

CHINA'S INFLUENCE IN AFRICA
Implications for U.S. Policy

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TESTIMONY BEFORE THE SUB-COMMITTEE
ON AFRICA, HUMAN RIGHTS AND INTERNATIONAL OPERATIONS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, D.C.
JULY 28, 2005

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INTRODUCTION

Mr. Chairman, Members of the Sub-Committee, I am pleased to be invited to testify before you today on matters of such importance to America's multiple relationships with two very important, and very different, regions of the world. China and Africa share certain common features, but are separated by a great many differences. Our relationship with Africa is complicated; our ties to China are equally if not more complex. Exploring their links and identifying their implications for future U.S. policy making is therefore a real challenge. I will do my best to shed some light on these important issues.

Mr. Chairman, Members of the Sub-Committee, I bring to this challenge some experience working on Africa, on China, and on U.S. foreign policy. I had the privilege of working for a previous Chair of the Sub-Committee on Africa, as a Legislative Assistant to Rep. Charles C. Diggs. I served as a visiting Senior Fellow on Africa at the Council on Foreign Relations, and advised such institutions as the U.S. Department of State, USAID, the World Bank, the Economic Commission for Africa and other bodies on African development issues.

As oil and gas will be an important part of our discussion today, let me point out that I have written widely on petroleum issues, both on African exporters like Nigeria and on the politics of the world oil market ("The Petro-Political Cycle"), as well as a book entitled *The Decade of Energy Policy*. More recently I shifted my focus more to China, and have visited that country about a dozen times in the past ten years, working mostly on the politics and economics of high technology issues like IT. My book *The Information Revolution and Developing Countries* uses China and Ghana) as case studies.

Finally, I was also privileged to serve on the National Security Council as Director for International Resources and Programs, where issues of democratization and trade were in my portfolio.

OVERVIEW AND SUMMARY

Mr. Chairman, divining U.S. interests out of the intersections of China and Africa is truly a daunting challenge. We are dealing with more than 50 African countries, each quite different from the others, and each with different relations with China; we are tracking and evaluating half a dozen critical foreign policy issues, from petroleum to foreign aid; and from this mix we then try to distill answers to the question- “So what? What should America do, if anything, about the influence of China in Africa?” Let me take up each of these in turn.

China and 50 Nations.

China is the world’s most populous nation and its second or third largest economy. It is a rising world power, with far reaching ambitions. By contrast, Africa is a continent of more than fifty nations that are among the world’s smallest and poorest, and China has relations with many of them. In other words, ‘China-Africa relations’ is actually embedded in 50 plus distinct relations. Of course, some are more important than others as I will suggest: China (and the United States) have close ties to the two continental giants, South Africa and Nigeria, to which I will give special attention. Zimbabwe, Angola, Congo and Sudan also figure very prominently in Beijing’s sights these days, as

I will discuss below. My point here is that we should be cautious extrapolating from China's relations with five countries to their relations with fifty. They may indicate patterns, they may not.

China and Many Policy Areas.

These half a hundred disparate relations in turn occur across a variety of pressing strategic policy areas: *petroleum and minerals; trade and manufacturing, democracy and transparency; security* (including terrorism and military matters), and broader matters of *geo-strategy*. Discerning whether there are consistent policy and strategic continuities across all six is a matter of investigation.

China, Africa and America: So What?

This is, of course, the 64 billion dollar question that the Members of this Sub-Committee must wrestle with. Is China's growing influence in Africa – and its influence is certainly growing -- a really big deal for US-China-Africa relations, or a small deal? Should Congress urge the administration to substantially change its foreign policies to respond to the new conditions, or maintain the status quo? Ultimately the answers to these questions revolve around the big question of whether China is a threat to U.S. national interests in the region, a competitor, or an ally. (I set aside the larger question of the global strategic relations between China and the U.S.)

This is the same question that arose in earlier hearings your sister sub-committee held on China's actions and ambitions in Latin America. As expected, the testimony reveals

different interpretations of opinion, and I suspect that will also be the case today. But on balance their conclusion (including the administration's spokesman) seemed on target. And it is the one that is also very appropriate for China's influence in Africa.

After carefully reviewing a lot of evidence on oil, minerals, trade, manufacturing, security and democracy, I conclude that the current state of *China-Africa links is not a significant foreign policy threat to America's interests in Africa*. But having said that, I do *not* believe we should be unconcerned. Instead, there are several positive actions that the administration should take with the Africans and the Chinese to smooth the way forward. I will describe those concrete steps below.

The evidence shows that like other global players in Africa – the British, the French, the Japanese – the Chinese level of political and economic engagement is still sufficiently modest so as not to constitute a threat. The same is true of their diplomatic, security and other initiatives. There will be heated competition and jockeying for advantage among all the player, but that's the way of the world. However, while the aggregate picture is relatively benign (i.e. China's relations with 53 states), there are two parts of this picture worth noting. One is that the Peoples Republic of China's (PRC) engagement has spiked upward rapidly in all areas- oil imports, textile sales, speeches by the leadership, etc., in a very short period of time. Second, these rapid changes are concentrated in a just a handful of countries – Angola, Sudan, Zimbabwe, for example – countries that are problematic politically. The sharp rise, and the concentration in a handful of problematic states, should be reviewed carefully. Is this a trend for the future, or a static pattern?

My bottom line: On the foreign policy Richter Scale this is not a big quake. (By contrast, America's abject failure to design a serious national strategy to meet China and India's threat to our superiority in knowledge-based sectors is a very big deal. America needs immediately to rethink our national approach to creating a competitive, highly-educated and innovative knowledge society to compete globally. But that is another matter for another day)

POLICY CHALLENGES IN CHINA-AFRICA RELATIONS

In this section I analyze the major policy issues that are especially relevant to China's influence in Africa from the perspective of U.S. interests. I do not attempt to be exhaustive, but to point out the most salient conditions in several topical areas. Nor do I spend much time on the long trajectory of China's relationships with Africa. In brief, from the 1960s through the fall of the Berlin Wall, those relationships were driven mainly by anti-capitalist ideologies of Marx and Mao, as well as by the Party leadership's efforts to counter Soviet influence in states like Angola and the Congo. The PRC's anti-Western and anti-Soviet thrust, combined with their self-identification with Third World struggles, shaped their foreign aid activities in Africa, including assigning Chinese doctors to Africa, hosting African students in China and big-ticket items like building the first railway linking Tanzania and land-locked Zambia during the period of opposition to apartheid South Africa's regional hegemony. In general, African states view China as one of their own - a Third World country. Although it has done well economically, China is

viewed as a developing country sometimes at odds with the developed G-8 nations, and a champion on the UN Security Council.

ECONOMIC AND COMMERCIAL RELATIONS: From Mao to Markets

China and Africa have complementary economic and commercial needs. Africa is capital-short, has a low manufacturing base and is highly import dependent., even for basic goods. Africa needs basic infrastructures, and it exports a lot of petroleum. China (Taiwan and the PRC together) has ample investment capital, a huge manufacturing export base, and imports petroleum. It is willing to build infrastructure. China's 5 largest trading partners are South Africa, Angola, Sudan, Nigeria and Egypt. With these five, and thirty five others, China has signed 40 trade agreements since 2000. Market motives are up, Marxism is down.

Petroleum.

With economic growth at 6-9% per annum for the last decade China has been importing 800 million barrels a year (2004), and recently replaced Japan as the world's second largest oil importer. (Le Monde) In 2004 it paid Africa about \$10 billion for its oil.(Wall Street Journal, 3/29/05) Of that total, 25% originates in Africa, mostly from Sudan and the Gulf of Guinea. This contrasts with the U.S. which imports only 15% of its oil from Africa, although this is expected to grow to 20-25% over the decade. But oil is still a highly fungible commodity and will remain so, with price and supply driven mainly by international markets, with two-third's of world supply centered in the Gulf. Indeed, African exporting countries are cashing in on Asia's oil thirst. On the down side, we

should be aware of the continuing risks associated with propping up export-dependent oil enclave economies on the continent, too often a platform for extraordinary corruption, where the export revenues rarely find their way to goods and services for the people.

I provide additional details on China-Africa petroleum links in my discussion on Nigeria, Angola and Sudan.

Minerals.

Chinese companies have been especially active in the mineral rich countries of central and southern Africa. China has become the world's largest user of copper, and has copper investments in war-torn Democratic Republic of the Congo, as well as in cobalt, and in hydro-electric facilities. The country has invested \$170 million in Zambian copper and other minerals.

Trade and Manufacturing

Trade and Investment. China's trade with Africa (exports plus imports) is only 2% of its total, and concentrated in extractive industries. This is consistent with Africa's global position; the entire continent accounts for only about 1-3% of total world trade and investment, almost all of it in extractive industries. According to *Le Monde* Africa had \$15 billion of foreign direct investment (FDI), of which \$900 million came from China. In 2002 two-way trade stood at \$12.4 billion. A year later that figure went up by 50% to \$18.5 billion, and last year stood at more than 20 billion dollars. *The Economist* reports that most experts expect trade to reach \$30 billion by 2006. (*Economist*, 11/25/04). At this rate China is catching up with, and in some cases, surpassing Africa's traditional

trading partners, i.e. the former colonial powers. By the end of 2005 China will have greater trade with Africa than the UK, ranking third after the U.S. and France. The IMF predicts that trade relations will remain strong, as they expect Africa to grow by 5.8% by the end of 2005, the highest rate in thirty years.

Manufacturing and Services. China's direct interests in the region are mostly in the extractive industries. Still, there is some interest in manufacturing investments and operations, often conducted by the 674 Chinese state owned enterprises (SOEs) that operate in the continent, including a pharmaceutical enterprise in Uganda that produces a new anti-malarial medicine. (There is ongoing concern around the world that Chinese companies receive direct and indirect benefits from the state -- subsidized loans, tax rebates, etc. -- which allow them to make decisions that genuinely private companies could not, making them unfair competitors) The Chinese firm Huawei was recently awarded contracts worth \$400 million ? for servicing mobile phone networks in Kenya, Zimbabwe and Nigeria. Construction has also been big for the Chinese in Africa, with recent examples being the airport terminal in Algeria, and hotels and other big jobs in Botswana and South Africa.

The Special Case of the *Chinese textile 'tsunami'*. The most direct and deleterious impact of China's policies on many African countries is their massive export machine, especially textiles, which has swamped many fledgling African producers. The press and textile manufacturers call the current situation an African "textile tsunami". Until January 1, 2005, African textile manufacturers operated under special arrangements permitted

under the Multi-Fiber Arrangement, including the US African Growth and Opportunity Act (AGOA). It permitted duty free textile imports from Africa, including products sewn in Africa using non-African textiles (including from China). On January 1 the MFA ended and the free-trade WTO provisions superceded them. There was no longer an advantage for investors and manufacturers to set up in Africa. The consequence was a veritable flood of extremely cheap Chinese clothing imports. The effects were immediate: 8 factories closed in Kenya, 6 in Lesotho, 4 in Swaziland. Thousands lost their jobs. While the owners knew the WTO changes were on the way, they had no way of anticipating that at the same time the yuan would be undervalued by 20-40%, slapping Africa with a lethal double-whammy.

FOREIGN POLICY

As a rising world power, China is actively seeking allies. It needs votes at the United Nations and in other forums, and seeks global legitimacy. It wants to steer a path between the conventional foreign policies of the West, and the conventional policies of the global South. For its part Africa seeks allies for its own special economic conditions, and whatever flexibility and maneuverability it can get from the great powers. China uses a variety of tools to do this, including traditional diplomacy, commercial diplomacy (as we saw above), and increasingly, public diplomacy and 'soft power'.

Foreign Aid. Chinese foreign aid has tended to concentrate on basic infrastructures and education, areas where western donors have cut back substantially compared to earlier periods. In contrast to most other donors (especially the U.S. and the U.K., France much

less so) they do not impose political and economic conditionality requirements, making them an attractive source of aid, especially when as in Angola and Zimbabwe International Financial Institutions (IFI) like the IMF or World Bank, or bilaterals, are trying to alter the behaviors of governments by imposing political conditions. Rail and road construction is still provided by Chinese aid agencies, which the West tends to ignore (P. Lyman). They also have cancelled African bilateral debt, \$10 billion since 2000. According to Thompson, about 10,000 Africans are trained annually in Beijing supported by the African Human Resource Development Fund. Since 1963 15,000 doctors have worked in Africa, with 940 in Africa at the end of 2003 (Thompson). Still, there seems less information easily available on Chinese foreign assistance programs relative to what we know about Japan or Western countries. As we see below, the Chinese are adept at combining 'foreign aid' packages with commercial and oil deals.

Transparency and Democracy. It is clear that neither democracy nor transparency have much standing in China's policy repertoire. China has a consistent policy of not imposing explicit political conditionalities on its aid recipients. Their philosophy of non-interference in the internal affairs of other nations fits well with the policy preferences of many African heads of state. Trade trumps transparency. Said President HU to the parliament in Gabon – China wants business “with no political conditions.” (Economist, 02/05/04. They are cozying up to characters that other nations are trying to hold at arms lengths. This conflicts with the pro-democracy policies of the Bush administration and the British.

Security. Curiously, China's direct impact on security in Africa, whether conventional military security matters or post-9/11 issues of terrorism do not figure prominently in the press or think tank world that would be expected to follow such matters. There seems little *direct* impact or influence of China's policies on the war on terrorism. In terms of broader security operations, China has contributed some troops to Liberia and to other African peacekeeping operations. Perhaps this is a sign of its greater willingness to be a good international citizen as befitting its size and influence; some report more cynically that the troops were committed in Liberia two months after the government agreed to shift its recognition from Taiwan to the PRC. Only about a half dozen African countries still do recognize Taiwan as the legitimate government of China. This is a topic that bears further review.

Geo-Strategic Activities.

The PRC has in various national and international forums laid out its ideas of 'China's peaceful rise'. This is the notion used by some (but not all) powerful elements around President Hu. They want to put the best face possible on the PRC's strategy of engagement with the rest of the world. They contend their motives are strictly commercial, minimally political, and peaceful; they eschew any militarist ambitions. There is some historical justification to this, but their strident position on Taiwan and their expanding defense budget growing at more than 12% is certainly worrisome. Part of their geo-strategy is to draw on their Third World credentials when dealing with Africa and other developing regions. *Jane's Intelligence Review* wrote (10/12/04) that "China is able to expand its influence in Africa partly because it is viewed with more

credibility than Western states with imperialist legacies.” As such, the PRC remains an attractive strategic partner for many African leaders.

The Chinese government has drawn on that tradition in creating the China-Africa Cooperation Forum, an umbrella organization designed to encourage better diplomatic relations, trade and investment (Thompson). It met for the first time in 2000 in Beijing, and its second session was held in Addis. A Chinese-Africa Business Council was formed in October 2004, and China has hosted more than 100 meetings in China with visiting trade and foreign affairs officials.

Still, there are some concerns of a “new imperialism” from the Middle Kingdom. South African observer Moeletsi Mbeki says China represents both a “Tantalizing opportunity and a terrifying threat. We sell them raw materials, they sell us back manufactured goods.”

CHINA’S BILATERAL RELATIONS WITH AFRICAN COUNTRIES: EXAMPLES

As important as these aggregate figures are, they do not convey the dynamics involved in the interplay of these different activities as they actually appear in particular African countries. There are 53 African governments, and the PRC has a wide range of relationships with these 53, and their influence differs from one country to the next. Still, there has been an increase in Chinese activities across the continent. When asked several years ago by the Assistant Secretary of State for Africa to indicate whether they had seen

a greater Chinese presence in their country, half the ambassadors raised their hands.

While relations with most of the 53 are low key, some countries are more important than others from the PRC's perspective. Not surprisingly, these are countries also important for the U.S. and Europe.

Sudan. Much of the recent attention to China's influence in Africa has correctly focused on their ties to the government in Khartoum, Sudan. Their willingness to downplay the violence and genocide in that country at the same time they are pumping tens of thousands of barrels of crude oil is especially salient because other nations have imposed trade sanctions, including on oil operations. For ten years Chinese oil companies have been active in the Muglad oil fields in the South, where they take 50% of its production. In total Sudan provides 5% of the PRC's oil (CSM,3/30/05). Chinese workers have also built a 1,600 km pipeline. Thirteen of the 15 most important foreign companies in the country are Chinese. The PRC carefully nurtures its ties with the present regime, which is widely criticized by other developed nations. When a proposal came before the UN (resolution 1564) to impose an arms embargo on the Sudanese government, China threatened to impose a veto, then watered down the language, then cast an abstaining vote. They are far less critical of Khartoum than most of the rest of the world.

Nigeria. One of Africa's largest oil exporters, one of its biggest markets, and an influence in international diplomacy, Nigeria is well within the sights of the Chinese. In July the PRC signed an 800 million dollar crude sales agreement, and over the next five years is expected to purchase annually 30,000 b/d. It won licenses to operate four oil blocks "as

part of incentives to build a hydro power station” (Lyman). In total, China is reportedly considering \$7 billion worth of investments covering many sectors (ibid.) China also launched Nigeria’s first space satellite.

South Africa. The other continental powerhouse is South Africa. Exports to South Africa doubled between 2000 and 2004 (Economist, 11/24). South Africa’s trade deficit with China went from \$24 million in 1992 to \$400 million in 2004. The most visible domestic matter is the reaction of labor and business to the textile tsunami. There was a threat of a boycott of stores that carried Chinese goods in the last quarter of 2004. Unions also complained that the South African technology industries were getting flattened by Chinese exports of computers and telecoms equipment. Some local activists want local stores to agree to a 75%-25% balance of locally-made to imported goods. The Chinese response has been that South Africa should learn from Chinese policies of low taxes, etc. Diplomatically, the countries enjoy a positive bilateral relationship.

Zimbabwe. A great deal of attention has been devoted to China’s warm relations with the leadership in *Zimbabwe*, which has achieved near-pariah status with many other powerful countries including the U.S. The government’s economic policy has brought the once-prosperous country beyond the brink of ruin, and its political authoritarianism has imposed non-democratic one party rule on its suffering population. Most developed countries have taken a hard line against the regime of long-time dictator Robert Mugabe. By contrast, the Chinese have embraced him. They helped design the new presidential residence and contributed its now-infamous bright blue Chinese roof tiles. On the

'commercial' front they buy most of the country's much reduced tobacco crop, and twice weekly direct flights between China and Zimbabwe are expected. The Zimbabweans have purchased 12 fighter jets and about 100 trucks from the Chinese (CSM). Mugabe has traveled to Beijing where he was warmly welcomed by the government. It is clear the Chinese have decided to bail out Mugabe despite the international sanctions.

Angola finds itself equally in the good graces of the Chinese, who take 25% of that country's oil production. As with Zimbabwe, the regime in Luanda is widely viewed as particularly corrupt. The PRC offered the Angolans a \$2 billion soft loan to be used for reconstruction, perhaps as part of an exploration bid, for 10,000 b/d (Economist, 11/24/04) It was reported by human rights groups that some of that money was channeled into the ruling party's campaign coffers.

CONCLUSION

When evaluating one big country's relations with 53 others, and the implications for U.S. national interest and foreign policy, a sense of proportion is key, especially against the background of the highly controversial effort of the Chinese state oil company to buy an American oil company, Unocal. Chinese direct investment in Africa is still less than a billion dollars, while U.S. investment in the PRC is fifteen times that. Nonetheless, just as the Unocal bid (and the overvaluation of the currency) has provoked an important debate in the U.S. about how best to pursue our relations with the PRC, China's newfound attention to Africa has prompted a parallel discussion among those who care

about U.S.-Africa relations. It is in everybody's interest – Americans, Africans, Chinese – to promote a stable and democratic Africa.

Mr. Chairman and Members of the Committee, let me reiterate what I said earlier. The current situation of China's influence in Africa merits several modest but important responses. First, the new Assistant Secretary and her team should continue to monitor China's forays into Africa closely. Second, she and her colleagues at the State Department should seek to engage with the Chinese on matters of transparency and openness in Africa, especially around oil issues, seeking common positions on how best to advance the continent's economic, social and political development. As Ambassador Princeton Lyman wrote recently on this same issue, we should engage with the Chinese on matters of common concern, where our interests coincide. (Lyman) The U.S., the U.K. and others could point usefully to their own sometimes ruinous experiences with various African petro-dictators and diamond despots, in that not-so-distant past before we discovered our new-found attention to African democracy. Thirdly, and importantly, we need to listen to what the Africans themselves are saying about China's influence in their continent; we are not always as good at listening as we should be. More concretely, we should explore what if anything can be done bilaterally or across the international community, including the PRC, to salvage the African textile industry. A deep devaluation would be very helpful, but is highly unlikely.

Looking forward, we should decide what would constitute a more troubling expansion of Chinese influence in Africa. What are the threshold points that would prompt a re-evaluation of our policy? Short of full scale scenarios, let me suggest a few to consider:

- *Petroleum and Human Rights Policies.* Will the PRC accelerate its pursuit of its petroleum (and other mineral) interests with a consistent policy of overlooking human rights abuses? Or will it start to adopt the more global standards of the other world powers? If they pursue their interests mainly in pariah petroleum states, that is a cause for concern.
- *Mix of Commercial and Political Motives.* There are half a thousand state owned enterprises operating in Africa. Will they follow the accepted commercial practices of the international trading system? Or tilt more toward statist trading behaviors with subsidized loans for investment that contravene accepted practices under the WTO and other arrangements?
- *Tied Aid to Africa.* All powerful nations blend foreign aid, foreign policy, and commercial objectives. It's what states have always done. Will China accelerate this practice in Africa, or keep it at current levels?
- *Anti-Terrorism Actions.* Will the PRC support anti-terrorist actions in Africa, a major concern of the administration? (one quarter of the outside rebels in Iraq come from Africa) Or will they minimize their attention to such actions if they contradict petroleum or commercial interests?

Mr. Chairman and Members of the Sub-Committee, United States Africa policy has always had to factor in the interests, perspectives and behaviors of other non-African nations, whether former European colonial powers like France, Britain and Portugal, or recent arrivals like Japan. Usually there is mutual accommodation; sometimes, as in Rwanda, South Africa or Egypt, there are clashes. France and the U.S. have seriously competed for markets, natural resources and influence in francophone Africa for decades. Now U.S. policy toward Africa needs to factor in the behaviors of the Peoples Republic of China as well, just as the PRC will need to reach accommodations with the West.. The challenge ahead is to achieve these new balances through a subtle and nuanced American foreign policy, not through a one-size-fits-all approach to China's influence in Africa.

Thank you Mr. Chairman.

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