China's Rising Role in Africa

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China has had a long involvement with Africa, going back to the early days of independence movements in the 1960s and before. But the current level and intent of China's involvement is different.

In those earlier days, China's intentions were primarily diplomatic, i.e. to counter recognition of Taiwan as the representative of China and thus to shore up votes for the eventual rejection of Taiwan's China credentials in the United Nations. China's other objective was to compete not only with Western influence but Russia's. In Zimbabwe, in the most obvious instance of this rivalry, China backed the liberation movement of Robert Mugabe, ZANU, while Russia backed that of Joshua Nkomo, ZAPU. Mugabe's ultimate election victory and his total vanquishing of ZAPU, laid the foundation for the close relationship that exists between China and Zimbabwe today.

In those early days China's presence was noted by lavish infrastructure projects, often with little economic development connection. All along the coastal countries of West Africa, one found the huge, Olympic-style stadiums that were the hallmark of Chinese donations. In eastern Africa, the competition was keener, with China financing and building the railroad in Tanzania, as the West built the nearly parallel road system. Throughout the next several decades, China provided technical expertise, doctors, scholarships, and various forms of aid. Today more than 900 Chinese doctors work in African countries.

Chinese influence and involvement nevertheless waned in the 1980s as it was unable to compete with western aid programs and no longer was as fearful of Taiwan's presence – though reducing recognition of Taiwan remained (and remains today) an important Chinese objective. What has changed in recent years, however, is China's emergence as a significant world player on the economic scene and its own need for oil and other natural resources. China returns to Africa in the 21st century with not only a need for economic resources but with the cash to play the game dramatically and competitively.

David Shinn will be illustrating China's involvement in east Africa and the Horn. Suffice to say here that China has become the principal investor in Sudan's oil industry and related transport and infrastructure projects. China was able to do so because western companies, in particular American and Canadian firms, were pressured to withdraw because of Sudan's civil war and charges of both persecution and use of slavery against the people of the south, including in the region of oil production. Sudan represents the clearest example of how China comes to Africa with what one analyst has called the "complete package:" money, technical expertise, and the influence in such bodies as the UN Security Council to protect the host country from international sanctions. China, together with its partner Malaysia, replaced western companies and enabled Sudan to become a net exporter of crude. China has become its biggest customer. Meanwhile, China has successfully prevented the UN Security Council from serious sanctions or other preventive measures in face of the alleged genocide and crimes against humanity perpetrated in the Darfur region of that country.[1]

China has more recently become a player in the energy field on the west coast of Africa, which is the largest producer of oil on the continent. West Africa provides the United States with 15 per cent of oil imports and this is projected to grow to as much as 20-25% over the coming decade. Nigeria and Angola are the main producers and China has become active in both countries. Angola represents how China puts its assets together to build its presence. In connection with its bid to win rights to exploration of a bloc, China offered Angola a $2 billion soft loan as part of a longer term aid package. China won the bid, and – as an indication that China is not the only new player on the continent – the closest competitor was India.

Its is not only protecting its clients from strong punitive measures by which China's investments are attractive to Africans, but also because they come with no conditionality related to governance, fiscal probity or other of the concerns that now drive western donors. In Angola, as with Sudan, China's presence alters the international role. The IMF and western countries have been pressing Angola to improve the transparency of its oil sector and to make other reforms as prelude to a planned donor's conference. By the end of June, however, Angola had failed to make sufficient reforms and the conference has been postponed. Angola seems less concerned with meeting the conditions, and the Chinese loan is seen as having had an influence. Angola's Ambassador to South Africa remarked that making transparency a condition for the conference was "uncalled for." He added that "political conditions" needed to be normalized first before the government could address the issues of fiscal transparency.[2]

China relishes this role. China's deputy foreign minister, Zhou Wenzhong, told an interviewer, "Business is business. We try to separate politics from business…. You [the West] have tried to impose a market economy and multiparty democracy on these countries which are not ready for it. We are also against embargoes, which you have tried to use against us."[3]

China has entered the Nigeria market as well. In July, China and Nigeria signed an $800 million crude oil sale agreement setting in motion an annual purchase by China of 30,000 barrels a day for five years. Much more significant is that China has won a license to operate four of Nigeria's oil blocs, "as part of an incentive to build a hydro power station." Beyond this is China's willingness to take over a privatized oil refinery in

Nigeria, a money losing proposition that no western company would likely have touched. All in all China is reported to be considering $7 billion in investments in Nigeria, covering a wide variety of sectors.[4]

The pattern is the same elsewhere. In Zambia, China has invested nearly $170 million in the mining sector, primarily but not only copper. China is now the world's largest user of copper, with the US second.[5] China has been active in the Democratic Republic of the Congo, a country gripped by civil war and instability. Despite these conditions, China has begun investment in cobalt and copper mines, begun work on roads to facilitate mineral exports, and examined power projects as well. In another unstable country, coming out from a devastating civil war, Sierra Leone, China is developing a luxury hotel and making other investments – going in where others would fear to tread. In Uganda, a Chinese pharmaceutical firm is introducing a new anti-malaria drug and bidding on a contract to supply treated bed nets.[6]

China's indifference to political controversy is illustrated in its close relationship with Zimbabwe. China is the principal supporter of the Mugabe regime, which is reviled in the international community for Mugabe's ruthless crushing of the opposition and his most recent removal of hundreds of thousands of city residents to the rural areas, with no respect for life, health, or satisfactory alternative arrangements. China is investing in minerals, roads and farming, and supplying Mugabe with jets and other armaments. "Zimbabwe is all but owned by China," say some observers. "In return for a rare hand of friendship in an increasingly hostile world, Mugabe has offered Chinese companies almost anything they want, regardless of payback."[7]

The Other Side of the Coin

China's principal interest in the continent is access to natural resources. But it is not its only interest. China's economic interests are wider. China's trade with Africa has risen sharply, from $10 billion in 2003 to $20 billion in 2004 and another 50 percent increase is expected in 2005. Chinese goods are flooding African markets, and – not so different from the United States – there has been growing concern in Africa about the effect on local industry. The primary focus is on textiles where the growth of Chinese exports constitutes a double whammy for Africa. Exports of Chinese textiles to Africa are undermining local African industry while the growth of Chinese exports to the United States is shutting down the promising growth of African exports in this field.

Southern Africa provides a good example of both effects. Chinese exports of textiles to South Africa grew from 40 percent of clothing imports to 80 per cent by the end of 2004. Out of 100 T-shirts imported into South Africa, 80 are from China. In the same period, from 1996 onward, employment in the sector in South Africa has decreased. By the end of 2002, 75,000 had lost their jobs in the industry.

The impact on African exports comes from the ending of the Multi-fibre Agreement (MFA), which had allowed countries like the United States to place quotas on clothing and textile imports from particular countries. Under that system, the United States had long put quotas on China. More recently, the United States enacted the Africa Growth and Opportunity Act (AGOA), which gave African countries almost unlimited access to the American market. Textiles was one of the fastest growing exports under AGOA, with rapidly growing industries in Lesotho, Swaziland, Ghana, Uganda, Kenya and elsewhere on the continent. Once the MFA expired in January 2005, however, Chinese exports to the United States soared and African exporters found they could not compete. More than 10 clothing factories in Lesotho closed in 2005, throwing at least 10,000 employees out of work. South Africa's clothing exports to the United States dropped from $26 million in the first quarter of 2004 to $12 million for the first quarter of 2005.[8]

South African industrialists and workers have clamored for protective action, joined by church leaders and opposition leader Tony Leon. Textile workers joined other workers in a nationwide strike June 27 to protest job losses. The trade union federation, COSATU, is calling for a restriction on Chinese imports, and is urging retailers to stock 75 per cent of locally made goods. Industry is calling for customs officials to impound undervalued Chinese imports.[9]

The impact has been no less in West Africa. In Nigeria, low cost imports have largely devastated the textile and other consumer product industries of Kano and Kaduna. In these largely Muslim cities, one Nigerian parliamentarian described a frightening situation of vast numbers of unemployed youth, a powder keg in Nigeria's already fractured society. Given Nigeria's underdeveloped and unreliable supply of power, which forces most industries to rely on back-up diesel generators, the prospect of Nigeria regaining a competitive edge seems remote.[10] In Ghana, threats of closures have come from some of the leading industrialists. Reflecting the rise and fall of the effects of AGOA, the head of Gregory Knitting said, "We in clothing and manufacturing are seeing shocking times. Sales in 2003 were reasonable, they were better in 2004, and very bad in 2005."[11]

If China has been forthcoming in aiding and investing in Africa with few strings and considerable cash, it has been equally firm in defending its export policies. China's Economic and Commercial Counselor in South Africa warned South Africans that "unfair and discriminative restrictions will never be accepted by China." He pointed out that China was within its rights under the WTO and had invested carefully during the ten years of the MFA to become efficient and competitive. "Thanks to the arduous efforts over the years, the Chinese textiles and clothing industry managed to sharpen its international competitive edge and gained the comparative advantages its now enjoys." If Africa needed to be told of the competition it now faced, he added that even if African countries placed restrictions on Chinese goods, they would not be able to control the substitute flow of goods from India and Pakistan. The solution, he said, was for South Africa to adopt a "positive attitude."[12]

The Implications for the United States

It would be easy, but mistaken, to build up the rising role of China in Africa as a new threat to the United States, or even to its interests in Africa, and thus make China an "enemy" there. What is necessary is to recognize that the rising economy of China, and nearly as significant those of India and other Asian countries, changes the strategic and economic playing field in Africa. It is not dissimilar to the impact of those economies in Latin America where many of the same phenomena are taking place.

In many ways the economic growth in Asia, and the subsequent growth in demand, is good for Africa. Mineral prices are reaching record highs, reversing a long decline for many of Africa's major exports over the past few decades.[13] For Africa's oil producers, there has been a substantial windfall. Nigeria might not have been able to negotiate such a favorable debt relief program from the Paris Club as it has just done, eliminating some $18 billion in debt, if it had not been a position, because of recent oil windfalls, to put $6 billion on the table to clear interest and past arrears as part of the deal. China is also investing in areas that western aid agencies and private investors have long neglected: physical infrastructure, industry, and agriculture. These are areas that the west, recently fixed on social needs in education and health, had largely abandoned, and only now again has recognized as essential for Africa's growth.[14] Finally, China offers African nations some competition to the west, emboldening some leaders to take a harder look at the conditionality of the IMF and other institutions, advice that may or may not be the best for their circumstances.[15]

China poses a particular challenge, nevertheless, to the ways in which the United States has sought to maintain and utilize its leverage. China utilizes a variety of instruments to advance its interest in ways that western nations can only envy. Most of China's investments are through state-owned companies, whose individual investments do not have to be profitable if they serve overall Chinese objectives. Thus the representative of China's state owned construction company in Ethiopia could reveal that he was instructed by Beijing to bid low on various tenders, without regard for profit. China's long term objective in Ethiopia is in access to future natural resource investments, not in construction business profits. In other cases, China can use aid, investment and technical inputs to win long term gains and access, with a willingness to "lose" much in the short run to gain in the long run. In Kenya, China's largest telecoms manufacturer, ZTE Communications, made a "gift" of equipment worth 144 million Kenyan shillings to Telkom Kenya, saying it hoped to play a positive role in Kenya's telecommunications industry.[16] China's interest in taking over Nigeria's Kaduna refinery, an installation steeped in corruption, waste and decay, can only be seen in this light.

Not only is this a challenge to American and other foreign businesses seeking contracts on the continent, China challenges areas where US political leverage was once greatest. This is particularly true in the oil and gas sectors. Once the United States could threaten rogue states with barring American, and with pressure, other western countries' oil companies from exploration and production in those countries. This is precisely what happened in Sudan in the 1980s and 1990s, with Canada the last western country shamed out of the sector. Yet China and Malaysia quickly filled the vacuum. Recently Congressional members roundly criticized western oil companies for undertaking lucrative business in Equatorial Guinea, a small country with a poor human rights record. Yet the truth is that Equatorial Guinea would quickly have other suitors, should western companies depart. American oil companies have seen the writing on the wall. In Angola, BP and China's state-owned oil company have entered into a joint venture. In Angola's oil-centered Cabinda province, ethnic Chinese are the largest immigrant group.

Less dramatic than gross instances of human rights violations, the west's most recent concern has been with enhancing transparency in the oil and mineral sectors of developing countries – e.g., the Extractive Industries Transparency Initiative led by the United Kingdom with strong US support. This is vital to the stability as well as the long term health of those nations. But as we have seen, Angola has been able to resist such pressure, in part at least because of Chinese largesse. It is not only in the oil sector that leverage is being reduced. As noted above, China is basically bailing out Zimbabwe in the face of international sanctions and criticism.

American interests are not yet seriously threatened. American oil companies still dominate in the offshore technology that is at the heart of west Africa's growing energy production. And the United States still imports substantially from African oil and gas producers, with the market controlled more by international price and demand than by individual country manipulations. But the United States does have to recognize that the United States, and the western nations altogether, cannot consider Africa any more their *chasse garde* as the French once considered francophone Africa. There is a new strategic framework operating on the continent and it demands new ways of operating.

In terms of promoting political and economic reform, now so much the parlance of both political and development thinking, the major impetus must come from Africans themselves. The United States can do much to encourage that, with aid targeted to judicial reform, democratic institutions, the Parliament and Human Rights Court of the Africa Union, and African civil society. Providing truly large amounts of aid over several years, to reward good performing countries – the philosophy of the Millennium Challenge Account but not yet realized – is another promising initiative. Both the United States and Europe also still have one more major economic card to play: opening their markets to African agricultural products. The benefit to Africa could dwarf all that China and India together could do for Africa's development. But the EU and the United States are held back from playing this card by domestic pressures, despite regularly stated pledges to take the necessary action. If we are serious about Africa, and going beyond humanitarian aid and charitable impulses, this is the most valuable step we can take.

Finally, the United States should begin to engage China on Africa. China has more than economic objectives. China is seeking to be recognized as a major power. It has become more active in supporting UN activities, including the provision of peacekeepers to the UN. It rarely vetoes UN resolutions (unless recognition of Taiwan is at stake) even when it has reservations. In March of this year, China abstained rather than veto a UN Security Council resolution asking the International Criminal Court to investigate human rights violations in Darfur and setting in motion a process that could lead to sanctions against Sudanese officials. In sum, China seeks its place in the sun, including respect.

The question then is does China want to be seen in Africa as the defender of rogue states, the more aggressive seeker of Africa's natural resources, without regard to transparency, development and stability there? Is there room for developing some rules of the road, some common objectives, some ways in which Chinese economic gains for Africa (and itself) can come side by side with building more stability and democracy there? Are there incentives – more joint ventures, more common work on both the exploitation and preservation of natural resources in Africa (e.g., the rain forests) – that the United States can offer? In sum, are there more areas of win-win situations in Africa for both the United States and China? It is better to explore these possibilities than to start down the path of trying to limit Chinese influence, for the odds are against that happening any time soon.

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