

## China in Africa Implications for Norwegian Foreign and Development Policies

Elling N. Tjønneland  
with Bjørn Brandtzæg, Åshild Kolås and Garth le Pere

**R 2006: 15**



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# Executive Summary

## Purpose

The new Chinese Africa policy has major implications for development on the continent. The purpose of this report commissioned by the Norwegian Ministry of Foreign Affairs and NORAD is to present and review the new Chinese engagement in Africa and to identify and discuss implications for Norwegian foreign and development policies.

Chapter 1 provides an introduction to Chinese foreign policy, the motives and interests behind the policy goals, and how Chinese foreign policy is manifesting itself in relation to the developing world and in the multilateral arena. Chapter 2 offers an overview of Chinese engagement in Africa while Chapter 3 gives an assessment of the implications for Africa, the dynamics of China-Africa interaction and the challenges ahead. Chapter 4 offers a more detailed presentation and analysis of the Chinese engagement in the petroleum sector in Africa and its implications. The concluding Chapter 5 outlines Norwegian objectives and provides a number of suggestions for Norwegian Africa policy, bilateral co-operation with China, and multilateral engagement.

Annex 1 and 2 provides additional data and background information on Chinese foreign policy and the dynamics of China-Africa relations.

## Chinese foreign policy

China's advance from economic periphery into the core group of the world's leading industrial powers has already begun to leave its traces on the geopolitical map. In view of its economic dynamism, China's foreign policy has no choice but to assume a greater role in shaping the course of current world events. We are witnessing a shift to a much more flexible, differentiated and proactive foreign policy. It is evident in China's more diverse spectrum of interests and in China's more marked engagement in regional and global arrangements as well as in its generally broader geographic focus. China is increasingly being forced to assert its interest in regions in which it has traditionally had little strategic interest. This applies above all to Latin America, the Middle East and Africa.

One crucial foreign policy goal is to service the needs of China's economic modernisation and the economy's growing hunger for natural resources and access to export markets. Energy security, in particular, has emerged as a basic parameter of Chinese foreign policy. China has launched an active diplomatic programme on oil. It is increasingly sceptical about the prospects of satisfying its soaring energy demands in the international energy market. Instead, it has set its sights on establishing stable bilateral relations with the world's most important oil-producing countries. Based on "strategic oil partnerships", China seeks to secure long-term supply agreements with the world's leading oil producers, and acquisitions of concessions and capital stakes in relevant energy corporations.

US hegemony and how to manage it has remained an over-riding concern for the Chinese. China is resigned to the fact that US domination is a cold reality that it has to live and contend with. China has come to see globalisation as a way of transforming great power politics and to establish more co-operative forms of interstate competition that can increase the prospects for China's peaceful rise. This has led to a situation where China, while recognising the dominance of the US, seeks to

limit US dominance through the UN and other international organisations, and by using its resources to forge stable relations with other countries and regions.

China seeks to portray itself as an attractive partner for the developing countries and emphasises strongly the need for South-South co-operation. China builds on its traditional third world ideology and long-standing political relationships but now seeks to become attractive as a trade partner, an investor, a technology supplier, a provider of credit and development assistance, and as a political friend based on the Chinese principle of “non-interference” in internal affairs.

In financial terms, by far the most significant dimension of Chinese engagement in developing countries is the multi-billion dollar agreements it has concluded in the energy sector, especially in Africa. Other economic activities and assistance pale in comparison.

The new Chinese engagement with developing countries is also and increasingly very visible in the multilateral arena. Its leadership is reflected in the “Group of 77 plus China” (which brings together more than 130 developing countries) where it has sought to focus on addressing the adverse effects of economic globalisation, improving South-South partnerships and bridging the North-South divide. Since joining the WTO in 2001, China has become active in confronting the trade asymmetries that exist between developing and developed countries.

At the UN and at other multilateral institutions, China has increasingly become a vocal spokesperson for the South and it has become a strong supporter of the Millennium Development Goals.

At the multilateral level, Chinese engagement on development issues has been most intense in the field of trade. China has so far been a more marginal player in relation to global efforts to increase development assistance and provide debt relief. China has its own development assistance programme, but it has several distinctive features. Most Chinese aid is bilateral, it is in most cases delivered as project assistance, and it is strongly tied to Chinese trade and investment interests. Most aid is also provided as commodity and technical assistance. Chinese aid is also often used in conjunction with various export credit schemes linked to the purchase of Chinese goods and services. Significantly, Chinese aid is also distinguished by a strong emphasis on providing assistance with no political conditionalities or strings attached.

## China in Africa

Africa occupies an increasingly dominant space in China’s foreign policy. In January 2006, China released its first major policy document on its relations with the continent. It lists 30 initiatives in the political field; in the economic field; in education, science, culture, health and social aspects; and in peace and security. The document reaffirms overriding Chinese priorities and the need for accessing African raw materials and commodities, but is also strong in emphasising political co-operation and in responding to African concerns. There is also a much stronger emphasis in this document on Chinese support for peace and security on the continent. The document also emphasises co-operation in the multilateral system, calls for a strengthening of the UN and appeals to the international community to give more attention to Africa and to peace and development on the continent. Chinese support to African regional organisations is also highlighted.

China initiated a permanent Forum on China – Africa Co-operation (FOCAC) in the year 2000. It has emerged as the chief instrument and mechanism for dialogue and co-operation between Africa and China.

## **Oil, trade and investment**

In financial terms, Chinese “oil diplomacy” has been most visible. China and the Chinese state-owned oil companies have struck a number of multi-billion dollar deals in African oil exporting countries. In the first half of 2006, 32% of Chinese oil imports came from Africa, with Angola emerging as China’s biggest oil supplier (ahead of Saudi Arabia and Iran). This major trade expansion between China and Africa is largely accounted for by the African export of oil and other raw materials (mining products and timber in particular). Chinese exports to Africa are also growing rapidly, mainly linked to the export of cheaper manufactured products and consumer goods.

Chinese investments outside the oil sector and other extractive industries are limited, but growing. There are, however, a much larger number of Chinese companies present, many linked to the delivery of Chinese goods and services facilitated by Chinese export credits. This is most visible in the construction industry.

The Chinese state has been very active in promoting trade and investment and has also used the FOCAC mechanism very actively for this purpose. This has included the use of export credits and tied aid. It has trade agreements and export credit arrangements with most African countries. China has also taken on board a number of African concerns. This has included zero-rating tariffs on a number of products from African countries as well as voluntary export restraints.

## **Development assistance**

China is also emerging as a significant aid donor to Africa. The aid programme is closely linked with Chinese trade and investment policies. There also appears to be a considerable element of tied aid through the provision of Chinese commodity and technical assistance, with the focus firmly on project assistance.

The Chinese development assistance has evolved relatively independent of the traditional donor community. Evolving and changing Chinese aid policies have reflected changing domestic needs in China, but they are also reflecting changes in African recipient countries.

Chinese assistance is often used in conjunction with various investment promotion projects and the provision of export credits. It can also be closely linked to securing access to major resources (linked to Chinese oil interests, for example). Chinese aid is also distinguished by its near complete absence of political conditionalities; China’s aid policy is firmly anchored in the principle of “non-interference” in internal affairs.

Chinese assistance is channelled to a variety of sectors and areas. There is an emphasis on various projects to promote trade and investment with a strong focus on the provision of physical infrastructure, but also on agriculture. A second significant area is capacity building and the social sector, especially as related to science, health and education. This is mainly focused on training of individuals but there is growing focus also on providing assistance to strengthen management and institutional capacities.

The section covering social issues in the Chinese Africa policy paper also lists co-operation related to the environment (climate changes, water, biodiversity, and so on), disaster and humanitarian assistance (emphasising the role of NGOs), and media co-cooperation. Activities and projects funded in this area appear, so far, to be limited.

A third and very visible feature is Chinese funding for the construction of high profile buildings – stadiums, state houses and buildings housing parliaments, Foreign Affairs ministries, and so on.

Such projects have a long tradition in Chinese support to Africa, but have expanded significantly in recent years.

China has cancelled a significant portion of African debt to China. In 2003, it announced that it would cancel nearly USD 1.3 billion owed by 31 African countries.

## **Migration**

Migration has become a very visible manifestation of Chinese engagement. The number of Chinese migrants has expanded significantly in the past decade. The determinants of emigration from China and the move to Africa appear to be largely independent from the Chinese state, but there are many linkages between the migrants and Chinese companies in Africa and their Chinese workers. The Chinese migration is also highly entrepreneurial. Retail trade has been a dominant sector for most of these migrants. In many towns and cities throughout the continent they have quickly become the dominant traders, based on their supply of cheaper Chinese products. There is also a growing number of Chinese active in restaurants and in certain professional occupations.

The number of Chinese migrants is not known. The majority are located in South Africa (an estimated 100 000) and in Indian Ocean Islands (Mauritius and Madagascar), but they are visible in virtually every African country - from the 5000 in Lesotho and the 4000 in Zambia to the small community of 400 in Cape Verde. Notably, there is also a strong presence of Chinese migrants in countries emerging from violence and civil war – from Sudan to DR Congo and Angola.

## **Peace and security**

Peace and security has emerged as an increasingly important dimension of Sino-African relations. Under the FOCAC initiative the Chinese have made a number of commitments to support African efforts to promote peace and development and to assist the UN in its peacekeeping operations. The strongest manifestation of this has been Chinese participation in UN peacekeeping operations in Africa. Currently, they provide 1310 peacekeepers to six UN operations in Africa.

China's direct financial contribution to the AU in this area remains limited. Through its Africa policy paper, China has, however, made strong commitments to engage more with Africa and the AU on these issues. This also includes a range of areas beyond peacekeeping – from small arms to drug trafficking and organised crime.

China is a small, but significant arms exporter to Africa. It is estimated to amount to about 6-7% of total arms deliveries to the continent. Many of these deliveries, however, are going to conflict zones. It is reported that several of these supplies have been in exchange for lucrative contracts (such as mining concessions in DR Congo and timber in Liberia).

China has been passive in multilateral institutions discussing disarmament issues affecting Africa. Nor has it signed the Ottawa declaration on landmines.

## **Implications for Africa**

The implications for Africa of this new Chinese Africa policy are expected to be significant, but we do not yet know how and in what way. There is no conclusive evidence, many challenges and opportunities – and many imponderables. Trade statistics tell us that the traditional trade pattern between Africa and the world will be reinforced by the Chinese. Africa's role as an exporter of raw materials will be reinforced and it will be more challenging to diversify away from traditional

exports. There is also decreasing scope for Africa to compete with China in labour-intensive manufacturing – in Africa and in third markets.

All of this reinforces familiar challenges: the need to ensure a sustainable exploitation of natural resources and to have a strong regulatory framework and management mechanisms in place. How do we ensure that billions poured into the continent for the exploration and production of petroleum and other resources are benefiting also Africa and its peoples?

## **Economic development**

The impact of the Chinese companies is also mixed. In some cases they have definitely contributed to a lowering of costs (particularly in construction), although there are also examples where Africa has been forced to pay more for Chinese goods and services. Critical questions are also being raised at the procurement policies of Chinese companies. There is limited local outsourcing with most goods being imported from China. Employment of local labour is also limited and efforts to provide a transfer of skills and human resource development through their business operations are limited. Likewise, Chinese companies have paid limited attention to “corporate social responsibility” or environmental implications. There are also disturbing examples of the illegal exploitation of natural resources. There are examples from, for example, the fishing industry, but the strongest evidence appears to relate to the Chinese importing of African timber.

There are, however, wide variations between countries and between sectors in relation to the use of both local inputs and local labour. It appears as if Chinese companies adapt to local conditions and regulatory frameworks. Chinese companies have major investments and a strong presence in a country such as South Africa, which has strong regulatory frameworks related to, for example, labour conditions (although the type of business they engage in there may be different from, say, DR Congo or Zambia).

## **Aid and governance**

China is emerging as a significant aid donor to Africa. We know very little about the quality and impact of Chinese projects and assistance activities in Africa. Nor do we know how Chinese authorities themselves assess such issues. The Chinese debt cancellations and zero-rating of tariffs on products from least developed African countries are significant initiatives. Beyond this, a number of observations can be made. The strong Chinese focus on physical infrastructure has been welcomed by many, but the heavy use of tied aid, procurement prescriptions and a lack of co-ordination with other actors has been criticised for reducing the effectiveness of the assistance.

Strong criticism and questions have been levelled at the Chinese policy of “non-interference” and its implications for governance issues and democratisation. Many fear that the Chinese will be the “spoiler” in emerging efforts to increase aid effectiveness and improve good governance. The Chinese explore business opportunities and provide aid irrespective of political conditions and the repressive nature of the regime in power. This contrasts sharply with the role of some of the traditional donor countries.

The Chinese non-interference policy is under pressure and may be increasingly difficult to uphold. Four pointers may be of some help in understanding the dynamics at play here. One is that China also strongly emphasises the need for political stability. It wants to protect its investments and commercial interests. This will be difficult to reconcile with non-interference.

Secondly, China often emphasises human resource development and capacity building in its aid programmes. This may lead to a situation where it ends up targeting capacity building in state institutions in an effort to improve management.

Thirdly, and significantly, China is also committed to work with AU/NEPAD and African regional organisations. We may see a further alignment and development of modalities for co-operation and dialogue between African regional organisations and FOCAC. Chinese priorities have been strongly focused on NEPAD's economic development programme (especially infrastructure) and to some extent some of NEPAD's social programmes (training in particular). However, NEPAD also has a strong focus on governance issues through the African Peer Review Mechanism as well as through its evolving approach to post-conflict reconstruction. This will increasingly require a Chinese response and provide entry points for possible future Chinese activities in this area.

Finally, China is also a signatory to the Paris Declaration on aid effectiveness and seeks to portray itself as an international development partner. This will create additional and growing pressure on the Chinese to engage with other donor countries in discussing the delivery of aid.

## Responses

Africa's political response to the new Chinese offensive has generally been positive. African leaders have emphasised the importance of China for growth in their economies, as a supplier of development finance and technical assistance, and as a political ally and friend. China's emphasis on "non-interference" is also welcomed.

There are, however, tensions and frictions below the surface. This has mainly been over trade (complaints about cheap imports and dumping), limited local outsourcing by Chinese companies, and poor employment conditions and low wages.

Does the arrival of the Chinese imply that Africa's position will be strengthened? Are they provided with different alternatives? Does this create opportunities for increasing African ownership of their own development?

In reflecting upon new opportunities, challenges and imponderables, two critical issues are highlighted.

One is that China may not yet have succeeded in presenting Africa with a new alternative. The Chinese have in their actions so far primarily focused on trade and investment opportunities for Chinese companies. This remains the Achilles heel in China's relations with Africa. China needs to be more active - in Africa, in dialogue with Africa, and in the multilateral system - in presenting how it wants to contribute to Africa's development and in the reduction of poverty on the continent. China may have to focus more on how its vision for increased South-South co-operation will translate into better opportunities for Africa and a reduction in poverty.

The second critical issue is Africa's response. Can Africa take advantage of new opportunities and respond to new challenges? The FOCAC initiative – the main mechanism for joint African engagement with the Chinese – has so far largely been driven by the Chinese. Within Africa, it has mainly been left to South Africa to push for changes in China's Africa policy and for China to broaden its engagement. Will there be an alignment between FOCAC and the African Union/NEPAD priorities?

## Recommendations

The rapidly expanding Chinese engagement in Africa will have strong implications for the development of the continent. The report argues that it therefore also should have implications for Norwegian foreign and development policy. Norway is in a position to make a small difference through its development policy in Africa and through its engagement in the energy sector. Norway possesses skills, resources and influences to potentially make a small, but important contribution.

The team recommends that, in selected areas in its foreign and development policy, Norway formulates strategies with the following objectives in mind:

- Strengthen the capacity of partner countries and African regional organisations to negotiate and co-operate effectively with China;
- Support initiatives that stimulate China's participation in multilateral institutions and donor fora;
- Develop bilateral co-operation with China in areas of mutual benefit

In devising strategies and outlining alternatives for Norwegian responses it is helpful to distinguish between three areas: Norwegian Africa policy, Norwegian bilateral relations with China, and engagement in the multilateral arena.

### **Africa policy**

Norwegian Africa policy will be the most important area for addressing the challenges posed by China's engagement.

A first recommendation is that Norway should support efforts to strengthen regulatory frameworks and the management of natural resources. Country programmes in selected countries should be revisited with a view to offering support for strengthening local management capacity. The areas selected will depend on the country concerned and the focus of the Norwegian country programme. Important sectors include fisheries and forestry, but especially the management and governance of the energy sector. This includes hydro energy, but also, importantly, petroleum. The Norwegian "oil for development" initiative will assume an added importance and relevance.

Secondly, it is important to monitor what the Chinese are doing in individual African countries, to build local competence for doing so and to stimulate public debate. Norway should support such efforts through assistance to, for example, local research communities, NGOs and media groups.

Thirdly, relations with African regional organisations assume a particular importance. These organisations are important vehicles for advancing African positions and for engaging with the Chinese on critical issues. Norway should support such efforts through its regional support activities.

Fourthly, and at the country level, it will be important to help facilitate dialogue and where possible co-operation between traditional donor countries and the Chinese.

Fifthly, China should be invited to meetings and institutions established to facilitate communication between donors and African regional organisations. This includes meetings related to AU/NEPAD initiatives. At the sub-regional level, current efforts in Southern Africa to establish a theme-group in energy, bringing together donors and SADC, may offer a potentially very important arena for engaging with the Chinese (the planned theme group is expected to be co-ordinated by Norway).

The possibility of establishing relations between China and the Africa Partnership Forum (in which Norway is currently one of the co-chairs) should also be explored.

## **Multilateral**

This arena is crucial in providing external influences on evolving Chinese development and Africa policies. Norway should stimulate and support efforts to strengthen Chinese participation and commitment to international co-operation.

First, Norway should actively seek to engage with the Chinese at the UN and in the international finance institutions. Critical issues central to the African agenda should be emphasised here. Several issues may be available for joint consultation and possible co-operation.

Secondly, Norway should support efforts ensure that the African Development Bank can become effective an effective mechanism for facilitation of co-operation between donor countries and China in support to African infrastructure development.

Thirdly, Norway should help encourage Chinese participation in multilateral institutions where the Chinese are currently passive or are not members. This includes supporting efforts to invite China to join the International Energy Agency. Norway should also support efforts to facilitate Chinese participation in the Extractive Industries Transparency Initiative.

Finally, Norway should support efforts to ensure that the OECD-DAC structures engage with China by inviting the Chinese to share their experiences in various working groups, by inviting the Chinese to observe DAC review missions, and so on.

## **Bilateral co-operation**

Norway should also engage bilaterally with China. This will be demanding, it will be challenging, and any successes will belong to a distant future. In particular, it will be difficult to establish a meaningful political dialogue with Beijing on African development issues. However, building upon the experiences and direct interaction in African countries a number of steps can be taken which may evolve into a bilateral dialogue even at the political level.

Firstly, Norway should monitor China's Africa policy, what it is doing in Africa and its relations with Africa.

Secondly, Norway needs to learn more about Chinese experience and thinking in providing development assistance and assisting poverty reduction outside their own borders. What are they doing? How do they do it? How efficient and effective do they consider this to be?

Thirdly, Norway should explore the possibility of engaging directly with the Chinese on experience from the petroleum sector. The focus for such a dialogue could be joint lessons in African countries where Chinese oil companies are active, and where Norway has an "oil for development" programme.

A final area to be mentioned is Chinese companies. Corporate social responsibility and compliance with international environmental and social rules and regulations are emerging as important issues.

## Acronyms and Abbreviations

AAPSO	Afro-Asian People's Solidarity Organisation
ADS	Approved Destination Status
AfDB	African Development Bank
AGOA	African Growth and Opportunity Act
APEC	Asia Pacific Economic Forum
APT	ASEAN-Plus-Three
ASEAN	Association of Southeast Asian Nations
AU	African Union
BP	British Petroleum
CAITC	Chinese Academy of International Trade and Cooperation
CMI	Chr Michelsen Institute
CNOOC	China National Offshore Oil Corporation
CNPC	China National Petroleum Corporation
DAC	OECD Development Assistance Committee
DFID	UK Department for International Development
DRC	Democratic Republic of Congo
EC	European Commission
EITI	Extractive Industries Transparency Initiative
FDI	Foreign Direct Investment
FOCAC	Forum for China-Africa Cooperation
GDP	Gross Domestic Product
GSP	Generalised System of Preferences
HIPC	Heavily Indebted Poor Countries
IEA	International Energy Agency
IGD	Institute for Global Dialogue
IMF	International Monetary Fund
LDC	Less Developed Country
MDG	Millennium Development Goals
NEPAD	New Partnership for Africa's Development
NGO	Non-Governmental Organisation
NORAD	Norwegian Agency for International Development
OECD	Organisation for Economic Cooperation and Development
PRC	People's Republic of China
PRIO	International Peace Research Institute, Oslo
ROC	Republic of China
SACU	Southern African Customs Union
SADC	Southern African Development Community
Sinochem	China National Chemical Import and Export Corporation
Sinopec	China National Petrochemical Corporation
SOOC	State-owned oil company
UK	United Kingdom
UN	United Nations
UN DPKO	UN Department of Peacekeeping Operations
UNCTAD	UN Trade and Development Conference
US	United States
USD	US dollar
WHO	World Health Organisation
WTO	World Trade Organisation



## Preface

China's development will affect the history of the twenty-first century, and perhaps nowhere more importantly than in Africa. The emergence of China introduces new opportunities for Africa, new challenges and new imponderables as well. Observers are watching China's Africa policy with a mixture of fascination and fright.

This study is commissioned by the Norwegian Ministry of Foreign Affairs and the Norwegian Agency for Development Co-operation (NORAD). The purpose is to present and review the new Chinese engagement in Africa and to identify and discuss implications for Norwegian foreign and development policies.

An advisory group of senior officials was established to guide the team and to facilitate a smooth communication with relevant departments and sections in the Ministry, in NORAD and with the Norwegian embassies. An early presentation of the project was also organised for the Norwegian ambassadors to Africa and China.

Chapter 1 provides an introduction to Chinese foreign policy, the motives and interests behind the policy goals, and how Chinese foreign policy is manifesting itself in relation to the developing world and in the multilateral arena. Chapter 2 offers an overview of Chinese engagement in Africa, while Chapter 3 presents an assessment of the implications for Africa, the dynamics of China-Africa interaction and the challenges ahead. Chapter 4 provides an in-depth study of the Chinese engagement in the African petroleum sector and its implications.

The concluding Chapter 5 outlines Norwegian objectives and provides a number of suggestions for Norwegian Africa policy, bilateral co-operation with China, and multilateral engagement.

Annex 1 provides additional assessments of Chinese foreign policy, while Annex 2 analyses the dynamics of the China-Africa engagement.

The study was carried out by Chr. Michelsen Institute in co-operation with ECON, PRIO and the Institute for Global Dialogue. Elling Tjønneland (CMI) was team leader and was the principal author and editor of the final report. The case study of China and African oil in Chapter 4 was prepared by Bjørn Brandtzæg (ECON). Annex 1 was written by Åshild Kolås (PRIO) and Annex 2 by Garth le Pere (Institute for Global Dialogue).

A draft report was submitted to the Ministry of Foreign Affairs on 11 September. The draft was presented to the Minister of International Development, Erik Solheim, on 21 September. The presentation was followed by a workshop with officials from the Ministry and NORAD. The team also received written comments from the advisory group and from several Norwegian embassies. A final report was submitted on 9<sup>th</sup> October. This CMI Report is identical to it, with the exception of some technical editing.

The team has attempted to address all the issues in the Terms of Reference and in comments received. Needless to say, the flaws and omissions are entirely ours. The team is also responsible for the views and recommendations expressed in this report.

Bergen, Oslo and Johannesburg  
October 2006



# 1: Introduction: China, the World and Africa

The emergence of China as a global economic power introduces new opportunities for the developing world, new challenges and new imponderables as well. How will the Chinese use its newfound economic firepower and sharpened claws? How will it affect Africa?

The first thing to emphasise is that China's economic advance from the economic periphery of the world into the core group of the world's leading industrial powers will impact on the developing world and Africa in a number of ways. The sheer size of China, its phenomenal growth rate, and its demand for natural resources will reshape the world economy and provide competition and opportunities across the board for the rich economies of the North, the emerging economies, and the poor economies in Africa and the developing world (Hausmann et al. 2006)

## Evolving Chinese foreign policy

Chinese foreign policy has also undergone important changes. The constant element of foreign policy during the Cold War was the enhancement and preservation of Chinese autonomy. There was vacillation between the two superpower poles, and shifting priorities in carving friendships among developing countries, but the security imperative and jealous preservation of its sovereignty remained the platform for Chinese foreign policy.

Major domestic political and economic changes since 1978 coupled with the end of the Cold War a decade later led to new priorities in Chinese foreign policy. Chinese foreign policy has above all been shaped by the globalisation process, which has profoundly modified China's international behaviour. It has allowed China's citizens and leadership a broader view of the world and the space in which to define where their interests lie. Other developments have also been important in shaping policy. One is the process of making its bureaucracy and decision-making more professional. A second is corporate pluralisation, meaning efforts to involve other organised interests and stakeholders in decision-making. A third is a gradual decentralisation of power to the provinces and local structures, especially in trade and economic policies (Lampton 2001).

At the 16<sup>th</sup> conference of the Chinese Communist Party in 2002, a new and fourth generation of Chinese leaders came to power. Led by Hu Jintao, the fourth generation is made up of economic modernisers who are building upon the second (led by Deng Xiaoping) and third generations (led by Jiang Zemin) in overhauling decrepit state institutions, in deepening China's integration into the global market and in maintaining sound relations with the US.

Today, China's foreign policy is rapidly assuming a greater role in shaping the course of current world events. We are witnessing a shift to a much more flexible, differentiated and proactive foreign policy (Foot 2006). It is evident in China's more diverse spectrum of interests and in its more marked engagement in regional and global arrangements as well as in its generally broader geographic focus. It is also very evident in China's evolving engagement in Africa.

The key overriding objectives of Chinese foreign policy remain to secure political stability and economic growth at home together with the "territorial issue" (reunification with Taiwan). Other objectives are subordinate to these. Four dimensions are particular relevant in understanding the evolving Chinese Africa policy. One is the demands of the Chinese economy and its growing hunger for natural resources and access to export markets. Energy security, in particular, has emerged as a basic parameter of Chinese foreign policy (see also Chapter 4).

A second important issue in Chinese foreign policy is US hegemony and how to manage it. China is resigned to the fact that US domination is a cold reality that it has to live and contend with. China has come to see globalisation as a way of transforming great power politics and establishing more co-operative forms of interstate competition that can increase the prospects for China's peaceful rise. This has led to a situation where China, while recognising the dominance of the US, seeks to limit it through the UN and other international organisations, and by using its resources to forge stable relations with other countries and regions.

Thirdly, China has increasingly emphasised the need for a multipolar world order where the United Nations has a prominent role. This would also help to limit and constrain the power of the US and to facilitate a more co-operative system of inter-state co-operation. South-South co-operation has emerged as an important component to achieve this.

Finally, the Chinese approach is firmly anchored in the principle of "non-interference" in domestic affairs of other countries.

## China and developing countries

China's economic and political interests have also changed China's relations with developing countries. In the past, Chinese diplomacy was largely absent or peripheral in large parts of the South. This is now rapidly changing and the new China is already beginning to leave its traces on the geopolitical map in Latin America, Africa and the Middle East. South-South co-operation is strongly emphasised by the Chinese which sees this as a key element in the efforts to promote multilateralism. Africa occupies a prominent space in these new efforts (cf. Chapter 2).

China has old political ties with many countries in Africa and in the developing world. Many were forged during the struggle for liberation and national independence. China has also provided important political and financial support to many political movements and countries since the late 1950s. Still, the Chinese engagement with other South countries in Africa, Latin America and the Middle East has remained relatively modest, beyond mobilising support for China's position in international affairs and the "territorial issue" (the "one China" principle). This has now changed dramatically. China seeks to portray itself as an attractive partner – a trade partner, an investor, a technology supplier, a provider of credit and development assistance, and a political friend based on the principle of "non-interference" in internal affairs.

In financial terms by far the most significant dimension of Chinese engagement is the multi-billion dollar agreements it has concluded in the energy sector, especially in Africa. Other economic activities and assistance pale in comparison.

The new Chinese engagement with developing countries is also and increasingly visible at the political level in the multilateral arena. Its leadership is reflected in the "Group of 77 plus China" (which brings together more than 130 developing countries) where it has sought to focus on addressing the adverse effects of economic globalisation, improving South-South partnerships and bridging the North-South divide. Since joining the WTO in 2001, China has become active in confronting the trade asymmetries that exist between developing and developed countries and it plays a key role in G20 which brings together China and 20 other major developing countries.

China has also become more active in development policy discussions at the UN. China has become a strong supporter of the Millennium Development Goals. (See also the discussion in Chapter 2.) China is still a marginal player in relation to global efforts to increase development assistance and

provide debt relief. China – like other regional powers in the South like Brazil, India and South Africa – is developing its own development assistance programme.

The Chinese position and aid contributions are neatly summed up by President Hu Jintao in his 2005 speech to the UN High-Level Meeting on Financing for Development:<sup>1</sup>

- i. China has decided to accord zero tariff treatment to some products from all the 39 LDCs having diplomatic relations with China, which covers most of the China-bound exports from these countries.
- ii. China will further expand its aid program to the Heavily Indebted Poor Countries (HIPC) and LDCs and, working through bilateral channels, write off or forgive in other ways, within the next two years, all the overdue parts, as of the end of 2004, of the interest-free and low-interest governmental loans owed by all the HIPC) having diplomatic relations with China.
- iii. Within the next three years, China will provide USD10 billion in concessional loans and preferential export buyer's credit to developing countries to improve their infrastructure and promote cooperation between enterprises on both sides.
- iv. China will, in the next three years, increase its assistance to developing countries, African countries in particular, providing them with anti-malaria drugs and other medicines, helping them set up and improve medical facilities and training medical staff. Specific programs will be implemented through such mechanism as the Forum on China-Africa Cooperation as well as bilateral channels.
- v. China will train 30,000 personnel of various professions from the developing countries within the next three years so as to help them speed up their human resources development.

China has also signed the 2005 Paris Declaration, which seeks to improve aid effectiveness through increased harmonisation between aid donors and better alignment between donors and recipients.

The Chinese aid programme it has several distinctive features (cf. chapter 2). Most Chinese aid is bilateral, it is in most cases delivered as project assistance, and it is strongly tied to Chinese trade and investment interests. Most Chinese aid is also provided as commodity and technical assistance. Chinese aid is also often used in conjunction with various export credit schemes linked to the purchase of Chinese goods and services. Significantly, Chinese aid is also distinguished by a strong emphasis on providing assistance with no political conditionalities and strings attached.

## Spoiler, free-rider or partner in development?

The traditional OECD aid donors have observed China's new role and new engagement in Africa and other developing countries with a mixture of fascination and fear. What are the implications for Africa's development? What are the implications for the role of the traditional donor countries and their leverage and influence? Will China be an alternative source of economic development funds? Will China be the spoiler that puts in jeopardy recent achievements in advancing good governance and increasing aid effectiveness? Or will it simply be a free-rider, seeking trade and investment opportunities, leaving it to others to be concerned with stability and governance?

Others have also pointed to the difficulties the Chinese are having in implementing and pursuing their foreign policy objectives. It is extremely difficult to navigate safely between a foreign policy that must at the same be in the service of economic modernisation, maintain good relations with the US, be a constructive partner in international development, and simultaneously stick to the principle

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<sup>1</sup> Available online at: <http://www.chinaconsulatesf.org/eng/xw/t213095.htm>

of non-intervention. This has perhaps become most manifest in the Middle East, where Chinese foreign policy has experienced great difficulties in navigating and where contradictions and tensions in foreign policy premises and goals have surfaced most clearly (Steinhilber 2006).

There are no definitive answers to such questions. Africa has come to occupy centre stage in China's new foreign policy and approach to developing countries. The next chapters will provide some thoughts and reflections, and some answers, on China's Africa policy, its manifestations and its implications for African development and external assistance to the continent.

## 2: Taking Stock – An Overview of China in Africa

In January 2006, China published a major policy document outlining its Africa policy.<sup>1</sup> The occasion was the fiftieth anniversary of the establishment of diplomatic relations between China and Egypt, the first African country to recognise the new People's Republic. The Africa policy document is firmly in line with China's foreign policy and is guided by the "five principles of peaceful co-existence" – mutual respect for sovereignty and territorial integrity; mutual non-aggression; non-interference in each other's internal affairs; equality and mutual benefit; and peaceful co-existence. The document reaffirms and further develops the main features of China's Africa policy as it has evolved since President Jiang Zemin's Africa tour in 1996. The policy document outlines co-operation in the political field (and lists 6 initiatives); the economic field (10 initiatives); education, science, culture, health, and social aspects (10 initiatives); and peace and security (4 initiatives).

The document reiterates China's strong focus on trade, investment and economic co-operation as the basis for its engagement. This includes an emphasis on access to African commodities. Perhaps the most interesting aspect, however, is the strong effort apparent in this document to focus more on political co-operation and respond to African concerns. Compared to earlier statements, this policy paper broadens China's ambition to deepen and intensify political relations. The dialogue now also suggests including exchange visits between local governments and political parties as well as co-operation between technical bodies in a range of new areas such as judicial and police co-operation. There is also a stronger emphasis on peace and security issues as a field where expanded co-operation should be encouraged. This includes Chinese support for peacekeeping and peacebuilding, but also co-operation in a number of non-traditional security areas such as terrorism, small arms and drug trafficking.

The Chinese policy paper also strongly emphasises co-operation in the multilateral system, calls for a strengthening of the UN and appeals to the international community to give more attention to Africa and peace and development on the continent. Likewise Chinese support for AU/NEPAD and African regional organisations is highlighted.

The document also reaffirms two fundamental principles of Chinese foreign policy. One is the principle of non-interference in the internal affairs of sovereign states. The other is the territorial issue, the "one China" principle. African countries must support the Chinese cause of reunification and have no official relations with Taiwan.

### 2.1 China's contribution to Africa

- China's trade with Africa reached USD 40 billion in 2005 and may reach USD 100 billion in 2010. Imports of oil and raw materials are the most important trade components
- 800 Chinese companies have invested USD 1 billion, 480 joint ventures have been established and 78 000 Chinese workers employed
- China imports 32% of its oil from Africa
- China has cancelled nearly USD 1.3 billion in debt to 31 African countries, abolished tariffs on 190 kinds of goods from 29 least developed countries in Africa, and provides USD 1 billion in development assistance
- China provides 1300 peacekeepers to 6 UN missions

<sup>1</sup> The document, *China's African policy*, was released on 12 January 2006 and is the equivalent of a white paper. It is available at <http://www.fmprc.gov.cn/zflt/eng/zt/zgdfzccwj/t230479.htm>

## From AAPSO to FOCAC

China's engagement has expanded and changed in recent years, but it also builds on a long record of Chinese interaction and cooperation with Africa (cf. also the discussion in Annex 2). While early roots can be traced back to the Ming Dynasty and Chinese maritime expeditions to East Africa and Indian Ocean Islands in the early 15<sup>th</sup> century, current relations go back to the 1950s and friendship and sympathy forged during the struggles for independence. The Bandung Conference in 1955 and the establishment of the *Afro-Asian People's Solidarity Organisation* (AAPSO) were the first channels for direct communication between the new China and Africa. AAPSO failed adequately to translate words into action, but China did launch its first aid programme in Africa in 1956.<sup>2</sup>

The first phase of China's new Africa policy – the era of Mao Zedong and Zhou Enlai – was characterised by a strong emphasis on political ideology and political benefits. Zhou Enlai's visit to ten African countries in 1963-64 was crucial through its outline of five principles for co-operation and eight principles to guide Chinese aid. Aid and political co-operation became the main elements in the engagement of this period. A significant aim was to knit African countries and other developing countries into a true Third World alliance with China at its head as a counterbalance to the Superpowers and the developed North. Even at the height of the Cultural Revolution, Chinese aid to Africa expanded. The most well known project from this era was the construction of the massive Tanzania-Zambia railway (1967-1975), completed at the cost of USD 600 million and with the help of 15 000 Chinese workers. This project was, however, an exception. Most projects in Africa were small or medium-sized.

As the 1970s drew to a close, China undertook a major shift in its domestic and foreign policy, which also strongly impacted upon its Africa policy and the nature of its engagement. The 1980s saw a significant weakening of ideology in China's approach to Africa and a shift to a much stronger focus on economic co-operation. The 1990s witnessed a new phase in China's Africa policy with the re-emergence of new and more assertive policy objectives in addition to the economic objectives outlined by Deng Xiaoping in the previous decade.

During his visit to six African countries in May 1996, President Jiang Zemin outlined a "Five-Point Proposal" on developing a long-term and stable Sino-African relationship based on comprehensive co-operation and interaction (cf. Annex 2). The "Five Point Proposal" included the following: fostering 'sincere friendship'; interaction based on equality; respect for sovereignty and non-interference in internal affairs; common development on the basis of mutual benefit; the enhancement of consultation and co-operation in global affairs; and the long-term creation of a world based on a just and fair new economic and political international order.

Jiang's new Africa policy laid the foundation for a strengthening and consolidation of Sino-African relations. This paved the way for a Sino-African ministerial conference in Beijing in October 2000, which led to the establishment of a permanent *Forum on China-Africa Co-operation* (FOCAC). Over 80 African ministers from 44 countries attended this conference. The Forum evolved into the chief instrument and mechanism for the promotion of dialogue and co-operation between China and Africa. The Forum meets every third year at the ministerial level. The second ministerial meeting was held in Addis Ababa in December 2003 and the third is scheduled for Beijing in November

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<sup>2</sup> See also the overview provided in Snow (1998), Bräutigam (1998) and Shelton & le Pere (2006). A number of new publications emerging under the auspices of the *Cold War Studies Centre* at the London School of Economics (<http://www.lse.ac.uk/collections/CWSC>) are expected to provide significant new data and interpretations of China's Africa policy prior to the current period. See also the Chapter on Africa ("Fascinating Africa") in the recent book by China's former foreign minister, Qian Qichen (Qian 2005).

2006.<sup>3</sup> All of the African countries, including the five countries still maintaining an official recognition of Taiwan, are invited.

The central feature of the 2000 conference was economic co-operation and the consolidation of areas of common interest. Trade and the promotion of commercial co-operation was a key feature. The second conference adopted the Addis Ababa Action Plan, which expanded this co-operation in a number of areas; 16 areas for co-operation are identified and listed (cf. Annex 2). The Chinese commitments and objectives were further consolidated with the 2006 Africa policy paper, which lists additional issues (in part as a response to African concerns).

FOCAC has provided the institutional framework for a structured and increasingly intense dialogue between China and Africa. Its day-to-day management is carried out by a Chinese Follow-up Committee based in the Ministry of Foreign Affairs. The committee works closely with the African diplomatic corps in Beijing. The political framework for consultations has been further reinforced through a large number of bilateral agreements between China and most African countries. China has also established 11 trade and investment centres on the African continent, while a China-Africa Chamber of Commerce was opened in Beijing in 2005. With South Africa, a formal bi-national commission has also been established. Furthermore, high-level visits are a prominent feature of the Chinese engagement. Since the last ministerial FOCAC conference in December 2003, there has been an unprecedented series of high-level diplomatic trips. President Hu has visited twice (January 2004 and April 2006). Premier Wen has made several visits and his June 2006 tour took in seven African countries. In fact, most of the Chinese leadership has been on visits to Africa in the past two years.

The sections below will review the main features and trends in the current Chinese engagement.

## Trade and Investment

All the major indicators reveal an exponential growth in economic relations between China and Africa. The trade volume was USD 40 billion as of 2005, the annual growth rate since 1999 has been 35% and the projected trade figure for 2010 is USD 100 billion. In a short period of time, China has emerged from being a peripheral trading partner to become Africa's third largest. Virtually all the African countries are involved, but the main trading partners are South Africa, followed by Angola and other oil exporting countries. The trade pattern is very traditional, where Africa's link to the global economy has prominently been the export of raw materials and soft commodities and the import of manufacturing goods.<sup>4</sup> However, it must be added that the sharp rise in the trade volume is also partly explained by the strong increase in the price of oil and certain other raw materials.

10 % of Sub-Saharan exports are now (2005) going to China which has overtaken Japan as the leading importer of African products in Asia. China's import trade from Africa is dominated by energy and minerals. It is closely linked to the commodity demands of the rapidly growing Chinese economy. Oil stands out as the dominant African export product. China is currently one of the largest oil importers in the world. In the first half of 2006, 32 % of its oil imports came from Africa. Angola emerged as China's biggest supplier with 18 % (overtaking Saudi Arabia). (See more on this in Chapter 4). Agricultural commodities for industrial use (timber, cotton) or for consumer use (food products) are the other main export products after oil and other mineral and metal products.

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<sup>3</sup> Further information and key documents are available from China's FOCAC website, <http://www.fmprc.gov.cn/zflt/eng>

<sup>4</sup> A number of studies of Africa's trade with China are now available. The most authoritative study is A. Goldstein et al. (2006) but see also Jenkins & Edwards (2005) and Broadman (2006) as well as several contributions in P. Draper & G. le Pere (eds.) (2006) and G. le Pere (ed.) 2006.

With the exception of the oil exporters, all the African countries have a trade deficit with China. The Chinese export trade to Africa is mostly in manufactured and consumer goods and they are mainly made up of cheap products (i.e. products that are cheaper than goods produced locally or imported from other sources). Some Chinese products are intermediate inputs for products assembled in Africa and shipped out to third markets or capital goods (machinery and equipment) for African manufacturing sectors themselves. There is however, also a sizeable export of consumer goods which compete against Africa's domestically produced products.

The Chinese export trade has perhaps been most strongly felt in textiles and clothing where China is the most competitive exporter in the world. This has strongly impacted on African textile and clothing production, including the historically most advanced textile and clothing producers in South Africa and Mauritius.<sup>5</sup> During Premier Wen Jiabao's visit to South Africa in June 2006, China offered to introduce export restraints (Shelton 2006: 11). An agreement providing for quota restrictions on the import of Chinese textiles will take effect from January 2007 (the originally date was September 2006, but following protests from the main importers the introduction of quotas was delayed to January).

Trade expansion has been matched with a strong growth in Chinese direct investment in Africa but the volume is more modest than that of trade. Over the last few years, over 800 Chinese companies have invested nearly USD 1.2 billion in 49 African countries and 480 China-Africa joint ventures have been established. Chinese investment in Africa is dominated by the four state-owned oil companies. They have all entered into the exploration and production of oil and gas in all of the major producing countries in Africa. It began in Sudan in 1996 but has accelerated in recent years. These companies have pursued an aggressive strategy, build strategic alliances with local state-owned companies and often outbid competitors by providing record-breaking signature fees (see more on this in Chapter 4).

There is also growing Chinese investment in a range of other extractive industries throughout Africa. Outside oil and mining the Chinese investment is limited, but expanding in a range of sectors – apparel, agroprocessing, power generation, road construction, tourism and telecommunications. A small but significant level of Chinese investment is targeting the privatisation of state industries (such as in telecommunications in the Republic of Congo, in Niger and in Madagascar). There is also a very strong and expanding presence of Chinese construction companies in many African countries. They are partly benefiting from Chinese credits and tied aid, but are also winning international tenders and are successfully setting up local businesses.<sup>6</sup>

There is also some Chinese investment in manufacturing sectors producing for third markets; although the scale of the investment is small (the host countries offer a range of incentives to attract Chinese companies). Of particular importance here is the clothing and textile industry, where opportunities exist for accessing the US market (through AGOA) (Kaplinsky & Morris 2006). This has led to a situation where Chinese companies have turned the textile industry in Lesotho into the country's biggest employer (at one stage employing more than 50 000 people) through using AGOA to penetrate the US market. However, when restrictions on Chinese textile exports to the US ended in 2005, there was an immediate and major fall in employment in Chinese textile companies in Africa (down to 35 000 in the case of Lesotho by the end of 2005). Various incentives from Lesotho, however, have helped to ensure a significant expansion in 2006.

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<sup>5</sup> See more on the textile and clothing industry in Kaplinsky & Morris (2006), which provides sectoral studies of the impact of China in Sub-Saharan Africa within clothing and textiles and wooden furniture.

<sup>6</sup> DFID's China Office has commissioned the Centre for Chinese Studies at the University of Stellenbosch to carry out a major study of Chinese construction companies in four African countries. The study is expected to be completed in October 2006.

The partial exception to this picture is Chinese investment in South Africa, which also includes manufacturing, transportation and other sectors in addition to mining (USD 180 million in 80 projects).

African investment in China is, obviously, almost absent. The significant exception is South Africa, where a number of companies have made significant investments. They have invested over USD 400 million in over 200 projects in China, or significantly more than China has invested in South Africa (Shelton 2006: 12).

The Chinese state has been very active in promoting trade and investment and has also used the FOCAC mechanism very actively for this purpose. This has included the use of export credits and tied aid. It is, however, also important to recognise that China has taken on board a number of African concerns. This has included zero-rating tariffs on a number of products from African countries as well as voluntary export restraints (see more on this in Chapter 3).

## Development aid

China is also emerging as a significant aid donor to Africa. China has committed itself through FOCAC to continue to provide “unconditional assistance within its capacity”. China is also a developing country and it is a recipient of development assistance (amounting to some 0.1% of GDP in 2003). China’s situation differs, of course, significantly from aid dependent countries (where typically the inflow of aid amounts to 20% of GDP). China is a global power and – in line with other regional powers in the South such as Brazil, India and South Africa – it is also emerging as a significant aid donor.<sup>7</sup>

Development aid has a long tradition in China’s African policy. There are no statistics, which makes a proper comparison with traditional donor funding impossible. China does not release proper statistics in this area. USD 4.9 billion is a frequently mentioned figure for total Chinese aid between 1957 and 1989 (Bräutigam 1998: 44-46). This amounts to nearly half of total Chinese aid in this period.<sup>8</sup> The size of the current aid programme is not known, but the current annual figure may be higher than USD 1 billion and it is rising rapidly.<sup>9</sup>

China is becoming more active in various international organisations and their operations in Africa. It is a member of several important UN organisations, the World Bank and others and also provides funding for some of their Africa operations. This includes various UN agencies and trust funds as well as the African Development Bank. China is a strong supporter of the UN Millennium Development Goals and is a signatory to the 2005 Paris Declaration on Aid Effectiveness.

Most Chinese aid is provided bilaterally. It is channelled to nearly all the African countries (except to the five countries still recognising Taiwan). The aid programme is managed in Beijing by the Ministry of Commerce. Its task include preparing and organizing inter-governmental economic negotiations and meetings of mixed commissions and to sign multilateral and bilateral economic agreements on behalf of the government according to the authorisation of the State Council; to administer foreign aid, formulate aid plans for each recipient country; and to organise the

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<sup>7</sup> See S. Maxwell (2006) which introduces the term 0.2 % Club to capture the difference between emerging donor countries like China and the aid dependent countries in the 20 % Club.

<sup>8</sup> The main study of Chinese aid to Africa is Bräutigam (1998) and an important case study of Chinese aid to Tanzania by Ai Ping (1999), but see also Bech (1989). The OECD and its Development Assistance Committee is the authoritative provider of aid statistics. They do not provide statistics on Chinese aid (and aid provided by other “non-traditional” aid donors) but are preparing to do so.

<sup>9</sup> The estimate of the size of the Chinese aid is derived from a paper by Grundel (2006) from DFID China.

implementation of aid projects and technical co-operation. Within the Ministry there is a Foreign aid department that is in charge of these tasks (Ai Peng 1999). Within this department there are sector divisions responsible for formulating aid plans, collecting relevant statistics, and budgeting and accounting. There are also geographic divisions that are responsible for formulating aid policy and plans for each country, preparing for bilateral negotiation and drafting agreements, and supervising and dealing with relevant inter-governmental matters.

The Ministry's agency abroad and in African countries is the Economic Councillor's Office in the Chinese Embassy. In a few cases where the aid programme is particularly heavy, a Chinese Economic Representative's Office has been set up as a separate diplomatic entity with slightly different powers and functions.

Chinese aid to Africa has some distinctive features. One is that it is very closely linked with Chinese trade and investment policies. There also appears to be a high element of tied aid through the provision of commodity and technical assistance (which is often very cheap compared to assistance from other donor countries). Generally, the Chinese do not provide budget support. The focus is firmly on project assistance. Chinese assistance is provided both on grant terms and as soft loans.

Chinese assistance is often used in conjunction with various investment promotion projects and the provision of export credits. It can also be closely linked to securing access to major resources (linked to Chinese oil interests, for example). Angola is a typical example: it has emerged as China's biggest oil supplier (see Chapter 4). China has announced two credit lines totalling USD 4.4 billion for

"reconstruction and national development" (*Africa Confidential* 7 July 2006). A significant portion of this is tied to the purchase of Chinese goods and services.

The China Export-Import Bank plays a critical role as an instrument in promoting bilateral trade and investment between China and Africa. It provides export credits, loans to investments and construction projects, concessional loans from the Chinese government, and international guarantees. World Bank staff estimated that this Bank by mid-2006 had provided USD 12.5 billion in loan finance to African infrastructure development (Broadman 2006: 249-250).

Chinese aid is also distinguished by its near complete absence of political conditionalities (except for support for the "one China" principle). China's aid policy is firmly anchored in the principle of "non-interference in internal affairs", or – to quote the Chinese white paper – it comes "with no political strings attached".

Chinese assistance is channelled to a variety of sectors and areas. There is an emphasis on various projects for the promotion of trade and investment with a strong focus on the provision of physical infrastructure (especially power, transport, telecommunications and water) and agriculture. A second significant area is capacity building and the social sector, especially as related to science, health and education. Here, China has a long track record and has made a number of important new commitments through the FOCAC process and the 2004-2006 Addis Ababa Action Plan. This includes scholarships for African students in China and the secondment of Chinese health workers

## 2.2 Chinese Aid

- major aid donor in Africa
- strong supporter of UN and the Millennium Development Goals. China is a signatory to the Paris Declaration on Aid Effectiveness, but has made few attempts to harmonise its aid programme with other donors
- emphasis on bilateral project support and aid is often delivered as tied commodity and technical assistance
- strong focus on physical infrastructure, capacity development and the provision of high-profile public buildings and stadiums
- aid is provided with no political conditionalities or strings attached

to hospitals and clinics in Africa. Following the Addis Ababa Action Plan, China promised to train 10 000 African technicians over the next three years through the Chinese African Human Resources Development Fund.

The section covering social issues in the Chinese Africa policy paper also lists co-operation related to the environment (climate change, water, biodiversity, and so on), disaster and humanitarian assistance (emphasising the role of NGOs), and media co-operation. Activities and projects funded here appear so far to be limited.

A third and very visible feature is Chinese funding for the construction of high profile buildings – stadiums, state houses and buildings housing parliaments, Foreign Affairs ministries, and so on. Such projects have a long tradition in Chinese support to Africa, but have expanded significantly in recent years.

China has cancelled a significant portion of the African debt to China. In 2003 it announced that it would cancel almost USD 1.3 billion owed by 31 African countries. The 2006 White Paper also states that China will attempt to make further cancellations following discussions with African countries. The announcement of the debt cancellation was made by Chinese Premier Wen Jiabao at the second ministerial FOCAC conference in 2003. The issue was first raised at the FOCAC conference in 2000, where South Africa encouraged China to cancel the debt.

There is also a growing emphasis in Chinese documents on the need to provide support to the African Union and regional organisations. African countries have been pushing for this under the FOCAC framework. South Africa, in particular, is looking to China to mobilise support and financial resources for the NEPAD programme and the AU objectives. This featured prominently during Premier Wen Jiabao's visit to South Africa in June 2006 (Shelton 2006: 19-20). These issues are also expected to feature at the third ministerial FOCAC conference in Beijing in November 2006.

China has signed the 2004 Paris Declarations on aid effectiveness which calls for greater harmonisation between donors and improved alignment with the policies of the aid recipients. At the multilateral arena China also increasingly refer to the Millennium Development Goals. However, there is still very little co-operation between Chinese development aid and the aid programmes of other donor countries. There are, however, indications that China is prepared to work more closely with others. This is becoming evident in relation to specialised UN agencies. Through FOCAC they have also emphasised the need to mobilise increased resources from the North and they have attended meetings of donor consortia in some countries (Sudan, for example).

The Chinese development assistance has evolved relatively independent of the traditional donor community. Evolving and changing Chinese aid policies reflect changing domestic needs, but they also reflect changes in recipient countries. The few available studies of the Chinese aid policy and management indicate that the Chinese have been receptive and tried to respond to challenges. Beginning in the 1980s and gaining momentum in the 1990s the Chinese increasingly emphasise mutual benefit, the returns to China and partnership rather than the pure solidarity and proletarian internationalism of the previous decades (Ai Ping 1999, Hyden & Mease 1999). The Chinese have become more concerned with the sustainability of their projects and are putting more emphasis on provision of technical assistance, spare parts and managers. They want greater accountability and greater return (or "partnership"). At the same time, the principle of "non-interference" has made it difficult for the Chinese to impose strict conditionalities in their aid programmes.

## Migration, labour and tourism

A very visible manifestation of the new Chinese engagement is the presence of a large number of Chinese migrants and businessmen, Chinese workers, and – to some extent – Chinese tourists. There has been a major and accelerating expansion of Chinese migration to Africa over the past decade. It began following the liberalisation of Chinese emigration law in 1985, but gained momentum in Africa in the 1990s. In the mid-1990s, the estimated total number of Chinese citizens in Africa (based on Chinese sources) was about 135 000 with the biggest communities being located in South Africa and the Indian Ocean islands. The number today is not known (see also Annex 1). We can, however, safely conclude that the wave of Chinese migration covers virtually the whole continent – from an estimated 100 000 in South Africa, to 4000 in Zambia and 400 in the small islands of Cape Verde in the Atlantic Ocean. Notably, there is also a strong presence of Chinese migrants in countries emerging from violence and civil war – from Sudan to DR Congo and Angola.<sup>10</sup> The bulk of the Chinese migrants are, however, still to be found in South Africa, together with the Indian Ocean Islands of Mauritius and Madagascar.

Chinese migration is highly entrepreneurial. Retail trade has been a dominant sector for most of these migrants. In many towns and cities throughout the continent, they have quickly become the dominant traders, based on their supply of cheaper Chinese products. There is also a growing number of Chinese active in restaurants and in certain professional occupations (such as health). The determinants of the emigration from China and the move to Africa appear to be largely independent of the Chinese state. There are, however, many informal linkages between the migrants and Chinese businessmen and Chinese workers employed by Chinese companies and institutions active in Africa. This impacts on the destination of migration and opens up new prospects for businesses servicing Chinese communities.

The number of Chinese workers employed by the 800 Chinese companies active in Africa is not known. The current estimates are around 70 000 – 80 000. The employment of Chinese workers varies from country to country, but appears to be high in labour-intensive infrastructure and construction while in other sectors it may be confined to management (such as in Chinese textile companies in Lesotho).

Chinese tourism abroad is strongly regulated. The number of Chinese tourists in Africa is growing rapidly. This is tied to Beijing's decision to grant individual African countries "Approved Destination Status". The popular tourist destinations of Egypt and South Africa were the first countries to be granted such status. Following FOCAC's Addis Ababa Action Plan, China gave an additional eight countries (Ethiopia, Kenya, Tanzania, Zambia, Mauritius, Seychelles, Zimbabwe and Tunisia) such status. Most recently, Botswana was granted such "approved destination status" (August 2006). The number of Chinese tourists travelling to Africa was more than 110 000 in 2005, up from 70 000 in 2004. The number is set to expand significantly with continued growth in the Chinese economy and in the purchasing power of the Chinese middle classes. It is also expected that this will act as a stimulus to Chinese investment in the tourism sector as well as resulting in direct flight connections between China and a number of African destinations.

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<sup>10</sup> A discussion of Chinese migration and its determinants is found in Haugen & Carling (2005). Their data is from Cape Verde, but it contains a wealth of relevant information for the general discussion of Chinese migration to Africa. The figure quoted for South Africa (100 000) is a guesstimate. The Chinese Embassy in Pretoria has stated that the number may be between 50 000 and 100 000, the South African Embassy in Beijing has said that it may be more than 100 000. South African newspapers have mentioned even higher figures. See also a background in Wilhelm (2006).

## Peace and security

Peace and security has emerged as an increasingly important dimension of Sino-African relations. Under the FOCAC initiative, the Chinese have made a number of commitments to supporting African efforts to promote peace and development and to assisting the UN in its peacekeeping operations. This was emphasised both at the second FOCAC conference in 2003 and in the 2006 Chinese White Paper.

The strongest manifestation of this has been Chinese participation in UN peacekeeping operations in Africa. Currently (mid-2006) they provide 1310 peacekeepers to six UN operations in Africa. This includes 566 troops, five police officers and five military observers to UNMIL (Liberia); 443 troops, 15 police and 15 military observers to UNMIS (Sudan); and 218 troops and 14 military observers to MONUC (DR Congo). In addition to these three, China has smaller contributions in Western Sahara (15 military observers to MINURSO), Ethiopia/Eritrea (7 military observers to UNMEE) and Côte d'Ivoire (7 military observers to UNOCI).<sup>11</sup> China's contribution to such UN operations may increase significantly. It is currently (July 2006) the 12<sup>th</sup> largest contributor to UN peacekeeping missions (but significantly behind the top four – India, Pakistan, Nepal and Bangladesh).

China's direct financial contribution to the AU in this area remains limited. It does provide some support to AU's terrorism research centre, but little beyond that. Through its White Paper it has, however, made strong commitments to engage more with Africa and the AU on these issues. This also includes a range of areas beyond peacekeeping – from small arms to drug trafficking and organised crime. Peace and security issues are also expected to feature at the third ministerial FOCAC conference in Beijing in November.

There are other dimensions of China's role in this sector. One is China's export of arms. This is estimated to amount to about 6-7% of total deliveries to the continent.<sup>12</sup> China exports arms and equipment to many African countries. Many of these deliveries, however, are going to conflict zones. This has included the Horn of Africa where it is reported that China has exported arms at an estimated value of USD 1 billion to both sides in the Ethiopia/Eritrea conflict. China has also supplied arms to Sudan, to DR Congo, to Liberia and to Zimbabwe. It is reported that several of these supplies have been in exchange for lucrative contracts (such as mining concessions in DR Congo and timber concessions in Liberia).

Sudan is a special case that illustrates many of these dimensions in Chinese policies. China has huge oil investments in the country and maintains a strong link with the government in Khartoum.<sup>13</sup> It has an undisclosed number of military personnel in the country to protect its oil installations (the number may be higher than the total number of Chinese peacekeepers in Africa) and it has sought to soften and prevent UN Security Council resolutions on Darfur. Strong criticism of the Chinese position was probably also a factor behind the Chinese announcement in March 2005 of a decision to send 473 peacekeepers to the UN mission in Sudan (UNMIS).

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<sup>11</sup> All the data on Chinese contributions are derived from the website of the UN Department of Peacekeeping Operations (<http://www.un.org/Depts/dpko/dpko>). In addition to the Africa operations, China provides an additional 338 peacekeepers to UN operations in Haiti, Lebanon and Kosovo (mid-2006).

<sup>12</sup> There are no reliable official statistics here and the deliveries are often clouded in secrecy. The data in this section has been provided by Nicolas Marsh at the Norwegian Initiative on Small Arms Transfers (NISAT). See also its website <http://www.nisat.org>. See also a recent Amnesty report (Amnesty International 2006).

<sup>13</sup> Cf. also the historical overview of China's relations with Sudan in Ali (2006)

China has been passive in multilateral institutions discussing disarmament issues affecting Africa. Nor has it signed the Ottawa declaration on landmines. These issues are, however, High on the AU and African agenda.

### 3: What's in it for Africa?

The new Chinese engagement with Africa is significant and it will have a lasting impact on African development. It opens up new opportunities and new challenges. Many outside observers have been highly vocal and critical of the evolving China-Africa relationship. A recent study captures many sentiments by arguing that China's return to Africa has mixed economic consequences at best and that the political consequences are bound to prove deleterious (Tull 2006). Others have focused on "opportunities" (see, for example, Alden (2006) and Shelton and le Pere (2006))

There is no conclusive evidence, based on the available data, on what China's new Africa engagement implies for African development. There are many imponderables. What we do know is that Chinese engagement may transform Africa's development trajectory in many ways over the coming years. We do not know how. At this stage we can identify trends and challenges and pose critical questions. This will help us to identify possible threats and possible opportunities which in turn make it easier to develop appropriate responses and strategies. First we shall make some comments on the implications for economic development.

#### Economic development

The first notable observation emerging from the trade statistics is that Chinese trade has reinforced the existing trade pattern between Africa and the rest of the world. Chinese demands have led to an accelerating need for access to African oil, but also to other natural resources. (See Goldstein et al. (2006) and Chapter 4 below). A global commodity boom will most likely have a positive impact on prices and improve the terms of trade for many African economies, but Africa's role as an exporter of raw materials will be further reinforced. One potential drawback is that it may contribute to a delay or even derail efforts to diversify away from traditional exports. South Africa is a case in point. It has significant exports of manufactured and industrial products to China, but this is falling rapidly in relation to the export of raw materials. It must, however, be kept in mind that the large trade volume is also related to a high oil price. A major price fall will also lead to a major fall in trade figures.

Secondly, we note that China is a significant exporter of cheap consumer goods and other manufactured products to Africa. This is obviously good for consumers. The (mostly urban) African consumers will see their purchasing power increase and African producers relying on imported inputs may see production costs fall. On the other hand, local producers may suffer in competition with Chinese imports, especially producers relying on labour-intensive production. This is most evident in the clothing and textile industry, which in some countries has suffered badly in competition with Chinese imports. Other countries have, however, succeeded in attracting Chinese companies to the clothing and textile industry by taking advantage of new export opportunities to the US market. The expiry of the Multi-Fiber Agreement in 2005 – and subsequent increased Chinese access to the US market – led to an immediate and significant drop in employment at Chinese clothing and textile companies in Africa (Kaplinsky & Morris 2006).

Similarly, one may expect that there will be increased competition between Chinese and African producers in third markets, especially when trade preferences are eroded. This will tend to undermine the competitiveness of African producers vis-à-vis the Chinese (and other low-cost producers from Asia). It is crucial that the developed North maintains the trade preference schemes granted to African countries and also that support is provided to African producers to facilitate adjustment to Chinese competition.

There is at this stage no conclusive evidence as to what extent Chinese imports have displaced local production and their total impact on poverty. It is important to note, however, that the Chinese have introduced voluntary export restraints on certain products, and also offered assistance – in the case of the textile and clothing industry in South Africa – in restructuring the industry. It still remains to be seen what the practical implications are. It can, however, reasonably safely be concluded that there will be limited future scope for Africa to compete with China in labour-intensive manufacturing.

What about the Chinese companies now operating in Africa? What role do they play in assisting African development? There is significant and major Chinese investment in the oil sector (cf. Chapter 4), and also in certain other extractive industries. There appears to be limited investment outside this sector (with the partial exception of South Africa). Chinese investment here is expanding although from a low base. The multiplier effect of investments in oil and mining is much lower than investments in manufacturing and we may see that GDP growth in Africa countries will be lower, perhaps much lower than growth in foreign direct investment.

There are, however, a substantial and growing number of Chinese companies present providing goods and services (especially within construction). Many, perhaps most, owe their establishment to Chinese export credits and various forms of tied aid which force African countries to purchase Chinese goods and services. Within construction we also note a trend where Chinese contractors are awarded major contracts following international tender processes. In 2004, China secured its biggest international contract so far – Chinese contractors won a USD 650 million bid for the Nile River's Merowe Dam in Sudan (Goldstein et al. 2006: 85). In addition to this trend there are a rapidly growing number of Chinese companies linked to the arrival of entrepreneurial migrants (these companies are mainly found in the retail and service sectors).

### 3.1 China in Zambia<sup>1</sup>

- The most visible manifestation of Chinese engagement has been a rapidly growing number of Chinese entrepreneurial migrants – unofficially estimated as approaching 4000.
- Trade is expanding rapidly, based on the Zambian export of minerals, mainly cobalt and related products, copper ores and concentrates, and other metal products. China zero-rated tariff rates on a number of products from Zambia in 2005.
- China provides development assistance to agriculture and infrastructure. This includes hydropower and railways.
- 160 Chinese companies employ more than 10 000 Zambian workers. Combined investment is over USD 300 million. There is a strong focus on mining, but also on retail shops (selling imported Chinese products), on restaurants and other small businesses. There is also a strong Chinese presence in the construction industry.
- Some links are being developed with Zambian business, but there are also complaints about employment standards in Chinese companies and accusations of dumping.
- In 2005, a 16-man Chinese anti-corruption delegation visited Zambian counterparts to exchange views on how best to tackle corruption.
- The relation with China became an important issue in the 2006 elections with the main opposition candidate making strong criticism of the role of China.

<sup>1</sup> Information is derived from an unpublished note from the EC Delegation in Lusaka (2006) and from newspaper reports.

Chinese companies may have contributed to a reduction of costs. This is especially the case in construction, where Chinese companies, reportedly, are often 20-25% cheaper than their competitors. On the other hand, there are also cases where Chinese export credits have led to situations where Africa has been forced to pay more for goods and services from China.

There are, however, a number of other critical questions which have been raised about Chinese companies. One is procurement. There appears to be poor and limited local outsourcing by the Chinese, with most inputs imported from China. Employment of local labour is also limited and efforts to provide a transfer of skills and human resource development through their business operations are limited. A recent study notes a striking contrast with Indian businesses. Indian companies pursue investment strategies in Africa that appear to result in greater integration into domestic markets. The Chinese firms tend to have a different profile pursuing business strategies that yield them greater control up and down the production line and with more limited spill over effects into the local economy (Broadman 2006: 26). One reason for this may be that the Chinese are newcomers and have not yet integrated into the African business community to any significant degree. Indian businesses, in contrast, can rely on a much longer tradition of ethnic ties to Africa.

Chinese companies have also paid limited attention to “corporate social responsibility” or environmental implications. There are also disturbing examples of the illegal exploitation of natural resources. There are examples from, for example, the fishing industry, but the strongest evidence appears to relate to Chinese imports of African timber (for instance, from Tanzania, Mozambique and Liberia) (Butler 2005).

This criticism is valid. There are wide variations between countries and between sectors in relation to the use of both local inputs and local labour. It appears as if Chinese companies adapt to local conditions and regulatory frameworks. Chinese companies have major investments and a strong presence in a country such as South Africa, which has strong regulatory frameworks related to, for example, labour conditions (although the type of business they engage in there may be different from, say, DR Congo or Zambia). These examples and different practices need to be studied carefully.

All of this reinforces familiar challenges: the need to ensure a sustainable exploitation of natural resources and to have a strong regulatory framework and management mechanisms in place.

The role of the Chinese Diaspora and business networks in Africa in African economic development will also be critical. In Asia, such ethnic business networks have been important catalysts for industrial development. They have been crucial for the “flying geese” model of development in East and Southeast Asia. Business networks facilitated the diffusion of manufacturing from the earliest industrialiser (Japan) to the newly industrialised countries (Taiwan, Korea, Hong Kong and Singapore). The latter industrialisers in turn spread their investment networks to Indonesia, Malaysia, Thailand and coastal China. Can something similar happen in Africa? Will the new and expanding Chinese networks be able to play a similar role there? The one study on this (Bräutigam 2003) is cautiously optimistic. Her study found that the role of such networks was limited in the case of Nigeria, but more successful in the case of Mauritius. In Mauritius, an encouraging policy environment helped create strong connections between local capital (Asian and African) and transnational Asian capitalists, which was an important factor behind the export-oriented industrialisation of that country. A recent survey also noted different practices by Indian and Chinese companies with the Indians more easily integrating with the domestic economy (Broadman 2006). These experiences need to be studied carefully in order to understand the potentialities opened up by the strong Chinese emphasis on joint ventures and support to Chinese enterprises.

## Poverty reduction and governance

China's trade and investment policies are driven by the need of Chinese companies and their search for oil, raw materials and markets. The Chinese companies are not driven by altruistic motives. There is, however, as we have emphasised in previous chapters, more to the Chinese Africa policy than Chinese companies. China is a strong supporter of the Millennium Development Goals, it is a significant aid donor to Africa and it calls for increased aid effectiveness. China's aid programme has also shifted – from an emphasis on "solidarity" and "proletarian internationalism" to highlighting "mutual benefit" and "partnership". What implications does this have for Africa's development prospects?

We know very little about the quality and impact of Chinese projects and initiatives to combat poverty in Africa. Nor do we know how the Chinese authorities themselves assess such issues. The Chinese debt cancellations and zero-rating of tariffs on products from least developed African countries are significant initiatives although it is too early to say to assess the impacts. Debt cancellation is important, but a critical question is how the provision of new loans from China to Africa will impact. Will this a few years down the road lead to a new debt trap for African countries? Will China be prepared to convert its loans to grants? How does the debt cancellations and new loans impact on the efforts to provide a 100% debt cancellation for the Heavily Indebted Poor Countries (HIPC) in Africa?

The preferential trade arrangement being introduced in 2006 with the Chinese unilateral decision to eliminate tariffs on 190 commodities from 25 African countries is also important. This is a first step to stimulate exports from African least developed countries to China through a scheme similar to the Generalised System of Preferences (GSP) of developed countries granted to least developed countries worldwide. It is too early to assess the impact – much will depend on African countries capacity to make use of these opportunities. In addition to this there are also ongoing negotiations between China and SACU (Southern African Customs Union which includes Botswana, Lesotho, Namibia, South Africa and Swaziland) for the establishment of a Free Trade Agreement.

A number of observations can be made regarding the Chinese aid programme and loan concessions. Firstly, we note that there is a strong Chinese emphasis on physical infrastructure such as railways and roads, but also major housing projects. The Chinese support planning processes, they provide grants or soft loans related to construction, and Chinese companies tender for the contract. In many cases Chinese export credits to African countries are conditional on African procurement of large portions of the required goods and services from China. The low cost associated with massive use of Chinese managers and skilled labour is a major comparative advantage for the Chinese companies.

The Chinese emphasis on infrastructure fits well with recent trends in traditional aid to Africa. Here there has been a renewed emphasis on infrastructure as a way of facilitating and accelerating growth and poverty reduction. It also coincides with an expanding Japanese provision of aid to African infrastructure. This new emphasis is also evident in African initiatives, e.g., through NEPAD's efforts to draw up a priority list of infrastructural priorities, in the priorities emerging through the G8/African Partnership Forum agenda, and through the joint Infrastructure consortium mechanism established through the African Development Bank.

There is an urgent need to establish mechanisms facilitating information sharing and co-ordination between China and other donors in this sector. The way to achieve this may be through AU/NEPAD based on the strong commitment made by the Chinese authorities that they would like to align their projects and activities with African regional organisations. The African Development Bank may also emerge as an important mechanism in this respect. The Bank has been selected as a chief

instrument in implementing NEPAD's infrastructure projects, it hosts the donor-initiated Infrastructure consortium, and China has taken a strong interest in the role of the Bank.

In addition to co-ordination issues three critical remarks are often made by traditional donors. The Chinese are criticized for the heavy use of tied aid, for poor attention to management and sustainability, and for the low quality of the projects. This criticism is partly valid. Tying of aid reduces aid effectiveness and undermines local capacity and knowledge although in the Chinese case it has in all likelihood also contributed to a significant reduction of costs in the construction industry. It has also undermined the role of a number of Northern companies that has benefited from the tying of aid to goods and services from the US, Japan and other donor countries.

The poor Chinese attention to management and sustainability is serious. It was particularly valid in the past but since the early 1990s there has growing Chinese attention to these issues. It is perhaps particular evident in the greater emphasis on providing technical assistance to assist with the running of completed projects. The Chinese emphasis on "non-interference" appears to put some constraints on the Chinese ability to intervene and impose conditionalities in project planning and implementation.

The criticism for poor quality may be less valid today. This is perhaps also evident in the fact that Chinese companies are awarded international contracts based on open tender.

A second major area of Chinese support remains agricultural development. In several countries Chinese aid has made a significant contribution to agricultural production and rural development although the few studies available identifies many of the same problems associated with the infrastructure projects (Bräutigam 1998, Ai Peng 1999).

### 3.2 China in Namibia<sup>2</sup>

- Strong growth in trade, revolving around the Chinese import of copper and frozen fish and export of manufacturing products (machinery, textiles and shoes).
- Limited Chinese investment - mainly confined to Chinese migrants setting up shops and small businesses. Several Chinese business delegations on exploratory visits (fishing, telecommunications, uranium mine).
- Small but expanding donor. China provides interest-free loans for low-cost housing; provided funding for a new State house (constructed by a Chinese company working with a North Korean company); seconded medical teams to Katutura hospital and experts to assist with the upgrading of Namibia's railways. Namibia borrows money from the Export-Import Bank of China for the purchase of locomotives.
- Chinese companies using Chinese labour are winning contracts for the construction of a number of public buildings.

China also emphasises social development in their engagement with Africa. Numerous areas are listed in their 2006 policy paper. The emphasis, judging by the activities listed, revolves around support to capacity development with a priority on technical assistance to Africa and training programmes in China. This assistance appears to have been strongest in health, with the secondment of medical teams to a range of countries. Since China deployed its first medical team in 1964, more than 15 000 doctors have been sent to 47 countries, treating 180 million patients. In 2003, China

<sup>2</sup> Information is derived from R. Sherbourne (2006).

deployed a total of 850 medical personnel in 35 teams to 34 countries. Chinese doctors normally spend two years in the country. African countries are expected to pay for the costs of the doctors and the support staff (including Chinese cooks!), although grants and loans are often provided by the Chinese.<sup>3</sup> Over 10 000 agro-technicians have been sent from China to work on some 200 agricultural projects (Sautman 2006: 22).

Some 15 000 African students have graduated from Chinese universities (Sautman 2006: 22). China has made a major commitment to providing training opportunities and scholarship programmes in China. However, implementation is lagging significantly behind Chinese promises made at the 2003 FOCAC conference. One bottleneck appears to be a limited capacity in China for providing training in foreign languages. At the FOCAC meeting of senior officials in 2005, China promised to make renewed efforts to ensure that targets were met.

The Chinese contribution in training and capacity building may be impressive, but is historically focused almost exclusively on the training of individuals. China is now emphasising more strongly the need to ensure that institutions also function and they have provided technical assistance to management. The extent and quality of such assistance is not known.

The strongest criticism from traditional donors has been levelled at the Chinese policy of “non-interference” and its implications for governance issues and democratisation. Many fear that the Chinese will be the “spoiler” in emerging efforts to increase aid effectiveness and improve good governance. What is the evidence so far? It is true that the Chinese do not want to intervene in domestic affairs and that they provide aid with no political strings attached. They explore business opportunities and provide aid irrespective of political conditions and the repressive nature of the regime in power. Some of Africa’s authoritarian leaders, perhaps most notably President Mugabe in Zimbabwe, have made deliberate efforts to “turn East” in an effort to escape pressure for democratic reform. The extent of his success is not known but China has provided some export credits and soft loans, possibly tied to the purchase of Chinese goods and/or in exchange for certain mining and farming concessions. Most importantly, China has emerged as a major arms supplier to the country, including the delivery of military aircraft.<sup>4</sup>

In Angola, China has established close links with the government in Luanda and provided generous export credits (see Chapter 4). This has weakened efforts by the IMF and the Paris Club to negotiate a common approach to Angola’s debt, which would have included a number of conditions related to, for example, transparency and accountability in the oil sector. A deal with the Paris Club would also have reduced Angola’s costs of managing its USD 10 billion debt. The Chinese credit eased the pressure. It should, however, be noted that China – although it is by far the most significant and biggest provider of such credits – is not alone in striking bilateral deals with the Angolan authorities. Others include countries such as Brazil, India and Israel. Even some traditional donor countries – Germany, Spain, Portugal and the US – are seeking to enter into such bilateral deals in order to secure access to the lucrative Angolan market.

The strongest criticism has, of course, been raised against China’s role in Sudan. China has become Khartoum’s best ally in the oil industry (when Western companies had to pull out because of the war) and it has used its position in the Security Council to soften criticism of the Sudanese government and to prevent punitive measures.

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<sup>3</sup> See more on China’s health aid in D. Thompson (2005). The 2003 figures mentioned are from *Xinhua* 16 December 2004, quoted by Thompson.

<sup>4</sup> *Business Day* 24 August 2006 reported that Zimbabwe has bought a total of 8 K-8 jet trainer aircrafts. Funding is not known, but it is likely that China has provided some export guarantees and/or soft loans, possibly also linked to other business deals.

Does Chinese engagement increase corruption and mismanagement? There is no evidence to suggest this. The level of corruption is higher in oil-exporting African countries than in others. There also tends to be corruption associated with major infrastructural projects. These are the sectors targeted by Chinese companies. One may expect that the current boom in raw materials and the new scramble for access to resources may lead to more corruption, but there is no evidence to conclude that Chinese companies are more or less corrupt than others. What we do now know is that the Chinese – at least until now – have not offered assistance and support to strengthen institutional capacities and regulatory frameworks in African countries. This contrasts sharply with assistance from traditional donor countries which – since the early 1990s – have emphasised such issues.

Will the Chinese also be moving in this direction? Or will they continue to stick to the policy of “non-interference” and “business as usual”? There is no definitive answer to such questions. Four pointers may be of some help in understanding the dynamics at play here. One is that China also strongly emphasises the need for political stability. They want to protect their investments and commercial interests. This has led to situations where Chinese authorities have intervened and demanded action by the government (this has, been the case in Angola, for example, where, according to newspaper reports, China demanded the resignation of senior officials after reported misuse of the Chinese credit line).

Secondly, China often emphasises human resource development and capacity building in its aid programmes. This has led to a growing concern also with management and sustainability issues. This may lead to a situation where China may also begin to target capacity building also in state institutions (and not just focus on capacity building at the individual level).

Thirdly, and significantly, China is also committed to working with AU/NEPAD and African regional organisations. We may see a further alignment and development of modalities for co-operation and dialogue between African regional organisations and FOCAC. Chinese priorities have been strongly focused on NEPAD’s economic development programme (especially infrastructure) and to some extent on some of NEPAD’s social programmes (training, in particular). However, NEPAD also has a strong focus on governance issues through the African Peer Review Mechanism as well as through its evolving approach to post-conflict reconstruction. This will increasingly require a Chinese response and provide entry points for possible future Chinese activities in this area.

Finally, China is also a signatory to the Paris Declaration on aid effectiveness. This may create additional and growing pressure on the Chinese to engage with other donor countries in discussing the delivery of aid.

## Africa, the West and the Beijing consensus

Africa’s political response to the new Chinese offensive has generally been very positive. African leaders have emphasised the importance of China for growth in their economies, as a supplier of development finance and technical assistance, and as a political ally and friend. China’s emphasis on “non-interference” is also welcomed. The very large number of bilateral agreements between nearly all the African countries and China, as well as the many high-profile visits, are indications of this.

There are, however, tensions and frictions below the surface. This has mainly been over trade (complaints about cheap imports and dumping), limited local outsourcing by Chinese companies, and poor employment conditions and low wages. This became perhaps most evident in the

September 2006 elections in Zambia where the main opposition candidate campaigned on a strong anti-Beijing platform. These frictions obviously vary across countries and between different groups. In countries where trade unions or business associations stand to lose out the criticism may be strong, while poor consumers may be delighted. In countries with authoritarian regimes (such as Zimbabwe), Chinese engagement may imply that it will become more difficult to create space for political reform. In countries with strong public institutions and good governance, Chinese engagement may offer new opportunities for accelerated development.

### 3.3 China and South Africa<sup>5</sup>

- China and South Africa have emerged as strong strategic partners since the establishment of diplomatic relations in 1998.
- South Africa is China's biggest trade partner in Africa. China has invested USD 180 million in 80 projects in South Africa. South African companies have invested USD 400 million in China.
- In June 2006, China signed an agreement with South Africa providing for export restraints in the export of textiles to South Africa and for technical assistance in restructuring the struggling South African textile industry.
- There is likely to be increased trade competition between South African and Chinese exporters in other African countries.
- Negotiations are ongoing for the establishment of a free trade agreement between China and the Southern African Customs Union.
- The Chinese community in South Africa comprises an estimated 100 000 people – the largest in Africa. Most have arrived since the mid-1990s.
- South Africa is encouraging China to become more active in NEPAD and to provide more assistance to African peace and security.

A key concern for OECD donor countries and International Financial Institutions is what Chinese engagement implies for their influence and leverage in Africa. Will it lead to a situation where African governments will be turning to China as an alternative source of funding and support? Will the achievements in recent years in improving aid effectiveness and mobilising support for the Millennium Development goals be placed in jeopardy? It is too early to provide definite answers to such questions. We can, however, observe certain trends. One is that countries with no or limited access to external development assistance – and Zimbabwe is the prime illustration – turn to China to mobilise support. We also note that China has not been very forthcoming in providing direct support to such regimes. China is, however, prepared and keen to do business, but if business opportunities are limited so will be its engagement.

Another trend is notable among countries benefiting from the boom in raw materials extraction, especially oil exporters. Here it may become more difficult to increase transparency in public finance. China and Chinese oil companies can partly be blamed for this, but so can a number of other countries and companies.

Thirdly, we note that the Chinese have moved quickly and with speed in delivering (some of) their promises – debt cancellations, trade preferences, infrastructure projects. This may also force traditional donors to focus more on delivery and results.

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<sup>5</sup> See Draper and le Pere (eds.) (2006) and Shelton (2006).

The questions can also be turned around: does the arrival of the Chinese imply that Africa's position will be strengthened? Are they provided with different alternatives? Does this create opportunities for increasing African ownership of their own development?

In reflecting upon these new opportunities, challenges and imponderables, we shall highlight two critical issues.

One is that China may not yet have succeeded in presenting Africa with a new alternative. The "Beijing consensus" may offer attractions, but the Chinese have in their actions so far primarily focused on trade and investment opportunities for Chinese companies and placed less emphasis on lessons from Chinese experiences in promoting development and reducing poverty.<sup>6</sup> This remains the Achilles heel in China's relations with Africa. China needs to be more active – in Africa, in dialogue with Africa, and in the multilateral system – in presenting how it wants to contribute to Africa's development and the reduction of poverty on the continent. China may have to focus more on how its vision for increased South-South co-operation will translate into better opportunities for Africa and a reduction in poverty.

The second critical issue is Africa's response. Can Africa take advantage of new opportunities and respond to new challenges? The FOCAC initiative – the main mechanism for joint African engagement with the Chinese – has so far largely been driven by the Chinese. Within Africa, it has mainly been left to South Africa to push for changes in China's Africa policy and for China to broaden its engagement. Will there be an alignment between FOCAC and the African Union/NEPAD priorities?

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<sup>6</sup> The notion of a "Beijing consensus" is the brainchild of Joshua Cooper Ramo, a former editor of Time Magazine. In 2004 he published an influential paper where he suggested that this consensus could offer an alternative to the "Washington Consensus" with its dogmatic and discredited emphasis on market-based prescriptions for development (Ramo 2004).



## 4: China and African oil

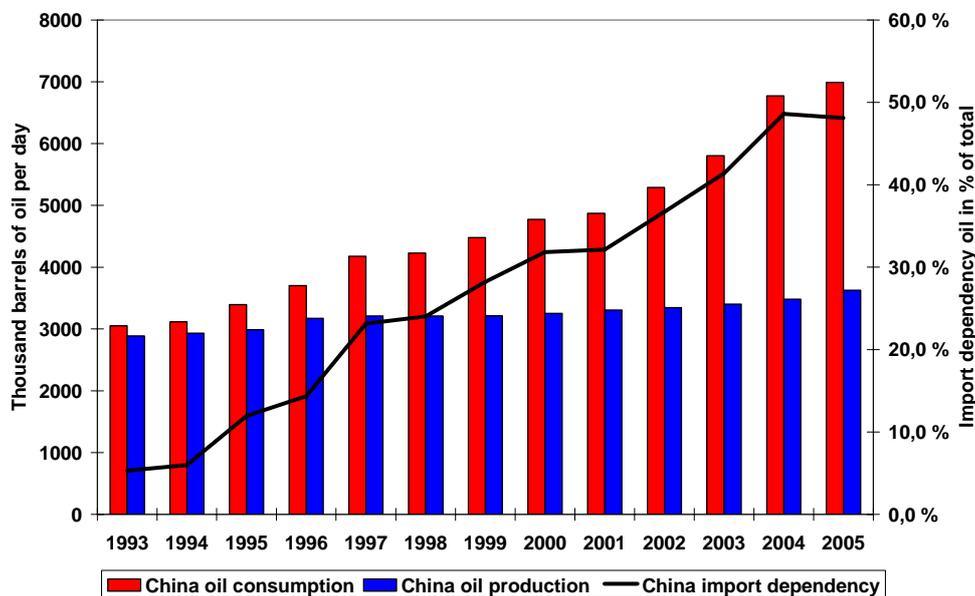
Energy security has emerged as a basic parameter in Chinese foreign policy (Tønnesson & Kolås 2006, Steinhilber 2006, and Elkhamri). Import of oil is also the most dominant dimension in the current Chinese engagement in Africa. This Chapter will provide a more detailed analysis of the Chinese engagement in the African petroleum sector and analyse its implications. The Chapter also discusses implications for Norway and the Norwegian oil engagement.

### Chinese exposure to international oil markets

Rapid economic growth in China over the last 25 years has resulted in an accelerating demand for petroleum products. After having been a net exporter of oil and gas until 1993, China is currently one of the largest importers in the world, obtaining approximately 48% of its crude oil from abroad in 2005, a share which has grown rapidly over the last decade. China has a growing impact on developments in the world oil markets, contributing 35% of the worldwide demand growth for crude oil in the period 2001-05 (British Petroleum 2006).

Stagnant domestic oil production combined with continued economic expansion is set to increase its import dependency in the coming decades. The International Energy Agency estimates that more than 80% of Chinese oil consumption will be met by imports in 2030, which will increase the country's vulnerability to external supply disruptions.

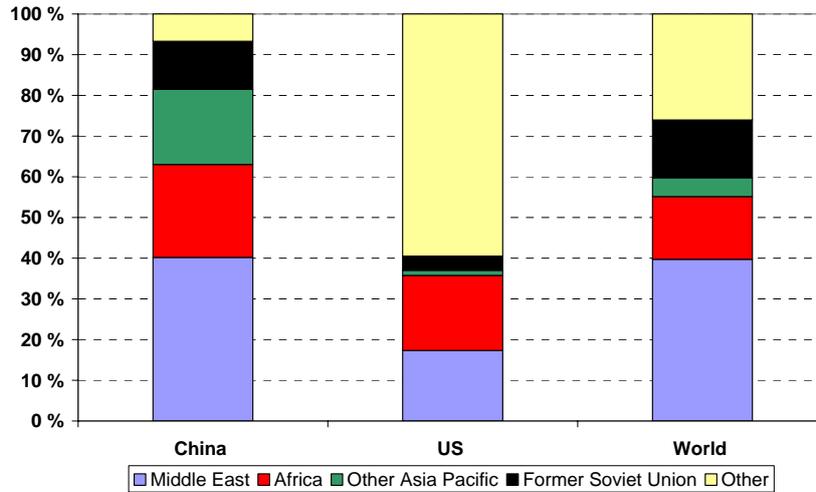
*4.1 Chinese oil consumption, production and import dependency*



Source: BP Statistical Review of World Energy June 2006

As China has emerged as a major importer of crude oil, the Middle East has become central to its energy security, providing approximately 40% of Chinese crude oil imports in 2005 and approximately 47% in the first half of 2006, according to the Chinese General Administration of Customs.

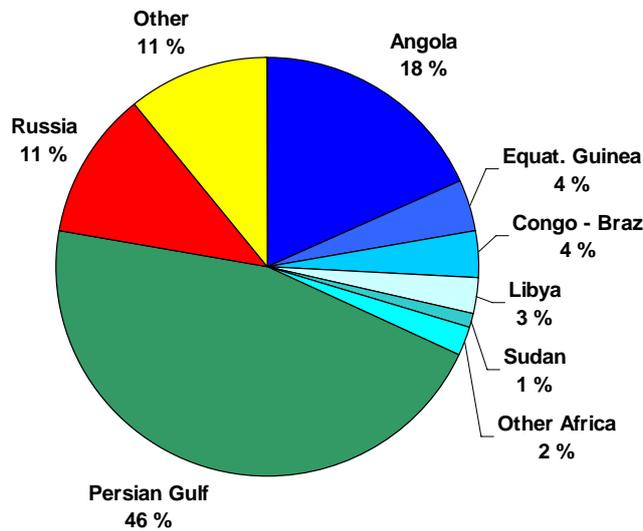
4.2 Crude oil imports into China, US and worldwide by region, 2005



Source: BP Statistical Review of World Energy June 2006

However, given the political instability in the Middle East and the perceived American regional dominance, the Chinese have been looking to diversify their supply of crude oil. Central Asia, Eastern Russia, Latin America and Africa have all been courted as potential suppliers of a growing share of crude oil to China.

4.3 Chinese imports of crude oil, first half 2006



Source: Chinese General Administration of Customs

Africa has emerged as an increasingly important supplier. In the first half of 2006, Angola alone has supplied 18% of oil imports to China, overtaking Saudi Arabia as the most important external source of crude oil. In total, African countries provided China with 31.7% of its crude imports, with Congo-Brazzaville, Libya and Equatorial Guinea as other important suppliers. Sudan supplied China with approximately 1% of its imports and less than 10% of Sudan's oil production went to China, despite Chinese state-owned oil company CNPC extracting most of the oil in Sudan.

The Chinese leadership is concerned about the country's growing dependency on imported petroleum products. A shortage of reliable and affordable energy is regarded as one of the fundamental challenges to the continued development of the country in the coming decades (Suisheng Zhao 2006: 4).

### Strategies for reducing vulnerability

The Chinese government is pursuing a range of policies to reduce the country's increasing exposure to international oil markets.

- 1) *Energy conservation*: Increasingly emphasised by the Chinese leadership and is a major theme in the 11<sup>th</sup> five-year guideline that was made public in early 2006. The government has set a target of reducing energy intensity in the economy by 20% in the five-year period to 2010. However, given the rapid economic growth in China and the associated increase in the demand for energy, this will only moderate the growth in consumption of oil products.
- 2) *Fuel switching*: The Chinese leadership also wants to reduce the use of imported fuels, especially for power production, and switch to renewable energy and coal where China has large domestic reserves.
- 3) *Increase domestic oil production*: Identifying new resources and increasing the recovery rate from existing fields. However, given the limited oil and gas resource base within the country - China has only 1.3% of the world's proven oil reserves - this policy will most likely only moderate the rise in import dependency.
- 4) *Increase purchases in the international oil markets*: Improve the cooperation between the largest importers of oil and gas and secure access to oil and gas through purchases in the international markets.
- 5) *Acquire oil reserves abroad*: This policy has partly been motivated by the desire to reduce the risk of oil shortages in case of prolonged supply interruptions but maybe just as importantly to promote the internationalisation of state-owned Chinese oil companies. The 11<sup>th</sup> five-year guidelines call for increasing oil and gas exploration overseas. Equity oil accounted for approximately 15% of Chinese oil imports in 2004, according to the IEA.

### The tools

The Chinese oil industry is dominated by four majority state-owned companies (SOOC) (see box). All of these companies have been partly privatised in recent years and CNPC, CNOOC

and Sinopec are listed on the New York and Hong Kong Stock Exchanges. The oil majors (ExxonMobile, Shell and BP) hold a minority stake in the companies. The purpose of the listing of the SOOCs has been to bring more operational and financial discipline into their operations while retaining state control. The Chinese government has given the SOOCs different objectives. One principal goal is to maximise returns on investments for the shareholders (Constantin 2005). As domestic sources of production have dried up, overseas expansion is seen as essential to sustain revenue and profit growth. This overseas expansion has been encouraged by the Chinese government, which has seen Chinese SOOCs control of oil reserves overseas as an effective way to enhance energy security in China.

Increasing internationalisation has also probably made the Chinese SOOCs more susceptible to international pressure. Several international funds have divested from CNPC because of its involvement in Sudan. But as long as the Chinese state controls the majority share in all the SOOCs, international shareholder pressure is likely to affect the behaviour of the SOOCs to only a limited extent.

#### 4.1 Chinese state-owned oil companies

- *China National Petroleum Corporation* (CNPC) has historically been responsible for onshore oil and gas exploration in China. In 2000, CNPC spun off *PetroChina*, which operates as a semi-independent corporate entity majority owned by CNPC.
- *China National Offshore Oil Corporation* (CNOOC), which was established in 1982 to explore offshore petroleum resources in China.
- *China National Petrochemical Corporation* (Sinopec) has historically been responsible for the refining and distribution of petroleum products.
- *China National Chemical Import and Export Corporation* (Sinochem) was historically responsible for importing the main bulk of petroleum products into China.

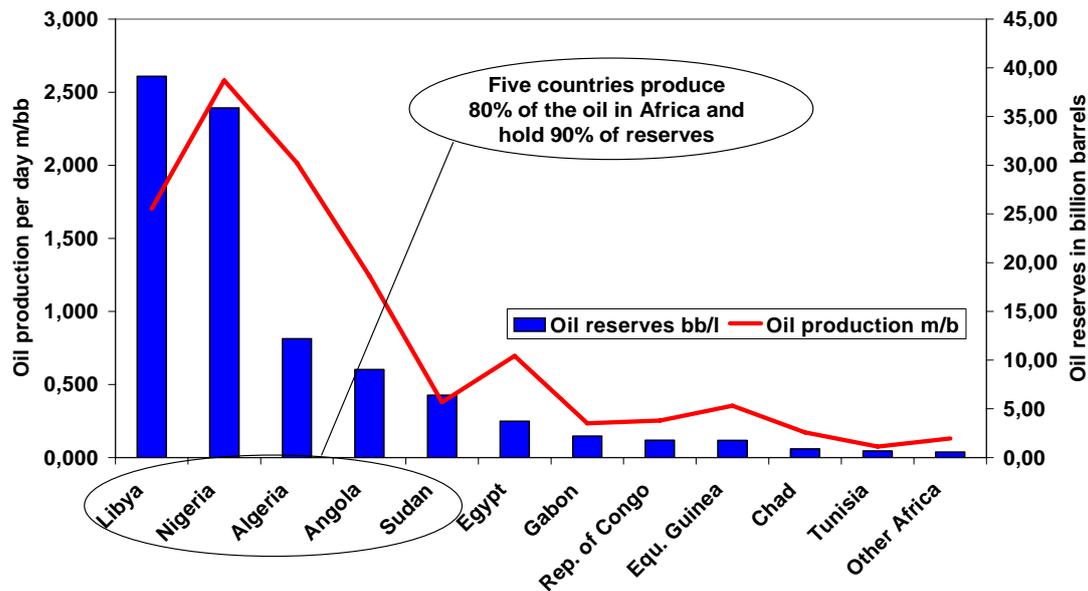
## Africa in the Chinese oil supply strategy

Africa is perceived as one of several important regions for Chinese oil and gas supply. Africa supplied 17% of the world's traded crude oil in 2005, sits on top of 9.5% of proven oil reserves and was home to 25% of the world's new oil discoveries in the period 2000-05, according to BP's Statistical Survey.

Only a handful of countries in Africa really matter from a global energy security of supply point of view. Nigeria and Algeria are the most important crude oil producers in Africa, with Angola, Libya and Sudan fast catching up. Libya and Nigeria hold 66% of total proven reserves on the continent. The five countries with the largest reserves sit on top of 90% of all the proven oil reserves, although this picture may change in the coming decades as more exploration is undertaken.

Just about every African country has launched programmes for oil exploration and production. The renewed interest in oil exploration in Africa has already produced some results. Proven reserves have grown by 37% in the last decade, against 14% worldwide, increasing the importance of African crude oil for the world's energy supply.

#### 4.4 African countries – oil production and reserves



Africa has a number of features which make it attractive for international and Chinese oil companies:

- *Significant undeveloped resources:* Of the six largest oil and gas producers in Africa, five, Nigeria, Algeria, Libya, Angola and Sudan, have rapidly growing oil and gas production and low production to reserve ratios.
- *Huge potential:* Large swathes of Africa have not been explored and may contain significant quantities of oil and gas. This makes Africa one of the most promising regions in the world for future oil production. Proven crude oil reserves in Africa are growing much faster than in the rest of the world.
- *Diversify import sources:* As a growing percentage of oil and gas production takes place in the Persian Gulf region, African oil and gas is seen as important in reducing dependency on the region.
- *Need for external competency:* Many of the large oil producing countries in the Middle East have established national oil companies with a competency base that enables them to extract much of the oil resources without assistance from the international oil companies. This is not the case in most parts of Africa, where the competency and capital of the international oil companies is in great demand.
- *Limited competition:* There is limited competition for acreage in some African countries, especially where most major western oil companies do not operate (Sudan, but in the future also possibly Western Sahara).
- *Light, sweet crude:* The quality of the crude from most of Western Africa is very good, which makes it ideal for many Chinese refineries, which do not have the capacity to refine heavy, sulphur-rich crude from Venezuela and the Middle East.

Africa has emerged as the second most important supplier of crude oil to China after the Persian Gulf and the continent features prominently in Chinese plans to secure access to energy in the coming decades. China's Africa policy published in January 2006 states that China will "adopt more effective measures to facilitate African commodities' access to the Chinese market." and use "competent enterprises to cooperate with African nations in various ways on the basis of the

*principle of mutual benefit and common development, to develop and exploit rationally their resources .....*” (China 2006).

## Chinese SOOCs in Africa

All four state-owned Chinese oil companies have acquired oil interests in Africa in recent years. Although the companies are responsible for different parts of the value chain in China, they have all entered into exploration and production for oil and gas in Africa. New exploration and production agreements are signed frequently as the Chinese oil companies embark on an ambitious internationalisation strategy.

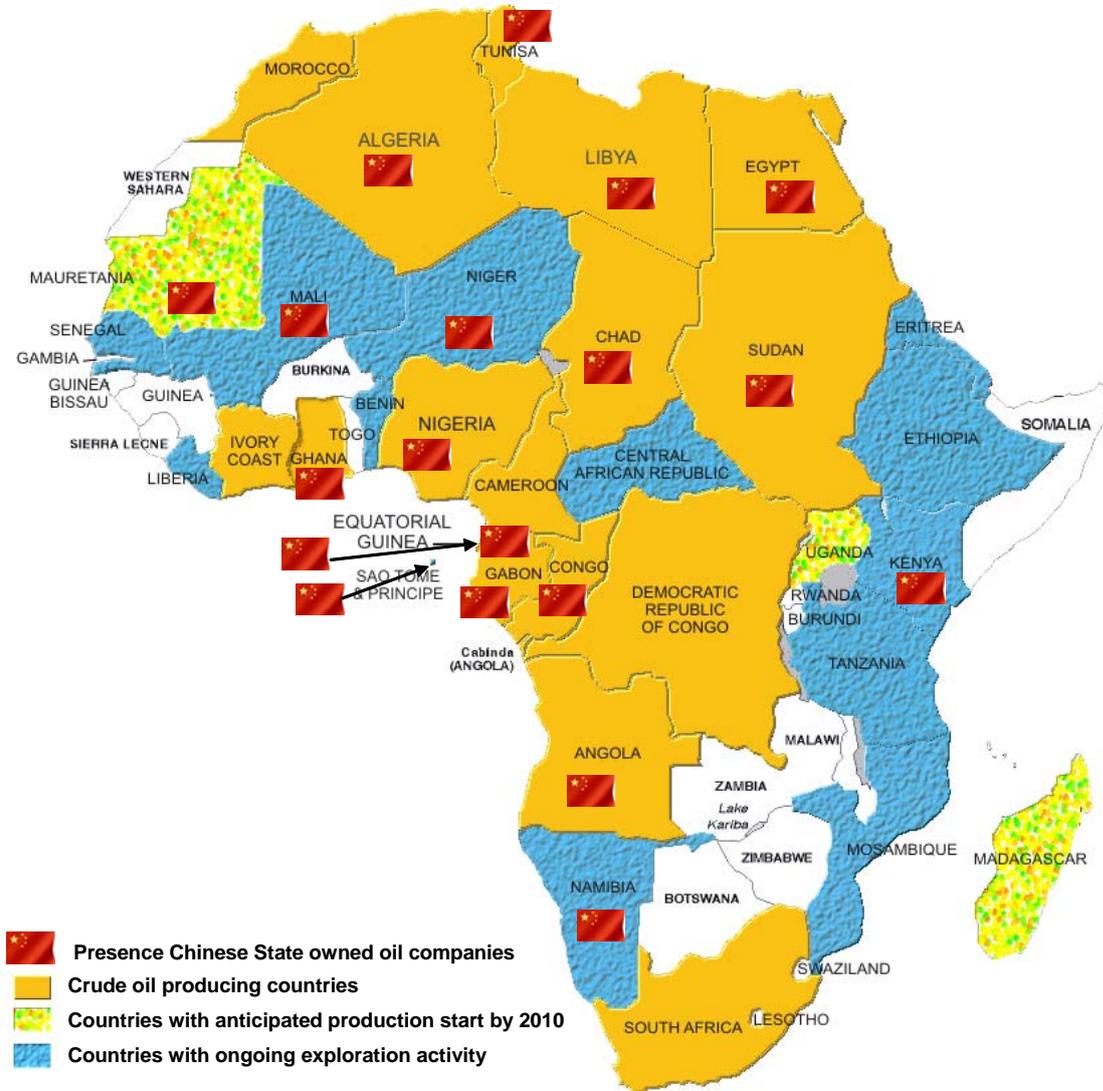
The map below of crude oil producers in Africa reveals that Chinese state-owned companies are present in all the major producing countries and are in the process of positioning themselves in many of the countries where exploration activity is ongoing. It is also worth noting that the first Chinese oil investment in Africa was made in Sudan in 1996, so the presence of Chinese state-owned oil companies has grown rapidly in the last decade. This trend is set to continue.

## Strategies pursued by the Chinese SOOCs

The Chinese state-owned oil companies have started to compete for international acreage only in the last decade and are not in the forefront of technological development in the industry. They pursue four distinct strategies for acquiring acreage abroad.

- *Go where no one else goes:* One strategy is to enter markets where western oil companies are barred from operating. The investments in Sudan are an example of this and also a possible future investment in Western Sahara if the Chinese SOOCs decide to enter this market. The Chinese government’s policy of non-interference in the internal affairs of other countries allows this strategy.
- *Oil for finance deals:* A second strategy is to link access to acreage to state-backed financial deals, where acreage is provided in return for soft credit used to purchase Chinese goods and services. This approach might be particularly successful in the case where the country in question does not have access to the international financial markets, which is the case for most African countries. The Chinese have used this approach successfully in several countries (Angola, Nigeria).
- *Strategic alliance:* A third approach is to form strategic alliances with a local state-owned oil company to get access to acreage. Sinopec and Sonangol’s alliance in Angola is an example of this.
- *Outbid your competitors:* A fourth strategy is to outbid the competitors through transparent tender processes. The state-owned Chinese oil companies have been awarded a range of licences in recent years by bidding record-breaking signature fees. This is a risky strategy as it requires the oil price to remain high for the investments to be profitable.

**4.5 Presence of Chinese state-owned oil companies in Africa (2006)**



Source: ECON

**Critical issues**

Five major concerns have been raised regarding increased Chinese involvement in the oil sector in Africa:

- *Locking up of oil reserves:* Some experts have argued that Chinese SOOCs seek to acquire reserves of oil which is extracted and exported directly to China, reducing liquidity in international oil markets and energy security for all the oil importing countries.
- *Undermining governance in the petroleum sector:* Others have argued that the Chinese undermine good governance in the petroleum sector by engaging with often corrupt African

officials in the sector, with no strings attached or good governance or sound management of the petroleum income required.

- *Undermining transparent competition for acreage:* Some international oil companies have complained that the Chinese SOOCs have sought to acquire acreage by linking exploration and production rights to the provision of infrastructure services, thereby undermining a level playing field for awarding contracts and blurring the actual costs and benefits of engaging Chinese SOOCs.
- *Undermining international human rights agenda:* Some have also argued that Chinese involvement in the oil industry empowers regimes that systematically violate human rights, thereby contributing to further human rights violations.
- *Limiting local capacity building:* Others have observed Chinese SOOCs relying largely on Chinese manpower to develop a field, paying scant attention to the need to develop African human capital.

We shall briefly assess each of these critical issues.

### Locking up of oil reserves

There is a global market for oil. The price of crude oil of similar quality is more or less the same throughout the world, partly because the cost of transporting a barrel of oil from one geographic area to another is small compared to the price of the barrel. Oil is, in other words, a very tradable good. If a quantity of oil is taken off the world market and sold directly to an importer, it reduces liquidity in the oil markets, but also reduces global demand for the oil, with an equivalent amount leaving world oil market prices unchanged.

Many observers have attributed the state-owned Chinese oil companies' expansion into Africa as an attempt to enhance China's security of energy supply by getting ownership rights to oil reserves. Controlling a share in an oilfield gives a company ownership of the oil. However, the price that the oil is sold for is normally linked to the spot market price (Brent, WTI etc). So controlling an oil resource is a potential safeguard against supply interruptions but not against swings in the oil price and thereby import costs. From a security of supply point of view, this strategy only makes sense if the Chinese authorities are concerned that the international oil markets will cease to function, and that it may not be possible to obtain supplies.

The Chinese 10<sup>th</sup> five-year plan sets out quantitative targets for the oil reserves that Chinese state-owned oil companies should control overseas. The target was set at 15-25 million tonnes for the period 2001-2005 and it was reported that, by 2004, the state-owned oil companies controlled 124 million barrels, the equivalent of approximately 41 days' imports of crude oil, not a very significant amount. It is worth remembering that the overall proven oil reserves are approximately 1200 billion barrels, so the overseas reserve targets set by the 10<sup>th</sup> five-year plan amounted to Chinese state-owned oil companies controlling approximately 0.01% of the world's proven oil reserves. This has made the US Department of Energy conclude that a Chinese state-owned oil company "locking up of oil reserves" is no threat to the liquidity of the international oil markets and the world security of energy supply (Fredriksen 2006)

### Undermining governance in the petroleum sector

A more valid concern is that the Chinese involvement in the oil sector may undermine attempts to improve the governance in the sector and to ensure that the revenues and competencies generated in the sector benefits the country as a whole, and not only rent-seeking individuals working with the sector. The Chinese government's position of non-interference in the internal affairs of countries in

which Chinese SOOCs operate, essentially accepts existing governance structures and thereby empowers often corrupt officials.

### Undermining transparent competition for acreage

A third concern with increased Chinese involvement in the petroleum sector is that it undermines fair and transparent competition for acreage. One approach which the Chinese government has used with significant success in recent years is to package together deals for oil-producing African countries, where access to acreage for Chinese SOOCs is facilitated in exchange for credits with low interest rates, used to purchase Chinese goods and services to develop infrastructure. It is not clear how beneficial these deals are for the African country involved. The countries get access to finance for infrastructure investments but much of the credit is tied to the purchase of Chinese goods, and it is unclear whether the countries that receive the credit get the best value for money when purchasing these goods. By providing these comprehensive deal packages, it is also unclear whether the African country in question receives the best qualified developer of its oil fields, the highest signature bonus and so forth.

### Undermining the international human rights agenda

Chinese oil involvement in Sudan as well as in Equatorial Guinea provides the regimes with financial resources which are used to oppress the population. This Chinese policy of non-interference in others' internal affairs undermines attempts by the international community to isolate the worst human rights violators in Africa. Chinese presence may legitimise the government making it easier for other countries to deal with a regime with a questionable human rights record. This is the case in Sudan, where state-owned Indian, Malaysian and Brazilian companies have shown an increased interest in acquiring acreage since Chinese oil companies entered the market. It is, however, important to note that a range of Western oil companies have also been involved with regimes responsible for significant human rights violations (Total in Myanmar, Exxon Mobile in Equatorial Guinea, Statoil and Norsk Hydro in Iran and Libya, to name a few).

### Limited local capacity building

While the cost of employing one Western oil expert in Africa could be USD 100,000 + per year, and it is therefore beneficial for companies to try to substitute Western workers with less well paid African staff for certain functions, this is not the case with Chinese workers, who often earn salaries comparable to African ones. There is therefore much less of a financial incentive to use African labour and staff for Chinese oil companies operating in Africa. Concern with increased Chinese involvement in the oil sector is that not enough is being done to develop African skills and that these countries may be relying on expatriate staff to run the oil sector for a long time.

### Norway, China and the oil sector in Africa

The Norwegian government has development cooperation with a range of African countries. In the oil sector in particular, the broadly based "Oil for Development" initiative launched by Norwegian authorities in 2005 offers assistance to improve governance in the oil sector in a range of African countries. The "Oil for Development" initiative makes petroleum management and good governance a high-priority focus area in Norwegian development assistance. It seeks to offer assistance in managing oil wealth and to help ensure that the fiscal gains could be used to alleviate and reduce poverty, contribute to growth and economic diversification, and increase the general standard of living (Solheim 2006).

#### 4.6 Norwegian development partners in Africa

Main African partners	Other African partners	Oil for development partners
<i>Tanzania*</i>	<i>Angola*</i>	<i>Sao Tome and Principe*</i>
<i>Mozambique*</i>	Ethiopia	<i>Sudan*</i>
<i>Uganda*</i>	Eritrea	
Zambia	Kenya	
Malawi	<i>Madagascar*</i>	
	Mali	
	<i>Nigeria*</i>	
	<i>South Africa*</i>	

\* Oil for development countries

In addition to developmental assistance provided by the Norwegian state, Norwegian companies, including Norsk Hydro, Statoil, AkerKvaerner and a growing number of smaller Norwegian companies in the oil supply industry have commercial interests in many parts of Africa, including Angola, Nigeria, Libya and Algeria.

Chinese oil companies have two comparative advantages when competing for acreage in Africa:

- Their dealings with individual African countries can be integrated into a larger financial support programme which often blurs the costs and benefits of using these companies, compared with opening up the acreage to international tender.
- Chinese oil companies are prepared to engage with regimes regardless of their international status and the human rights situation in the country and will receive their government's backing in doing so.

It is unlikely that the Chinese government or management of the SOOCs will be prepared to give up these comparative advantages as secure equity oil is seen as vital in improving the rapidly deteriorating energy security situation in China and essential for the internationalisation of Chinese oil companies. While Norway seeks to create a transparent framework for managing oil and gas resources in Africa, the Chinese rely on the non-transparent award of acreage to gain a significant foothold in the African oil sector.

Africa's new strategic relevance for global energy supply and the strong Chinese engagement will place new demands on African governments. They want to cash in on the new opportunities and they want to improve the distribution of benefits from the oil production. The most important challenge for Norwegian development assistance in this area is therefore to ensure that the "Oil for Development" initiative is able to provide effective assistance in management of the petroleum sector. At the global and multilateral arena it will be important to help ensure that China and Chinese oil companies participate in efforts such as the Extractive Industries Transparency Initiative (EITI) which seeks to improve transparency and accountability in the petroleum and other extractive sectors. China should also be invited to become a member of the International Energy Agency (IEA).

What is the scope for bilateral dialogue between Chinese and Norwegian authorities? Dialogue is often most fruitful when both parties have something at stake. There are six countries in which

Chinese state-owned oil companies have a significant or growing presence and which are prospective or current Norwegian development partners. The Norwegian authorities could consider focussing their dialogue on issues related to the oil sector in these countries.

It is suggested that dialogue should be based first and foremost on Norwegian altruistic – i.e. developmental – interests rather than on the commercial interests of Norwegian companies operating in Africa. Dialogue is most rewarding when both parties have something at stake. It is therefore suggested that the discussions focus on countries in Africa where Chinese state-owned oil companies have a significant presence and which are part of the Norwegian Oil for Development programme. Cf. also the recommendations in the next Chapter.

#### 4.2 Chinese oil companies in Angola – A case study

During the first six months of 2006, Angola rather unexpectedly emerged as the largest source of Chinese oil imports, surpassing both Saudi Arabia and Iran, at 541,000 barrels per day (18% of total oil imports). In 2004, Sinopec purchased a major share of Block 18 from Shell, which was the result of Sonangol's (the state owned Angolan oil company) exercise of a 'right of first refusal' to the sale to an Indian oil company. Since then, Sinopec has entered into a joint venture with Sonangol (Sonangol Sinopec International, 75% held by Sinopec) and has recently won bids in three promising exploration blocks (15, 17 and 18), as well as a contract to build a large refinery in Angola. It is expected that these acquisitions will eventually move Angola into being China's largest source of imported oil. This case study summarises the context and nature of the presence of Chinese oil companies in Angola, focusing on the strategic and commercial behaviour of largely state-owned Sinopec on both international oil markets and economic development in the country.

##### *Chinese Presence in Angola*

China has clearly taken a strategic decision to assure continued access to Angola's rapidly growing oil output, expected to increase from 1.3m bbd in 2005 to 2m bbd by 2008. Indeed, the Chinese have taken a coordinated approach at establishing a broad-based cooperation between the two rapidly growing economies. Already, this year, the two governments have signed nine cooperation agreements, adding to the twelve signed in 2005, ranging from oil supply commitments (to China's Sinopec) to interest-free loans. In particular, China's approach encompasses the following themes:

- *Infrastructure development and commercial interests.* Bilateral trade reached USD 6.95 billion in 2005, up from USD 1.15 billion in 2002. Angola is now China's second largest African trading partner, after South Africa. The huge credit lines (USD 4.4 billion in total) awarded by China's Export-Import Bank have thus far been a successful attempt to open greater commercial opportunities for Chinese corporations and have significantly increased general economic integration between the two countries. In addition, the Chinese have been eager to promote bilateral 'match-making' opportunities, with recent commitments by China's ZTE Corporation to investment in the Angolan telephone network and military communications as an example of bilateral agreements being critical for implementation. These credit lines will be used to fund a number of projects. Many will be the development of physical infrastructure using Chinese contractors. This includes the Benguela railway, which links the port in Lobito with mining areas in Zambia and the Katanga province in DR Congo as well as several other rail and road projects. The credit will also be used to buy fishing vessels from China as well as associated storage and distribution facilities.
- *Bilateral financial aid.* Finally, China has recently approved an economic and technical assistance package, through which China will provide Angola with approximately USD 6.3 million.

##### *Risks for Oil Markets*

While the Chinese are engaging with the Angolan government on a number of fronts, their overriding interest is clearly to pursue a diversification of oil sources which will lessen China's inevitable growth in reliance on Middle Eastern oil. There are two potential impacts of the behaviour of Sinopec in Angola on oil international oil markets:

- *Locking up oil supplies?* There is concern that China is disrupting the spot market by 'locking up' oil supplies with long-term contracts and repayment of loans in oil. However, nearly all of Angola's oil continues

to be sold on the spot market and any oil supplied to repay loans relieves market demand. Besides, oil is primarily used as collateral for these loans, rather than actual repayment. Given that Angolan production still makes up a tiny percentage of world production, any concern on this front is not well informed as to the workings of the oil market.

- *Predatory state financing?* COOC's attempt to purchase Unocal (US) brought attention to the playing field on which international oil companies compete. In particular, criticism has been made of the cheap credit provided to Chinese national oil companies for 'strategic investments', thus providing a competitive advantage in international markets. Not only has state-owned Eximbank provided favourable terms to national oil companies, but 'cheap credit' to the Angolan government appears to have secured Sinopec's acquisition of a major stake in Block 18, instead of the Indian oil company OVL. While such financing may prove to be a threat to the growth of Norwegian oil companies into international markets, there appears to be very little precedence or potential for formally taking up the issue in any multilateral forum. Not only is there no obvious international forum; if the issue were to be taken up, state participation in Norwegian companies could also be questioned.

#### *Opportunities and Risks for Development*

In Angola, China is criticised by Western donors for providing loans 'with no questions asked', contributing to the government's growing financial independence from more demanding and intrusive Western donors. However, Chinese financing has provided Angola with far more investment potential than could have been provided by Western donors. In almost all other developing countries, a lack of investment resources and technical competencies is the primary bottleneck, slowing development. While this criticism has dominated the headlines, many analysts see the Chinese as very effective partners, not only in the oil sector, but in implementing and completing badly needed infrastructure projects. The development issues which are dominant in the Chinese-Angolan relationship are summarised here:

- *Human rights and transparency.* With annual government oil revenues of more than USD 700 per capita in 2005, all other potential financial resources available for development efforts pale in comparison. Angola was recently ranked by Transparency International as the 8th most corrupt country in the world in which to do business. Thus, the argument that Chinese involvement allows the government to ignore calls for greater transparency and accountability is significant. However, given huge windfall profits resulting from the oil price, it is doubtful whether traditional conditionality approaches could be applied with or without China's involvement. An additional concern is the potential for Angola's slipping back into conflict, while China's involvement limits the ability of the international community to intervene, as in Sudan. This is an issue which should perhaps be addressed, in case of an eventual crisis.

- *Infrastructure investment.* Following the 27-year war, there is a huge need for investment in the country's infrastructure. The country simply does not have the capacity to manage such large projects, even if it might have a large source of capital (oil revenues). In this respect, the Chinese are moving quickly and effectively to address this critical need while agreements are still being worked out with the multilateral lenders (IMF, for example). However, there has been some criticism that the credit line (awarded at concessionary rates) is to be released only as projects are approved by the state-owned bank and that at least 70% of the credit is to be awarded to Chinese firms. As a result, much of the money is sent directly back to China, limiting the economic ripple effect, but also combating the potential for 'Dutch disease'. In addition, limited local participation means that little technical and managerial expertise is transferred, lessening the long-term positive development impact.

- *Value creation.* The greatest potential positive economic impact of oil companies, including Sinopec, is through the oil sector and resulting revenues for the government. Angola has a rather low tax rate on oil production by international standards, thus (expectedly) increasing upfront concession payments – to globally unprecedented levels. The aggressive commercial behaviour of Sinopec has clearly contributed to greater competition for concession blocks, redistributing large economic rents away from Western oil companies to the Angolan government. In addition, oil companies working offshore in Angola have annual social investment commitments of USD 1 million per 100,000 bbl/d of production. However, oil production accounted for 60% of national income and 90% of government revenues (USD 10 billion in 2005), completely overshadowing the potential development impact of the approximately USD 13 million implied by these social investment requirements. Thus, while corporate behaviour in Africa remains in the headlines, increased competition on the shelf is helping to ensure that the responsibility of harnessing development potential lies squarely with the government.

## 5: What should Norway do?

The rapidly expanding Chinese engagement in Africa will have strong implications for the development of the continent. What implications should this have for Norway and its foreign and development policies? We will argue in this final Chapter that it should have implications for Norway's relations with African countries and institutions, for Norway's multilateral agenda, and for Norway's bilateral relations with China.

At the outset, a reminder may be important: Norway is a small player in international politics with limited abilities to influence Chinese foreign policy and its African agenda. Norway will also face significant challenges in developing appropriate policy response to China's growing influence in Africa. Norwegian authorities have to find robust ways to engage with Chinese interests and seek cooperation where beneficial, at the same time as Norway must be careful not to associate itself with some of the perceived negative aspects of Chinese involvement in Africa.

The team would also like to state that it is valid to conclude that Norway should not seek to address the implications of Chinese Africa policy. As a small country Norway has to prioritise scarce resources. Norway could leave it to other countries and donor agencies to engage with China on these issues. However, the team does not recommend this option. Partly, because it is difficult for any foreign policy to "prioritise away" China's Africa policy, but primarily because the team is of the opinion that Norway is in a position to make a small difference. Norway may be a small country, but through the Norwegian development policy in Africa and through the Norwegian engagement in petroleum and energy sectors, Norway possesses skills, resources and influence which potentially can help make a small, but important contribution in strengthening Africa's capacity to benefit from China's Africa engagement.

The team recommends that, in selected areas in its foreign and development policy, Norway should formulate strategies based on the following overarching objectives:

- Strengthening the capacity of partner countries and African regional organisations to negotiate and co-operate effectively with China;
- Supporting initiatives that stimulate China's participation in multilateral institutions and donor fora; and
- Developing bilateral co-operation with China in areas of mutual benefit.

To succeed in pursuing these objectives Norway must invest resources in capacity and competence building and stay committed over the long term. Importantly, the purpose of engaging with China is not just to share information and lessons from Norwegian experiences, and to encourage China to do more, but also to learn more about Chinese policies and their evolving and changing approaches to African development.

In devising strategies and outlining alternatives for Norwegian responses it is helpful to distinguish between three areas: Norwegian Africa policy, Norwegian bilateral relations with China, and engagement in the multilateral arena.

### Opportunities for Norwegian Africa policy

Norwegian Africa policy will be the most important area for addressing the challenges posed by China's engagement in Africa. The team makes five broad recommendations. They all seek to

assisting in maximising opportunities and minimising threats by strengthening African capacities to engage and negotiate with the Chinese.

A *first* recommendation is that Norway should support efforts to strengthen regulatory frameworks and the management of natural resources in some of the Norwegian partner countries. Country programmes in selected countries should be revisited with a view to offering support for strengthening local management capacity. The areas selected will depend on the country concerned and the focus of the Norwegian country programme. Important sectors include fisheries and forestry, but especially the management and governance of the energy sector. This includes hydro energy, but also, importantly, petroleum. The Norwegian “oil for development” initiative will assume an added importance and relevance.

#### 5.1 China and Norwegian development policy

- Assist in maximising opportunities and minimising threats.
- Strong need to strengthen regulatory frameworks and the management of natural resources.
- Prioritise dialogue with the Chinese and invite them to donor consortia.
- Support local efforts to monitor and engage with the Chinese.
- Monitor the emerging alignment between FOCAC and AU/NEPAD and exploit windows of opportunities.

*Secondly*, it is important to monitor what the Chinese are doing in individual African countries, to build local competence for doing so and to stimulate public debate. Norway should support such efforts through assistance to, for example, local research communities, NGOs and media groups.

*Thirdly*, relations with African regional organisations assume a particular importance. These organisations are important vehicles for advancing African positions and for engaging with the Chinese on critical issues. Norway should support such efforts through its regional support activities.

*Fourthly*, and at the country level, it will be important to help facilitate dialogue and where possible co-operation between traditional donor countries and the Chinese. As a first step, the Chinese should be invited to attend all donor consortia and joint meetings between donors and local authorities, including various initiatives linked to national poverty reduction strategies. The Paris declaration and commitment to increase aid effectiveness could be an important platform for this, together with FOCAC’s emphasis on mobilising Western support for Africa.

*Fifthly*, China should be invited to meetings and institutions established to facilitate communication between donors and African regional organisations. This includes meetings related to AU/NEPAD initiatives. At the sub-regional level, current efforts in Southern Africa to establish a theme-group in energy, bringing together donors and SADC, may offer a potentially very important arena for engaging with the Chinese (the planned theme group is expected to be co-ordinated by Norway). The possibility of establishing relations between China and the Africa Partnership Forum (in which Norway is currently one of the co-chairs) should also be explored.

## Opportunities for Norway’s multilateral engagement

The multilateral arena is crucial in providing external influences on evolving Chinese development and Africa policies. Norway should stimulate and support efforts to strengthen Chinese participation and commitment to international co-operation.

*First*, Norway should actively seek to engage with the Chinese in the UN and the development banks and the international finance institutions. Critical issues central to the African agenda should be emphasised here. Several issues may be available for joint consultation and sometimes co-operation. This includes reform of the UN system, where China as well as Norway emphasises the need to strengthen Africa's position. A second area covers multilateral efforts to strengthen capacities for conflict management as well as peacebuilding. This includes the role of the UN Department of Peacekeeping Operations as well as the UN Peacebuilding Commission. A number of issues are available here – from the implementation of small arms control to the role of the police and civilian actors in UN peace support missions. The environment is a third area where interaction with the Chinese in these multilateral settings may be mutually beneficial. Norwegian thematic priorities – the sustainable management of biological diversity and natural resources, water resource management and climate change – are also highlighted by the Chinese in their Africa policy. So far, China has not been very active in addressing environmental issues in its Africa policy. Delivery of health assistance is a fourth area where increased Chinese participation should be encouraged. Several issues can be addressed, from the prevention and treatment of communicable diseases to the role of global health initiatives (WHO, Global Funds, World Bank) in relation to African initiatives.

*Secondly*, Norway should support efforts to ensure that the African Development Bank can become an effective mechanism for facilitating co-operation between donor countries and China in support to infrastructure development.

*Thirdly*, Norway should help encourage Chinese participation in multilateral institutions in which the Chinese are currently passive or not members. This includes supporting efforts to invite China to join the International Energy Agency. Norway should also support efforts to facilitate Chinese participation in the Extractive Industries Transparency Initiative (EITI).

*Finally*, Norway should support efforts to ensure that the OECD-DAC structures engage with China by inviting the Chinese to share their experiences in various working groups, to observe DAC review missions, and so on.

## Opportunities for bilateral co-operation with China

Norway should also engage bilaterally with China. This will be demanding, it will be challenging, and any successes will belong to a distant future. In particular, it will be difficult to establish a meaningful political dialogue with Beijing on African development issues. However, building upon the experiences and direct interaction in African countries a number of steps can be taken which could lead to bilateral dialogue even at the political level.

*Firstly*, Norway should monitor China's Africa policy, what China does in Africa and China's relations with Africa. This will include communicating and interacting with a range of government institutions and foreign policy actors in China, including FOCAC actors. Information should also be gathered from likeminded countries also monitoring through their Beijing offices. This includes, perhaps in particular, DFID's China office, which closely follows Beijing's Africa policy. In addition, missions in Africa and at the UN need to follow Chinese activities.

### 5.2 Norway and China at the multilateral arena

- Support efforts to strengthen Chinese participation and commitment to international co-operation
- Work with China at the UN on key issues such as institutional reform, Peacebuilding, environment and health
- Help ensure that the African Development Bank can facilitate co-operation between China and traditional donor countries in supporting infrastructure development

*Secondly*, Norway needs to learn more about Chinese experiences and thinking in providing development assistance and assisting poverty reduction outside its own borders. What are they doing? How do they do it? How efficient and effective do they consider this to be? Here it will also be important to explore the possibility of establishing more semi-permanent channels for communication and dialogue between professionals and stakeholders on the Norwegian and Chinese side on aid issues. This could focus on aid policies and practices in relation to Africa, with an emphasis on areas where both parties may benefit. Potential areas could be capacity building in public management, peacebuilding, or environmental issues. It is important to build on lessons from the Norwegian dialogue with China on human rights.

### **5.3 Bilateral Co-operation between Norway and China**

- Learn from Chinese experiences and thinking in providing assistance to Africa.
- Establish communication channels and dialogue fora on development assistance and aid effectiveness.
- Monitor Chinese policies and practices.
- Encourage China to participate in donor fora.

*Thirdly*, Norway should explore the possibility of engaging directly with the Chinese on experiences in the petroleum sector. The focus for such a dialogue could be joint lessons in African countries where Chinese oil companies are active, and where Norway has an “oil for development” programme. The dialogue could focus on the exchange of lessons learnt and experiences in developing the petroleum sector (see box).

A *final* area to be mentioned is that of Chinese companies. Corporate social responsibility and compliance with international environmental and social rules and regulations are emerging as important issues. The China programme of the Confederation of Norwegian Enterprise may be a potential entry point for addressing such issues, including with Chinese companies active in Africa.<sup>1</sup>

### **5.4 China and “oil for development” Topics for dialogue**

- Is there scope for information sharing and co-operation in addressing management challenges and capacity constraints in African oil exporting countries?
- Is the Extractive Industries Transparency Initiative (EITI) helpful in improving management in the petroleum sector in oil-rich African countries?
- What are Norway’s experiences in EITI and in addressing weak and poor management practices in African oil-exporting countries?
- What is China’s experience in addressing mismanagement and how does it view the role of EITI?
- What are the main lessons and experience in building local capacity in the oil sector?

<sup>1</sup> See more about this China programme in a recent evaluation (Hilsen & Brøgger 2005)

## Annex 1: Overview of Chinese Foreign Policy<sup>1</sup>

Is there such a thing as a comprehensive and enduring policy guiding China's relations with Africa? Since the People's Republic of China (PRC) was established in 1949, Chinese policy on Africa has evolved through at least four distinct (or distinguishable) stages.<sup>2</sup> (See Annex 2) Currently, its strategic interests in Africa are linked to two major goals: to strengthen the position of the PRC on the international stage; and to secure the requirements for sustained economic growth.

As for the first of these goals, Africa may well be described as a battleground between the Republic of China (ROC) and the People's Republic over international recognition. This was especially evident in the 1960s, when the ROC represented the Chinese nation in the UN. Egypt was one of six African countries at the Bandung Conference and became the first African state to recognize the PRC as early as 1956. Egypt's example was followed by 24 other African states, leading up to the 1971 admission of the PRC to the UN, and its role as a permanent member of the UN Security Council, replacing Taiwan.<sup>3</sup>

Given the 'one country, one vote' rule in the UN, both Beijing and Taipei are well aware of the importance of maintaining diplomatic relations with as many African countries as possible. Consequently, both sides have offered aid programs and soft loans to incite African countries to establish diplomatic ties with their government at the expense of the other side. In a highly competitive 'dollar diplomacy', both sides have given huge amounts of financial aid, technology and human resources in this fight for recognition from African nations. Beijing has evidently gained the upper hand. Only five African countries currently maintain diplomatic ties with Taiwan: Burkina Faso, Gambia, Malawi, Sao Tomé and Príncipe, and Swaziland, while the PRC has diplomatic relations with 48 African countries. South Africa's recognition of the PRC in 1998 was seen by Beijing as a major blow to Taiwan's diplomatic efforts.

African allegiances with the PRC and ROC have been far from stable. Countries such as Chad, Liberia, Senegal and the Central African Republic have changed their allegiance several times. Chad is the latest African country to resume diplomatic ties with the PRC, signing a joint communiqué on 6 August 2006.

Domestic development needs and strategies inevitably have a say in the shaping of foreign policy. Key driving forces behind China's Africa policy today are the growing Chinese demand for oil and other raw materials, including minerals and timber, and the need to expand markets for Chinese manufactured goods.

China has had an average annual GDP growth rate of 9.6 percent from 1979 to 2004, while the 2005 growth rate reached 9.9 percent. Such unprecedented economic growth has been accompanied by an equally exceptional growth in energy consumption (see Annex 2). China is also the second largest timber importer in the world. The country has only 0.1 hectares of forest per capita, considerably less than the world average of 0.6 hectares. Only about 14 percent of China's land area is forested, and China is struggling to meet growing timber and fuel wood demand, as well as demand for wood pulp to feed the Chinese paper industry. There is also a growing demand for imported cotton and minerals such as alumina, copper, nickel, platinum and iron ore, as well as ferrous scrap.

When China announced its 'Go Out' policy in 2002, a significant change in the Chinese economy was emerging. Backed by generous government support, China's 'heavyweight' state-owned enterprises were encouraged to look for strategic investment opportunities beyond national borders, marking a shift away from

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<sup>1</sup> This is extracted from a longer unpublished paper by Åshild Kolås & Yiting Xue, *China's Africa policy: Context and key drivers* (PRIO 2006).

<sup>2</sup> Several studies of Sino-African relations describe its four historical stages in similar terms; see, for instance, Xu Jiming (2000).

<sup>3</sup> Support from the African countries in the UN played a crucial role in helping the PRC acquire its seat in the Security Council, one of the most significant diplomatic victories in PRC history. During the direct vote on the resolution of seating the PRC and expelling Taiwan, 76 countries voted 'yes', 35 voted 'no' and 17 abstained. Among the 76 affirmative votes, 26 were from African countries. These votes were decisive.

a purely export-led strategy towards an emphasis on outward FDI, mergers and acquisitions by Chinese enterprises. The pursuit of raw materials and markets in Africa should be seen in this context.

As detailed in a report published by Accenture (2005), four important factors have been driving the Chinese strategy to 'go global'. Firstly, by moving operations beyond domestic borders, Chinese companies are able to benefit from business behind the trade and tariff barriers of other countries and break into new markets. Secondly, China's global political and economic aspirations are an important factor driving expansion abroad: 'In addition to building economic relations with more countries, China's outward investment has a dual purpose of building China's political capital and influence around the world. China's chosen route to economic expansion has therefore been closely aligned with its strategy to strengthen its global political presence.' Thirdly, China's domestic market is growing ever more competitive, with increasing foreign competition. Global operating models allow Chinese companies the flexibility to place business units wherever they afford the greatest comparative advantage, essentially applying the basic logic of multinational business. Finally, a significant driver of China's globalization strategy is a desire to secure the energy and resources needed to sustain economic growth. This is why more than half of China's FDI has been in the resources sector, particularly in oil and natural gas production facilities and mining projects.

### **China meets Africa in multilateral arenas**

China joined the World Bank and International Monetary Fund (IMF) in 1980. Throughout the following decades, Beijing has carefully balanced its status as a recipient country from the perspective of the World Bank, and a donor country to other developing countries. During the 1997 Asian financial crisis China stepped in to assist its worse off neighbors, including South Korea, Indonesia and Thailand, contributing an unprecedented US\$ 1 billion to an IMF aid package to Thailand. In Africa, however, China is providing financial assistance to countries that have been cut off from World Bank financing, such as Chad, and has also stepped in to provide unconditional loans that serve as an alternative to the conditional funding offered by the World Bank.

Since entering the Bretton Woods system in 1980, China has aligned itself with a wide range of international institutions. It has joined regional institutions such as the Asia Pacific Economic Forum (APEC), ASEAN Regional Forum and ASEAN-Plus-Three (APT), and has also taken a more active role of its own, in initiatives such as the Shanghai Cooperation Organisation and the Six-Party Talks on Korea. Multilaterally, it has allied itself with the G20 bloc in the WTO, and cooperated closely with the G77 grouping in the UN. It has continued to expand and strengthen bilateral relations with a large number of countries, as well as developing relations with regional organisations outside of Asia, including the African Union. China's foreign policy since the early 1990s is well described by the term 'multilateral' (Chinese: *zhoubian*).

In pursuing its policy of multilateralism in international affairs, the United Nations is a key venue for China. The Chinese government has described the UN as: 'the most universal, representative, authoritative inter-governmental international organization', and calls for a reformed UN that can play a larger role than today as a platform for collective action.

China became a member of the UN peacekeeping community in 1990, and has since contributed about 5,600 personnel to 15 UN missions. Currently, more than 1500 Chinese peacekeepers are serving in UN missions in Lebanon, the Democratic Republic of Congo, Liberia and Sudan. In Africa, Chinese peacekeepers have also been stationed in Western Sahara, on the Ethiopia-Eritrea border, in Sierra Leone and Mozambique. In April 2003, a team of 175 soldiers and 43 medical staff was sent to Congo. In November 2003, a transportation team of 240, a medical team of 45 and a construction team of 245 were dispatched to Liberia. In October 2005, a peacekeeping team of 435, including 275 soldiers, 100 transportation staff and 60 medical staff, was sent to Sudan. In addition to its contributions to the UN Department of Peacekeeping Operations, China has provided financial support to the African Union's peacekeeping operations in Darfur. Despite a substantial involvement in peacekeeping, China also exported arms to both sides in the Ethiopia-Eritrea conflict between 1998 and 2000, and supplied military equipment to parties in the conflicts in Congo and Sierra Leone, as well as long-term military assistance to the Government of Sudan.

It took years of negotiating before China was admitted to the WTO in 2001. China and African countries have sought common ground in the WTO, based on similar levels of economic development and similarities in the composition of exports. The Group of 20 (G20) is an example of this. The G20 was established as a bloc of

developing nations in August 2003, at the 5<sup>th</sup> Ministerial WTO conference, held in Cancun, Mexico. The appearance of the G20 came as a response to a common proposal on agriculture to the Cancun Ministerial, released on 13 August 2003 by the European Community and the United States. The twenty countries in turn proposed an alternative framework on agriculture, calling for an end to subsidies from industrialised nations to their farmers, and increased access to the Northern markets for their own agricultural products. China and several major African countries, including South Africa, Egypt and Nigeria, are members of G20.<sup>4</sup>

At Cancun the G20 presented an image of being a 'united front' of developing countries, integrated by common economic interests deriving from similar market structures, and providing a counterweight to the developed countries of North America, Europe and Japan. WTO talks have since failed repeatedly, due largely to a lack of concessions on agricultural trade from either of the two blocs. While it is true that all the G20 members want more open access to Western markets and restrictions on subsidies from Western governments to their own farmers, the economies of the G20 countries differ in many respects, and they do not always have common interests. For instance, China's agricultural trade comprises a very small share of its overall international trade compared with countries such as Brazil and India, who have naturally been much more active in the farm product talks. Moreover, China maintains its agricultural tariff, although far below the world average, while supporting the G20 in calling for the elimination of agricultural subsidies.

It is worth investigating the available figures on export similarities between China and its G20 allies in sub-Saharan African. A 2006 report by the OECD presents an 'Export Similarity Index' for China and three of these countries: Nigeria, South Africa and Tanzania. (Goldstein et al. 2006) The index varies between zero and 100, with zero representing complete dissimilarity in export composition. Nigeria scores very low in export composition similarity with China, at 1.7, whereas Tanzania and South Africa score higher, at 11.0 and 27.7 respectively. These figures highlight the great differences in interests within the G20, and the potential for disagreement in the WTO as well as for economic competition in general.

The G20 coalition of 'developing countries' is, of course, also fragile in the sense that the larger countries, such as China, India, Brazil and South Africa, may ignore the interests of the smaller countries when it comes to protecting their own more vital interests. In China's case, obtaining reduced tariffs on industrial goods is one such issue.<sup>5</sup> Direct conflict between the interests of China and some African countries might arise over the flooding of Chinese products into African markets, and the African failure to compete with Chinese textile producers, in North American and European markets as well as at home.

Whereas African countries 'shouldered' the PRC into the UN in 1971, China has not always supported African bidding for seats in the Security Council. Both China and the USA opposed the Group of Four (G4) proposal by Brazil, Germany, Japan and India to add six new permanent members to the Security Council (the G4 plus two African countries). However, their reasons for opposing the plan were different. For China, the opposition was not over seating African countries, but due to reluctance to admit Japan into the Security Council, for many historical and economic reasons. As explained by the government, China sees UN Security Council reform as a 'very sensitive' issue that needs careful deliberation and should not be rushed.<sup>6</sup>

The official Chinese position on the expansion of the UN Security Council can be found in the *Position Paper of the People's Republic of China on the United Nations Reforms 2005/06/07*.<sup>7</sup> According to this paper, increasing the representation of developing countries in the UN Security Council should be given priority. More countries, and small and medium-sized ones in particular, should be given opportunities to enter the Council on a rotating basis to participate in its decision making process. The principle of geographic balance should be adhered to, with representation of different cultures and civilizations taken into consideration. As for the reform process, all the regional groups should first reach agreement on reform proposals concerning their respective regions. China opposes setting a time limit for Security Council reform or forcing a vote on a proposal that lacks consensus.

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<sup>4</sup> In March 2006, the group consisted of 21 nations: Argentina, Bolivia, Brazil, Chile, China, Cuba, Egypt, Guatemala, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Philippines, South Africa, Tanzania, Thailand, Uruguay, Venezuela and Zimbabwe.

<sup>5</sup> <http://www.chinaworker.org/cgi-bin/index.cgi?action=viewnews&id=130>

<sup>6</sup> From an interview with Shen Guofang, assistant to the Minister of Foreign Affairs, available at: <http://www.china-un.org/chn/zgylhg/lhgzyyg/t192891.htm>

<sup>7</sup> The position paper is available online at: <http://www.china-un.org/eng/zghlhg/zzhgg/t199101.htm>

Released in June 2005, the *Position Paper on UN Reforms* is a comprehensive document covering China's position on multilateral programs and treaties, including the Millennium Development Goals (MDG), the Kyoto Protocol and the NPT and other non-proliferation treaties; the future role of institutions such as the International Criminal Court, International Court of Justice, ECOSOC, UN General Assembly (UNGA), UN Commission on Human Rights and Military Staff Committee, and the Chinese stance on issues such as sanctions, human rights and criteria for the use of force, as well as various proposals regarding UN reforms. In this paper China calls for a number of measures to assist developing countries, including increased efforts to combat poverty and realise the MDG, a stronger emphasis on South-South cooperation and increased support for the prevention and treatment of HIV/AIDS, as well as a greater transfer of knowledge and other assistance to developing countries to help them fulfil their obligations under the Kyoto Protocol. China also uses the opportunity to reiterate its stand on state sovereignty and non-interference, calling for prudence in multilateral responses to humanitarian crises (especially in judging a government's ability and will to protect its citizens, and whether an internal conflict threatens world peace and security), advising against formulating a 'one-size-fits-all' rule or criterion on the use of force, disagreeing with the classification of countries into 'democratic' and 'non-democratic' in regard to the proposed 'Democracy Fund', and setting as a precondition for the use of sanctions that 'all peaceful means have been exhausted'.

Some of China's strongest objections are reserved for the Human Rights Council, which is to replace the UN Commission on Human Rights. According to critics, this change is to happen partly because China helped fill the Commission with Africa's worst human rights abusers, including Zimbabwe, Sudan, and Eritrea. These nations then formed an alliance with China to 'sideline attempts to redress abuses throughout China and Africa' (Eisenman & Kurlantzick 2006). According to China: '[T]o have a small "Human Rights Council" to replace the Commission may not possibly overturn the serious "credit deficit" in the human rights area. It is necessary to conduct serious discussions on ways to improve the work of UN human rights agencies'. China supports the reform of UN human rights bodies, but argues that the essence of the reform is 'depoliticizing human rights issues, rejecting double standards, reducing and avoiding confrontation and promoting cooperation'.<sup>8</sup>

China has also become increasingly more active in addressing the UN Millennium Development Goals. China has promised to initiate a number of practical measures to help realize these goals and further increase its assistance to developing countries. As listed by Hu Jintao in his 2005 statement to the UN High-Level Meeting on Financing for Development:<sup>9</sup>

1. China has decided to accord zero tariff treatment to some products from all the 39 LDCs having diplomatic relations with China, which covers most of the China-bound exports from these countries.
2. China will further expand its aid program to the Heavily Indebted Poor Countries (HIPCs) and LDCs and, working through bilateral channels, write off or forgive in other ways, within the next two years, all the overdue parts as of the end of 2004 of the interest-free and low-interest governmental loans owed by all the HIPCs having diplomatic relations with China.
3. Within the next three years, China will provide US\$10 billion in concessional loans and preferential export buyer's credit to developing countries to improve their infrastructure and promote cooperation between enterprises on both sides.
4. China will, in the next three years, increase its assistance to developing countries, African countries in particular, providing them with anti-malaria drugs and other medicines, helping them set up and improve medical facilities and training medical staff. Specific programs will be implemented through such mechanism as the Forum on China-Africa Cooperation as well as bilateral channels.
5. China will train 30,000 personnel of various professions from the developing countries within the next three years so as to help them speed up their human resources development.

<sup>8</sup> *Position Paper of the People's Republic of China on the United Nations Reforms 2005/06/0*, available online at: <http://www.china-un.org/eng/zghlhg/zzhgg/t199101.htm>

<sup>9</sup> Available online at: <http://www.chinaconsulatesf.org/eng/xw/t213095.htm>

### Chinese Migration to Africa

Although the Chinese economy is growing at an unprecedented rate, migration is driven by aspirations for better living conditions and more freedom, as well as improved mobility. When faced with strict requirements for immigration to developed countries in North America, Europe and elsewhere, potential migrants find it easier to move to Africa. Social mobility is another reason for preferring Africa. Even if migrants succeed in moving to a developed country, chances are that they will end up struggling in the middle or lower social strata, whereas moving to Africa will give them a chance to become 'proud owners' of their own life. Chinese enterprises also prefer to bring in Chinese workers when conducting larger construction projects in Africa. Business opportunities may encourage these workers to settle.

As yet, it is hard to say what kind of impact this trend is having on China's Africa policy. The Chinese government welcomes increased communication between China and Africa, new employment opportunities for Chinese workers in Africa, and the demographic effects of Chinese migration to Africa. However, the safety of Chinese citizens living in Africa has become a concern.<sup>10</sup> Among the major problems are organised crime, human smuggling and trafficking. According to a 2003 report by the International Organization for Migration (IOM), triad-linked Chinese agents recruit Chinese women into sex work in South Africa by promising work in Chinese-owned businesses, or the prospect of studying in English language schools. In addition to being a destination country for Chinese trafficking victims, South Africa is also a transit country for others who are transported onwards to Europe or the USA (Martens et al. 2003).

South Africa, Mauritius and Madagascar are the main destination countries for Chinese migration to Africa. According to official statistics,<sup>11</sup> there was a population of 30,000 Chinese living in South Africa in 1994, rising rapidly to at least 100,000 by 2006. Other African countries have also received a significant amount of Chinese immigration in recent years. Mauritius received 10,000 new Chinese immigrants during the past decade, and a similar number arrived in Madagascar between 1986 and 2006.

Early migrants from China to Africa came mainly as labourers in mines and heavy construction work in the 19<sup>th</sup> century. Most of them came from Fujian and Guangdong provinces in southern China. After China adopted its Economic Reform policy in 1978, a new wave of Chinese migrants went to Africa for business and investment, but also for marriage and family reunion. Rising levels of unemployment in China, and greater mobility, have been drivers of Chinese emigration. However, when migrants choose their destination, personal connections among people from the same area are key considerations. Among those who decide to do business abroad, the choice of a specific country very often depends on whether he or she has relatives, friends, or acquaintances there.

Certain towns in Southeast China have a reputation as 'hometowns of overseas Chinese', with a high percentage of their population living abroad. Earlier migrants tend to help relatives and other people from their home area to migrate. According to one Chinese study,<sup>12</sup> 35 percent of migrants to South Africa came from Fujian Province, 20 percent from Guangdong and another 20 percent from Taiwan. Among the Chinese population of Madagascar, 98 percent of those who arrived in the first wave of migration came from Shunde in Guangdong province. Recent immigrants still came from one of three provinces in Southeast China. The networks through which people migrate are important in Chinese society itself. It is therefore no surprise that these connections are utilised for migration, as well as for making a living abroad.

### Conclusion

Since the first FOCAC forum in 2000, the Chinese government has made a concerted effort to strengthen and develop ties between China and Africa, paving the way for Sino-African business cooperation with generous offers of unconditional aid and preferential loans. The main products exported from China to Africa are manufactured goods, while exports from Africa to China are largely raw materials such as crude oil, cotton, timber, iron ore and other minerals. For those African countries that do not have much oil or raw materials to

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<sup>10</sup> In the year 2004 alone, more than 50 Chinese citizens were robbed and 18 murdered in South Africa. This has resulted in a proposal by China to establish cooperation between the Chinese and South African police. See *China's Foreign Affairs 2005* P365-366, Policy Study section, PRC Ministry of Foreign Affairs.

<sup>11</sup> See <http://www.chinaqw.com.cn/news/2006/0630/68/34595.shtml>

<sup>12</sup> University of Jinan, 2003 Chinese migration study, available online at:

<http://hqyjs.jnu.edu.cn/shijiehuaarenhauqiao/huaqiaohuarenfenbu/feizhouhuarenhauqiaofenbu.htm>

export, trade with China is less complementary, and tends to result in rising trade deficits with China. Like many African countries, China depends largely on exports of labor-intensive products. Similarities in export composition lead to competition in certain sectors, among them the textile and apparel industry. Not only have domestic markets in Africa been affected by the rapid growth of the Chinese textile industry, exports of African textiles to foreign markets have also been hit. The growth of Chinese exports to the USA has been achieved at the expense of the previously promising growth that African exporters were enjoying in this field. Competition from China can thus have serious consequences for African producers, despite Chinese emphasis on the 'win-win' promise of Sino-African partnership.

China is actively exploring ways to strengthen its cooperation with Africa, for both political support and economic complementarities. This is done chiefly through FDI, trade and aid, often packaged together. In the past, China's cooperation with Africa was guided by the same principles as those guiding its cooperation with the rest of the developing world. However, China's economic development is now faced with the bottleneck of an energy shortage. Although Africa is geographically distant, transportation costs are high, and political conditions often unstable, China has targeted Africa in its hunt for oil, in an effort to diversify its energy import sources. Against this background, cooperation between China and resource-rich African countries has increased rapidly. Chinese state-owned enterprises play a major role in the new 'partnership' with Africa. These enterprises are as market-oriented as any private company, but they are guided by strategic policy decisions, and supported by preferential low-interest loans from government banks, giving them a competitive advantage that often allows them to outbid contenders.

China is not among the champions of democracy and good governance in Africa, and poor records on democracy and human rights have never appeared to be major obstacles to Chinese economic cooperation, aid provision, or even arms sales to Africa. Chinese aid to Africa may be 'unconditional' in the ordinary sense, but there is actually one string attached: adherence to the 'One China' principle. Despite the increasing 'marketisation' of China's relations with Africa, recognition of the 'One China' doctrine is still a basic requirement for any country that seeks diplomatic relations with the PRC.

Much has been said about China's 'peaceful rise' (Chinese: *heping jueqi*), but how important is China's role on the African continent? African trade with China is growing at an amazing pace, more than 50 percent annually since 2002. On the other hand, as of 2005 annual Sino-African trade totalled US\$32.2 billion, whereas the trade volume between the United States and Africa was almost twice as large, at US\$58.9 billion in 2004 (Brookes and Ji Hye Shin 2006). Beijing boasts a record of more than US\$5.5 billion in aid to Africa (Masaki 2006). However, the USA has provided roughly ten times as much in assistance, totalling US\$51.2 billion in official bilateral aid to sub-Saharan Africa since 1960. In the year 2003 alone, US humanitarian aid to Africa amounted to US\$3.3 billion. On the other hand, relatively small amounts of Chinese aid, trade and/or weapons deliveries have a large potential for disrupting good governance and democracy-building efforts by other countries or international organisations. In this sense, China's engagement with Africa is of key importance, and deserves careful attention.

## Annex 2: The dynamics of China-Africa relations

*Since the founding of New China, the Chinese government has always attached great importance to developing relations with Africa and adopted a series of related policies and guidelines. Consistently adhering to the Five Principles of Peaceful Coexistence, we respect the independent choices made by African countries for their political systems and development paths. We have provided them with assistance to the best of our ability and developed economic and technical co-operation with them. We support their efforts for a strong and united Africa through collective self-reliance. We call for greater attention by the international community to peace and development on this continent and support African countries in their participation in international affairs on an equal footing. We have worked to strengthen consultations and co-operation with Africa and made joint efforts to safeguard the rights and interests of the developing countries.*

President Hu Jintao (2004)

China's emphasis on South-South co-operation is seen as a key element in its efforts to oppose unilateral global dominance.<sup>1</sup> Through African economic co-operation, China hopes to build a stronger political relationship which will support Beijing's diplomatic offensive against "hegemonism."<sup>2</sup> While this approach may smack of political opportunism, it is designed to use economic and political co-operation as the means of strengthening and advancing the South's political and economic agenda with a view to building a more just and equitable international order. A priority for China's foreign policy is to mobilise African support in the international arena, especially at the United Nations (UN). Beijing argues that China and Africa both belong to the developing world and therefore have only common strategic interests, with a shared view on major international issues. Beijing consistently argues that China and Africa should support each other in close co-operation on key global issues. In this context, Beijing works to mobilise and maintain African support on key international issues (Guijin 2001).

Beijing is seeking to improve existing consultative mechanisms and make greater use of these channels of dialogue; to strengthen contacts between governments; and to update and sign related bilateral agreements according to changes in the bilateral economic and trade situation so as to provide legal insurance by institutionalizing co-operation. It also seeks actively to broaden contacts and gradually expand the scale of trade (Mbuende 2001: 7). Beijing also favours the strengthening of China-Africa co-operation and consultation in international multilateral fora, such as the World Trade Organization and the United Nations Trade and Development Conference (UNCTAD), to co-ordinate positions and strengthen the negotiating position of developing countries as a group in shaping a multilateral economic and trade system and related rules. In this way, Beijing argues that China and Africa could make a joint effort towards establishing a new, fair and more just international economic order.

China's emphasis on South-South co-operation has found broad support in Africa and especially in South Africa. One of the central tenets of President Thabo Mbeki's foreign policy is to advance South-South co-operation as the key to unlocking the advancement of a different but more equitable global order within which developing countries have a better chance of accelerated economic development and eventual prosperity (Vale & Maseko 2002, Mills 1998).

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<sup>1</sup> In this context, South-South co-operation is defined as the promotion of economic interaction among developing nations at the bilateral, regional and global level to achieve the goal of collective self-reliance. Co-operation envisaged by this process includes increased trade and investment along with technology transfers and appropriate political and economic co-operation through policy synchronisation. See Alden (1999)

<sup>2</sup> The more pessimistic interpretations of China's long-term strategy are outlined in R Bernstein and R. H. Munro (1998) and S.W. Mosher (2000). See also G Segal (1994) and R Hornik (1994)

### China's Africa Policy

While China continues to provide aid to selected African countries, Beijing has shifted its emphasis towards providing official loans with government-subsidized interest rates and to developing co-partnership or joint ventures between companies from Africa and China. The ostensible thrust of this shift is to stimulate African economies and thereby increase demand for Chinese products. At the same time, it creates an opportunity for Chinese enterprises to establish a viable base and stronger market presence in Africa, both of which have now provoked great controversy and even disquiet across the continent. China is increasingly determined to encourage companies from both sides to co-operate with each other directly through joint ventures and other arrangements. The long-term goal for Sino-African co-operation has been outlined by Beijing as commercial interaction, with private enterprises from both sides becoming the main actors in economic co-operation.

China encourages increased imports from Africa, especially from poor countries which have been granted tariff-free access for a range of products to the Chinese market. China also participates in the economic development of African countries through contracting projects, technology transfers and management co-operation. Beijing's approach towards Africa has been to jointly explore new ways to interact in an effort to expand economic and trade co-operation. Beijing advocates increased trade along with agreements on the encouragement and protection of investment and the avoidance of dual taxation.

The effect of China's African engagement is at times counter to the Western-centric globalisation process, but the debate is an open one as to whether such engagement is antithetical to Africa's long-term interests (Thompson 2005). China's ability to compete effectively with other extra-regional actors certainly provides new opportunities and options for African governments but to take advantage of these will require significant changes in the African style of governance, including much improved institutional and economic management on the part of its leadership (McLaughlin 2005). In other words, China's growing presence in Africa should not be seen as an escape hatch for African leaders to abdicate their responsibility for good governance, human rights and democratic propriety. China's engagement in the Sudan, Ethiopia, Angola and Zimbabwe has raised questions. In each case, China has provided financial and political support without questioning governance or human rights issues (IISS Strategic Comment 2005). The China critics contend that China's engagement with Africa should be guided by Western values and should conform to established patterns of Western involvement on the continent (Wilson 2005). Moreover, China is expected to place restrictions on itself in terms of economic competition and political engagement (Alden 2005, French 2004)). However, China's African engagement is best understood in the context of its own long stated policy of non-interference, its own political and economic development imperatives and its role in upholding the normative foundations in South-South relations. China's necessarily pragmatic approach to relations with Africa requires a direct and focused engagement with immediate commercial advantages.

China's policy objective of strengthening and developing friendly co-operation with all the developing countries, including and especially African countries, has long been an important component of its foreign policy. In the early 1980s, Chinese leaders proposed the Four Principles on Economic and Technological Cooperation between China and African countries, namely: equality and mutual benefit, stressing practical results, diversity in forms of interaction, and attainment of common progress.

Official statements confirm that China attaches importance to co-operation with the African Union (AU) and other regional organisations in Africa, while voicing support for their efforts for economic integration and the peaceful resolution of regional conflicts.<sup>3</sup> Beijing has sought to consolidate on-going dialogue and consultation with the AU as part of a programme to expand interaction with the African continent. In recent years, Sino-African trade and other areas of economic co-operation have shown significant progress. It is clear that the Chinese government attaches great importance to the development of trade and economic co-operation with Africa. Since 1956, China has provided assistance to African countries in a range of fields such as agriculture, fisheries, food processing, textile and other light industries, energy, transportation,

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<sup>3</sup> In line with the PRC's six point foreign policy framework. See "China's Foreign Policy," at <http://english.peopledaily.com.cn/china/>

broadcasting and communication, water conservation and power generation, machinery, public buildings and housing, culture, education, health, arts and the handicrafts industry.<sup>4</sup>

Over the last ten years, Beijing has signed more than 30 framework agreements relating to loans with more than 20 African countries. Some projects funded by these soft loans have achieved success; some, such as oil exploration in the Sudan and Angola, have been very controversial. But there has also been railway renovation in Botswana, agricultural development co-operation with Guinea, forest exploitation and timber processing in Equatorial Guinea, the Mulungushi Textile Mill, a joint venture in Zambia and a cement factory in Zimbabwe. For the Chinese, there is great complementarity with African economies. China has the technology and managerial skills suitable for African countries, while Africa is endowed with rich natural resources. China has indicated its intention to continue providing economic aid to African countries within its capacity to do so. From a Chinese perspective, the China-Africa policy framework provides a foundation for mutual benefit in terms of commercial interaction and the record is strong enough to suggest that this framework, for the most part, is supported by African countries.

Official statistics indicate that trade between China and Africa has expanded significantly in recent years. China has sought to improve trade relations with all the 53 African countries, and has established 11 investment and trade centres on the continent.<sup>5</sup> There has also been clear progress in Sino-African co-operation in the fields of culture, education and health. To date, China has signed governmental agreements on cultural co-operation with 42 African countries and 65 programmes for cultural exchanges. China has offered scholarships to 10 000 students from 51 African countries, with about 900 of them currently studying in China. Inter-college contacts have been established between 10 Chinese universities and 20 universities in 16 African countries. More than 400 Chinese professors and lecturers have been seconded to Africa, while 19 hospitals have been built in Africa with Chinese aid, and a total of 15 000 Chinese medical personnel have been sent to 42 African countries.

China uses every opportunity to stress the positive side of relations with Africa by pointing out that its Security Council seat in the UN was restored in 1971 with the affirmative votes of 26 African countries, accounting for more than one third of the total. More recently, China has stressed that on issues involving African interests, China specifically takes into consideration the opinions of African countries and consistently appeals to the international community to promote peace, stability and development in Africa. Beijing contends that under current international circumstances, it is even more important for China and Africa further to strengthen consultation and co-ordination on global affairs.

### **Jiang Zemin's Africa Visit**

During his visit to six African countries in May 1996, PRC President Jiang Zemin outlined a "Five-Point Proposal" on developing a long-term and stable Sino-African relationship based on comprehensive co-operation and interaction (Zeng Peigeng 1996). The "Five Point Proposal" included the following: fostering 'sincere friendship'; interaction based on equality; respect for sovereignty and non-interference in internal affairs; common development on the basis of mutual benefit; the enhancement of consultation and co-operation in global affairs; and the long-term creation of a world based on a just and fair new economic and political international order. (Shi Weisan 1996). Jiang's new Africa policy laid the foundation for a strengthening and consolidation of Sino-African relations, which have subsequently been advanced through the Forum on China-Africa Co-operation (FOCAC) with ministerial level meetings in Beijing during 2000 and Addis Ababa in 2003. In addition, Jiang's 1996 African visit provided the framework for the establishment of a new diplomatic relationship with the Republic of South Africa (Lu Tingen 2002).

Jiang's African visit recast and refocused China's Africa policy following a long and often contradictory political engagement with the continent.<sup>6</sup> The Bandung Conference, held in Indonesia from 18-24 April 1955, had marked the beginning of an international campaign, strongly supported by Beijing, for Afro-Asian solidarity. At the conference, contacts were made for the first time between PRC and African diplomats,

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<sup>4</sup> Interaction with Africa was a key part of China's overall Cold War foreign policy. See Niu Jun and Xu Siyan (2004) and A Cotterell (1993)

<sup>5</sup> "Sino-African Economic and Trade Relations to be Promoted," *People's Daily*, at <http://english.people.com.cn/2004>

<sup>6</sup> Jiang's new Africa policy was in line with the broader post-Mao foreign policy changes. See J. B. Starr (1998), C. Henderson (1999) and W. Overholt (1993)

leading to the establishment of a Chinese embassy in Egypt, the first on the African continent. The institutional embodiment of Bandung was the Afro-Asian People's Solidarity Organisation (AAPSO), in which China played a leading role. However, AAPSO failed adequately to translate words into action, thus frustrating the vast potential of Afro-Asian solidarity.

At a farewell banquet in Ghana on 15 January 1964, following a tour of ten African countries, Chinese Premier Zhou En-lai confirmed Beijing's support for African struggles against imperialism and set the stage for Africa as an ideological battleground with both Washington and Moscow. Zhou's announcement followed Mao Zedong's 8 August 1963 speech on colonialism and racism, which pointed to the PRC's desire to lead the developing world and confirmed the breakdown of the Sino-Soviet relationship. Zhou also declared that Africa's potential for revolution was 'excellent', effectively calling for a second, post-colonial struggle against the new ruling African bourgeoisie. However, domestic, economic and social difficulties as well as China's own second revolution, the Cultural Revolution, undermined the PRC's efforts to implement ambitious foreign policy objectives in Africa. Preoccupied with reviving the Chinese economy under the post-Mao leadership of Deng Xiaoping, Africa policy shifted from support for Maoist-inspired revolution to the search for new commercial engagements which would strengthen the PRC's economy. Deng adopted a policy of non-interference, encouraging African countries to find political and economic models of development to suit their own particular circumstances (Wang Qinmei 1998, Zhong Fei 1995).

In a major policy speech delivered on 4 June 1985, Deng laid the foundation for China's post-Maoist foreign policy, largely unchanged to this day, by stressing that the PRC would "concentrate on economic development" in order to become a "modern, powerful socialist economy." He stressed that "economic development is our (China's) primary objective and everything else must be subordinated to it." Deng's domestic economic reforms and opening to the rest of the world effectively terminated the strong Maoist ideological inclinations of China's foreign policy, elevating instead the two objectives of promoting trade and investment, both regarded as essential for China's future economic development. Jiang Zemin's 1996 Africa visit was intended to advance China's 'Africa first' foreign policy, at which time he signed 23 economic and technical co-operative agreements with six African countries.<sup>7</sup> Moreover, Jiang sought a new commercially based, rather than ideologically motivated, partnership with Africa through the confirmation of Africa's economic rather than revolutionary potential.

Beijing's approach towards Africa has been to jointly explore new modes of interaction in an effort to expand economic and trade co-operation. Beijing's motivation for this emphasis is that both sides make greater use of and further improve bilateral relations. At the same time, increased trade should lead to agreements relating to economy and trade matters, the encouragement and protection of investment, and the avoidance of dual taxation. With the development of its economy, China will continue to offer economic and technological assistance to African countries, including further relaxing conditions for preferential loans, as recently was the case with Angola. China also promotes increased imports from Africa and encourages its firms to participate in the economic development of African countries through diverse contracting projects, technology and management co-operation.

Beijing has recognised that the quest for peace and development has been the main priority for the African continent and that there have been renewed reform efforts at the continental and global levels to resolve African problems. China's response to Africa's plight is driven by the logic that Africa will be unable to achieve prosperity without stability and African countries need to develop in ways that suit their national conditions. It also sees a need for African countries to cooperate more intensively with each other and mobilise international assistance and co-operation, such as through collaboration with Beijing.

### **The Forum on China-Africa Co-operation (FOCAC)**

Jiang's new African policy led to the 'Beijing Declaration' and the 'Programme for China-Africa Co-operation in Economic and Social Development', adopted following the October 2000 Sino-African ministerial level conference in Beijing.<sup>8</sup> The two documents outlined a proposed new relationship between

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<sup>7</sup> China Internet Information Center : "Fifty-Year Sino-African Friendly Relations," at [www.china.org.cn](http://www.china.org.cn). See also "China's Relations With African Countries South of the Sahara," at [www.china.org.cn](http://www.china.org.cn).

<sup>8</sup> See *The Beijing Declaration on a New Partnership Between Africa and China*, South African Department of Foreign Affairs, Pretoria, 2000.

China and Africa, based on Deng Xiaoping's broad foreign policy framework and Jiang's Sino-African vision, crafted during his 1996 visit. The central purpose of the Forum was to strengthen economic co-operation and to consolidate areas of common interest. The conference was seen by Beijing as a meeting of "natural allies" on the road to economic development and the long hoped-for restructuring of the global economic architecture. Jiang Zemin set the tone for future Sino-African relations by committing China to closer South-South co-operation and the creation of "an equitable and just new international political and economic order." (Edmonds et al., eds., 2001) PRC Premier Zhu Rongji confirmed that economic interaction with Africa had taken centre stage and would define future relations. The specific plan included an expansion of trade, investment, joint projects and increased co-operation in the fields of agriculture, transportation, medical care, the exploitation of natural resources and banking.

During the October 2000 meeting, two-way trade was emphasised as an area of future expansion and development. The Beijing programme called on Sino-African business leaders to "vigorously explore" all the "opportunities offered" by the respective markets. The establishment of a China-Africa Joint Business Council was proposed as a mechanism for the further promotion of trade. The renewed emphasis on trade followed Foreign Trade Minister Shi Guangsheng's 9 June 2000 statement that Beijing would encourage Chinese companies to expand trade links with the African continent. Shi was encouraged by the record of growth in manufactured exports to Africa, especially in television sets, air conditioners, refrigerators, washing machines, textiles and light machinery. Beijing promised to promote investment in selected African countries through special funds for the establishment of joint ventures, facilitated through China and the African Development Bank (ADB) as well as the Eastern and Southern African Trade and Development Bank. In addition, the exploitation and effective utilisation of natural resources and energy sources on the African continent, long identified as extremely important for promoting the continued growth of China's economy, were singled out for renewed focus.

An international conference on Sino-African ties was held as a follow-up to the Beijing meeting to address the issue of strengthening bilateral co-operation, especially economic and trade ties. In addition, China established a follow-up action committee to implement the decisions made at the Beijing conference. Deputy Minister of Foreign Trade and Economic Co-operation Sun Guangxiang stressed that the Chinese government encouraged two-way trade between China and Africa and would introduce more policy initiatives intended to galvanise support for Sino-African trade within the rules of the World Trade Organization (WTO). He confirmed that Beijing would also encourage Chinese companies to invest in Africa, with a view to significantly expanding China's investment on the continent.

In order to develop the new South-South partnership, Beijing proposed that both China and Africa could promote relations along the following lines:

- Continuing to strengthen top-level contacts and increasing communication and exchange between leaders so as to further consolidate the traditional Sino-African friendship;
- Establishing diverse forms of consultative and co-operative mechanisms and expanding dialogue and co-ordination in international affairs and bilateral issues so as to carry out more efficient co-operation in bilateral and multilateral realms and more efficiently safeguard the common interests of developing countries;
- Energetically promoting economic and trade co-operation to new levels. Efforts should be concentrated on looking for new ways and fields for co-operation and encouraging enterprises of both sides to expand co-operation. The Chinese government promised to adopt measures to guide and support domestic enterprises in entering Africa and carrying out mutually beneficial co-operation with their African counterparts; and
- Carrying out multi-level contacts: besides the major channel of official contacts, China will promote contacts between political parties and parliaments and between non-governmental groups of workers, youth and women as well as of culture and education, health, news media, and academic support, and

give full play to these organisations, thus forming a broad basis for exchange at various levels.<sup>9</sup>

Following the Sino-African meeting in Beijing, Premier Zhu Rongji's office suggested a number of guidelines for China-Africa relations. These included: the expansion of bilateral trade; the development of investment co-operation; the improvement of China's aid work in African countries; the expansion of co-operation in various fields; and working together to facilitate the settlement of the African debt issue.

### **FOCAC and the Addis Ababa Action Plan**

Foreign and trade ministers from 44 African countries met with PRC diplomats in Addis Ababa from 15-16 December 2003 for the Second Ministerial Conference of the Forum on China-Africa Co-operation.<sup>10</sup> The purpose of the second ministerial conference was identified as reviewing progress on the implementation of the agreements reached at the October 2000 Beijing meeting, along with outlining a new, more focussed action plan. The political framework of the 'Addis Ababa Plan' provides for continued high-level exchanges and enhanced political dialogue along with a renewed promise from Beijing to participate actively in African peacekeeping operations, and to co-operate on a range of security-related issues. Co-operation in the field of social development includes China's promise to expand its African Human Resources Development Fund to train up to 10 000 African technicians over the next three years.<sup>11</sup> This will be complemented by China's agreement to assist in the areas of medical care and public health, cultural exchange and people-to-people exchange.

The Addis Ababa Action Plan proposes co-operation in the following areas (FOCAC 2003):

- *Science and technology* - In this context, China's experience in increasing agricultural output holds promise for African farmers.
- *China's participation in peacekeeping operations* - This has been widely welcomed as a positive contribution to peace in Africa.
- *Non-traditional security issues* - The PRC has promised to do more to counter drug trafficking and illegal migration.
- *Terrorism* - The PRC's commitment to combating global terrorism has been widely supported.
- *The need to step up consultation and co-operation* - This is expected to have a positive impact on advancing Sino-African links.
- *Restructuring of the UN, WTO etc.* - The PRC's support for the restructuring of the UN is seen as a key element in advancing the political agenda of the developing world.
- *Struggle against poverty* - In this context, the PRC serves as a useful model for African governments.
- *Support for the AU* - The PRC's strong endorsement of and support for the AU is considered to be a key element in Sino-African relations.
- *Support for NEPAD* - Beijing's firm endorsement of NEPAD gives the initiative a strong South-South context and opens the way for increased Chinese support for African development (Guo Mingfang and Wang Yongkang (2003)).
- *Agriculture* - China has promised to expand agricultural support to African countries via technical support and training. This promise has been welcomed by African governments, especially those

<sup>9</sup> China-Africa Friendship and Co-operation, Secretariat of the Chinese Follow-up Committee of the Forum on China-Africa Co-operation, Beijing, 2003

<sup>10</sup> See "Programme for China-Africa Co-operation," at [www.china.org.cn](http://www.china.org.cn). And "Sino-African Partnership Conducive to Establishment of New Order," at [www.china.org.cn](http://www.china.org.cn).

<sup>11</sup> See *People's Daily*: "Premier Wen Meets African Leaders at China-Africa Forum," at <http://english.peopledaily.com.cn/200312/17/>.

seeking to restructure agricultural production.

- *Trade* - China's trade with Africa now stands at over \$40 billion, an increase of over 400 per cent since 2000. Recent trends thus suggest potential for further increases in two-way trade. The Chinese Academy of International Trade and Cooperation (CAITC), the official think tank for the Ministry of Commerce, has undertaken detailed studies on the question of increased Chinese trade with Africa over the longer term. Their studies suggest significant potential for new Chinese exports to Africa in the following areas: agriculture, light industry, machinery, construction, tourism and telecommunications. CAITC predicts that within the next three to five years a number of African countries will enter a strong growth period, creating a healthy demand for Chinese manufactured products. In the context of promoting trade into the Chinese market, Beijing's decision to grant zero-tariff treatment to some commodities from the least developed African countries has been widely welcomed (Wen Jiabao 2003).
- *Investment* - To date, Chinese investors have established 800 businesses in 49 African countries, covering a wide range of commercial activities such as agriculture, manufacturing and minerals extraction. Chinese companies have made a contracted investment of \$1.25 billion in Africa and are presently involved in over 300 projects on the continent, covering construction, pharmaceuticals, chemicals, light industry and textiles. China has signed bilateral investment protection agreements with 20 African countries. These agreements also include the avoidance of double taxation, fair treatment for foreign investors and the protection of assets. Beijing is expected to step up efforts to encourage and support Chinese companies wishing to invest in Africa through a special fund to assist companies with new investment in selected African countries. This will increasingly provide advantages to Chinese enterprises seeking new opportunities in Africa. Moreover, the Chinese government has indicated its intention to consolidate already established business centres in 11 African countries. The centres are expected to serve as focal points for increased Chinese trade and investment initiatives in Africa.<sup>12</sup>
- *Tourism* - African countries which have Authorised Destination Status (ADS) for Chinese tourists include Ethiopia, Kenya, Mauritius, Seychelles, South Africa, Tanzania, Tunisia, Zambia and Zimbabwe. African governments have identified significant potential for Chinese tourism to Africa given the continued and rapid growth of the Chinese economy. During 2005, Chinese tourists to Africa doubled to over 110 000.
- *Debt relief* - As part of the FOCAC process, China has cancelled 156 debts totalling \$1.27 billion with 31 African countries. China's decision to cancel these outstanding debts was widely welcomed in Africa and seen as a very positive step towards revitalising economic development on the continent.
- *Development assistance* - Beijing has indicated its intention to provide African countries with "unconditional assistance within its capacity." However, China's new emphasis is on relationships based primarily on trade and investment. China has undertaken to co-ordinate the FOCAC process with NEPAD through infrastructure development, the treatment of infectious diseases, human resource development and agricultural training.
- *Natural resources and energy development* - Given the increasing demand for oil to supply the growing Chinese economy, Africa is fast becoming a key supplier to the PRC market. Beijing has prioritised oil and other raw material extraction as a central element in the expansion of commercial links with Africa.

The Sino-African Forum is widely regarded as an extremely valuable process for African diplomacy. Africa benefits significantly from regular and structured interaction with Beijing, building on past interactions and identifying new opportunities (Wen Jiabao 2003). Moreover, Chinese aid to Africa is extremely important to many African countries. Aid which is specifically identified as important includes medical assistance,

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<sup>12</sup> See more in Xinhua Online: "China to Grant Some African Countries Tariff-free Treatment for Exports," *Xinhuanet*, at <http://news.xinhuanet.com/english/2003-12/15/>

agricultural management, construction and debt relief. China's commitment to following up on decisions reached at the October 2000 Beijing meeting is an important part of the process. Beijing has incorporated 21 government departments into their follow-up process (Da Ming 2003). The Ministry of Foreign Trade and Economic Development (MOFTEC) is playing a leading role in advancing the programme and co-ordinating the activities of other Chinese government departments.

### **President Hu Jintao's African Visits**

President Hu Jintao's 2004 nine-day visit to Africa contributed significantly towards advancing China's evolution as a major economic partner with the continent. China's efforts to expand commercial and political interaction with Africa were confirmed by Hu's visit to Egypt, Gabon and Algeria. He committed China to promoting a new duty-free scheme for poorer African countries, which will open the Chinese market for African-made products. In addition, Hu pointed out that China and Africa can exploit the complementarities of their respective economies and the huge potential for commercial interaction. Africa's enormous mineral wealth and human resources provide the wealth and capacity needed for effective engagement with the world's fastest growing economy.

Overall, Hu's visits and policy statements confirmed trends in the PRC's Africa policy in line with Jiang Zemin's approach, first enunciated during Jiang's 1996 visit to Africa.<sup>13</sup> However, Hu has consolidated, strengthened and advanced Jiang's policy, with a view to expanding Sino-African co-operation and diplomatic interaction. A number of key themes in Hu's Africa policy are now evident. Hu has emphasised that building relations with developing countries, especially African countries, is a key element of the PRC's foreign policy. President Hu went so far as to suggest that PRC-developing country relations formed a 'cornerstone' of China's foreign policy.

High-level visits to Africa by Chinese officials and visits to Beijing by African officials are expected to remain a key feature of Sino-African relations. Hu confirmed an interest in continuing to promote high-level visits as a central element of the PRC's international diplomacy. This has long been a feature of Chinese diplomacy and is intended to consolidate and advance friendly relations with African leaders. During his visit to Algeria, President Hu emphasised the need to expand trade links between China and Africa, thereby confirming China's interest in expanding exports to Africa, which is considered a major priority for the ongoing expansion and development of China's economy. At the same time, Hu has suggested that Beijing will help to assist African countries through building new construction projects, the development of communications, agricultural assistance and human resource training.

Where Beijing has important, long-term economic objectives, such as in South Africa, Egypt, Angola and Nigeria, efforts will be made to increase interaction on all levels. Hu also specifically referred to techniques of "strengthening Sino-African relations" through interaction between legislatures, political parties, non-governmental organisations and youth organisations (Hu Jintao 2004). President Hu confirmed the need to continue party-to-party contacts, thereby consolidating historical links with key African political parties.

While in Algeria, Hu mentioned the need for Africa and China to increase co-operation in order to jointly explore oil and natural gas fields. Given China's expanding economy and concomitant need for increased energy supplies, its interest in Africa's oil and natural gas is becoming more urgent. China will have to increase both oil importation and domestic production significantly to meet the needs of its economy. Consequently, China's Africa policy is expected to focus increasingly on oil and gas exploitation over the next few years. Hu's visit to Algeria and Gabon, two important oil producers in Africa, was seen as part of Beijing's renewed effort to consolidate the supply of critical raw materials for its own economic growth. Hu's visit to Gabon was concluded by the signing of a memorandum of understanding to institute joint oil exploration, exploitation, refinement and exportation. The deal was signed between Total Gabon and China's Sinotec, facilitating China's importation of oil from Gabon for the first time.

Hu stressed that China and Africa should "hold more consultations" on important regional and global issues, with a view to promoting the 'democratisation' of international relations. Clearly, Beijing hopes to win support from African countries in promoting the establishment of a more fair, open and just international

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<sup>13</sup> "Gabon Signs Accords on Aid, Co-operation and Oil Exploration," *Business Day*, at <http://www.bday.co.za/bday/content/direct>.

system. President Hu specifically referred to the China-Africa Co-operation Forum as a key mechanism for the advancement of Sino-African relations. The Forum has voiced support for the objectives of the African Union (AU) and the New Partnership for Africa's Development (NEPAD). Moreover, Beijing has promised to align its Africa policy with NEPAD, and to give full support to the African Union.

Like his predecessors, President Hu indicated that China would use its UN Security Council seat to advance the interests of developing nations. Specifically, he intimated that Beijing would work to safeguard the rights and interests of developing nations and argued that economic globalisation should benefit citizens in both developed and developing countries. This statement complemented his speech in Algiers in which he pointed out that the people of the developing countries total over 90 percent of the world's population and constitute 84 percent of the United Nations.

As a further example of China's evolving co-operation, on 9 March 2004 Chinese military personnel began deployment to Liberia. A 70-member advance team of an engineering group left Shengyang and a 35-member medical team left Fuzhou for Liberia. In response to a request from the United Nations, Beijing agreed to send a 550-member peacekeeping force to Liberia made up of a 240-member transport company, 275 engineers and 35 medical personnel. The troops are equipped primarily for support services with very limited combat capability. China's decision to commit peacekeepers to Liberia has been strongly supported in Africa and points towards a growing policy synthesis with the ideals and objectives of the African Union. Many African leaders have interpreted Beijing's action as a positive contribution towards advancing peace and stability on the African continent, in line with the AU's priority agenda.

Hu Jintao returned to Africa early in 2006 to further advance Sino-African interaction and solidarity. Hu's mission also included the consolidation of China's access to oil reserves and other key raw materials, essential for China's economic growth. The expansion of trade with Africa, now approximately \$40 billion per year, was also high on Hu's agenda. Given the rapid expansion of African commodity exports to China, Africa could benefit immensely from ongoing interaction with the world's fastest growing market. The central thrust of China's investment drive remains primarily oriented towards raw materials, with infrastructure and manufacturing also important. In the case of Nigeria, investments in the oil industry are to be complemented with major investments in infrastructure. China's new 'strategic partnership', with Africa, based on Hu's five-point proposal delivered in his speech to the Nigerian National Assembly, has been advanced as a process to ensure a win-win relationship with Africa.

### **China's Africa Policy Document**

China's new Africa policy document is the equivalent of a White Paper. It was announced on 12 January 2006, and consists of six sections, each focussing on a particular aspect of China-Africa relations. The introductory comments emphasise Beijing's intention to advance an 'independent' foreign policy and to develop relations with all the African countries, based on China's long held Five Principles of Peaceful Co-existence. The policy document is largely based on previous Chinese policy papers, such as the Forum on China-Africa Co-operation's (FOCAC) 'Beijing Declaration', the 'Programme for China-Africa Co-operation in Economic and Social Development' (October 2000) and the 'Addis Ababa Action Plan' (December 2003). While some new elements were introduced in the policy paper, China's basic approach to relations with Africa remains largely unchanged but is better codified. The key elements contained in the six sections of the policy document include the following:

- The policy paper predicts ongoing economic development in Africa and outlines an optimistic future for the continent. Africa is expected to overcome present economic difficulties and play a more important role in international affairs.
- The shared China-Africa historical experience is emphasised, while future relations are to be based on "sincerity, equality, mutual benefit, solidarity and common development," which are identified as the "driving forces" of the relationship.
- The third section of the paper outlines the key principles of China's Africa policy, intended to promote a 'win-win' exchange. The principles include: "sincerity, friendship and equality; mutual benefit; mutual support and close co-ordination; learning from each other and common development." There is emphasis on the importance China attaches to African adherence to the "one-

China principle” (that is, no diplomatic recognition of Taiwan).

- This section of the paper identifies six areas for strengthening China-Africa co-operation. They include:
  - High-level visits
  - Exchanges between legislative bodies
  - Exchanges between political parties
  - Consultation mechanisms (such as bilateral committees)
  - Co-operation in international affairs
  - Exchanges between local governments

These elements have been common in previous Chinese engagements with Africa. However, there is a new emphasis on co-operation between political parties and local governments. This suggests that China’s intention is to broaden and intensify political relations with African countries.

Part IV of the paper also specifically identifies areas for future improvement in economic relations:

- Trade - China has promised greater access to its market
- Investment - China is to expand investments in Africa
- Financial co-operation - Beijing has undertaken to provide increased financing for investment
- Agricultural co-operation - this area of co-operation is to be expanded
- Infrastructure - Chinese construction activities in Africa are to be broadened
- Resource co-operation - the exploitation of Africa’s natural resources will be advanced
- Tourism - increased Chinese tourism to Africa will be encouraged
- Debt reduction and relief - further debt relief programmes are to be discussed
- Economic assistance - China has promised economic assistance to selected African countries
- Mutual co-operation - Beijing has undertaken to enhance consultation with Africa on the multilateral trade system

All of the areas identified in this context form part of China’s ongoing programme to broaden links with Africa. To date, China’s approach has been highly effective in advancing its economic interests on the continent.

In the fields of education, science, health and culture, China has promised the following:

- Continued training for African students in China
- Expansion of science and technology co-operation
- Increased cultural exchanges
- Enhanced medical personnel and information exchanges
- Media co-operation
- Administrative co-operation, including the training of African government personnel
- Consular co-operation to ensure the safety of nationals
- People-to-people exchanges, especially youth
- Environmental co-operation
- Disaster relief, for which China has offered assistance and training

These proposals largely build on China’s previous interactions with Africa, without any important new elements.

Under the heading “Peace and Security,” China has proposed four key areas for future co-operation with African countries:

- Military co-operation, including the training of African armed forces
- Assistance to UN peacekeeping operations in Africa
- Exchanges between judicial and law enforcement agencies, specifically to address immigration issues

- Increased intelligence exchanges on terrorism, drug trafficking and other trans-national crimes

In this area, China is proposing some new avenues for expanded co-operation, such as law enforcement agency exchanges and information sharing, which do not appear in other official Sino-Africa policy documents. China has undertaken to implement promises to Africa made within the context of FOCAC and, importantly, to seek further co-operation between FOCAC and NEPAD. At the same time, Beijing has confirmed its support for African regional organisations as well as the African Union (AU) as important actors in advancing economic development and political stability on the continent.

### **Conclusion - Advancing a New Global Order**

The China-Africa relationship has clearly advanced significantly at both the political and economic levels. The momentum of two-way trade is certain to accelerate in the years ahead, given what China sees as complementarities between the Chinese and African economies. Growing opportunities for investment in Africa are expected to be attractive to Chinese enterprises, while massive potential for investment in China cannot be ignored. At the political level, the synchronisation of foreign policy proposals and long-term objectives is expected to become a more urgent consideration. Africa will increasingly look to China for support for NEPAD which, it is feared, is fast becoming moribund. In this context, China's FOCAC process could be merged with NEPAD, thereby providing a major impetus to Africa's economic development. Strong Chinese political and financial support for the programmes and objectives of the AU would be a worthwhile contribution to Africa's revival, while a greater Chinese commitment to peacekeeping in Africa could be useful in resolving many of Africa's conflicts.

In the context of a partnership to advance a new global order, the common foreign policy objective identified by both China and Africa includes restructuring the United Nations (UN), in line with the Group of 77 and China's UN Programme for Reform, as well as the Declaration of the Twenty-Seventh Annual Ministerial Meeting of the G-77, which would bring strong permanent African representation onto the UN Security Council.<sup>14</sup> Reform of the global trading system, as outlined by the Group of 77 and China at the 29 May Putrajaya conference, is aimed at improving the access of developing countries to the markets of the developed, industrialised economies (especially in agricultural products) and further at strengthening programmes to eradicate poverty, underdevelopment and economic vulnerability for the world's less developed countries.

China's empathy for Africa's economic plight has been confirmed by Beijing's action in cancelling the debt of 31 African countries, amounting to US\$1.3 billion. China has followed action with words in tackling one of Africa's biggest economic problems and has set an example for the developed world. Beijing has pointed out that the advancement of global peace and development is not possible without addressing the growing economic divide between North and South. China has therefore called on developed countries to pay more attention to Africa and respond more energetically to the continent's socio-economic problems. Given China's similar colonial history and struggle against poverty, a Chinese understanding of Africa's economic dilemma lies at the root of Sino-African solidarity and serves as a strong foundation for cordial relations.

The challenge for African governments is to respond to China's engagement with effective and appropriate strategies for developing positive interaction. China has generously offered Africa a very wide range of areas for potential co-operation. Africa needs to respond with meaningful and constructive proposals to advance the relationship. In this context, the future of mutually beneficial interaction is informed by President Hu Jintao's framework, outlined during his April 2006 visit to Nigeria:

- Strengthen traditional friendships and mutual trust through high-level contacts, seen by China as the starting point for inter-state interaction;
- Advance mutual assistance and mutual benefit in promoting the common prosperity of China and Africa through commercial interaction - to build a constructive "win-win" relationship;

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<sup>14</sup> See "Preliminary Position of the Group of 77 and China on Actions Contained in the Report of the Secretary General: Renewing the United Nations - A Programme for Reform (A/51/950)," 29 October 1997, at <http://www.g77.org/Docs/reform2.htm>

- Strengthened security co-operation;
- Jointly meet the challenges of globalisation through policy co-ordination and synchronisation.

Complicated as it might be by the vagaries of Africa's general political and social environments, China's challenge is to provide support and advance a 'win-win' relationship with African states, while at the same time pursuing its obvious national interests.

China's evolving Africa policy provides a strategic opportunity for a significant advancement of Sino-African commercial interaction. In terms of trade, China's agreement to open its markets to selected African products from the poorest African countries offers hope to African producers and could be an instructive example for future broader free trade agreements. The apparent compatibility of Chinese and African economies, exchanging primary products for manufactured goods, bodes well for accelerated trade over the longer term. Investment flows to Africa from China are set to increase significantly as Beijing works in partnership with African enterprises in the extraction and export of raw materials.

Afro-Asian solidarity, forged in the crucible of independence struggles, provides the political foundation for the evolving China-Africa relationship. Now largely purged of any ideological content, China's engagement is largely driven by an urgent commercial agenda that is intended to feed its burgeoning economy. The need to ensure continued economic growth and satisfy domestic expectations drives a new relationship with Africa.

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## SUMMARY

China's development will affect the history of the twenty-first century, and perhaps nowhere more importantly than in Africa. The emergence of China introduces new opportunities for Africa, new challenges and new imponderables as well. Observers are watching China's Africa policy with a mixture of fascination and fright. The new Chinese Africa policy has major implications for development on the continent. The purpose of this report commissioned by the Norwegian Ministry of Foreign Affairs and NORAD is to present and review the new Chinese engagement in Africa and to identify and discuss implications for Norwegian foreign and development policies.

Chapter 1 provides an introduction to Chinese foreign policy, the motives and interests behind the policy goals, and how Chinese foreign policy is manifesting itself in relation to the developing world and in the multilateral arena. Chapter 2 offers an overview of Chinese engagement in Africa while Chapter 3 gives an assessment of the implications for Africa, the dynamics of China-Africa interaction and the challenges ahead. Chapter 4 provides a more detailed presentation and analysis of the Chinese engagement in the petroleum sector in Africa and its implications. The concluding Chapter outlines Norwegian objectives and provides a number of recommendations for Norwegian Africa policy, bilateral co-operation with China, and multilateral engagement.

The study argues that although Norway may be a small country with very limited capacities to influence Chinese policies, it can still make a small difference. Through the Norwegian development policy in Africa and through the Norwegian engagement in the petroleum and energy sectors, Norway possesses skills, resources and influence which potentially can help make a small, but important contribution in strengthening Africa's capacity to benefit from China's engagement.

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