the African continent were based mainly on rhetorical encouragement to resistance movements and development aid (materializing also in the form of weapon transfers; see below), and were shaped by the wider context of China's foreign policy and ties with the American and Soviet superpowers. "China's Africa policy was marked by anti-colonialism, anti-imperialism and anti-revisionism," but in hindsight, this seems to contemporary Chinese analysts as an unfavorable stance made necessary by the dictates of the international situation. Pursuing an ideology-based foreign policy only hindered China's ties with the continent.⁸ Bane or boon, the ideological fundament was the rhetorical essence of China's Africa policy and went little further than that. Sino-African commercial exchanges reached, at their height in 1977, a mere \$817 million.⁹

Chinese assistance was provided, as mentioned above, to "freedom fighters" and revolutionary groups in these countries. Estimates are that between 1955 and 1977, China sold \$142 million worth of military equipment to Africa,¹⁰ which accounted for 75 percent of all military aid from outside the continent. As we will see from current cooperation projects between China and Africa, in many ways China's policy today is an extension and deepening of its past assistance and cooperation with the continent.

China's intentions remained, nevertheless, primarily ideological: first, to counter recognition of Taiwan as the representative of China and thus to shore up votes for the eventual rejection of Taiwan's China credentials in the United Nations; second, to compete at first with Western influence in the continent, and then with the Soviet Union's. In Zimbabwe in the 1970s, for example, in the most obvious instance of this rivalry, China backed ZANU, the liberation movement of Robert Mugabe, while the Soviet Union backed Joshua Nkomo's movement, ZAPU. Mugabe's ultimate election victory laid the foundation for the close relationship that exists between China and Zimbabwe today.

8. Li Anshan, "Transformation of China's Policy."

9. Jean-Christophe Servant, "China's Trade Safari in Africa," *Le Monde Diplomatique*, May 2005, at mondediplo.com/2005/05/11chinafrica.

10. Ibid.

In those early days China's presence was noted by lavish infrastructure projects, often with little connection to the actual needs of economic development. All along the coastal countries of West Africa huge, Olympic-style stadiums—the hallmark of Chinese donations—were erected. Throughout the next several decades, China provided technical expertise, doctors, and various forms of aid to Africa in the fields of agriculture, infrastructure, forestry, animal husbandry, fishery, food processing, textile and other light industries, energy, transportation, broadcasting and communication, water conservation, machinery, commercial and residential construction projects, culture, education, and health.

In eastern Africa, competition was a little tougher and China found itself financing and building the railroad in Tanzania, as the Western powers built the nearly parallel road system. The most noteworthy project dating back to those years is the Tanzam Railway, a 1,860-kilometer long railway linking Tanzania and Zambia that cost China up to \$455 million. The railway is currently being renovated by China. However, the symbolic value of these actions largely exceeds their actual contribution to the region.

Turning Inward in the 1980s and Outward in the 1990s

Attention to Africa waned in the 1980s as China embarked upon its modernization and opening up to the developed world. It also found itself unable to compete with Western aid programs. Less Chinese development aid was destined to Africa (as China was also a receptor of development aid) and it was not until 1989, after China's isolation due to the Tiananmen events, that the country turned its attention to Africa once again. The flag of Third World solidarity was raised and China's international condemnation and isolation for violation of human rights was moderated by the support of African countries in the United Nations. African support in multilateral forums was, for the second time (the first time having been during the vote to give Beijing the seat on the United Nations Security Council instead of Taipei) an important contribution to achieving Beijing's goals. The weight of African countries in such forums has therefore been an important motivation for China to shore up their support, especially when this

could also be done at Taiwan's expense.

Up until the late 1970s, Taiwan's checkbook diplomacy and Africa's close relations with the West had weakened Beijing's presence on the continent. But during the course of the next two decades, as China's diplomatic and then economic clout grew, many African countries gradually cut off ties with Taipei and normalized relations with Beijing. This was the case for forty-six African countries between 1971 and 1979.¹¹ In the early 1990s, with China's renewed attention to the region, Taiwan also beefed up support for the continent and used its own economic might to try to limit China's growing involvement in Africa. The competition between Beijing and Taipei heated up as African governments played the two capitals against each other. Niger is a case in point: In June 1992 the government in Niger agreed to establish diplomatic relations with Taiwan, but just before the designated Republic of China (ROC, Taiwan) ambassador was due to leave for Niamey, Niger turned around and announced it was sticking with Beijing—only to contradict this the very next day. An ROC embassy was then established in Niamey and the PRC's representative departed. Taipei then began funding medical and agricultural programs and assisted in developing the uranium deposits in the country. But in 1996 Niger switched back to Beijing, complaining that promised aid from the ROC had not materialized. That same year, Senegal switched back to Taipei for the third time, giving it access to generous financial aid. Nevertheless, financial aid was not the only inducement Taiwan offered; its democratization experience also aroused the interest of some African countries such as Senegal.

Taiwan's initiatives were not enough, however, to counter China's growing clout. In 1998, South Africa, one of Taipei's most important partners in the continent, cut off its diplomatic ties with Taiwan (while maintaining economic cooperation) and reestablished links with China. Senegal followed suit in 2004 and Liberia in 2005. Finally, in August 2006, Chad normalized diplomatic relations with Beijing, even though it had managed to maintain, up until then, diplomatic ties with Taipei and informal

11. Ian Taylor, "Taiwan's Foreign Policy and Africa: the Limitations of Dollar Diplomacy," *Journal of Contemporary China*, vol. 11, No. 30 (2002), pp. 125-40.

ties with Beijing.¹² Currently only five of the fifty-three African nations uphold ties with Taipei (Burkina Faso, Sao Tome and Principe, Swaziland, Malawi, and Gambia). All of them were extended invitations to the FOCAC but did not attend.

Despite these two diplomatic objectives, China's ties with the African continent remained limited in their scope and importance. The real policy shift came only in the late 1990s.

The Shift in China's Africa Policy

Toward the late 1990s China's view of Africa changed for a number of reasons. First, China's dynamic economic growth fueled an increasing appetite for energy and other raw materials, such as iron ore, titanium, copper, uranium, aluminum, manganese, and timber, all to be found aplenty in relatively untapped markets in Africa. Second, China's growing political and diplomatic clout led it to rethink its international voice and status, consequently raising speculation and apprehension with regard to the nature of rising Chinese power and its long-term global objectives. China's new found interdependence and integration in overseas markets and commercial transactions placed it in the limelight of international attention. While China's foreign policy has been essentially pragmatic and passive, what is perceived as its neomercantile approach came under closer scrutiny. The recent American call for China to become a "responsible stakeholder" in the international system¹³ reflects growing frustration in the West over the perceived Chinese "free riding" on the system and highlights the need for China either to change its pragmatic attitude, or to give it better ideological backing. While China's initial interest in Africa was undoubtedly economic and commercial, the need has arisen in Beijing to rethink China's global policy and its diplomatic objectives.

12. Valérie Niquet, "La stratégie africaine de la Chine" (China's Africa Strategy), *Politique étrangère* (Foreign Policy), No. 2, 2006.

13. See Deputy Secretary of State Robert Zoellick's speech in September 2005, available at <http://usinfo.state.gov/eap/Archive/2005/Sep/22-290478.html>.

China's Quest for Raw Materials

In 1993 China became, for the first time, a net importer of oil. Despite being the fifth-largest global producer of crude oil, China's indigenous production is stagnating (production in China has been growing at less than 2 percent a year while demand has been rising by almost 10 percent), and China is having difficulties keeping up with growing domestic demand. In order to meet increasing demand, China has been engaging global oil producers for growing quantities of imported oil. Estimations are that China will remain heavily reliant on oil and on oil imports, even if it does manage to use its energy more efficiently. Conservative estimates speak of 7.9 million barrels of oil a day (mb/d) by 2010, whereas the upper figures tend toward 9.2 mb/d.¹⁴ With rising car ownership, rapid industrialization, and the government's difficulties in reining in growth, oil consumption is sure to keep following this trend.

Most of China's imports originate in the Middle East, but China is trying to reduce its dependence on any one source so as to avoid putting all its eggs in one basket. It has embarked on an ambitious quest to diversify its import sources. In 1998, the Middle East accounted for over half of China's imports, but due to the political instability of many Middle Eastern countries and the perceived domination of the United States in these countries' oil markets, China has started to privilege ties with other oil-producing countries and to diversify its oil imports. Whereas the Middle East now provides under 40 percent (38 percent according to the BP Statistical Review 2006) of Chinese imported oil, Africa's share is slowly rising. In 2003, China imported 22.5 million tons (mt) of African oil, 18 percent of its total imports, and in 2005, Africa's share rose to almost a quarter of total imports, with 38.5 mt.¹⁵

The arrival of a new energy consumer naturally has important implications for trends in the markets. China's arrival, due to its

14. "China's Growing Demand for Oil and Its Impact on US Petroleum Markets," Congressional Budget Office paper for the Congress of the United States, April 2006, available at www.cbo.gov/ftpdocs/71xx/doc7128/04-07-ChinaOil.pdf.

15. Figures are taken from the *BP Statistical Review 2005* unless stated otherwise.

vision of energy security, has brought about more than fluctuations in the markets; it has also caused reconsideration of its role and importance. China's vision of its energy security can be characterized as a strategic one, often said also to be neomercantile. What this means in practice is strong state control over national oil resources and a preference for consolidating long-term political ties with oil producers instead of relying solely on the markets.

In addition to this vision and spurred on by the reorganization of China's oil industry (and the general evolution toward privatization in the economy), China has been encouraging its national oil companies (NOCs) to "go out" and build up their international experience. Since the Chinese NOCs are important contributors to the central government's tax revenue, it is in both the government's and the NOCs' interest to expand their activities overseas. This convergence of views and priorities account for the major impulse for overseas energy acquisitions at the end of the 1990s and the beginning of the 21st century.

China's activities in Africa have, however, not been limited to the energy sector and have, in the space of three years, expanded to include other raw materials and infrastructure projects. Following is an overview of some of the most important projects.

Angola: Africa's second-largest oil producer after Nigeria, with crude oil production of 62 mt in 2005, became, in January 2006, the first exporter of crude oil to China, displacing Saudi Arabia and Iran. This evolution came, however, against the backdrop of major loans granted by China for this purpose. In 2005 Angola was given a \$2 billion loan from China in exchange for oil deals, supplemented by an additional \$1 billion in March 2006. This credit line was then put to use by China's Sinopec as it acquired stakes in three Angolan oil exploration blocks, estimated to have total proven reserves of 3.2 billion barrels of oil. The deal is expected to boost oil production for Sinopec by 100,000 barrels a day after they come on stream next year. Sinopec acquired stakes of 27.5 percent, 40 percent, and 20 percent in the off-shore blocks through its joint venture with Angola's state national oil company (Sonangol Sinopec International), in which it holds a 75-percent stake in the joint venture. Sinopec is said to have offered \$2.4 billion for the oil blocks.¹⁶

16. "China's Sinopec Deepens Oil Interests in Angola," *Agence France-Presse*

Across Angola, Chinese workers are also busy rebuilding roads, railways, and technical institutes with the help of a \$2 billion oil-backed loan from China's Export and Import Bank (Eximbank) that is to run until 2016. One of the key Chinese-funded projects is the reconstruction of the 1,300 kilometer railway from the west coast city of Benguela to the mineral-rich area on Angola's eastern border with the Democratic Republic of Congo.¹⁷ Furthermore, Angola plans to begin rebuilding the roads destroyed in its civil war, starting with a 300 kilometer stretch between the capital Luanda and the northern agricultural and mining province of Uige, which is rich in copper deposits. China has granted Angola a \$211 million credit to finance the first stage of the project, which will be carried out by the private Chinese company Roads and Bridges Corporation (CRBC) over the next two years.¹⁸

Nevertheless, international critics voice concerns over the lack of public scrutiny of either specific reconstruction projects or the procurement process. Meanwhile, many Angolans have voiced fears that local firms may get waylaid in the reconstruction process by Chinese firms, despite the country's laws stipulating that 30 percent of the work must be given to locals.¹⁹

Gabon: Gabon is a relatively small producer of oil, but this commodity represents more than half of the state's revenues. Production of crude oil reached a peak of 18.5 mt in 1997 before falling to around 11.7 mt in 2005 (0.3 percent of global oil production and less than 10 percent of the 127 mt China imported in 2005). Nevertheless, in 2004, on the occasion of Hu Jintao's 2004 African tour, Total Gabon signed a contract with China's Unipecc, a subsidiary of Sinopec, under which Gabonese crude oil will be sold to China for the first time. Sinopec and the Gabonese energy ministry also signed a protocol at that time covering exploration and production,²⁰ a "memorandum of agreement

(*AFP*), June 13, 2006.

17. "China Extends Two-billion-dollar Credit to Angola," *AFP*, June 22, 2006.

18. "With China's Help, Angola to Rebuild Roads Destroyed in Civil War," *AFP*, August 30, 2004.

19. Jerome Cartillier, "China Hones in on Oil-rich Angola to Play Leading Role in Reconstruction," *AFP*, July 24, 2006.

20. "Total Gabon and China's Sinopec Sign Oil Deal," *AFP*, January 31,

aimed at showing the parties' desire to develop exploration, exploitation, refining and export activities of oil products." The oil sector accord is said also to involve staff training and technology sharing between the two countries.²¹ Sinopec has thereby received three blocks to develop: LT2000, located some 200 kilometers southeast of Gabon's economic hub, Port Gentil; and DR200 and GT2000, around 100 kilometers northeast of Port Gentil. Small deposits of oil are already in production in the zones housing the three blocks.²² In addition, China National Petroleum Corporation (CNPC) is said to have spent \$350 million on the purchase of several refining businesses in the North African country.²³

Besides the oil sector, "the two parties will encourage and assist Chinese mining companies to finance, undertake and manage projects making use of Gabon's metallurgical and mineral resources, especially iron ore and manganese."²⁴ China is therefore building a deepwater port at Santa Clara, north of Libreville, and two railway lines that will be necessary for the joint production of iron ore in the northeast of the country.²⁵ China National Machinery and Equipment Import and Export Corporation (CMEC) will exploit reserves estimated at a billion tons, while constructing the infrastructure necessary to reach the region: two branch lines to the Transgabonese Railway to connect the site with Santa Clara. Moreover, exploiting the iron ore will require building a hydroelectric dam to provide the necessary power.

Other cooperation projects in the country include two timber processing companies, an industrial fishery firm, a Sino-Gabonese hospital, and highly controversial prospecting in the Loango National Park in southern Gabon. In this last project, Sinopec is said to be using methods that respect neither the law nor the envi-

ronment.²⁶ Such practices are attracting local discontent.

Nigeria: Even though Nigeria is Africa's largest oil producer (125 mt in 2005), its oil exports to China have been declining. They dropped by 75 percent in 2006.²⁷ The attention of Chinese NOCs has turned to production agreements in the country. In July 2005 PetroChina International and the Nigerian National Petroleum Corporation (NNPC) signed an \$800 million crude oil sale to supply 30,000 barrels of crude oil per day to China,²⁸ followed in January 2006 by an agreement by China National Offshore Oil Corporation (CNOOC) to pay \$2.3 billion for a stake in a Nigerian oil and gas field, the company's largest overseas investment. Beijing then also struck a \$4 billion deal for drilling licences in Nigeria, and China's CNPC was given the first right of refusal on four oil exploration blocks in exchange for a commitment to invest \$4 billion in infrastructure. The deal involves China buying a controlling stake in Nigeria's 110,000 bd Kaduna oil refinery and building a railway and power stations.²⁹

Kenya: The last leg on President Hu's visit to Africa in April 2006, Kenya has also become a target for China's NOCs. An offshore exploration deal was signed that allows CNOOC to explore in six blocks covering over 115 square kilometers in the north and south of the country.³⁰ In addition to the oil agreement, the two sides also signed several other cooperation deals. China gave Kenya grants of approximately \$8.7 million, including an economic and technical cooperation package, donations of rice for drought victims, and anti-malaria drugs.³¹

Other Countries: Chinese NOCs were also reported to have signed contracts to begin offshore oil exploration and production with Congo in Brazzaville after Wen Jiabao's June 2006 visit to the country. Under a deal between the Congo national oil

2004.

21. Aymeric Vincenot, "China, Gabon Sign Three Trade Accords, Including on Oil," *AFP*, February 1, 2004.

22. "China's Sinopec Signs Evaluation Deal for Three Oil Blocks in Gabon," *AFP*, February 3, 2004.

23. Peter Harmsen, "Oil Diplomacy Near Top of the Agenda as China's Hu Goes to Africa," *AFP*, January 27, 2004.

24. "Gabon and China Sign Energy and Mining Agreement," *AFP*, May 29, 2004.

25. *Ibid.*

26. Philippe Alfroy, "China's Sinopec Provokes Conservation Uproar in Gabon," *AFP*, September 29, 2006.

27. "Official: China in Line for Nigerian Oil," *AFP*, November 6, 2006.

28. "China, Nigeria Sign Oil Supply Pact," *Xinhua* (New China News Agency), July 10, 2005.

29. Emmanuel Goujon, "Nigeria Gives China Oil Exploration Licences After Auction," *AFP*, May 19, 2006.

30. Bogonko Bosire, "Energy-hungry China Clinches Oil Exploration Pacts with Kenya," *AFP*, April 28, 2006.

31. *Ibid.*

company and the Chinese government, China is to import a million ton of Congolese crude oil a year. Trade between the two countries was worth \$2.05 billion dollars in 2005, according to official figures, with China importing oil and wood and exporting finished goods and construction equipment. In the past five years Chinese firms have won several contracts, among them the building of the foreign ministry, the headquarters of state radio and television, and the biggest hydroelectric dam in the country, north of Brazzaville.³² China has also announced its interest in carrying out exploitation of manganese, oil and gold in the Ivory Coast, where Sinopec already has investments in an oilfield off the coast, owning 27 per cent of the block. In Namibia, oil exploration has begun in the north of the country, where China is also looking into the establishment of an oil refinery. In 2006 Zhongyuan Petroleum Company (an international subsidiary of Sinopec) began exploratory drilling in the Gambella basin of western Ethiopia, and Chinese NOCs are investigating the formation of upstream joint ventures in Madagascar to exploit newly discovered reserves on the island.³³

Development Aid:

China Reasserts Its Role as Leader of the Third World

Large-scale Commitments and Promises

In order to cement ties, and in keeping with its Third World rhetoric, China has also promised steps to expand economic and trade ties and help Africa by offering zero-tariff treatment for some exports and increased aid and debt relief, while at the same time helping to build infrastructure. In Uganda, on the last stop of Wen Jiabao's African tour in June 2006, agreements were signed for economic and technical cooperation, energy and infrastructure, mining, textiles, oil exploration, and tourism. In Tanzania, Wen signed agreements on technical and economic cooperation, provision of anti-malaria drugs, and construction

of rural primary schools and institutes to promote agricultural development and medical projects. In South Africa, the two sides signed agreements to restrict importation of Chinese textiles to protect local industries, as well as boost peaceful nuclear cooperation, and a major deal with the country's petroleum giant to explore the possibility of turning coal into oil.³⁴ In light of concerns voiced by African partners at the sight of their domestic markets being flooded by cheap Chinese goods with which they cannot compete, Wen Jiabao promised to redress these imbalances during his visit to Morocco in April 2006.

During the FOCAC summit, Hu pledged that China would further open up its market to Africa by increasing the number of tariff-free export products from 190 in 2003 to 440 by 2007 and would establish three to five trade and economic cooperation zones in Africa. In terms of development aid, the FOCAC provided an excellent opportunity for China to sustain its image as leader of the Third World. Furthermore, in light of growing Western criticism, China sought to seize the moral high ground by calling for, in a joint communique, greater investment and aid from rich nations to help poor African countries, regardless of who governs them. China then provided the first example as the concluding statements promise the following:

The Chinese government has decided to assist African countries in building 30 hospitals and provide 300 million yuan (approximately 37.5 million U.S. dollars) of grants for providing anti-malaria drugs to African countries and building 30 demonstration centres for prevention and treatment of malaria in the coming three years. . . . The Chinese government will establish more Confucius Institutes in African countries to meet the locals' needs in Chinese language teaching and will encourage Chinese universities to teach African languages. . . . China will help African countries set up 100 rural schools in the coming three years and increase the number of scholarships for African students in China to 4,000 a year by 2009 from the present 2,000. The Chinese government also vowed to provide annual training for a number of educational officials as well as heads and leading teachers of universities, primary, secondary and vocational schools in Africa.³⁵

32. "Chinese Prime Minister Arrives in Brazzaville," *AFP*, June 19, 2006.

33. Ian Taylor, "China's Oil Diplomacy in Africa," *International Affairs*, vol. 82, No. 5 (2006), pp. 937-59.

34. "Chinese Premier Wen Returns Home after Clinching Deals in Africa," *AFP*, June 25, 2006.

35. "Action Plan Adopted at China-Africa Summit, Mapping Cooperation

Hu also announced the cancellation of all interest-free government loans that matured at the end of 2005 owed by Africa's heavily indebted poor and least developed countries. He further promised that China would double its assistance to Africa by 2009 and provide \$3 billion of preferential loans and \$2 billion of preferential buyers' credit to the continent over the next three years. As part of a \$1.9 billion trade and investment deal, China agreed to build a \$300 million new aluminium production plant in Egypt, signed a \$300 million contract to upgrade a highway in Nigeria, and sealed a \$200 million copper project in Zambia during the FOCAC. No major African energy deals were announced during the summit, but the goodwill engendered there will no doubt lead to greater Chinese access to African energy resources. Hu also announced the establishment of a China-Africa development fund of about \$5 billion to encourage Chinese companies to invest in Africa and provide support for them.³⁶

Aid of a Different Kind

China is also actively engaged in peacekeeping missions in the continent. In January 2003 Beijing sent its first contingent to Congo, followed by 598 troops to Liberia.³⁷ Since 1990 China has engaged over 3,000 troops in peacekeeping missions in Africa, allowing China to improve its image and develop military cooperation projects with countries like France and the United Kingdom, which are also involved in the region.³⁸ China currently has over 1,200 officers in peacekeeping missions in Africa.

On a different note, and less often stressed by Chinese analysts, Beijing is also supplying the continent with many of its weapons: light arms factories in Sudan, Zimbabwe, and Mali; and supply contracts to Namibia, Angola, Botswana, Eritrea, Zimbab-

Course," Ministry of Foreign Affairs website, <http://www.fmprc.gov.cn/zft/eng/zxxx/t279811.htm>. In June 2006, there were three Confucius Institutes established or under construction in Africa: in Nairobi, at the Stellenbosch University in South Africa, and in Rwanda.

36. "Summit Shows China's Africa Clout," BBC World Service, November 6, 2006.

37. Mark Doyle, "China Peacekeepers in Liberia," *BBC World Service*, January 24, 2004.

38. Niquet, "La stratégie africaine."

we, and Sierra Leon. The African market allows China to export diverse low-quality commodities, among them weapons and military supplies such as helicopters (to Mali, Angola, Ghana), light artillery, trucks, and uniforms.

Finally, in order to enhance tourism to Africa, China's new decision to extend Approved Destination Status (ADS) to the nine African countries of Algeria, Cape Verde, Cameroon, Gabon, Rwanda, Mali, and Mozambique was also announced at the closing of the summit.³⁹

While these are just some of the projects (and promises) undertaken by Chinese companies in Africa in the last few years, it is clear that they are concentrated essentially on raw material extraction, and often development of the related and required infrastructure. Agriculture and fishery are also important components of China's Africa thrust, but it would seem that China's track record, at least in Central Africa, has been more impressive in infrastructure projects than in resource extraction. For some projects, the scope remains relatively limited in terms of their actual contribution to China's growing energy appetite, while for other projects, the yield is limited as Chinese companies require assistance from foreign, more technologically advanced partners. Moreover, distribution is dominated by brokers and traders who add cost and time to distribution networks.⁴⁰

China's Africa Policy: Rationale and Meaning

Growing Criticism

Despite these limitations, China's raw material-related projects are attracting international attention. China's investment projects and development aid seem to be (and are presented as being) essential aid to the continent, allowing these countries to finally pull themselves out of poverty. Yet most of these deals are widely criticized by Western actors and are seen as potentially undermining U.S. and Western interests in the region. It is

39. Ministry of Foreign Affairs website.

40. Jonathan Holslag, "China's New Mercantilism in Central Africa," *African and Asian Studies*, vol. 5, No. 2 (2006), pp. 132-68.

of course undeniable that Beijing is not acting out of pure altruism and that most development projects serve Chinese companies' interests as well, but these projects do indeed help Africa's development and are contributing to the continent's economic growth. Nevertheless, some aspects of China's overseas activities are unfavorable to African countries and are considered potentially harmful to other international actors, particularly in terms of international order.

African criticism of China has been growing lately. The major issues are the employment of mostly Chinese workers, thus contributing only marginally to the local employment situation, and the flooding of African markets with cheap consumer goods, which poses risks to local producers. The end of the Multi Fibre Arrangement on January 1, 2005 opened the continent's doors to a flood of cheap Chinese clothing. Criticism has also been directed at China for illegal commercial practices in crude oil extraction⁴¹ and the logging trade.⁴² Cultural differences have also given rise to tensions.⁴³

China's trade balance with Africa still represents only 2 percent of China's total trade and is concentrated mainly in extractive industries. This is consistent with Africa's global position. The entire continent accounts for only about 1-3 percent of total world trade and investment, almost all of it in extractive industries. And while Africa received \$15 billion of foreign direct investment, \$900 million of it came from China. In 2002 two-way trade stood at \$12.4 billion. A year later that figure went up by 50 percent to \$18.5 billion, climbed to over \$20 billion in 2004,⁴⁴ and reached \$39.7 billion in 2005.⁴⁵ However, much of China's aid money and investments may be going to official pockets in graft and not reaching its targets. Moreover, China's heavy investments in extractive industries may also give way to the "Dutch

41. Taylor "China's Oil Diplomacy in Africa."

42. Holslag, "China's New Mercantilism."

43. Chris Alden, "China in Africa," *Survival*, vol. 47, No. 3 (Autumn, 2005), pp. 147-64.

44. Ernest J. Wilson III, "China's Influence in Africa: Implications for U.S. Policy," testimony before the Subcommittee on Africa, Human Rights and International Operations, U.S. House of Representatives, July 28, 2005.

45. Taylor, "China's Oil Diplomacy in Africa."

disease" in African countries and lead them to develop resource-dependent economies that impede sustainable economic development.⁴⁶ While this is in stark contrast with China's claim to aspire to help the region develop and to the rhetoric put forward, it is sound business practice.

Another potentially problematic issue is that of good governance and promoting human rights in connection with development aid. The European Union, the International Monetary Fund, and other international institutions link development aid to the promotion of political transparency and good governance in African countries; but Chinese aid comes with no strings attached—other, that is, than the Taiwan clause. For some African leaders, China is a way out of economic stagnation due to international ostracism, as is the case with Mugabe's Zimbabwe, the Central African Republic, and Sudan.⁴⁷ Yet the New Economic Partnership for Africa's Development (NEPAD) does aim to promote the institutionalization of norms derived from concepts such as good governance and human rights. A discourse on human rights and democracy is taking root in Africa, however unevenly. For some African leaders, China's defense of sovereignty and nonintervention may no longer be very appealing, and China may find itself facing a bloc of states that is no longer unanimously willing to defend its positions.⁴⁸

The Economic and Political Rationale for Overseas Acquisitions

Much ink has been spilled over China's "going out" policy and its overseas acquisitions. The nature of the Chinese NOCs and the opacity of their transactions have made them seem to be a tool of government. Their willingness to overpay for resources and the relative disregard they manifest for the profitability of projects reinforces these notions. But in China, the rationale behind overseas acquisitions is multipronged.⁴⁹

46. Ibid.

47. The Sudanese question is treated by Yitzhak Shichor in this issue.

48. Alden, "China in Africa."

49. For more on this, see Ma Xin and Philip Andrews-Speed, "The Overseas Activities of China's National Oil Companies: Rationale and Outlook," *Minerals and Energy*, vol. 21, No. 1 (2006).

First, a common perception is that owning resources may, in times of crisis, allow the owner to ship the resources directly to its own shores, thereby decreasing the cost and impact of physical disruption. This approach reflects a strategic judgement that greater security can be achieved through vertical integration—ownership of production facilities through to transport tankers (China has built fifty-two such tankers, capable of containing fifty days' worth of crude oil)—and thereby provide oil to Chinese consumers below the international market price,⁵⁰ even though, economically, such an option is highly inefficient and would seem unlikely. In case of crisis, China would probably trade the oil and not transport it directly to China.⁵¹ Moreover, if the Chinese NOCs do turn toward greater privatization (which currently seems unlikely), and their financial constraints tighten due to financial reforms in China (also doubtful), this kind of transaction may no longer be beneficial for them. A case in point is the American stock markets: Chinese NOCs have great difficulties being traded on these markets due to U.S. regulations that they do not meet, so in order to expand beyond the Asian markets, Chinese NOCs may have to change some of their practices. However, economics and politics do interact in upstream acquisitions, as these are rarely granted on the basis of purely market considerations. China's willingness to overpay for its acquisitions and disregard bad investment climates helps these acquisitions materialize.

It is worth pointing out here that Chinese NOCs are not instructed by the government on their overseas acquisitions. While they do maintain close ties with decision makers in Beijing and solid diplomatic backing is of course in their interest, it seems that the NOCs initiate their overseas operations and receive approval for it from the Ministry of Foreign Trade and Economic Cooperation and/or the National Development and Reform Council.⁵² In more sensitive cases, the Ministry of For-

50. Alden, "China in Africa."

51. Erica Strecker Downs, *China's Quest for Energy Security*, mr-1104-smd2000, www.rand.org.

52. See Ma and Andrews-Speed, "Overseas Activities"; Linda Jakobson and Zha Daojiong, "China and the Worldwide Search for Oil Security," *Asia Pacific Review*, vol. 13, No. 2 (2006), pp. 60-73; Michal Meidan, "L'affaire Unocal et le développement des multinationales chinoises" (The Unocal Affair and the Development of Chinese Multinationals), *China Analysis*,

eign Affairs may intervene or be called to give an opinion, but it has little say in the initial decision to bid.⁵³ There is also a form of informal consultation between the Chinese NOCs whereby they negotiate who will bid for the different overseas projects, but this is not decided by the government or the Chinese Communist Party.⁵⁴

Second, China is trying to reduce what it perceives as vulnerability that comes from being dependent on international actors for its supplies. Beijing is mainly worried about U.S. control over and manipulation of the international markets,⁵⁵ as well as its military presence in shipping lanes. Accordingly, control over resources would provide the owner with a more decisive role in fixing market prices and shaping trends.

The latter considerations demonstrate nevertheless a shift in Chinese thinking as it shows a clear desire to learn how to use advanced trading mechanisms and how to become a price-maker rather than a price-taker. In that sense, the "strategic" view of energy security is being increasingly displaced by market considerations, and China's growing concern over its ability to shape the markets is a sign of China's attempts to adapt to the global system and its underlying commercial norms.

Debates and discourse in China show that there is no real energy diplomacy per se, due among other reasons to the fragmented nature of decision making in the energy industry, the multiplication of interest groups influencing energy policy, and the multitude of influences legitimizing the pursuit of economic goals through diplomacy and neomercantile approaches on one hand, and pushing for greater liberalization and integration with markets on the other.⁵⁶ The general policy trend, that of greater involvement in Africa, seems to be well established. But the

No. 1 (September-October, 2005), at www.centresia.org.

53. Interview with a Chinese academic, Beijing, December 2005.

54. Wang Hu, "Can China Obtain the Key to Unlocking the Russian Oil Market?" *Caijing* (Finances), No. 164, July 24, 2006.

55. On U.S. control and manipulation of international markets, see Zhao Hongtu, "Cooperation and Dialogue for Global Energy Security: Strategic Choices for an Era of Energy Interdependence," *Xiandai guoji guanxi* (Contemporary International Relations), No. 5 (2006), pp. 38-44.

56. For an interesting array of opinions, see the articles in "China's Defining Challenge: Energy," *China Security* (Summer, 2006).

actual activities emanate more from encouragements through tax rebates and the alleviation of administrative procedures, as well as the political window of opportunity, than from a well thought out plan by China to commercially conquer the African continent, or from the Chinese government's activating its industrial pawns.

The convergence of multiple interests is underlined by a great deal of rhetoric that, combined with the "no strings attached" form of development aid, has brought analysts to believe that China is promoting a new world order, based on the five principles of peaceful coexistence or on opposition to Western values. Furthermore, of all the oil producing regions in which China is involved, Africa is the one where the rhetorical charm offensive has been pursued most intensely. There are several reasons for this. First, as mentioned previously, Africa is perceived as an important force in international forums and a potential supporter for reforms of the international system, be it the United Nations or, as China has already stated, as a partner to "coordinate its positions with . . . in the process of international economic rules formulation and multi-lateral trade negotiations."⁵⁷ This does not necessarily mean that China would like to promote a new system, but that it is fostering its ties with a potentially important bloc.

Second, isolating Taiwan is still on Chinese decision makers' agendas. The diplomatic conquest of the African continent has shown the success of China's attempts and is an indicator of its rising political clout. Finally, Chinese foreign policy and strategic thinking is undergoing changes, and China is now actively trying to adapt itself to its new international status and environment, partly by promoting its soft power. Debate in China is nevertheless rife about the nature of this soft power and of China's vision of the international system.⁵⁸ For the time being, it seems that the political component of this model is essentially a nega-

tion of the Western model, amounting to an arguably apt demonstration of the shortcomings of the Western liberal democratic model applied to the African continent.⁵⁹ Yet China's model cannot be regarded as one with real political and ideological content. The African test case is therefore interesting as China can revive past policies and old rhetoric, establish its current commercial activities in an ideological framework, and prepare the ground for what may one day be a useful card in international politics.

China and Africa: On a Collision Course with the West?

China's renewed interest in Africa has undoubtedly been motivated in the last few years by several issues, and the current policy should be regarded as the sum of these issues. It is a conversion of interests, mainly commercial but also political, facilitated by a relatively flexible rhetorical basis and no historical grievances. Raw materials will continue to be an important part of China's Africa policy and will lead increasing numbers of Chinese actors to the continent in search of projects and investments. However, with regard to natural resources, a revised domestic energy policy that promotes more efficient use and manages to control demand, coupled with a successful policy to rein in China's impressive economic growth, may moderate demand for raw materials and alleviate geopolitical tensions related to their extraction. Furthermore, China's policy is already beginning to attract criticism from African countries, and even though this remains a secondary trend in the region, China's current policies may not be sustainable for very long. As for the rhetorical components, these seem to be subordinated to pragmatic commercial needs, and while Chinese decision makers may be contemplating a future world order, they are not likely to attempt to impose it in the near future.

Many perception gaps and differences in practices do nevertheless need to be addressed between China and its Western partners. China is now at an important point in the development of both its economic foreign policy and its diplomatic strategy.

57. Alden, "China in Africa," p. 153.

58. Interviews with a Chinese researcher at Renmin University, September 2006. Also, for a followup on the debate on China's soft power and image, see "China's Rise: A Compromise Between Power and Normative Influence," *China Analysis*, No. 3 (January-February, 2006) and Florence Biot, "China Acquires a Public Policy," *China Analysis*, No. 5 (May-June 2006).

59. The author wishes to thank Jean-Pierre Cabestan for this remark.

On the economic front, China still sees the need for a pragmatic policy to ensure its sustained growth, yet on the diplomatic front China is seeking, and is being pressured to seek, a more value-based strategy. It seems clear, however, that this is premature as China is still enjoying the benefits of the current global system (and its shortcomings, such as the inability to take firm stances and reach resolutions on international matters) and still has not found the value-based foreign policy that it would like to promote.

Having said this, the Chinese alternative is undermining Western and African efforts to place Africa's future political and economic development on solid legal foundations that promote respect for human rights and more transparent forms of governance. While China's Africa policy has been extremely reactive and adaptive in addressing African (and to a lesser extent Western) concerns, it is still essentially pursuing both its economic interests and its budding ideological vision.

China is certainly offering Africa a new voice on the international scene and has heightened Western interest and competition in the region, which, in the simplest economic terms, raises Africa's value. In terms of ideology, even though China is limiting the extent of its ideological model, it is highlighting a growing trend to question the existing Western model. Despite this, some African countries are also weary of tying their fates too closely to China, seeing that though Chinese aid may come without political conditions, it does come with economic limitations.

As long as the situation does stay relatively "win-win," with China even willing to win a little less than the African continent on some occasions, there will be no need to do more than talk of ideology. For the time being, China is limiting its activities to commerce and trade. The politics will wait for later.

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