

## China and Africa: Opportunities, Challenges and Forging a Way Forward

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Over the past decade, China has actively sought to strengthen its economic and diplomatic relationships throughout the African continent and, in the process, has drawn much praise and incited equal criticism. China's recent expansion into Africa marks one of the most significant developments in Africa, drawing international attention not only because of its extent but also because of its exponential growth in the areas of trade, investment, diplomatic ties and aid. China became Africa's third largest trading partner in 2004, with trade volumes rapidly increasing each year. Total trade between Africa and China reached \$55.5 billion in 2006, an increase of nearly 40 percent from the prior year.<sup>1</sup> Based on Beijing's political will, this number seems poised to grow. President Hu Jintao affirmed his commitment to increasing trade and anticipates that increased economic cooperation between China and Africa would lead trade volumes to double, reaching \$100 billion by 2010.<sup>2</sup> China's direct investment in Africa has shown similar levels of growth, increasing from \$280 million in 2005 to \$370 million in 2006, according to official statistics.<sup>3</sup>

Major, strategic diplomatic efforts on the part of Chinese high-ranking officials have accompanied and facilitated this increased trade and investment in Africa. These efforts have particularly intensified over the past three years under President Hu's direction. China now operates embassies in nearly every African country—except the six countries that recognize Taiwan. China has also demonstrated its political commitment to fostering China-Africa relations through more than one hundred high-level meetings between Chinese and African diplomats and envoys over the past two years.<sup>4</sup> And since coming to power in 2003, Chinese President Hu Jintao has taken three trips to Africa, most recently in January-February 2007.

China has also established a number of Chinese-African alliances to further economic integration; development assistance remains a major factor in the negotiations that take place within these alliances. The most notable of these is the biennial Forum on China-Africa Cooperation (FOCAC), which met most recently in Beijing in November 2006 and brought together leaders from 48 out of 53 African countries. At the conference, aid and debt cancellation were discussed in addition to the brokering of economic agreements between China and individual African countries. Beijing pledged that it would double its levels of development aid by 2009 and provide \$3 billion in preferential loans in the next three years. China also

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<sup>1</sup> Reuters, Alertnet News. "FACTBOX-China-Africa trade links." 30 Jan 2007. <<http://www.alertnet.org/thenews/newsdesk/L3052521.htm>> 31 Jan 2007.

<sup>2</sup> People's Daily Online. November 30, 2006. "Chinese, African trade expected to soar by 2010." <[http://english.people.com.cn/200611/05/eng20061105\\_318447.html](http://english.people.com.cn/200611/05/eng20061105_318447.html)> March 18, 2006.

<sup>3</sup> Xinhua News Online February 5, 2007 <[http://news.xinhuanet.com/english/2007-02/05/content\\_5701033.htm](http://news.xinhuanet.com/english/2007-02/05/content_5701033.htm)> March 18, 2007.

<sup>4</sup> Denis M. Tull, "China's engagement in Africa." 462

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announced that it would cancel concessional loans (of an undisclosed amount) contracted to thirty-three Less Developed Countries (LDC) and Highly Indebted Poor Countries (HIPC), African countries that were due at the end of 2005.<sup>5</sup> Though China's current levels of aid to Africa are relatively small compared to aid flows from Western countries and Japan, they have risen dramatically over the past decade and mark China's rising status as a donor country in Africa.

China's engagement in Africa is not new but has undergone a significant quantitative and qualitative transformation over the past fifty years. The primary focus in the early days of Chinese-African relations in the 1960s was political and ideological in nature, based upon winning allies during the Cold War era and guaranteeing supportive votes for the eventual rejection of Taiwan's credentials in the United Nations.<sup>6</sup> Though the People's Republic of China did offer foreign aid to African countries during this period, it had a limited development focus. Notable Chinese aid projects included the Tanzania-Zambia railway in addition to several presidential palaces and Olympic-style football stadiums.

As China's economy grew rapidly in the later 1980s and 1990s, Beijing's primary interest in Africa shifted from fostering diplomatic ties to building economic relationships. Until then, the Chinese economy had been largely inward-focused and drew upon China's existing resources. However, China witnessed double-digit growth throughout most of the 1990s and was forced to look abroad to secure natural resources and additional markets in order to sustain its monumental growth. Rich in oil, coal, copper and other minerals, Africa fell directly within China's strategic economic planning. Africa offers China a ready supply of natural resources (and energy resources in particular) and nascent markets, while China provides a source of revenue to African countries. Resource rich African countries now benefit from the "complete package" offered by China: increased levels of international trade and investment, technical expertise, foreign assistance and political support in international forums.<sup>7</sup>

Africa is not only essential to China's national economic interests but is also an integral part of Beijing's long-term political goal of achieving a more multi-polar international system in which China will assume an increasingly powerful, international role. China includes many African states as allies in its peaceful rise to global superpower. As a result, by the turn of the 21<sup>st</sup> century, China's strategy towards Africa is focused on building "win-win" engagements, mutually beneficial economic and political relationships forged between the biggest developing country in the world and the continent with the most developing countries.

China's extensive engagement, however, has created a wider range of experiences in Africa than purely "win-win" situations. The benefits of trade and investment have come with trade imbalances and regressive policies towards accountability, human rights and governance. As China continues to increase its presence, it presents significant opportunities and challenges for China, Africa and the international community that deserve to be explored and addressed. In the future, African leaders and the international community should seek to draw China into meaningful dialogue and cooperatively manage this presence. Only by proactively engaging

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<sup>5</sup> Forum of China-Africa Cooperation: Beijing Action Plan (2007-2009)

<sup>6</sup> Princeton N. Lyman. "China's Rising Role in Africa," Council of Foreign Relations. July 21, 2005. <...>

<sup>7</sup> Ibid.

China will African countries be able to take advantage of the current opportunities to address asymmetries in the current relationship, manage potential risks and detrimental impacts, and bring Africa closer to its long-term development goals.

### Opportunities for Development

Currently, China's primary interest in Africa is securing natural resources to fuel and sustain its economic growth. This quest for natural resources brings clear opportunities and benefits for those African countries endowed with crude oil, minerals and other natural resources valuable to China. The most obvious of these benefits is a sharp increase in demand for Africa's resource exports and revenue derived from these exports for national governments. In addition to being the largest consumer of copper, China is ranked as the second largest global consumer of oil, and imports the third largest amount of oil.<sup>8</sup> And to a large extent, China's growing demand for natural resources has actually buoyed the prices of Africa's primary exports, thereby helping to secure a level of foreign currency available in Africa.

China's massive demand for resources and lack of conditionality for engaging in trade (in terms of governance and transparency as well as sound economic management) makes China a formidable and attractive trading partner for many African nations. China intentionally presents itself as an alternative partner to the West and the Western conditionality-driven model of trade and development. The rapidly increasing Sino-African trade volume stands as evidence of this appeal. China overtook the UK to become Africa's third most important trading partner by 2004, and China's proactive and comprehensive approach to Africa has made it the most dynamic actor in the region.<sup>9</sup>

China's most important trade relations in Africa remain centered around importing crude oil. In 2005 China imported \$13.2 billion in crude oil from Africa, representing 62 percent of Africa's total exports to China.<sup>10</sup> The figure has since risen, as China's oil consumption has grown by an average rate of 7.5% in recent years, resulting from increased household and commercial use.<sup>11</sup> Among Africa's oil producing countries, Angola and Sudan currently comprise nearly 70 percent of all oil exports to China and accounted for \$10.9 billion and \$1.9 billion respectively in crude oil exports in 2006, according to China's official statistics.<sup>12</sup> In addition to oil, China also imports other natural resources from Africa, including copper, iron ore, gold, coal and timber, as well as a smaller percentage of agricultural raw materials and some manufactured goods.<sup>13</sup>

China has demonstrated its commitment to furthering these trade relationships and increasing economic cooperation by establishing a number of preferential trade agreements across the continent. Following the most recent FOCAC meeting in 2006, Beijing announced

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<sup>8</sup> Energy Information Administration, "Top World Oil Consumers, 2005 (Million Barrels per Day)" <[http://www.eia.doe.gov/emeu/cabs/topworldtables3\\_4.html](http://www.eia.doe.gov/emeu/cabs/topworldtables3_4.html)>

<sup>9</sup> Tull 264.

<sup>10</sup> Broadman 81-83.

<sup>11</sup> Gal Luft, "Fueling the dragon: China's race into the oil market." Institute for the Analysis of Global Security. <<http://www.iags.org/china.htm>> March 21, 2007.

<sup>12</sup> MOFCOM, Angola and Sudan

<sup>13</sup> Clifford A. Shelton "China and Africa: Understanding the Growing Trade and Investment Relationship." 4

that it would open up China's market to Africa by allowing 440 export items from the least developed countries in Africa to enter China tariff free. Moreover, China pledged to create three to five trade and economic cooperation zones in Africa over a three-year period.<sup>14</sup> These trade agreements have enormous potential to increase African exports to China. Zambia, for example, has benefited enormously from being granted "Special Preferential Tariff Treatment" from China in 2004, which excludes most Zambian products from Chinese import taxes. As a result of this agreement, Zambia's main exports to China (cotton, copper, iron ore and other materials), increased three-fold during the following year.<sup>15</sup> It should be noted that Zambia is one of the few countries that enjoys a trade surplus with China.

The increasing volumes of trade and economic integration between China and Africa are particularly significant since they come at a time when Africa's overall percentage of exports in the global market is in steady decline.<sup>16</sup> Thus, China's recent emergence as a major trading partner presents a singular opportunity for many African nations to achieve higher and sustainable levels of economic development. African countries with minimally developed economies and small numbers of companies engaged in international trade are able to develop their export industries through trade with China, and bring revenue into the country. With expanded and more sophisticated export industries and the surge in foreign exchange from commodity exports, countries have a steadier economic base from which to diversify their economies. Revenues from international trade can be directed towards industries outside the extractive sector, broadening commodity exports.

China has also become a significant source of foreign direct investment in Africa, cumulating in a reported \$6.6 billion in investment throughout the continent at the end of 2006.<sup>17</sup> The majority of this investment is directed towards building infrastructure for the extractive industry sectors in which China is involved, including roads, refineries, and physical buildings. For countries which receive very little FDI, such investments bring the opportunity to extend and develop their extractive industries. In Angola, for example, Sinopec (a Chinese state-owned enterprise) and the Angolan company Sonangol formed a joint-venture called Sonangol-Sinopec International. The joint-venture involves the development of a new refinery at Lobito, and the project is reported to require a total investment of \$3 billion.<sup>18</sup> Given the right regulations and cooperation between China and national governments, these Chinese investment projects can increase the capacity of the local extractive sector as well as having the potential to generate local employment and increased income during the period of the project's construction.

In addition to undertaking projects to develop extractive industries, China has also made major investments throughout Africa in transportation and communication infrastructure. Though Africa's weak infrastructure has been recognized as a major obstacle to economic

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<sup>14</sup> China News and Report, "Address at the Opening Ceremony of the Beijing Summit of the FOCAC." <<http://www.china.org.cn/english/report/191157.htm>>

<sup>15</sup> *China's Interest and Activity in Africa's Construction and Infrastructure Sectors*. Center for Chinese Studies, Stellenbosch University, 56-57.

<sup>16</sup> Broadman, Harry G. *Africa's Silk Road: China and India's New Economic Frontier*. Washington, D.C.: The World Bank, 2007. p. 8

<sup>17</sup> [http://news.xinhuanet.com/english/2007-02/05/content\\_5701033.htm](http://news.xinhuanet.com/english/2007-02/05/content_5701033.htm)

<sup>18</sup> *China's Interest and Activity in Africa's Construction and Infrastructure Sectors*. Center for Chinese Studies, Stellenbosch University, 21.

growth, it has largely been neglected in recent years, and funding from international donors has shifted away from physical infrastructure to social services. China has filled this void and invested in both large and small-scale infrastructure projects in its strategic efforts to strengthen economic and political relationships in Africa. A survey of recent railroad projects in Africa reflects China's growing role in the construction and infrastructure industries. In early 2006, the China International Fund was awarded a major contract to rehabilitate the Benguela railroad in Angola, which will run from Benguela to Luau on the border of Democratic Republic of the Congo (DRC).<sup>19</sup> China was also invited by the governments of Tanzania and Zambia to join in the running of TAZARA (originally built by China in the 1970s) either through a concession or joint venture.<sup>20</sup> And later that year Nigeria signed an \$8 billion contract with a Chinese firm to build a railway line between Nigeria's two main commercial cities, Lagos and Kano.<sup>21</sup> Other projects undertaken by Chinese firms have extended past the transportation sector and into water, energy, and communications sectors.

Despite concerns from the international community, China's intensified investments in the 21<sup>st</sup> century have signaled the start of a period of rapid improvements in infrastructure. And while the lack of regulation capacity on the part of national governments raises valid concerns in the development community (which will be discussed in a later section), Chinese investment begins to fill a particularly large gap in funding for infrastructure that is not currently matched by foreign assistance and is rarely addressed by the private sector in large scale projects in Sub-Saharan Africa. Moreover, China's willingness to invest capital in Africa has the potential to complement existing aid programs run by the international community, rather than compete with them. For China's investment role is, to a certain extent, separate and distinct from other international actors. China has access to large amounts of capital, possesses the capacity to working quickly and efficiently, and has the political will to undertake large infrastructure projects. Thus, Chinese investment presents the possibility of a future partner to the international community in achieving development goals in Africa, stepping into an area from which other funders has increasingly shied away.

The third component of China's "complete package" to African countries following trade and investment is development aid, usually in the form of concessional loans. Though official statistics for Chinese aid are unavailable and remain small in comparison to flows of aid from the West, China's development aid has been growing rapidly and offers distinct advantages. The delivery of Chinese aid is based on strategic economic and foreign policy interests as well as China's historical experience in development. This Chinese model of development differs from the Western model in two important ways: it uses a state-centered approach and does not entail political or economic management conditions. For African countries that have been shunned by the international community for their record of authoritarian rule, human rights abuses or simply those countries whose governing capacity is relatively weak, the Chinese model and aid is a realistic alternative to the West. And because Chinese aid is embedded within China's strategy to

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<sup>19</sup> Lola Horta, "China and Angola Strengthen Bilateral Relationship." 23 June 2006. Power and Interest News Report. <[http://www.pinr.com/report.php?ac=view\\_printable&report\\_id=516&language\\_id=1](http://www.pinr.com/report.php?ac=view_printable&report_id=516&language_id=1)> 10 Feb 2007.

<sup>20</sup> Republic of Zambia [Statehouse] Communication, March 27, 2006. <[http://www.statehouse.gov.zm/index.php?option=com\\_content&task=view&id=33&Itemid=56](http://www.statehouse.gov.zm/index.php?option=com_content&task=view&id=33&Itemid=56)> March 24, 2007.

<sup>21</sup> "China to build a Nigerian railway," BBC News, October 31, 2006. <<http://news.bbc.co.uk/2/hi/africa/6101736.stm>> March 24, 2007.

secure natural resources and a more comprehensive foreign policy towards Africa, Chinese aid responds to the needs voiced by African leaders and is delivered quickly.

### Risks and Challenges

Many policymakers have remained critical of China's rapid expansion into Africa, finding that the benefits are offset and, at times, obscured by the detrimental consequences. While Beijing has emphasized "win-win" situations and building upon mutual interests, it is evident that at present there are also conflicts of interest and serious deficiencies embedded in the current relationship. To fully take advantage of China's interest in Africa and avert major conflicts in the future, these risks must be explicitly recognized and addressed. Two serious challenges have become apparent with China's emergence as a critical player in Africa over the past decade: the nature of China's economic relationship with African countries and China's role in undermining international standards in development.

A concern echoed throughout the continent from average citizens to national leaders is the current asymmetries in the Africa-China trade relationship. Though Beijing stresses China and Africa's equal footing as developing countries, serious imbalances of trade exist between Africa and China that may undermine Africa's long-term development goals. A growing number of countries in Africa have significant trade deficits with China, and this trend is likely to continue over time. In 2006 Africa's exports to China totaled \$28.8 billion and China's exports to Africa totaled \$26.7 billion, implying a trade balance in favor of Africa. However, the balance of trade is quite different if trade with Angola, China's most important trading partner on the continent, is removed. Without Angola-China trade, Chinese exports to Africa remain high at \$25.8 billion while African exports to China fall to \$17.8 billion, revealing a fourteen percent trade deficit in favor of China.<sup>22</sup>

The composition of trade between China and Africa is a major factor in causing this trade deficit. The majority of African countries primarily export unprocessed natural resources and agricultural products to China. On the other hand, China's exports to Africa consist of cheap manufactured items. Outside of the major oil producing countries involved in Chinese trade (Angola, Sudan and Democratic Republic of Congo), this dynamic has resulted in serious imbalances. Nigeria, which enjoys close political and economic relations with China, has a \$2.5 billion trade deficit with China that amounts to 82 percent of total trade. Though Ghana is well endowed with natural resources, it also had an 82 percent trade deficit with China in 2006. And even South Africa, a middle-income country that has abundant natural resources and leads the continent in industrial production, had a significant trade deficit with China of 17 percent last year.

The main commodity exports from China are textiles, apparel and footwear, accounting for 36 percent of China's total exports to Africa.<sup>23</sup> The flood of these Chinese manufactured goods threatens the achievement of long-term economic development goals throughout Africa.

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<sup>22</sup> Ministry of Commerce of the People's Republic of China, "Total Import & Export Value by Country(Region) (2006/01-12)." February 6, 2007.

<<http://english.mofcom.gov.cn/aarticle/statistic/ie/200702/20070204358118.html>>

<sup>23</sup> Broadman, Harry G. *Africa's Silk Road: China and India's New Economic Frontier*. Washington, D.C.: The World Bank, 2007. p.81

The textile and apparel industries are central to the beginning stages of economic development in many developing countries, given their labor-intensive nature, and this remains true in Africa. Nascent textile and apparel companies in Africa, however, are unable to compete with the overwhelming influx of cheap Chinese goods (both legal, illegal and unauthorized) and have been forced to close. The resulting de-industrialization and loss of employment has resounded with African leaders and textile workers. In Lesotho, which accounted for the largest textile and apparel industry growth under the African Growth and Opportunity Act (AGOA), 25 textile factories closed down from 2004-05, leaving a total of 23,000 workers unemployed. Nigeria has felt a similar impact of cheap Chinese textile imports; over a two-year period, more than 35,000 textile workers are estimated to have lost their jobs, seriously threatening the survival of domestic textile production.<sup>24</sup>

If African leaders do not address the current imbalances in their trade relationship with China, they will continue to primarily export raw materials while importing manufactured Chinese products. Under current trade agreements, countries remain vulnerable to export dumping for cheap Chinese products, threatening their nascent industries, or are trapped in resource extractive relationships with China. If African leaders do not leverage China's need for natural resources, taking advantage of the opportunity to diversify their economies and proactively utilize revenue to build other sectors of the economy, trade with China will bring minimal benefits to achieve long-term economic growth. President Thabo Mbeki of Nigeria has repeatedly expressed concern about the implicit danger in these economic inequalities, warning that Africa may fall into a "colonial relationship" with China and be "condemned to underdevelopment."<sup>25</sup>

As with China's current trade relationships in Africa, Chinese investment has tended to focus on natural resource enclaves with limited linkages to the larger domestic economy and long-term economic growth. The main goal of Chinese investment is to supply the necessary infrastructure to support the existing resource extractive industries. However, these Chinese infrastructure projects often have little connection to other infrastructure systems in the country and are rarely designed in coordination with national infrastructure plans. Moreover, the actual construction of Chinese infrastructure projects often fails to bring benefits to the local economy. Many Chinese companies prefer to employ Chinese labor and even import building materials from China for investment projects—failing to generate new employment or stimulate the local economy, limiting technology transfer, and creating tension between local Chinese and African communities. A third risk involved in Chinese investment centers on the question of financial sustainability. Some of the investment is secured through new lending from China to national governments, and many question whether the debt can be managed and how it will affect the long-term health of the economy. The growing challenge for Africa is to leverage China's interest in natural resources in order to create more equitable and equally beneficial investment relationships that support sustainable economic growth.

Angola, for example, is positioned to draw great benefits from China's growing necessity for crude oil and interest in investment in Africa. In 2005 Angola forewent an IMF loan and

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<sup>24</sup> Shelton 13.

<sup>25</sup> Afrol News. December 14, 2007. "South African President warns against Africa-China ties"  
<<http://www.afrol.com/articles/23341>>

instead received a \$2 billion loan from China in exchange for a contract to supply 10,000 barrels of crude oil per day. China further increased Angola's credit line to \$3 billion in 2006. The loan has been heavily reinvested in infrastructure, with 70 percent of contracts going to Chinese companies and the remaining thirty percent going to Angolan private subcontractors.<sup>26</sup> Given the vast sum allotted to infrastructure projects, one would expect that either the Angolan sector of energy infrastructure would be developed or that Chinese firms would employ a large number of Angolans, leveraging investment for technology transfer and income generation. A study on Chinese involvement in the construction process found that Chinese firms employed in Angola often import Chinese labor to work on a contractual basis and import all necessary materials and equipment directly from sources in China.<sup>27</sup> While the firms are likely to build the infrastructure projects more quickly as a result, other secondary benefits—including employment, training, and new business opportunities—are likely to be lost in the process. This trend has certainly been seen across the continent, as the benefits of Chinese investment and trade are enjoyed by an elite few and fail to reach the rest of the population.

Another critical challenge that Africa faces, and one that has been strongly vocalized by many actors in Africa, is China's role in undermining progress made towards establishing international norms for development in Africa. Two characteristics distinguish Chinese involvement in Africa and threaten to reverse positive trends in development in Africa. The first notable feature of China's involvement is a general lack of accountability on the part of the Chinese government to either international bodies or African people themselves. This has shown especially true in the operations of Chinese companies within Africa. Unlike Western companies, which are subject not only to intense public pressure but also to international or national regulations from their own countries, Chinese firms do not face a similar degree of accountability. China's trade agreements with African countries are critical to the operations of many Chinese firms, and many are specifically selected by the Chinese government for subcontracting work, giving them privileged status in their African operations. These firms do not follow international labor or environmental standards, yet often continue business because of Chinese government assistance. One clear example was the Chinese company Western Metals Products Company Limited in Nigeria. Only after more than a decade of breaking forest conservation laws, providing patronage for illegal loggers and exporting timber illegally, did the Nigerian government issue an order for the company's closure.<sup>28</sup> Given the weak regulatory capacity of many African governments and the preferential treatment many Chinese firms currently enjoy, such disregard for fair trade practices will continue into the future.

A similar lack of accountability exists with regard to Chinese foreign aid. Currently, China does not have a bureau of foreign aid. Instead, China operates aid projects through its Ministry of Commerce, since the goal of many Chinese aid projects is to secure political favor and continued access to resources. This purely political motivation and implementation may jeopardize the success of the project by removing the pressure to follow accepted best practices in the development field. In additions, this approach contributes to China's piecemeal approach to aid and investment and prevents a single agency from taking full responsibility for China's

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<sup>26</sup> *China's Interest and Activity in Africa's Construction and Infrastructure Sectors*. Center for Chinese Studies, Stellenbosch pp.19-20.

<sup>27</sup> *ibid.* pp.26-7.

<sup>28</sup> Shelton 19.

projects in Africa. If a problem arises with Chinese engagement in Africa, to whom can the affected persons turn for an authoritative stance and a remedy?

China's second and more alarming cause of undermining progress in Africa is its strict policy of non-interference in the domestic affairs of its international partners and the resulting lack of any conditions for its aid, trade and investment. The Chinese policy of non-interference in Africa directly contrasts with the Western conditionality-driven approach that maintains certain non-economic factors have both intrinsic value and instrumental value to achieving development goals. Over the past 15 years, the international community has come to a consensus and recognized the importance of good governance, sound economic management, the guarantee of basic human rights, established local accountability, and the need to wage war against corruption in order to achieve sustainable development in Africa. Progress has been made in establishing these factors as central to any engagement in Africa and international pressure has been used as an instrument to protect these norms. China, however, operates openly without regard to the record of African states on any of these norms and has repeatedly engaged countries that have been shunned by the international community for their corruption, human rights abuses and other poor performance indicators. China's blatant disregard for the international consensus on development threatens to reverse the progress achieved over the last decade, as China has demonstrated its willingness to back unsavory regimes for economic profit.

The Darfur genocide in Sudan provides one of the clearest examples of the dangerous role China can play in undermining international standards on human rights. China's recent involvement in Sudan began in 1996, when China National Petroleum Corporation (CNPC) acquired a 40 percent majority share in the Greater Nile Petroleum Operating Company (GNPOC), which controls a majority of Sudan's oil fields.<sup>29</sup> Since then China has made additional investments worth \$8 billion in Sudan's oil sector,<sup>30</sup> financed a major pipeline and ventured into infrastructure development projects, making China the largest foreign investor in Sudan.<sup>31</sup> Through trade and investment agreements, China has secured crude oil exports from Sudan totaling an average of \$1.4 billion per year.<sup>32</sup>

The consequences of China's non-interference policy became evident as the events of the genocide in the Darfur region of Sudan unfolded and role of the Khartoum government in the Janjaweed's attacks surfaced. No fewer than 200,000 people died during the conflict, and more than two million people were displaced and remain in refugee camps four years after the start of conflict.<sup>33</sup> As the gravest acts of violence were taking place in 2004, the international community moved to declare the Darfur situation an international crisis and to institute sanctions against Sudan through the United Nations. However, China used its position on the UN Security Council to block the sanctions in order to protect its extensive trade and investment interests in Sudan.

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<sup>29</sup> Yitzhak Shichor, "Sudan: China's Outpost in Africa." The Jamestown Foundation, China Brief. Volume 5, Issue 21. October 13, 2005

<sup>30</sup> Simon Roughneen, "Influence Anxiety: China's Role in Africa." ISN Security Watch. 15 May 2006. <[http://www.isn.ethz.ch/news/sw/details\\_print.cfm?id=15837](http://www.isn.ethz.ch/news/sw/details_print.cfm?id=15837)> 16 February 2007

<sup>31</sup> Clifford A. Shelton, "China and Africa: Understanding the Growing Trade and Investment Relationship." The Corporate Council on Africa, 2005. p. 16

<sup>32</sup> Broadman, Harry G. *Africa's Silk Road: China and India's New Economic Frontier*. Washington, D.C.: The World Bank, 2007. p.120

<sup>33</sup> BBC News, "Sudan's Darfur conflict." February 27, 2007. <<http://news.bbc.co.uk/1/hi/world/africa/3496731.stm>> March 27, 2007

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Chinese engagement continued and increased even after other foreign investors and companies exited the country, and China deployed some 4,000 PLA troops to Southern Sudan to guard an oil pipeline. Moreover, China has sold weapons to the Sudanese government, despite arms embargos from other nations.<sup>34</sup>

China's deputy foreign minister, Zhou Wenzhong, was very direct about China's non-interference policy towards Sudan. In an interview in 2004, he said, "Business is business. We try to separate politics from business. Secondly, I think the internal situation in the Sudan is an internal affair, and we are not in a position to impose upon them."<sup>35</sup> Yet the business of China remains inextricably linked to the politics of Khartoum. Chinese engagement has supplied the government with a continual source of revenue, arms and military equipment, and protection against sanctions and pressure from international bodies. And to the dismay of the international community now active in trying to pressure President Umar Bashir into fully addressing the situation in Darfur, President Hu Jintao has provided disincentives to do so. During his recent visit to Sudan in January 2007, President Hu pledged an additional \$4.8 million in humanitarian aid to Darfur, wrote off up to \$70 million in debt to China and extended a \$13 million interest-free loan to build a new presidential palace.<sup>36</sup> China is both the patron and the protector of the Sudan government, preventing substantial multilateral action from being taken against Sudan.

China also poses a threat to the democratization movement across Africa by supporting corrupt leaders and practices. An alliance of Chinese state institutions active in Africa and the local elites is sufficiently powerful to reverse political reform that is currently in progress on the continent—effectively putting a brake on the opening of the political space and the democratization of development. In addition to bolstering the Sudanese government, China is also one of the main actors enabling President Robert Mugabe to continue Zimbabwe down a rapidly deteriorating path, both economically and politically. Mugabe's economic policies are largely believed responsible for the current dilapidated state of Zimbabwe's economy. Annual per capita GNP declined from \$460 in 2000 to \$320 in 2005, with inflation rates reaching 1000 percent in 2006.<sup>37</sup> More importantly, Mugabe's government is known throughout the international community for its egregious human rights abuses and disregard for civil liberties, extreme corruption, and authoritarian control over the country. Mugabe's regime has earned Zimbabwe a ranking as one of the world's most repressive states.

Like Sudan, Zimbabwe faced mounting international pressure as a result of Mugabe's despotic rule and governance and fiscal policies; in 2001 the IMF declared Zimbabwe ineligible to receive additional loans from the Fund, and the EU and the US followed with their own sanctions against Mugabe and other high-level leaders.<sup>38</sup> In response, the President of Zimbabwe

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<sup>34</sup> Peter Brooks and Ji Hye Shin, "China's Influence in Africa: Implications for the United States." 22 February 2006. The Heritage Foundation. <<http://www.heritage.org/Research/AsiaandthePacific/bg1916.cfm>> 16 February 2007.

<sup>35</sup> Howard W. French, "China in Africa—All Trade, with No Political Baggage," The New York Times, August 8, 2004. <<http://www.nytimes.com/2004/08/08/international/asia/08china.html>> March 27, 2007.

<sup>36</sup> Opheera McDoom, "China's Hu tells Sudan it must solve Darfur issue." 2 February 2007, Reuters. <[http://www.boston.com/news/world/asia/articles/2007/02/02/chinas\\_hu\\_visits\\_sudan/](http://www.boston.com/news/world/asia/articles/2007/02/02/chinas_hu_visits_sudan/)> 16 February 2006.

<sup>37</sup> Zimbabwe Data Profile, World Bank.

<<http://devdata.worldbank.org/external/CPProfile.asp?CCODE=ZWE&PTYPE=CP>>

<sup>38</sup> International Monetary Fund, "IMF Declares Zimbabwe Ineligible To Use IMF Resources." 25 September 2005. <<http://www.imf.org/external/np/sec/pr/2001/pr0140.htm>> 15 February 2007.

adopted a “Look East” policy that aimed to strengthen economic relations with Asian nations, especially China, as alternative trading partners. China has since become a critical ally for Zimbabwe in the international arena and has shielded Zimbabwe from pressure and direct action from the international community. China has also supported Mugabe’s regime economically through loans, technical assistance and investment in mining, agriculture, tourism and tobacco industries.<sup>39</sup>

In return for its political support for Zimbabwe, China has been given access to Zimbabwe’s rich natural resources and finds Mugabe’s government a willing partner with whom to negotiate on related trade and investment agreements. China’s investment in Zimbabwe continues despite the downward spiral of the country’s economy and the state of political and civil liberties. It has been reported that many trade and investment deals are hidden in a welter of barter arrangements and front companies, reflecting Zimbabwe’s inability to pay China with hard currency. For example, China is widely reported to have taken a share of Zimbabwe’s tobacco harvest in exchange for industrial equipment.<sup>40</sup> And like many other African nations, Zimbabwe has also become a destination for low-quality, cheap Chinese goods.

Through its economic engagement and political defense, China has bolstered Mugabe’s regime and assisted in the continued erosion of human rights and democratic practices in Zimbabwe. In its relationship with Zimbabwe, China has not separated business from politics, instead playing the two factors off of each other. Moreover, by targeting a country that has largely been isolated from the international community, China is able to maximize the benefits it draws from the relationship with little regard for the long-term impact on the political and economic stability of the country.

China’s lack of conditionality for trade and foreign assistance has earned legitimate criticism for the country’s foreign policy in Africa as its active role in Zimbabwe and Sudan (among others) has shown. For China’s non-interference policy not only allows China to financially and politically back repressive regimes but also threatens to undermine democratic reforms that have been achieved (sometimes tenuously) in other African states. If China truly wants to see African states achieve greater development, they should join the international community in recognizing the centrality of functioning and democratic political institutions to achieving Africa’s development goals and upholding the fragile norms and incentives that have been created over the last several decades.

### **Engagement as the Way Forward**

China offers real economic benefits to African countries, filling a void in trade and investment that is critical to Africa’s economic development. Africa needs to increase its export trade in order to build a sustainable economy and have the resources to supply China’s growing demand for energy resources and other raw materials. Through means of economic agreements, political support and foreign development assistance, China has located and exploited these areas

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<sup>39</sup> Clifford A. Shelton, “China and Africa: Understanding the Growing Trade and Investment Relationship.” The Corporate Council on Africa, 2005. p. 16.

<sup>40</sup> Michael Wines, “From Shoes to Aircraft to Investment, Zimbabwe Pursues a Made-in-China Future.” New York Times, 24 July 2005. <<http://www.nytimes.com/2005/07/24/international/africa/24mugabe.html?pagewanted=2&ei=5090&en=8a420bdb2925469b&ex=1279857600&partner=rssuserland&emc=rss>> 16 February 2006.

## **China and Africa: Opportunities, Challenges and Forging a Way Forward**

of shared interest between African governments and Chinese national interests. Hence, the push for increased “win-win” situations and benefits for both parties.

However, these benefits come with significant costs and, as evident to both Africans and the West, Beijing’s “win-win” engagements also leave behind many losers. In many countries, Chinese engagement comes at the cost of trade deficits and economic inequalities, disregard for international standards on labor and environment, and erosion of recent political reforms. Over time, Africans must figure out how to mitigate and protect themselves from the costs of Chinese aid, trade and investment, leveraging China’s interests to create truly mutually beneficial relationships.

As it stands, the African strategy towards China has two critical weaknesses that prevent it from drawing the full benefits of the China-Africa engagement. The first weakness is that African countries are negotiating aid, trade and investment agreements with China as 53 individual countries. By focusing on gaining favorable agreements by country instead of through a collective voice, African leaders have greatly diminished their bargaining power with China. The second weakness has to do with individual country’s bargaining capacity; many smaller African countries have a low capacity for dealing with the massive political and economic power of China and ensuring their demands are voiced and met. As China continues to expand its presence on the African continent, African leaders must devise a coordinated strategy for engaging China that addresses these two weaknesses. Africans should strive towards developing a broad-based framework for all international actors operating in aid, trade and investment in Africa, setting clear standards across the continent to which China would be subject. In the process of developing this framework, the international community should seek to provide Africans with the space and capacity to safeguard their interests and provide leaders with the forum through which to coordinate and maximize leverage in dealing with China’s emerging role. Only by strengthening the power of the African voice and engaging China on multiple levels will African countries be able to prevent further asymmetries in Africa-China relations and ensure that Africa derives as many sustained benefits from the engagement as China currently enjoys.

African leaders should then collectively engage China in order to ensure that their investment and aid contributes to development goals and follows the established guidelines and norms. Existing regional organizations should play an increasingly important role in these collective engagements. The African Union, New Policy for African Development (NEPAD), African Development Bank (AFDB), the China-Africa Cooperation Forum and the China-Africa Business Council (among others) can serve as a more powerful, collective African voice in dealing with China and emphasize the long-term interests of Africa, proactively including governance, sustainability and economic management criteria in all agreements.

In this process, the West should avoid viewing China as a dangerous competitor for economic and political influence in Africa and should refrain from patronising efforts to “protect” African countries from China. Rather, the international community should seek to cooperatively interact with China and exploit the expanding intersection of interests between China and the traditional aid community. In the long-term, China’s support of brutal and dysfunctional governments will eventually become detrimental to Chinese investment interests in Africa and may even threaten China’s peaceful rise to power. Therefore, Beijing’s national

interests will eventually move it closer to Western approaches. To hasten this process, the U.S., Europe and Japan should engage China at all levels in discussion about opportunities and challenges in Africa. For example, the kind of multilateral conversations that frequently take place between the U.S., Europe, Japan and Africa should expand to include China. Regular consultations between officials of China and Western governments on African issues should commence to foster greater understanding and improve coordination in strategies in Africa.

The U.S., Europe and Japan should also engage China through existing international forums dealing with development in order to productively place pressure on Beijing to align its aid, trade and investment practices in Africa with widely accepted international norms. China should be invited to join OECD countries in discussions on Africa through the Development Assistance Committee (DAC). The West should also consider bringing China into the G-8 where Africa is usually an important part of the annual discussions which have then been followed up under the G8 /NEPAD Partnership for Africa.

China's recent, intense expansion into Africa has furthered the greater integration of Africa in the global economy and remains a positive trend in African relations over the past decade. The majority of negative impacts of China in Africa are largely due to an absence of greater demands from African partners or from limited capacity to handle economic relationships with such a strong country. Yet the problems that have arisen do not necessarily point to inevitable conflicts of interests. In fact, the coming years should see a convergence of interests in Africa. Thus, as solutions are weighed with the purpose of effectively engaging China, the focus should shift to creating "win-win-win" arrangements in Africa: situations that prove good for Africa, China and the international system.