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MOSCOW AND BEIJING, ASA’S ROARING ECONOMIES

China’s trade safari in Africa

China first became involved in Africa during the cold war, when it made friends and did business in parts of the world overlooked by the West and the Soviet Union. Its investment is paying off now in oil and raw material imports and markets for manufactured goods.

By Jean-Christophe Servant

SOME of the Chinese officials who visited Angola’s president, José Eduardo dos Santos, last December, must have been embarrassed. Nine months before, China’s export bank, Eximbank, had approved a $2bn line of credit to enable Angola to reconstruct infrastructure - including electricity, railways and administrative buildings - destroyed during 30 years of civil war. In return China would receive 10,000 barrels of oil a day. But just a few days before the visit, the British watchdog on transparency, Global Witness, announced that the money was in danger of being diverted to other uses.

Some of the money went to fund government propaganda for the 2006 general election. On 9 December Chinese pressure forced the business go-between Antonio Pereira Mendes de Campos Van Dunem to resign from his post as secretary of the Angolan council of ministers. In a moment of weakness Chinese business had forgotten a basic principle of its long march into Africa: never get mixed up in the internal politics of countries with which it deals. But there was little danger that this momentary moral qualm, no doubt explained away as a sop to international investors in a notoriously corrupt country, would slow the pace of dealings between China and Africa.

China originally broke off relations with newly independent Angola, regarding it as too close to the Soviet Union. Thirty years later it has rectified this mistake. The former Portuguese colony has become China’s second-largest commercial partner in Africa and exports 25% of its oil production to China. Direct flights to Beijing are being discussed, as is the establishment of a Chinatown in Luanda as a home for Asian managers.

The line of credit - at 1.5% over 17 years - might look disadvantageous to China in the short term, but Chinese companies will secure the lion’s share of lucrative contracts for national reconstruction. Local people are unhappy. As independent economist José Cerqueira pointed out: "There is a condition in the loan that 30% will be subcontracted to Angolan firms, but that still leaves 70% which will not. Angolan businessmen are very worried about this, because they don’t get the business, and the construction sector is one in which Angolans hope they can find work" (1).
China’s trade safari in Africa, by Jean-Christophe Servant

2004.

In 2004 Chinese investments represented more than $900m of the $15bn of foreign direct investment (FDI) in Africa. Of the supposed exhausted oil reserves in Gabon are being explored. Zambia's Chambezi copper mines are being worked again and has neglected, even abandoned, as less profitable. As a result, China is now the world's second largest consumer of crude oil, bringing in more than 25% of its oil imports from the Gulf of Guinea and Sudan. Its thirst is limitless: by 2020 it will be forced to supply 60% of its energy needs from abroad, even from nations such as Chad that have maintained diplomatic relations with China, equalled only by his opposite number in the DRC, Denis Sassou Nguesso.

In 1977 trade between China and Africa reached a record $817m. Throughout the 1980s, when the big cold war powers were pulling out of Africa and western development aid halved, China kept up its contacts. But it had packed away its revolution to concentrate on fostering external trade and foreign investment. By the time that post-cold war geopolitics and developments in the Middle East had drawn the traditional players back into Africa, China had turned itself into the workshop of the world and had its eye on Africa's raw materials.

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The 674 Chinese state companies involved in Africa have invested not only in booming sectors such as mining, fishing, precious woods and telecommunications, but also in others that the West has neglected, even abandoned, as less profitable. As a result, Zambia’s Chambézi copper mines are being worked again and supposedly exhausted oil reserves in Gabon are being explored. In 2004 Chinese investments represented more than $900m of the $15bn of foreign direct investment (FDI) in Africa. Of the thousands of projects under way, 500 are being exclusively directed by the China Road and Bridge Corporation, a state enterprise, helping to place 43 Chinese companies among the 225 global leaders in the area. In Ethiopia China is involved in

Translated by Donald Hounam
See also : Asia in the pipeline.
(2) China has diplomatic relations with 47 of Africa’s 53 states.
(6) The agreement, signed by 47 countries in 1974, allowed developing countries to export a quota of their textile production to the US and Europe but capped imports.
(9) Oil-backed loan will finance recovery projects, Integrated Regional Information Networks, 21 February 2005.
(10) The Commonwealth and the European Union introduced economic sanctions against Zimbabwe in response to electoral fraud and political violence.
(11) Angola, Botswana, DRC, Lesotho, Malawi, Mauritius, Mozambique, Namibia, the Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe.
(14) More about Jean-Christophe Servant.
(15) The fund was created after the first China-Africa forum in Beijing in 2000. See : Chinafrique.com
(16) This follows the April 2005 Asian-African summit, held to commemorate the 50th anniversary of the Bandung conference. Based on political, economic and cultural exchanges and cooperation, the partnership will promote trade and investment.

In its role as an anti-imperialist counterweight to the West, China infiltrated parts of the world overlooked by the United States and the Soviet Union. It took on ambitious projects, such as the construction of the Tanzan railway between Tanzania and Zambia, and concluded agreements for military cooperation, concentrating on ideological friends in east Africa (Ethiopia, Uganda, Tanzania, Zambia) and major non-aligned countries such as Egypt. Between 1955 and 1977 China sold $142m of military equipment to Africa. It also threw open the doors of its universities: 15,000 African students have studied in China since their countries became independent.

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telecommunications; in the Democratic Republic of Congo it has
done work for Gecamine, the state-owned mining company; in
Kenya it has repaired the road linking Mombasa and Nairobi; and
it has launched Nigeria's first space satellite. As an incentive to
Chinese nationals, eight African countries have been officially
designated tourist destinations.

Beside this economic and commercial offensive there has been
intense diplomatic activity. President Hu Jintao has made a
much-publicised visit to Gabon since he came to power in March
2003. China's ministries of trade and foreign affairs, both of which
have African sections, have sponsored 100 official meetings. In
countries where relations with the West are problematic, China is
benefiting from its policy of non-involvement in internal politics.
Its relationship with Sudan, condemned by the United Nations
over the situation in Darfur, is emblematic of a strategy
untroubled by ethical considerations.

He Wenping is deputy director of the Department of International
Relations in the African Studies Section of the Chinese Academy
of Social Sciences in Beijing. "Common sense about human rights
and sovereignty is only one of the common values shared by
China and Africa," she said. "There is no doubt that China's
success in Africa has partly benefited from it, and those common
values have laid solid foundations for further promoting bilaterial
relations in future."

China first established a presence in the unexploited Muglad
oilfields of southern Sudan 10 years ago. Now it imports 50% of
the region's crude oil, and 13 of the 15 most important foreign
companies operating in Sudan are Chinese, from the China
National Petroleum Corporation to the Zhongyuan Petroleum
Corporation. The cynicism of the government in Beijing became
apparent in September 2004, when the UN security council
passed resolution 1564, announcing an embargo on arms sales to
Sudan. China's UN ambassador, Wang Guangya, used the
massacres in Darfur as a pretext for threatening to veto the
resolution, before finally abstaining. The US-proposed resolution
had already been significantly watered down. The incident is an
indication of the strength of the ties linking the governments in
Beijing and Khartoum.

Many African despots have echoed Omar Bongo Ondimba,
president of Gabon and a long-time friend of China, and praised
the spirit of "mutual respect" and the "concern for diversity" that
characterise Chinese trade and cooperation (6). But this safari to
Africa has alarmed the multinationals that have traditionally
exploited the continent's resources (7). And the US, officially
committed to fostering good governance, is beginning to lose
patience with Chinese economic policy. According to Gal Luft, a
specialist in energy security and executive director of a
neo-conservative thinktank the Institute for the Analysis of Global
Security: "The Chinese are much more prone to do business in a
way that today Europeans and Americans do not accept - paying
bribes and bonuses under the table. I think that it will be much
easier for [some African] countries to work with Chinese
companies, rather than American and European companies, which
are becoming more and more restricted by the publish what you
pay initiative and others calling for better transparency" (8).

Rwanda's minister of finance and economic planning, Donald
Kaberuka, says: "It's a different way of doing business" - an
alarming prospect for NGOs already fighting cynical western
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practices in Africa. In the past international organisations such as the World Bank have been criticised for making loans to countries in need conditional upon non-negotiable demands. Now the situation is reversed, with China granting unconditional, instant credits that encourage white elephant projects, without concern for financial transparency.

“My reaction when I hear of this big Chinese loan is that it distorts the whole process and gives a lot more flexibility for Angola not to comply with the conditions of other deals, such as an agreement with the International Monetary Fund,” says Douglas Steinberg, outgoing director of the Angolan programme of the humanitarian NGO Care. “It allows the government to escape transparency” (9). Environmental organisations are watching the commercial development of a country that emits more pollution than any other and has not signed the Kyoto Protocol: 60% of the 4m cubic metres of undressed timber exported from Africa every year go to Asia, almost all of that to China.

Chinese arms sales are a cause for concern. In the late 1990s China made more than $1bn out of the war in Eritrea. It has also been suspected of using Sudan as an outlet for military technology. It is still militarily involved in Zimbabwe, another country cold-shouldered by the West (10). Chinese military attachés have been concentrated in member states of the Southern African Development Community (11). According to a US analyst: “During the cold war, Chinese arms transfers to Africa were motivated by ideology. Now, profit is the main objective” (12).

What the Chinese see as a win-win situation - a new economic game in which neither partner can lose - can also be seen as fresh neocolonialism disguised as South-South development. Some African analysts are wondering about the limits of Chinese trade policy and the direct competition to Africa’s economy from specific Asian products, from textiles to steel. South Africa was China’s first African partner and, as a gesture of solidarity, broke off relations with Taiwan in 1997. Now, according to the deputy chairman of the South African Institute of International Affairs, Moeletsi Mbeki, China represents “both a tantalising opportunity and a terrifying threat”. It is a familiar story: “We sell them raw materials and they sell us manufactured goods with a predictable result - an unfavourable trade balance against South Africa” (13).

South Africa’s trade deficit with China has risen from $24m in 1992 to more than $400m. In September 2004 a member organisation of the powerful Congress of South African Trade Unions threatened to boycott anyone selling Chinese products, which it blamed for rising unemployment. The problem can be seen in the market stalls of the Senegalese capital Dakar, where cheap Chinese imports, from shoes to medicines, elbow rival products aside, while the textile workshops of Lesotho are threatened by the expiry of the multifibres agreement last January (14).

China has responded with promises, handouts, allusions to the spirit of Bandung (see Bandung’s lost illusions, page 14) and symbolic gestures: since 2000 it has cancelled $10bn in bilateral debt. The Chinese government’s African Human Resources Development Fund pays for 10,000 Africans to be trained in Beijing (15).

From Liberia to the Democratic Republic of Congo, China is
increasingly involved in peacekeeping operations: in 2004 it contributed more than 1,500 troops to the UN presence across the continent. While acknowledging that any final decision rests with the African Union, China has publicly supported the three African candidates - South Africa, Egypt and, in particular, Nigeria - for a permanent seat on the security council.

In trade another great leap forward is expected by 2006, with the launch of the New Asian-African Strategic Partnership (16), oriented towards the private sector, from which China is likely to be the main beneficiary. During his visit to Gabon in 2004 Hu Jintao promised "economic cooperation with emphasis on infrastructure, agriculture and the development of human resources". This may be no more than a pious hope, but it is certain that "henceforth [China] will act like any other power, in accordance with its own well-known interests. It will concentrate its cooperative efforts in countries where it recognises high potential, whether it is a matter of raw materials, potential markets or diplomatic influence" (17).

How will Africa’s traditional partners adapt to the Chinese presence, and how far will they be prepared to go? "It is normal and natural that China's involvement in Africa could lead to some conflict of interest with the former colonial rulers," He Wenping says. "I don't think we should worry too much about it. To help African people become better off and benefit from globalisation is the common object and aim of people and countries around the world. The Chinese people and government would very much like to contribute to this aim. And history shows that this must be a hard and long journey."

According to the IMF, Africa should experience growth of 5.8% this year, the highest for 30 years. In part this will be due to China. But is Africa, once a sideshow in the cold war, destined to be at the centre of an intensifying trade war?