

**CHINA'S ROLE IN THE WORLD:
IS CHINA A RESPONSIBLE STAKEHOLDER IN AFRICA?**

Testimony of

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Mr. Chairman:

I am delighted to have the opportunity to testify today before this important Commission, on such an important topics as China's growing global role.

There are few issues more vital to U.S. national interests than understanding and responding appropriately to the changing global role of the People's Republic of China. The PRC's changing role touches on all elements of American interests – economic, diplomatic, strategic, technological and military. These interests range from intellectual property rights protection to bilateral tensions over the straits of Taiwan. China's rapidly evolving relationship with Africa, the topic of this testimony, is important in its own right, and also reveals important dynamics and trends in China's global role more broadly

My perspective on China's relationship with Africa is shaped by many years visiting and working in Africa as well as China. I have published and advised governments on the political economy of the world petroleum market, especially in Africa, and more recently, I have studied and published on the other great market of our modern era, the information and communications sector. My most recent book examines the expansion of IT industries in China, Ghana, Brazil and other countries, and I usually get to China and to Africa several times a year. I have been privileged to be deeply involved in these and other subjects as a scholar, a senior government official at the White House, and as an international advisor. I have also testified on China-Africa relations before the House Sub-Committee on Africa, Global Human Rights and International Operations.

The Four Questions

The Committee asked me specifically to address four questions concerning China's relations with Africa:

1. To what extent does China use tools of statecraft (military power, diplomacy, business activity, and aid) in Africa to open the door for resources and energy trade? How does this compete with existing U.S. relationships or complicate the establishment of new relationships?
2. How does China seek to be portrayed through its diplomatic relations. Can its portrayal be reconciled with its actual actions?
3. What steps should the U.S. take to strengthen relationships in Africa?
4. How have Sino-Africa relations affected U.S. diplomatic, economic, and security interests in Africa?

Framing the Issue of China's Behavior in Africa

Before I answer these four questions directly, let me suggest one way of framing the discussion that may be helpful for the policy recommendations you must ultimately make, and pass on to Congress. It seems to me that the recommendations should be shaped largely by whether you decide that Chinese behavior in Africa – and in other regions – conforms to international norms or it doesn't. Put another way, are current Chinese actions in Africa *converging* with accepted international norms? Are they

diverging away from those norms? Or over time, are we witnessing China maintain a static *status quo* that lies somewhere between convergence and divergence? The policy implications of each are quite different.

The key element here is ‘*over time*’. The best policy recommendations will be based on observable trends in Chinese behavior, and not just on snap shots taken at a single point in time. Of course, describing one country’s relationships with 50-odd other nations is hard enough; tracking them over time is much more difficult, but I respectfully suggest it is worth the effort. At the end of this testimony I will hazard a guess about whether we are seeing divergence, continuity or convergence in Chinese-global behaviors? Let me now turn to your four questions.

To what extent does China use tools of statecraft (military power, diplomacy, business activity, and aid) in Africa to open the door for resources and energy trade? How does this compete with existing U.S. relationships or complicate the establishment of new relationships?

It is a truism that countries use all the tools of statecraft at their disposal to advance their multiple interests, including their interest in obtaining natural resources and energy, and opening markets. All countries act as if it is important to create and maintain good relationships with other countries that produce and export raw materials like oil and gas. All governments tend to pay more attention to resource-rich countries than to resource-poor ones.

China is no exception. China is on a new glide path, and new strategic direction, in experimenting with a variety of ways to use the tools of statecraft to open the doors to get privileged access to energy and resources in Africa and elsewhere. By so doing, China certainly complicates the existing U.S. relationships with Africa (and, for that matter, with China as well) I will describe some of those strategies.

Foreign Aid:

Chinese foreign assistance is concentrated in several sectors, especially infrastructure construction, such as highways, railways and power supplies. They also typically support large and visible construction projects such as public buildings like stadiums. They also have been active for many years in the health sector, sending physicians to Africa, and training Africans in medical care in China. It should be noted that the Chinese operate in sectors where other donors are less active. This means some of their work in Africa is complementary to that done by the U.S., for example. It is also worth noting that there has been little effort to train Africans and build local capacity. In contrast to the British or Scandinavians, for example, the Chinese approach is to import workers from home to build their large projects, with little effort to partner with local groups or hiring many people in country. This is a consistent complaint of the Africans, and some have started to pressure the Chinese on this.

An important part of foreign assistance these days is debt forgiveness. The Chinese have forgiven about one billion dollars of bilateral debt. They are also training more than 100,000 Africans in Chinese universities and military institutes.

We may be starting to see some innovation in Chinese foreign assistance. In Nigeria for example, they seem to be increasing the sectoral spread of their projects, into agriculture, health, water and also training.

Diplomacy:

These days foreign aid and traditional diplomacy are closely linked in PRC activities in Africa. The Chinese have dramatically stepped up their diplomacy and their exercise of 'soft power. A recent report on China's soft power by the Carnegie Endowment for International Peace points out that China is sending far more diplomats into the Asia region than any other power - many more than the U.S., for example. This general trend is also manifested in Africa. China's top two leaders have made multiple high visibility trips to Africa, as have had a host of other senior Chinese officials.

At every stop the Africans are reminded that China too is a Third World country which suffered from foreign occupation, and that it respects the sovereignty of its brethren developing nations to take their own decisions free from outside pressures. (SEE below) The PRC also maintains a China – Africa forum which brings together senior officials from both regions on a regular basis.

Business Activity:

As a long-time communist country the PRC did not send many trade missions abroad; but as more businesses are privatized one is starting to see more. In Nigeria, for example, a trade mission recently explored possible investment and sales opportunities in that country. We should expect however that as Chinese companies strive to become more globally competitive they will engage in more aggressive sales and marketing in Africa and other countries, within but also beyond the natural resources sectors. According to the CEO of a large and well-respected American oil services company who recently returned from China, Chinese companies are striving to become "world class corporations befitting a great country". He believes they are more and more playing by international commercial rules.

Military Power: So far, this has probably been the least significant factor relative to other instruments of state craft. It is the case that Chinese arms show up across the continent from Liberia to Somalia. These seem to be mostly small arms sales to middle men arms dealers who in turn sell to Africans, both governments and rebels (lots in Liberia, for example). The available evidence suggests these are not major (especially relative to the U.S. which supplies about 50% of the world's weapons) and hence the direct leverage of the Peoples Liberation Army or the civilian ministries is probably modest in African conflicts. Nor can China compete effectively in its military training and educational programs with the ex-colonial powers, given the latter's continuing ties via their military academies like Sandhurst in the UK and St. Cyr in France.

How Does China seek to be portrayed through its diplomatic relations. Can its portrayal be reconciled with its actual actions?

In contrast to the other big powers China has long portrayed itself as a developing country facing the same challenges of poor infrastructure, inadequate education and urban-rural splits that mark all other developing nations. As such, China claims a deep and abiding understanding of its fellow Less Developing Countries (LDCs) not shared by other western countries or Japan. China also claims it too was the victim of colonialism (Japanese), a claim that plays very well in Africa.

A second related claim the PRC makes is that it is not just a developing country, but is a remarkably successful developing country that has made great strides in economic growth and social well-being. Therefore the country offers itself as a model to other developing nations seeking their own path to growth and stability

Thus, the Chinese try to distinguish themselves from other donors because of their sensitivities and understandings, and hence they claim to be more fraternal and less interventionist or pushy than other donors. A keystone of its foreign assistance and diplomatic strategy is to refuse to get much involved with the internal political, institutional and policy arrangements of its partners. So far it has refused to employ explicit conditionalities as a requirement for receiving assistance, in stark contrast to western donors.

Does it live up to these self-portraits? Yes and no. It is a developing countries, as anyone who has traveled outside Beijing or Shanghai can attest to. Equally clearly, China is not your garden-variety LDC, but belongs in that small group of 'Newly Industrializing Countries (NICs) that straddle two worlds. Does it meet its rhetoric of non-intervention diplomatic and foreign aid strategy.

What steps should the U.S. take to strengthen relationships in Africa?

The U.S. could take a number of steps to strengthen its ties to Africa to help achieve long term and sustainable economic growth, and improved standards of living. These steps would also enhance America's standing in Africa relative to other big powers who also seek to win friends and influence people on the continent. Some of these are direct, others more indirect. Some are institutional, others more policy-driven.

- In light of current situation with the Doha round of trade negotiations under the framework of the WTO, the U.S. should exercise even more leadership – and demonstrate flexibility to -- improve access of African products to American markets, especially agriculture.
- Through instruments like ExIm and OPIC, find ways to encourage greater U.S. investment in the non-extractive industries of Africa – i.e. in services, manufacturing and agriculture.
- One of America's greatest successes in Africa was helping Africans create the current generation of leaders, intellectuals and skilled professionals through our support for higher education. USAID, but also non-profits like the Rockefeller Foundation helped build and maintain great universities in Africa, and provided

funds for educating Africans in U.S. colleges and universities. This should be repeated today.

- Support African initiatives like NEPAD, and listen more carefully to Africans themselves, including on their views of China's role in their continent.
- Much greater levels of support for conflict reduction and training.

How have Sino-Africa relations affected U.S. diplomatic, economic, and security interests in Africa?

Evolving Sino-African relations have affected U.S. interests in Africa in several ways, some are more direct, others indirect.

For professional Africa hands, whether in government or the private sector, handling Africa has now become more complicated. Instead of just tracking the commercial and diplomatic comings and going of the Brits, the French, the Belgians and the Japanese, they now need to assign resources and staff to track the comings and goings of the Chinese as well. New people and new systems are being put in place to do so. In conversations with senior officials in the State Department in Washington, China's African adventures are now on the front burner.

Also, Chinese geo-strategic and geo-economic maneuvers in Africa seem to be leading the PRC to be much more conservative and narrow in their voting behavior at the United Nations, sometimes opposing American interests. For example, they have deliberately blocked moves to tighten the screws on the Khartoum government by imposing mandatory sanctions.

On the bi-lateral diplomatic front American embassies in Africa now try to counter Chinese efforts to create an explicit alternative to the 'Washington consensus' on foreign assistance and the rules of diplomacy. "If the Chinese won't interfere with internal politics and policies in Africa, why should other big nations? If China has been successful with a non-democratic development model far from the current requirements of the west for transparency and participation, why should other nations harangue the Africans to conform to western ideals of democracy and development?" These are arguments American diplomats are confronting.

The economic impacts of China –African relations are more indirect, but potentially much more serious than the diplomatic impacts, and they should raise serious concerns for the Congress and the administration. First, the combination of China's efficient export engine, combined with an exchange rate held deliberately low – some say artificially and unfairly low – has sent a tsunami of destruction across the African manufacturing landscape, especially in the textiles industry. Textiles are typically the first rung in the development of manufacturing for all countries. But the Chinese export engine has flooded the region with cheap products, eviscerating industries in countries like Lesotho, Botswana and even South Africa. To the degree this tsunami wrecks Africa's economic development prospects, it poses challenges to all concerned, including America. The South Africans recently concluded negotiations with the Chinese to try to reduce the

negative impact of their textile exports on Africa's largest economy, which is now generating unemployment and dislocation among workers. In one conversation with a senior South African official, there was clearly a sense that the country was trying to take steps to mitigate the textile tsunami. They are also insisting that when Chinese invest, African workers must be hired. At the same time, the official said, the African continent is so 'hungry for investments' in the economy that they don't always have the luxury of pressing too hard on the investment terms.

The Tough Issue of Petroleum Politics.

This is probably the thorniest issue of all in China-Africa-American relation. The short version of the story is that the impact on Africa of expanded Chinese involvement with the oil industry is a double edge sword. On the one hand, Chinese purchases have substantially boosted government revenues of oil exporters like Angola, Gabon or Nigeria. On the other, it hurts far more countries than it helps because PRC petro-purchases have on their own bounced up global oil prices and hence reduced the non-oil import component of what the majority of African countries can afford to buy. (This in turn is partly offset because China's purchases have also pushed upward the price of other non-oil raw materials like copper and timber.)

As a guiding principal one needs to keep in mind that since oil is a fungible commodity - whether China or the U.S. imports supplies from Angola or Kuwait makes very little difference in the price we pay. The oil market is the oil market, everywhere. In preparation for this hearing I contacted some of my old colleagues who are world-class experts in the oil patch, and they urged caution when reaching conclusions about the intersections of petroleum and politics. They claimed that it doesn't make too much difference if China or country X's oil companies chooses to buy or 'own' a particular field in Africa or Latin America and pump the oil; *or* whether they choose to buy equivalent amounts on the open market. Even if China is moving aggressively into Africa to buy reserves, the fact remains that relative to the traditional oil majors, Chinese companies hold a tiny proportion of total world petroleum assets. Nor are their current raw material investments in general likely to 'crowd out' other investments, whether those of the U.S. or other western countries.

So What?

What's the U.S. interest here? To the degree that most African economies are further damaged by higher oil prices and African industry is undercut, then the U.S. and other nations need to be concerned about the higher risk of economic stagnation, further political instability, humanitarian crises and providing fertile ground for the growth of terrorist groups.

But taken together, however, the political and strategic impacts of China on Africa have been fairly modest. One would be hard pressed to find many instances where a significant U.S. foreign policy purpose in Africa has been turned aside or compromised either by direct or indirect challenges by the PRC, or where African authorities have changed their views because of the 'soft power' or commercial pressures of the Chinese.

A Few Additional Questions.

I trust I have answered the four basic questions you posed to me in your invitation. Were I asked to think of a couple more questions the Commission could consider, I would respectfully nominate the following ones to you and your staff that deserve more detailed reporting and analysis than one can give in this kind of testimony.

- o *Current Situation Africa-Wide.* Description and assessment of the current extent of China's engagement with Africa as a whole, including diplomatic representation, commercial ties, military arrangements, high level visits, and so forth.

- o *Review of the Experiences of Selected Countries.* More detailed analyses of PRC actions in selected African countries where they are most active. This might include Angola, Nigeria, South Africa, Sudan and Zimbabwe. Especially, what have been the impacts on our bilateral relations with those countries? Based on analytic assessments of these two topics, do we find divergence, status quo or convergence?

- o *The View from Beijing.* What do we believe are China's interests and motives in its Africa engagements? What are the key institutions and who are the key players in Beijing, and how do they define their interests? (foreign affairs, state owned enterprises, trade and economy ministry, their 'Africa Bureau', and so forth)

- o *African perspectives.* What are the prevailing views of China's new initiatives in Africa's leading capitals? Lagos? Pretoria? Nairobi?

- o *Comparative Perspectives.* How different are China's behaviors and policies from those of other powerful states? Compare and contrast China's economic, diplomatic, strategic and other relations with those of leading EU countries like France or the UK, as well as Japan or Korea. How far outside the current multilateral perspective (e.g. World Bank) is China's behavior?

- o *Options for Action.* Depending of whether we find divergence, convergence or the status quo, what is the full range of options available to the Congress and the executive branch?

CONCLUSION.

At the start of this testimony I suggested one could frame China's changing role in Africa in terms of *divergence*, *continuity* or *convergence*. If the behavior of Chinese firms and government agencies in Africa is *veering sharply away* from global norms, then we will see divergence and the U.S. Congress and the executive branch should be appropriately concerned, and take appropriate policy actions. If Chinese firms and agencies *maintain* their current mixed patterns of commitments -- some close to global norms, others outside of them -- then we should continue to monitor and to engage as appropriate to encourage greater compliance. If the PRC demonstrates that over time it is shifting its

commercial, foreign aid and diplomatic actions in Africa closer to those of other big powers, then that pattern should be noted and indeed welcomed.

Based on my own analysis it appears that Chinese behavior in Africa maintains *a mixed pattern, and that it is more likely to move more toward convergence than divergence.*

Three elements suggest this conclusion. The most recent policy basket of diplomacy, foreign assistance, business interest and direct investment observed in Nigeria suggest a wider range of behaviors than one has seen in the recent past. This could be evidence of policy innovation. At the other extreme, there is little evidence of recent actions that lie far outside international norms. Finally, there are several historical trends that suggest future movement toward convergence rather than divergence or strict status quo, and that the country is still feeling its way in international resource politics. For example, the PRC has little experience with ‘oil diplomacy’. It only recently became a net importer of petroleum, only about a decade ago. Also, the PRC has little experience with ‘modern’ foreign assistance, nor does it have much experience with high stakes, high level African diplomacy. It is new to the game.

One could conclude that the Chinese themselves are trying to figure out their optimal balance of convergence, divergence or status quo. If that is true, it is worthwhile for Congress to provide carrots and a few sticks to urge the PRC leadership toward convergence. This could be achieved through a variety of means, many of them using non-governmental channels. One could imagine a series of regular engagements among Chinese, American and African experts on Africa, to discuss the pros and cons of different kinds of activities in Africa. This could be organized by think tanks or universities, but appropriate government participants could be invited as well. The non-governmental actors could point out the costs of relying on outmoded, old-style approaches to Africa.

At this point in China’s period of experimentation in Africa, I suggest that the role of Congress should be to monitor the PRC’s Chinese relationships with Africa for evidence of convergence, continuity or divergence; and to promote dialogue on these issues through non-governmental and governmental channels. There is no evidence that other more serious steps need to be taken now.

The ultimate goal of American foreign policy toward the PRC is clear - we want China to play by the same basic rules, and to meet the same international obligations, as any other powerful country. We are not asking the Chinese national leadership to withdraw from the world stage. We are not saying “do not trade with Africa, do not invest in Africa, do not import oil from nor export to Africa.” We are not saying “do not provide foreign assistance nor maintain diplomatic ties with Africa.” What we should be saying is that we expect China to play by the same formal rules of the game, such as those of the WTO or the ITU, whether for intellectual property rights or oil imports; and beyond that, we also expect that China will demonstrate a sense of global responsibility commensurate with an international power’s weight and position. This involves respecting informal and implicit norms like responding appropriately to natural disasters, or to conflicts around

the world, and engaging in international relations with respect for sovereignty but also attentive to and supportive of transparency, openness and the widest possible political participation. Germany, France, Japan and the U.S. have very different approaches to Africa. This is a good thing, since it provides complementarity. China's approach to Africa will never be identical to the U.S. approach. It remains to be seen how much Beijing will pursue convergence, and at what pace, to make China conform more to current international norms for dealing with Africa.

Thank you, Mr. Chairman.