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CHINA IN AFRICA

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Preface

The rapid rise of China as a global economic player has resulted in an increasing number of publications, to which this one adds. The Chinese expansionist strategy into the African continent has been a focus for some time. It is also a dimension, which is part of the research project "The new scramble for Africa". This was initially established with financial support of Sida during early 2006 as a collaborative effort between the Nordic Africa Institute, the South African Human Sciences Research Council and the Institute for Strategic Studies. The Dag Hammarskjöld Foundation joined this endeavour when one of the initiators and coordinators left his position as research director at the Nordic Africa Institute to become the Foundation's new director.

As an additional dimension to this project three of its members organised a panel at the 49th ASA Conference in San Francisco in November 2006. They are also contributors to this publication, though with different papers than those presented at the ASA conference. Ian Taylor, who had just published a monograph on the subject, contributed an additional summary version to this compilation. The bigger project, which will also present parts of its interim results in two panels at the 2007 AEGIS conference in Leiden, intends to provide published results through an edited volume by early 2008. This compilation on China's role might be an appetizer for further reading on different but related matters and is one of the last visible results related to the project on "Liberation and Democracy in Southern Africa" (LiDeSA), which was coordinated at the Nordic Africa Institute between 2001 and 2006.

Henning Melber
January 2007

The (not so) New Kid on the Block: China and the Scramble for Africa's Resources
An Introductory Review

Henning Melber

The annual World Economic Forum (WEF) in the Swiss town of Davos brings together during January of each year those in command of politics and economy in this world and those "celebrities" who like to be close to them. They represent a world, in which Africa remains at the receiving end of the global power structures and is increasingly again the object of external interests. But while so far those in favour of globalisation had accepted the continent's marginalisation rather unscrupulously, the 2007 WEF emerged as a forum expressing concern over negative side effects of a globalisation, which unleashes new competitors. These not only have negative impacts on the industrial production and labour markets at home, but also turn hitherto secured "backyards" into contested territories. The African continent is these days among the more prominent examples which illustrates this point.

Old wine in new bottles

It is anything but new that Africa's human and other natural resources are the object of more or less systematic looting from the outside world. Whoever still believes that "globalisation" is a very recent phenomenon simply needs to look in an African perspective on the devastating impact of the slave trade to understand, "How Europe underdeveloped Africa" – the title of a seminal book published by the late Walter Rodney (1972). Karl Marx had already observed (though in rather insensitive language) in his Critique of the Political Economy that the hunt for black skins signalled the dawn of capitalism.

Since the days of the transatlantic human resource transfer various subsequent forms of brutal exploitation through colonialism and imperialism were ultimately by means of formal decolonisation processes at least modified. But the "winds of change" created sovereign African states, whose societies remain to a large extent characterised by the structural legacy of an externally oriented dependency. Beneficiaries of such limited so-called development are still mainly externally based, with the limited participation of – all too often parasitic – small local elites, who exploit their political control over national wealth for their own gain.

They collaborate with those operating from the outside offering them the most convenient (and unashamed) access to the small slice of the cake they are able to keep for themselves in such sell out deals. Seen in this light, some (if not most) of the recent critical accounts of the aggressive expansion of Chinese interests into African countries and societies and their collaboration with local autocratic elites and despots have a hypocritical taste or at least bear traces of amnesia. After all, the Chinese penetration only presents the ugly face of predatory capitalism, which for far too long has already abused the dependency of the majority on the continent. One therefore is tempted to wonder, if the concern expressed is actually not more about the Western interests than about the welfare of the African people, given that what we witness today is anything but new with regard to its forms and effects. While this critical observation does not exonerate the at times appallingly imperialist nature of the Chinese expansion into Africa, it does undermine the credibility of those critics, who find no similar words for the other forms of imperialism, which for far too long had (and continue to have) crucial responsibilities for contributing to the state of misery many of the African people are in.

Africa since the end of the bipolar world

The collapse of the Soviet empire and the end of a more than forty year period of bloc confrontation was by no means "the end of history" (as suggested by Francis Fukuyama). It was the beginning of a new global order for hegemonic rule with far reaching consequences also for African governments. Gone were the days, where in the midst of a Cold War some manoeuvring space for limited opportunistic bargaining existed, which allowed for a bit of strategic positioning. Not that this was necessarily for the best of the African people: all too often, this constellation encouraged and protected self-enrichment schemes for dictators and/or small local elites through forms of rent seeking or sinecure capitalism, as examples from A (as in Angola) to Z (as in Zaire) document. The bi-polar world order was in no way a suitable breeding ground for development "from below", but offered parasitic agents the opportunity to position themselves as satellites in return for their own gain within the East–West polarisation.

The consolidation of the USA's dominance during the 1990s and its impact on the global order resulted in several changes for the African continent too. A regionally inter-linked "appeasement" strategy (with the Russian retreat from Afghanistan and the Cuban withdrawal from Angola) secured in Southern Africa the final decolonisation of Namibia (1990) and paved the way for an end to Apartheid and democratic elections in South Africa (1994). During this period the economic paradigms represented by the international financial institutions (World Bank and IMF) resumed the only power of definition. The World Trade Organisation (WTO) emerged as the broker to regulate the comprehensively binding global exchange relations of goods. The most to say in these regulating processes with far reaching implications for not only "classic" trade relations but wider defined exchanges has the club of the G8 members, which defines the rather one-sided rules of "global governance".

Towards a new African order: NEPAD and AU

Significant inner-African dynamics complemented at the beginning of this century the global re-arrangements. With the democratically elected and legitimised new governments in South Africa and Nigeria the two economic powerhouses on the continent South of the Sahara left behind their pariah status. Based on internal and international acceptance, they resumed leadership roles in international policy arenas. At the turn of the millennium presidents Thabo Mbeki and Olusegun Obasanjo emerged (with active support from Senegal, Algeria and Egypt) as new figureheads representing the collective interests of the South and in particular Africa vis-à-vis the industrialised Western countries. Originally tasked to negotiate debt cancellation arrangements in direct communication with them they moved on to seek new forms of interaction based on the acknowledged socio-economic premises as defined by the WTO. As kind of junior partners in the global market they became the architects of what was finally termed the New Partnership for Africa's Development (NEPAD).[1]

After some incubation period and presumably intensive political negotiations behind closed doors this blueprint was upgraded to the status of an official economic programme and institution of the African Union (AU). The AU itself was a parallel transformation of the Organisation of African Unity (OAU). In the course of its change it undertook some significant corrections to the hitherto established continental policy pillars. Most importantly it moved away from the erstwhile almost holy principle of non-intervention in the internal affairs of member states.

With a lot of confidence and trust and substantive political support offered by the G8 since its 2001 summit in Genoa the NEPAD-architects could bring back home the reassuring message that the industrial West was on board and willing to support the initiative. This contributed to its acceptance both in Africa as well as by the United Nations system, which in a General Assembly resolution officially recognised NEPAD as the economic programme for Africa. While this looks like a success story, the critical policy issues were to some extent at the same time aborted or at best watered down. The good governance discourse in line with the new uni-polar world system and to some extent imposed by the Western-capitalist hegemony was after all not only cosmetic rhetoric, but in some parts indeed a meaningful deviation from past practices of unquestioned autocratic rule by African despots and oligarchies.

The AU Constitution was adopted at the same summit in Durban when NEPAD was incorporated. It introduced a collective responsibility so far absent, justifying joint intervention for specified reasons. This has in the meantime provided several results, as cases like Darfur, the DRC, the Ivory Coast, Liberia and Togo among others have shown in different ways (and varying degrees of success), all seeking to contribute to conflict reduction or enhanced legitimacy of the political systems. In contrast to this new responsibility, the African Peer Review Mechanism (APRM), conceptualised by NEPAD as a cornerstone for enhancing the notion of good governance, did not meet the expectations (Fombad/Kebonang 2006). The disappointment over non-delivery was maybe biggest when it came to the absence of any

1. See among the, at the same time, many (critical) analyses i.a. Bond (2002), Melber (2002 and 2004), Melber et al. (2002), Nyong'o et al. (2002), and Taylor (2005).

determined policy action by the NEPAD initiators in the case of Zimbabwe (where the South African president preferred his so-called silent diplomacy to any meaningful political intervention).

Nonetheless, the demand for democracy, human rights and respect for constitutional principles articulated by the NEPAD blueprint as a prerequisite for sustainable socio-economic development might have been a contributing factor to the new phenomenon of an increasing number of African heads of state more or less voluntarily (and peacefully) vacating their offices (Southall and Melber 2006).[1]

Multi-polar tendencies and the competition for African resources

Systematic new efforts to access African markets and tap into the local resources became visible with the adoption of the African Growth and Opportunity Act (AGOA) by the out-going Clinton administration. Through this initiative the USA openly underlined the relevance of the African dimension for its external trade relations (Africa ranks higher than Eastern Europe in the US trade balance). The breakdown of the AGOA trade volume, however, also discloses that with the exception of a few smaller niches (e.g. the temporary opportunities created for a locally based – though not owned – African textile industry with preferential access to the US market) the trade volume is mainly composed of exporting US-manufactured high tech goods and machinery and importing oil, strategic minerals and other natural resources for meeting the demands of US-based industries.

Soon after AGOA was enacted, the trade department of the EU headquarters in Brussels initiated negotiations for a re-arrangement of its relations with the ACP countries of Africa, the Caribbean and the Pacific through so-called Economic Partnership Agreements (EPAs). The declared aim was to enter a post-Cotonou agreement phase meeting the demands for WTO compatibility. The EPA negotiations have since then entered critical stages meeting the resistance of many among the ACP countries. They are afraid of losing out on trade preferences and feel that Brussels seeks to impose a one-sided trade regime in its own interests, which also denies the declared partners the right to autonomous negotiations by redrawing the map of regional configurations in Africa to comply with EU expectations.

Both initiatives, AGOA and the EPA negotiations, seem to reflect less the genuine desire for fairer trade than securing access to relevant markets not least in the own interest of the USA and the EU (cf. Melber 2005, 2006). The competition for preferential trade agreements with South Africa (successfully negotiated by the EU during the late 1990s and currently facing an impasse with regard to the USA) illustrates at the same time the point, that the industrialised states anything but share the same interests when it comes to securing their individual links with other countries.

The new offensive pursued by China, which is expanding aggressively into African markets and seeks access to the fossil energy resources and other minerals and metals it urgently needs to fuel its own further rapid industrialisation process, adds to the rivalry and conflicting interests. In a matter of time, India, Brazil and Russia (as well as a number of other actors such as Malaysia and Mexico) are likely to add further pressure on the scramble for limited markets and resources. This new stage of competing forces on the continent has resulted in a plethora of recent analyses dealing mainly if not exclusively with the Chinese impact and practices. Interestingly enough, the EU and – much more so – the US policies seem almost to fade away from the picture. The current type of Cassandra-prophecies present at times a rather one-sided story. Such selected narrative tends to downplay if not ignore the damaging external effects, which the existing socio-economic imbalances and power structures have long created and consolidated. It appears at times, that the criticism raised towards China is more an indicator of an increasing fear of losing out on one's own interests than motivated by a genuine concern for the African people.

China – the (not so) new kid on the block

This critical observation does of course not whitewash the current Chinese offensive and its potentially damaging impact. At the same time, however, with new imperialist rivals such as China, India, Brazil, Russia and a series of further countries on the threshold to their own meaningful industrial production with export orientation and growing demands for imports to feed their further industrialisation process, the competition for entering into favourable relations with African countries will increase. This is in itself not negative to the interests

1. This does not mean that the rotten apples have been eliminated, as Museveni, and even – though less successfully – Obasanjo as well as some others have shown in their recent efforts to extend their stay in office beyond the originally stipulated period of time.

of the African people. But it requires that the tiny elites benefiting from the currently existing unequal structures put their own interest in trans-nationally linked self-enrichment schemes behind the public interest to create investment and exchange patterns, which provide in the first place benefits for the majority of the people. Admittedly, the chances for this might not be the best.

The Chinese emerging track record is not an indicator of a new trajectory, which would benefit the majority of the African people. More so, the Chinese foreign policy gospel of non-interference is an attractive tune for the autocratic leaders and oligarchies still in power, be it in Angola, the People's Republic of Congo, the Sudan, Zimbabwe or similar societies still run to a large extent like private property of cliques.[1] Transparency and accountability are certainly not among the core values cultivated in African–Chinese links. Instead, these seem to increasingly offer another exit option from demands concerning the notion of so-called good governance.[2]

China's role in such collaboration, as dubious as it might currently seem to be, should finally simply be measured against the words of one of her former leaders. In his speech at a special session of the United Nations General Assembly, Deng Xiaoping in 1974 stated:

> If capitalism is restored in a big socialist country, it will inevitably become a superpower. (…) If one day China should change her colour and turn into a superpower, if she too should play the tyrant in the world, and everywhere subject others to her bullying, aggression and exploitation, the people of the world should identify her as social-imperialism, expose it, oppose it and work together with the Chinese people to overthrow it. (Quoted in Manji/Marks 2007: ix)

1. The non-interference paradigm is by the way not as firm a foreign policy pillar as the current Chinese government claims. After all, China praises itself as a staunch supporter of the anti-colonial liberation movements, which has added to its positive image in parts of the continent until today. If it had been for non-interference, such support would have not been possible. Such double standards are however not so different from those who demand democracy elsewhere only when it suits their other interests and remain generously passive on human rights violations when these are committed by "friendly" regimes or those countries in which vested economic interests dominate the relations. This was not least applicable in the case of China herself, who got away with liquidating the democracy movement in front of running TV cameras in Tiananmen Square without any meaningful sanctions by the Western countries, who were more interested in pursuing business as usual (and thereby strengthened the same economy which now in its expansive trend competes as a rival).
2. The current "risk investments" pursued by Chinese front companies, on the other hand, might secure a foot in the door as an immediate aim. But the medium to long-term interest even of such Chinese foreign investment has to be in creating a calculable and "investor friendly" environment. Contributing factors to such relative stability ultimately include the rule of law and other business-like practices.

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Unpacking China's Resource Diplomacy in Africa

Ian Taylor

Chinese activity in Africa is increasing at an exponential rate. According to the China-Africa Business Council, China is now Africa's third most important trading partner, behind the United States and France but ahead of the United Kingdom.[1] Indeed, the burgeoning of Sino-African links is unprecedented and is becoming *the* main topic of interest vis-à-vis Africa's international relations.[2] The figures speak for themselves. In 1999, the value of China's trade with Africa was $6.4 billion; by 2004, this had grown to $29.6 billion and in 2005 reached $39.7 billion.[3] A senior economist at the Chinese Ministry of Commerce predicts that trade volume between China and Africa will top the $100 billion mark in the next five years.[4] Driven by a desire to obtain sources of raw materials and energy for China's ongoing economic growth and for new export markets, Chinese expansion into Africa is more and more attracting the attention of policymakers in the West: 15 pages of a recent Council on Foreign Relations report entitled *More Than Humanitarianism: A Strategic US Approach Towards Africa* was spent assessing the impact of China's increasing role in Africa.[5]

Of particular interest to the West is China's growing expansion into Africa's oil markets. It should be pointed out that although oil is a major and obvious source of Chinese interest in Africa, it is far from being the only one. China is actively seeking resources of every kind; copper, bauxite, uranium, aluminium, manganese, iron ore etc are all objectives for acquisition for Beijing.[6] In addition, Chinese textiles and clothing companies are investing heavily in Africa, whilst China is also becoming increasingly politically engaged with the continent. However, it is largely issues surrounding China's oil quest – in Africa and elsewhere – that are provoking particular concern in Western capitals.[7] Furthermore, a look at China's top ten trading partners in Africa reveals that with the exception of South Africa, with its well-developed industrial economy, Beijing's main trade connections in Africa are with oil-producing states.

1. The visit in January 2006 by Li Zhaoxing, China's foreign minister to Cape Verde, Liberia, Mali, Senegal, Nigeria and Libya, President Hu Jintao's visit to Morocco, Nigeria and Kenya in April and Chinese Premier Wen Jiabao's visit in June to Egypt, Ghana, Congo-Brazzaville, Angola, South Africa, Tanzania and Uganda, indicates the extent to which Africa is now a focus of China.
2. For broader discussions of Sino-African ties, see Ian Taylor, "The "All-weather Friend? Sino-African Interaction in the Twenty-first Century" in Ian Taylor and Paul Williams (eds), *Africa in International Politics: External Involvement on the Continent.* London: Routledge 2004, pp. 83-101; Chris Alden, "China in Africa", Survival, vol. 47, no.3, 2005; Denis Tull, "China's Engagement in Africa: Scope, Significance and Consequences", *Journal of Modern African Studies,* vol. 44, no. 3, 2006. For non-English sources, see Zhang Hongming, "La politique africaine de la Chine", unpublished paper, Centre d'étude d'Afrique noire (CEAN), Bordeaux, 2005; Roland Marchal, "Comment être semblable tout en étant différent? Les relations entre la Chine et l'Afrique" in Roland Marchal (ed.), *Afrique-Asie: Echanges inégaux et globalisation subalterne*. Bangkok and Paris: Institut de Recherche sur l'Asie du Sud-Est contemporaine et Les Indes savants, 2005; Roland Marchal, "Chine-Afrique: une histoire ancienne", *Africultures*, no. 66, March 2006; Denis Tull, *Die Afrikapolitik der Volksrepublik China*. Berlin: Deutsche Institut fur Internationale Politk und Sicherheit, 2005; Kirstin Wenk und Jens Wiegmann, "Chinas großer Sprung nach Afrika", *Die Welt* (Berlin) February 3, 2006.
3. *People's Daily* (Beijing), May 16, 2006.
4. *China Daily* (Beijing), January 13, 2006.
5. See Council for Foreign Relations, *More Than Humanitarianism: A Strategic U.S. Approach Towards Africa* Washington DC: Council for Foreign Relations, 2005. See also the OECD's detailed report Andrea Goldstein, Nicolas Pinaud, Helmut Reisen, *The Rise of China and India: What's in it for Africa?* Paris: Organisation for Economic Co-operation and Development, 2006.
6. See Princeton Lyman, "China's Rising Role in Africa", pre-sentation to the US-China Commission July 21, 2005; Simon Roughneen, "Influence Anxiety: China's Role in Africa", ISN Security Watch, May 15, 2006; "China's Empire-Builders Sweep up African Riches", *Sunday Times* (London), July 16, 2006.
7. Interview with senior Western diplomat, Asmara, Eritrea, June 30, 2006. Also correspondence by author with Western diplomats in London and Washington DC.

Top ten African trade partners with China, 2004 (by imports)

China's imports from	*Value in million US dollars*	*% of Sino-African trade*
Angola	3,422.63	27.4
South Africa	2,567.96	20.6
Sudan	1,678.60	13.4
Congo-Brazzaville	1,224.74	9.8
Equatorial Guinea	787.96	6.3
Gabon	415.39	3.3
Nigeria	372.91	3.0
Algeria	216.11	1.7
Morocco	208.69	1.7
Chad	148.73	1.2
Total	11,043.72	88.4

Source: International Monetary Fund, *Direction of Trade Statistics.* Washington DC: IMF, 2005.

Consequently, this article seeks to specifically focus on and explore a key facet of China's interest in Africa's resources – oil. In doing so, some of the main implications for Africa and for the West of China's oil diplomacy are unpacked and discussed. It is argued that Chinese oil diplomacy in Africa has two main goals: in the short-term secure oil supplies to help feed growing domestic demand back in China; and in the long-term position China as a global player in the international oil market. Energetically pursuing these aims whilst playing on African leaders' historic suspicion of Western intentions is how Beijing generally engages in its oil diplomacy on the continent.

"Non-interference" and Sino-African diplomacy

China has long believed African countries to be diplomatically important, a position that dates back to the late 1950s/early 1960s.[1] However, in contemporary times, Chinese interest in Africa was reignited by events surrounding Tiananmen Square in June 1989, when African leaders were quick to rush to support Beijing in the face of intense criticism by the West. This rediscovery of its African friends had followed a decade of neglect of Africa by China as Beijing embarked on its Socialist Modernisation project.[2] However, post-Tiananmen Square China remembered that Africa was a very useful support constituency if and when Beijing was in dispute with other global actors – and also as a site where Beijing could continuing to marginalize the Taiwanese.[3]

At the same time, China's renewed interest in Africa coincided with the newfound attention of the West in promoting liberal democracy and human rights. Indeed, as the Cold War came to an end, the so-called Third Wave of Democracy swept across Africa, supported (albeit unevenly) by the developed world.[4] This trend however threatened the entrenched position of incumbent presidents across the continent. As Philip Snow has pointed out, both Chinese and African elites like to posture themselves as having experienced – and continuing to face – common enemies, namely imperialism and "neo-imperialism".[5] This translates into a deep suspicion by many African leaders of criticism of their regimes on the grounds of "Western-centric" norms of human rights and liberal democracy, something which is instrumentalised whenever domestic governance records are criticised.[6] China taps into this, asserting that human rights such as "economic rights" and "rights of subsistence" are the main priority of developing nations and take precedence over personal, individual rights as conceptualised in the West.[8] It is a claim shared by many African leaders.[9] He Wenping, director of the African Studies Section at the Chinese Academy of Social Sciences in Beijing, has equally claimed that "We [China] don't believe that human rights should stand above sovereignty…We have a different view on this, and African countries

1. Ian Taylor, *China and Africa: Engagement and Compromise* London Routledge, 2006. For older historical overviews, see Alaba Ogunsanwo Alaba, *China's Policy in Africa, 1958–1971* Cambridge: Cambridge University Press, 1974; Alan Hutchinson, *China's African Revolution* Boulder: Westview, 1976; Philip Snow, *The Star Raft: China's Encounter with Africa* London: Weidenfeld and Nicolson, 1988.
2. Ian Taylor, "China's Foreign Policy towards Africa in the 1990s", *Journal of Modern African Studies*, vol. 36, no. 3, September 1998, pp. 443–460.
3. See Ian Taylor, "Taiwan's Foreign Policy and Africa: The Limitations of Dollar Diplomacy", *Journal of Contemporary China*, vol. 11, no. 30, February 2002, pp. 125–140. Senegal's switch to Beijing in late 2005 and Chad's resumption of ties with China as of August 6, 2006 has left Taiwan with diplomatic relations in Africa with only Burkina Faso, Gambia, Malawi, Sao Tome and Principe and Swaziland. Interestingly, Chad "has largely untapped oil fields [and is] expected to give China access to Chad's natural resources", *Business Day* (Johannesburg), August 8, 2006.
4. See Michael Bratton and Nicholas van de Walle, *Democratic Experiments in Africa. Regime Transition in Comparative Perspective* Cambridge: Cambridge University Press, 1997; Larry Diamond, *Developing Democracy: Towards Consolidation* Baltimore: Johns Hopkins, 1999.
5. Philip Snow, "China and Africa: Consensus and Camouflage", in Thomas Robinson and David Shambaugh (eds.), *Chinese Foreign Policy: Theory and Practice* Oxford: Oxford University Press, 1995, p. 285.
6. Interview by author with Frederico Links, journalist with *Insight*, Namibian political magazine, Windhoek, Namibia, August 14, 2006.
8. Interview by author with Wang Xue Xian, Chinese Ambassador, Stellenbosch, South Africa, February 13, 1998.
9. Interview by author with Ibrahim Yilla, Director of Asia and Middle East Countries, Ministry of Foreign Affairs, Freetown, Sierra Leone, June 8, 2006.

share our view'.[1] The Chinese Ambassador to Eritrea echoes such views, asserting that governments can never have the right to criticise other governments.[2] Importantly, non-interference in state sovereignty and freedom from "hegemony" has been a theme of Chinese foreign policy since the Five Principles of Peaceful Co-existence, formulated in the 1950s as the basis of Beijing's foreign relations.[3] The Five Principles are re-echoed implicitly throughout China's current stated Africa policy, released in January 2006.[4]

Consequently, as a Chinese embassy press statement puts it, "[China and Africa] support each other in international affairs, especially on major issues such as human rights, safeguard the legitimate rights of developing countries and make efforts to promote the establishment of a new just and rational international political and economic order'.[5] Much of this is tied to the long-held stance by Beijing that it is the *de facto* leader of the developing world. This posture has been cast within the rubric that whilst "Africa [is] the continent with the largest number of developing countries", China is "the largest developing country in the world'.[6] China's ranking of its own Five Principle of Peaceful Coexistence on an equal footing with the Charter of the African Union – and even the Charter of the United Nations – is an example of the way in which Beijing seeks to court Africa within the broader framework of global politics, whilst at the same time asserting its leadership claims.[7]

Paradoxically, as China increasingly integrates itself into the global economy and starts to tentatively play by essentially Western rules (as exemplified by its membership of the World Trade Organisation), China has sought to strengthen political ties with African countries, exemplified by the establishment of the China-Africa Cooperation Forum (CACF) in 2000. These links however are in part being constructed to be deployed against norms that Beijing views as transgressing Chinese sensibilities, even whilst China engages on a huge expansion of its economic and political engagement globally. This irony reflects the overall tension in Chinese foreign policy of pursuing both engagement and a critical stance towards certain norms that underpin the extant global order. It has led to difficulties for Beijing as it has increasingly been accused of turning a blind eye to autocracy and corruption (a charge that could, admittedly, be levelled at many external actors involved in Africa) in its quest for resources. Because of the exponential increase in China's oil interests in Africa, questions are increasingly being asked about the nature of this engagement, both specifically in Africa and elsewhere.[8]

Importantly, whilst Sino-Africa relations have an historic basis and one built on the principle of "non-interference", the economic impulse is now arguably dominant.[9] This is not contradictory, as the ideological cover of state sovereignty is utilised by Beijing as part and parcel of its oil diplomacy and in the construction of its diplomatic ties. It is, after all, a motif that is highly attractive to many African leaders.[10] However, China's particular focus on African oil (albeit not to the exclusion of other resources), coupled with its stated disinterest in the internal affairs of other countries, is potentially problematic.[11] Difficulties associated with China's emphasis on state sovereignty are discussed later but at this point the character of the Chinese oil industry and its interests in Africa need to discussed.

China's oil industry

China's oil industry has recently experienced significant restructuring as China's oil needs have become

1. Quoted in Paul Mooney "China's African Safari", *Yale Global*, January 3, 2005.
2. Interview by author with Shu Zhan, Chinese Ambassador, Asmara, Eritrea, June 29, 2006.
3. Interview by author with Acting Head, Political Affairs Section, Chinese Embassy, Windhoek, Namibia, August 13, 2006. These Five Principles are namely, mutual respect for each other's territorial integrity; non-aggression; non-interference in each other's internal affairs; equality and mutual benefit; and peaceful coexistence.
4. See *China's African Policy*. Beijing: Ministry of Foreign Affairs, 2006. I am indebted to Dai Yummin of the Chinese Embassy in Freetown, Sierra Leone, for a copy of this document.
5. "Sino-African Relations", Embassy of the People's Republic of China in the Republic of Zimbabwe, 2003.
6. Quoted in *People's Daily* (Beijing), October 10, 2000.
7. The *Beijing Declaration of the Forum on China-Africa Cooperation*, released on October 12, 2000 claimed that "The purposes and principles of the UN Charter and the Charter of the Organisation of African Unity (OAU), the Five Principles of Peaceful Coexistence and other universally recognised principles governing relations among states must be respected'.
8. See for example, Yong Deng, *China Rising: Power and Motivation in Chinese Foreign Policy*. London: Rowman and Littlefield, 2004; *Minxin Pei China's Trapped Transition: The Limits of Developmental Autocracy*. Cambridge: Harvard University Press, 2006; James Kynge, *China Shakes the World: The Rise of a Hungry Nation*. London: Weidenfeld and Nicholson, 2006.
9. Interview with Martyn Davies, Director, Centre for Chinese Studies, Stellenbosch, South Africa, August 1, 2006.
10. Interview with Saffie Koroma, National Accountability Group, Freetown, Sierra Leone, June 7, 2006.
11. Interview with Western diplomat, Freetown, Sierra Leone, June 7, 2006.

ever more pressing.[1] The Chinese government rationalized most state-owned fuel operations in 1998, placing them under the regulatory oversight of the State Energy Administration. In the oil sector specifically, Beijing established two firms, namely the China National Petroleum Corporation (CNPC) and the China Petrochemical Corporation (Sinopec). In doing so, both CNPC and Sinopec emerged as two vertically integrated oil and petrochemical corporations with interests that stretched across the whole value chain. The new CNPC, which had been mostly involved in exploration of oil and gas fields, production and the upstream aspect of the oil business, emerged to account for 66 per cent of both China's oil and gas output, and 42 per cent of Beijing's refining capacity. Sinopec, which had formerly focused on refining and delivery, made up 23 per cent of oil output, 11 per cent of gas output and 54 per cent of refining capacity.[2] Both of the two groups are now major global players in the world oil industry and both companies are more or less involved in all levels of exploration and production. The China National Offshore Oil Corporation (CNOOC), incorporated in 1982, operates offshore exploration and production.[3]

All three companies continue to be fundamentally state-owned, although the administrative functions of CNPC and Sinopec were divided from the corporations" business management task. The State Petroleum and Chemical Industry Bureau under the State Economic and Trade Commission was established to assume the administration functions of CNPC and Sinopec. Consequently, it is likely that the corporations function in accordance with China's national strategy regarding resources and foreign policy – a policy that is established by the political leadership in Beijing in cooperation with business leaders running state-owned corporations. Indeed, the China Institute for International Studies, a state think tank, regularly brings together academics, business leaders, the military and the government to devise strategies for the country, so that "Partly on these people's advice, Beijing has been encouraging representatives of state-controlled companies to secure exploration and supply agreements with states that produce oil, gas, and other resources'.[4]

The strategy chosen is basically to acquire foreign energy resources via long-term contracts as well as purchasing overseas assets in the energy industry. This policy is based on the desire to circumvent an over-reliance on the global oil market through either actually acquiring major stakes in Africa's oilfields or safeguarding access. Africa is a prime site because "China confronts foreign competition. Chinese companies must go places for oil where American and European companies are not present'.[5] Arguably, Chinese companies saw the opportunities in Africa before other actors – who are now expressing anxiety and concern over the scale of China's activities on the continent.[6] This is compounded by the nature of Chinese corporations. Because China's oil companies are state-owned, China is able to do this even if it means outbidding competitors in major contracts awarded by African governments and paying over the odds.[7] China takes the long-term view vis-à-vis energy security, rather than the short-term view of private Western companies – a view necessitated by considerations of profits and shareholders.[8]

1. See Philip Andrews-Speed, Stephen Dow, Zhiguo Gao, "The Ongoing Reforms to China's Government and State Sector: The Case of the Energy Industry", *Journal of Contemporary China*, vol. 9, no. 23, 2000.
2. Peter Nolan and Jin Zhang, *The Challenge of Globalization for Large Chinese Firms.* Geneva: UNCTAD, 2002, p. 21.
3. See Amy Myers Jaffe and Steven Lewis.,"Beijing's Oil Diplomacy", *Survival*, vol. 44, no. 1, Spring 2002, pp. 115–134.
4. David Zweig and Bi Jianhai, "China's Global Hunt for Energy", *Foreign Affairs*, vol. 84, issue 5, 2005, p. 27.
5. Chen Fengying of the China Contemporary International Relations Institute in Beijing, quoted in *Washington Post* (Washington) December 22, 2004.
6. Interview by author with Lucy Corkin, Research M anager, Centre for Chinese Studies, Stellenbosch, South Africa, July 31, 2006.
7. It is apparent that many Chinese companies pursue this approach. Deng Guoping, general manager of the China Road and Bridge Corporation in Ethiopia stated that he is "instructed to slice projected profit margins so thin – about 3% – that losses are inevitable, given perennial cost overruns in Africa. Western businesses, by contrast, typically made bids with projected profits of 15% and more…'We're a government company and the Chinese government wants us here building things' he says", quoted in "China Forges Deep Alliances with War-torn Nations in Africa", *Sudan Tribune* (Paris), March 30, 2005. Dong Wen, the general manager of the Chinese-renovated Bintumani Hotel in Freetown, admitted that business was not good and that she did not understand why her state-owned construction company was involved in the project, given that it did not seem to make money (interview with author, Freetown, Sierra Leone, June 7, 2006).
8. Xu Mingzheng, general manager of Sierra Leone Guoji Investment and Development Company, suggested that Chinese companies have a longer vision than Western companies and are not constrained by the very high profit returns demanded by Western shareholders. He also asserted that management costs for the West are high in Africa whilst for China they are much lower as Chinese salaries are low. Chinese workers are also prepared to go to places like Africa and put up with the difficulties of working and living in tough conditions. Western workers are, by implication, not. Interview with author, Freetown, Sierra Leone, June 8, 2006.

Having said that, China's quest for oil overseas may have less to do with Beijing's energy security than other long-term considerations. Even given China's huge increase in its overseas oil production activities, Beijing's foreign oil diplomacy will almost certainly never be enough to fulfill the country's massively increasing demand. Rather, the recent upsurge in Chinese oil diplomacy may be linked to Chinese strategists at the national level who may well first and foremost be paying attention to the long-term goal of being in charge of oil resources at their source in a strategy to manipulate future prices. This would be not simply as a consumer of oil – although this would be of increasing importance – but also as an emerging producer of note, particularly if and when China's offshore oil discoveries come online.

As part of the immediate strategy, Sinopec and CNPC in particular have been active in buying operating rights overseas. Chinese expansion into oil operations overseas has subsequently become obvious and more and more aggressive, with Chinese oil companies now having a presence in places as diverse as Canada, Peru and Sudan. One way by which this policy has been cemented is to use what China refers to as "special relationships" or its "win-win" China-Africa cooperation policy. Part of this is a somewhat unquestioning stance regarding norms relating to transparency and human rights. That this is problematic for the African continent will be detailed below.

Returning to China's energy milieu, China's exceptionally robust economic growth over the last twenty years has stimulated a huge upsurge in its demand for oil – between 1995 and 2005 China's oil consumption doubled to 6.8 million barrels per day. In 1993, China became a net importer of oil and oil will be the only feasible primary fuel for the foreseeable future that will be in the position to fullfil China's growing needs regarding both transportation and industry.[1] Since it became a net oil importer, China's resource diplomacy and hunt for oil supplies has escalated massively – reflected in Beijing's increased presence in Africa's oil industry. In 2003, China surpassed Japan to become the world's second biggest consumer of petroleum products after the United States. Problematically, in 2004, China's oil consumption grew by 15 per cent whilst its output only rose by 2 per cent.[2] Previously, China's consumption in 2004 was a 16 per cent increase over what it was in 2003. The pattern is clear: an exponential increase in China's demand for oil.

Indeed, China is projected to rely on imports for forty-five per cent of its oil use by 2010. This has massive implications for the global oil industry given that the International Energy Agency predicts that by 2030 Chinese oil imports will equal current imports by the United States; China's demand for oil is projected to increase by 130 per cent to 12.8 million barrels per day by 2025, according to the US Energy Information Administration. As the Administration puts it, "As the source of around 40 per cent of world oil demand growth over the past four years, with year-on-year growth of 1.0 million bbl/d [barrels a day] in 2004, Chinese oil demand is a key factor in world oil markets'.[3] Indeed, if China's imports of oil rise, as projected, from 4 million barrels a day today to 7 million barrels a day in 2020, to 8 million barrels a day in 2025, and to 11 million barrels a day in 2030, the consequence of such a monumental increase will drastically affect the availability of oil *and* the cost of crude oil. Since around 1995 China has pursued an "outward-looking oil economy",[4] but, as one analyst puts it, "China's quest for energy security is more than simple economics. It is about China's overall development strategy; the direction of China's modernization program [and] what kind of China is emerging as a world power'.[5] This is a fundamental question that Beijing's policymakers need to address.

China's oil safari in Africa

Africa is seen by both the Chinese government *and* by Chinese companies to be rich in natural resources, particularly in crude oil, non-ferrous metals and fisheries.[6] In contrast to the past heady days of Maoist "solidarity", China's economic dealings with most African countries are today based on a cool evaluation of their perceived commercial potential.[7] Indeed, it is China's rapidly developing oil requirements that have helped propel Sino-African trade in

1. Sergei Troush *China's Changing Oil Strategy and Its Foreign Policy Implications.* CNAPS Working Paper, Washington DC: Brookings Institute, 1999.
2. "China's Global Hunt for Oil", *BBC News Online,* March 9, 2005.
3. Energy Information Administration China Country Analysis Brief, www.eia.doe.gov/emeu/cabs/china.html
4. See Gaye Christoffersen, *China's Intentions for Russian and Central Asian Oil and Gas.* Washington DC: National Bureau of Asian Research, 1999.
5. Wenran Jiang, *Fueling the Dragon. China's Quest for Energy Security and Canada's Opportunities*. Asia Pacific Foundation of Canada, Vancouver, April 2005, pp. 4–5.
6. Interview by author with manager, Chinese trading company, Massawa, Eritrea, July 1, 2006.
7. Ibid.

recent years.[1] Beijing also sees Africa as playing a greater role in future world politics: a Chinese commentary asserted that "as more African countries improve political stability and make headway in economic growth, the continent's nations will have more say in international affairs'.[2] Beijing seems to see this as to their advantage as it is repeatedly asserted that China and Africa share "identical or similar opinions on many major international affairs as well as common interests'.[3] Indeed, it has become common amongst Chinese policy speeches to emphasise the commonality of experiences that link China and Africa together, including perceptions of historical oppression by the West and the similar levels of economic development.[4]

This has been the rhetorical theme for a whole raft of new contracts signed between China and Africa in the oil industry. A brief listing of some of the more recent ones gives a flavour of the extent to which Chinese oil diplomacy is picking up speed in Africa. In 2002 Sinopec signed a contract for $525 million to develop the Zarzaitine oil field in Algeria. In 2003 CNPC purchased a number of Algerian refineries for $350 million and signed a deal to explore for oil in two blocks. PetroChina also signed a contract with Algeria's Hydrogen Carbide to jointly develop oilfields and construct a refinery.[5] In 2004 Total Gabon signed a contract with Sinopec under which Gabonese crude oil will be sold to China.[6] In 2005 Angola was given a $2 billion loan from China in exchange for oil deals (China added another $1 billion to this loan in March 2006). In the same year, China and Nigeria signed an $800 million crude oil sale deal between PetroChina and the Nigerian National Petroleum Corporation to supply 30,000 barrels of crude oil per day to China.[7] It was also announced that the Chinese were interested in carrying out exploitation of manganese, oil and gold in the Ivory Coast, where Sinopec already has investments in an oil field off the coast, with 27 per cent of the block.[8] In 2006 CNOOC agreed to pay $2.3 billion for a stake in a Nigerian oil and gas field.[9] An offshore exploration deal was signed with Kenya, allowing CNOOC to explore in six blocks covering 44,500 sq miles in the north and south of the country.[10] Beijing also struck a $4 billion deal for drilling licences in Nigeria[11] whilst Angola's Sonangol announced that Sinopec had taken up a 40 per cent stake in the lucrative oil Block 18 after suggesting a $1.1 billion government "signature bonus" out of a total investment amounting to more than $1.4 billion.[12] Chinese oil companies were also reported to have signed contracts to begin offshore oil exploration and production with Congo-Brazzaville[13] and have begun oil exploration in northern Namibia and looking into the establishment of an oil refinery.[14] Nigeria also announced that it would give the first right of refusal to CNPC on four oil exploration blocks in exchange for a commitment to invest $4 billion in infrastructure. The deal involves China buying a controlling stake in Nigeria's 110,000 barrel-a-day Kaduna oil refinery and building a railroad and power stations.[15] The year 2006 also saw Zhongyuan Petroleum Company start exploratory drilling in the Gambella basin, western Ethiopia,[16] Chinese oil companies investigate forming upstream joint ventures in Madagascar to exploit newly discovered reserves on the island,[17] and Sinopec and CNPC team up to acquire drilling rights to an oilfield in Sudan for about $600 million.[18] Clearly, Chinese energy interests in Africa are growing exponentially.

However, questions have been more and more asked about China's tactics and strategies in its quest for resources in Africa.[19] The no-questions-asked

1. Interview by author with Shu Zhan, Chinese Ambassador, Asmara, Eritrea, June 29, 2006.
2. *China Daily* (Beijing) January 9, 1998.
3. Speech by Minister Shi Guangsheng at the Sino-Africa Forum, quoted in *People's Daily* (Beijing), October 11, 2000.
4. Interview by author with Shu Zhan, Chinese Ambassador, Asmara, Eritrea, June 29, 2006.
5. Xu Weizhong"A Review of Sino-Algerian Relations in Retrospect", www.china.org.cn, February 2, 2004.
6. "China Woos Gabon for Oil Deal", *This Day* (Lagos), February 3, 2004.
7. "Nigeria to Supply China 30,000 B/D of CrudeOil.... Corporation to Make $800m", *Vanguard* (Lagos), July 12, 2005.
8. *Reuters* (London) June 20, 2006.
9. "NNPC Approves China's $2.3 Billion Stake in OPL 246", *This Day* (Lagos), April 21, 2006.
10. Kenya Signs Exploration Contract", *The East African Standard* (Nairobi), April 18, 2006.
11. "Nigeria-China Relations", *Daily Champion* (Lagos), May 5, 2006.
12. "Oil Deals Likely as Angola Turns East", *The Standard* (Beijing), June 21, 2006.
13. "Chinese Premier Visits Oil-producing Congo", *Associated Press* (Brazzaville), June 19, 2006.
14. "Oil Reserves in the Pipeline", *New Era* (Windhoek), April 12, 2006.
15. "China to Take Over Kaduna Refinery", *Daily Trust* (Abuja) April 27, 2006.
16. "Chinese Oil Company Starts Drilling", *The Reporter* (Addis Ababa), March 4, 2006.
17. "CNPC, Madagascar Petroleum to Explore Madagascar Oil Field", *Dow Jones* (Hong Kong), February 24, 2006.
18. "Sinopec, CNPC to Acquire Sudan Oil Block for $600 Million, Report Says", *Associated Press* (Hong Kong), November 15, 2005.
19. See David Shinn, "Africa and China's Global Activism", paper presented at the National Defense University Pacific

policy is indeed coming under greater pressure from observers both external and internal to Africa. And Chinese responses have been getting both more defensive and also, contradictory. Thus for instance on the one hand Wang Yingping of the China Institute of International Studies will assert that "Chinese businesses pay greater attention to protecting the environment when building factories and exploring for Africa's rich reserves in oil, ore and non-ferrous metals".[1] Yet on the other, an official Chinese publication will quote, without comment, the assertion by Sierra Leone's Ambassador to China that "The Chinese just come and do it. They don't hold meetings about environmental impact assessments, human rights, bad governance and good governance. I'm not saying it's right, just that Chinese investment is succeeding because they don't set high benchmarks".[2] This is now a common cause for complaint with Sierra Leone.[3] It is the failure to set high benchmarks, particularly regarding transparency and human rights that China's oil diplomacy in Africa stands accused of – a subject we now turn to.

"There are no rogue states"

Whilst Western public diplomacy has recently focussed in on "rogue states", "axes of evil" and "arcs of extremism", Beijing has a very different take on such matters. According to the Chinese Ambassador to Eritrea, "There are no rogue states. China has been labelled this in the past and other governments should not criticise'.[4] Yet within Africa, China has been increasingly criticised. For instance, a South African newspaper noted that "China's no-strings-attached buy-in to major oil producers, such as Angola, will undermine efforts by Western governments to pressure them to open their oil books to public scrutiny'.[5] Two countries in particular stand out as examples where Beijing has intimate dealings, but where standards of good governance (by any criterion) are woefully inadequate: Angola and Sudan.

Angola

Angola has been described as a country that has moved from "Afro-Stalinism" to "petro-diamond capitalism", where patronage and corruption reign supreme.[6] International agencies say as much as $4 billion in oil revenues – equivalent to 10 percent of GDP – has been lost to graft over the past five years.[7] According to one observer:

> Lack of transparency remains the norm for all key financial accounts, such as those used for oil revenues and diamond revenues and those of the National Bank of Angola and the national treasury. Parliament faithfully votes each year to approve a budget in which a substantial portion of the monies received by the Angolan state simply does not appear. The official budget is thus a document which bears no relationship to reality, and in any case it is just not implemented for the most part.[8]

This does not seem to be a problem for Beijing. Indeed, the Chinese have taken advantage of this milieu – and the conflict that this has generated with international creditors.

Currently, Angola is China's second largest trading partner in Africa.[9] In 2004, bilateral trade totalled $ 4.9 billion, representing more than a 113 per cent increase from 2003. Chinese companies continue to look for secure oil deliveries and Angola, as sub-Saharan Africa's second largest oil producer, is central to this policy. Thus, during a recent visit by Vice Premier Zeng Peiyang, a total of nine cooperation agreements with Angola were signed, three of which related to oil. One fixed a long-term supply of oil from Sonangol (the Angolan state oil corporation) to China's Sinopec oil company. Further, it was announced that Sonangol and Sinopec are to jointly evaluate an offshore oil block whilst China and Angola are jointly studying proposals for a new oil refinery in Angola. Sinopec has also engaged in a joint venture with Sonangol, to buy out Shell's interest in one of Angola's offshore blocks (operated by BP Angola) and to be the non-operating partner. Meanwhile, China has ramped up its provision of aid and soft loans. During the visit Zeng Peiyang agreed to provide Angola with more development

Symposium *China's Global Activism: Implications for U.S. Security Interests,* National Defense University, Fort Lesley J. McNair, June 20, 2006.

1. Quoted in *Chinafrica* (Beijing), February 16, 2006, p. 4.
2. Quoted in *Chinafrica* (Beijing), April 1, 2006, p. 4.
3. Interview by author with David Jabati, news editor, *Awareness Times*, Freetown, Sierra Leone, June 7, 2006.
4. Interview by author with Shu Zhan, Chinese Ambassador, Asmara, Eritrea, June 29, 2006.
5. *Star* (Johannesburg) June 21, 2006.
6. Tony Hodges, *Angola: From Afro-Stalinism to Petro-Diamond Capitalism*. Oxford: James Currey, 2001.
7. *Reuters* (Kigali) March 11, 2004.
8. Christine Messiant ,"The Eduardo Dos Santos Foundation: Or, How Angola's Regime Is Taking Over Civil Society", *African Affairs*, no.100, 2001, p. 292.
9. *China Daily* (Beijing), March 7, 2005.

aid, providing Angola with approximately $6.3 million in interest free loans.[1]

The elites in Luanda (an oppressive, dictatorial regime by any standards) are deeply appreciative of China's "non-interference" stance. Over the last couple of years, Angola's government, in need of reconstruction funds after the civil war, has been in the midst of negotiating a new loan with the International Monetary Fund (IMF). Because of Luanda's malgovernance, the IMF was determined to include transparency measures to curb corruption and improve economic management. However, as the IMF pressed for agreement, the Angolan government suddenly stopped negotiations. The reason for this was that Luanda had received a counter-offer of a $2 billion loan from China's export-credit agency, Exim Bank. The deal came with an interest rate repayment of 1.5 per cent over 17 years and was tied to an agreement to at first supply 10,000 barrels per day of crude oil, to increase later to 40,000 barrels per day, as well as the award of substantial construction contracts. This provoked consternation within Angola's nascent indigenous business sector as, as Angolan economist José Cerqueira put it:

> There is a condition in the loan that 30 per cent will be subcontracted to Angolan firms, but that still leaves 70 per cent 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'.[2]

Thus the real cost of the loan is higher than that suggested by the published rates as non-Chinese suppliers are excluded, which will negatively affect the prices of goods and services imports. To be fair though, the real cost should still be below the rates at which Angola was previously borrowing from other sources. But perhaps more critically, none of the IMF's conditionalities regarding corruption or graft were included in the loan's details, enabling Luanda to overcome the refusal by Western donors to bankroll a Donor's Conference until Angola had reached agreement with the IMF and concluded a Poverty Reduction Strategy Paper.

Responding to the news, the Angolan Embassy in London stated that the deal

> ... cannot be matched on the current international financial market, which imposes conditions on developing countries that are nearly always unbearable and sometimes even politically unacceptable.

Indeed:

> It is a well known fact that many developed countries make the support and aid they give conditional on the recurrent issue of transparency. In the case of the agreement recently signed with the Chinese bank, no humiliating conditions were imposed on Angola. The agreement therefore greatly surpasses the contractual framework imposed on the Angolan government by European and traditional markets and opens up a practical means of sustained and mutually advantageous cooperation with one of the world economies with the highest growth rate.[3]

The Angolan Ambassador in China later called Beijing "a true friend of Africa" and crowed that "Africa can [now] develop by its own effort with China's help...without any political conditions'.[4] In other words, the regime in Luanda was flagging up its great satisfaction that an alternative source of resources had been identified, one that did not demand the "humiliating conditions" associated with IMF loans.

However, Douglas Steinberg, Angola country dir-ector for the humanitarian NGO, CARE noted that

> When I hear of this big Chinese loan [I think] it distorts the whole process and gives a lot more flexibility for Angola not to comply with the conditions for other deals…It allows the government to escape...transparenc'.[5]

Global Witness also commented that

> The long-standing concerns about the lack of fiscal transparency and accountability [by the Angolan government] also extend to the reconstruction process. There has to date been no public scrutiny of either specific reconstruction projects, nor of the procurement process managed by the National Reconstruction Office, including projects selected under the terms of the $2 billion credit line extended to Angola by China.[6]

The big danger is that China's rapidly developing relationship with Angola allows the elites in Luanda to continue to be corrupt and ignore governance norms – all in the name of "non-interference" in domestic affairs – a discourse that China assiduously promotes.

1. "China, Angola Sign 9 Cooperation Agreements", *afrol News* (Luanda), 7 March 7, 2006.
2. Quoted in "Angola: Cautious Optimism for 2005", United Nations Office for the Coordination of Humanitarian Affairs, New York, 14 January 2005.
3. Embassy of Angola, "Angola-China: An Example of South-South Cooperation", March 26, 2004.
4. *Xinhua* (Beijing), January 24, 2006.
5. "Angola: Oil-backed Loan Will Finance Recovery Projects", *Integrated Regional Information Networks* (Luanda), February 21, 2005.
6. Ibid.

And critics of the West's "imperialist" insistence on conditionalities are now faced with an uncomfortable dilemma – get rid of intrusive stipulations emanating from the developed world and the alternative is invariably China's no-strings-attached deals:

> 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.[1]

Yet on the other hand, China *is* investing much-needed resources into Angola's infrastructure and is widely seen as the "saviour" of the country in terms of recovery and post-conflict development.[2] The Eximbank loan will rehabilitate roads and railways, especially in Benguela, which is essential to Angola's mineral exports. Angola has a desperate need for financing to carry out an extensive programme of infrastructure investments as a precondition to the reintegration of the country, urgently required in order to kick-start the economy, especially in the agricultural sector. Alternative sources of funding have been stymied by Paris Club rules; not so China's. Indeed, the Chinese loans are planned to help rehabilitate the three main rail lines in the country as well as finance the construction of a new airport in Benguela province.[3] In the absence of funding from elsewhere, the Chinese finances are a welcome injection into Angola, despite concern over the lack of conditionalities regarding governance issues.

Sudan

Another example of China's involvement in an oil-rich nation which has attracted controversy is Sudan. China is now Sudan's largest investor, with an investment estimated at $4 billion. Apart from the governance and human rights issues in Khartoum, Beijing's weapons exporting policy and its involvement in Sudan's long-running civil war have been particularly criticised. It should be noted that China is the only major arms exporting power that has not entered into any multilateral agreement setting out principles, such as respect for human rights, to guide arms export licensing decisions. Instead, Chinese actors have pursued a policy that is entirely based on narrow economic interests and have been keen to supply the Sudanese government with fighter aircraft and an assortment of weaponry. Apart from the profits accrued from these arms sales, the policy helps consolidate and protect Chinese shares in the exploitation of Sudan's oil reserves. Reports say that the Sudan air force is equipped with $100 million worth of Shenyang fighter planes, including a dozen supersonic F-7 jets.[4]

The motivation for such supplies is simple. The state-owned Chinese company CNPC owns the largest share (i.e. forty per cent) in Sudan's largest oil venture, the Greater Nile Petroleum Operating Company. CNPC's equity oil from the project is around 150,000 barrels a day. The Sino-Sudanese oilfield project covers 50,000 square miles in the southern non-Muslim region of the country and is expected to produce 15 million tons of crude oil annually. With proven reserves of 220 million tons, the project is amongst the largest China has undertaken overseas. Problematically, during the civil war Sudanese government forces, armed with Chinese weapons, used CNPC facilities as a base from which to attack and dislodge southerners in the vicinity of the new oil fields. Certainly, Khartoum used hard currency generated by Chinese investment in oilfields to finance its ethnic cleansing of non-Muslim insurgents and civilians in the southern part of the country. Consequently, China has been strongly criticised by various non-governmental organisations, with Amnesty International stating in June 2006 that "China has transferred military, security and police equipment to armed forces and law enforcement agencies in countries where these arms are used for persistent and systematic violations of human rights'.[5] China, for its part, deployed its "alternative" reading of human rights to block United Nations action in the country. For instance, the Chinese ambassador to Sudan, Deng Shao Zin, openly stated that Beijing was "opposed to any intervention by the United Nations in the internal affairs of Sudan under the pretext of human rights violations'.[6]

Thus whilst during the late 1980s/early 1990s, Western oil companies were forced to scale down operations in Sudan due to human rights violations

1. Jean-Christophe Servant "China's Trade Safari in Africa", *Le Monde Diplomatique*, May 2005, p. 6.
2. Interview by author with Lucy Corkin, Research Manager, Centre for Chinese Studies, Stellenbosch, South Africa, July 31, 2006.
3. See African Development Bank/OECD, *African Economic Outlook 2005–06: Angola*. Paris: OECD, 2006.
4. "Sudan Gets Chinese Jets", July 13, 2000, www.worldnetdaily.com
5. Amnesty International, *People's Republic of China: Sustaining Conflict and Human Rights Abuses: The Flow of Arms Accelerates*. New York: Amnesty International, 2006.
6. "Chinese Investment Spurs Civil War in Sudan", *CNS News.com*, September 3, 1999.

and the civil war, China stepped in to displace Western corporations.[1] Consequently, CNPC has been a partner in a consortium developing oil production in Sudan since the mid-1990s and CNPC's construction wing helped build the 930-mile pipeline to the Red Sea and built an oil refinery close to Khartoum. The Petroleum Engineering Construction Group is at present constructing a $215 million export tanker terminal at Port Sudan as well as a pipeline from the oilfields to the port.

It should be said that Beijing has welcomed the recent peace agreement signed in early 2005 between the north and south and China has committed around 200 troops for UNMIS, the UN mission to oversee the cease-fire. Given that oil agreements signed by Khartoum will be respected, this is no surprise. As has been mentioned, Beijing has used its position at the United Nations to head off Western pressure on Khartoum – lately over human rights abuses in Darfur. In mitigation, China maintains that it is working hard to encourage the Sudanese government to resolve the conflict. But United Nations investigators have found most of the small arms in the conflict in Darfur are Chinese manufactured, despite an arms ban within the region. Amnesty International has reported that China provided hundreds of military trucks to Sudan in 2004 at the height of the three-year-old Darfur conflict and that the Sudanese army and the Janjaweed militia had used these vehicles for travel and for transporting people for execution. China in turn rejects such charges on the grounds that other countries similarly export arms and equipment.[2] As Chinese Deputy Foreign Minister Zhou Wenzhong was quoted as saying, "Business is business. We try to separate politics from business…I think the internal situation in the Sudan is an internal affair'.[3]

Problematising China's approach

Any analysis of China's oil diplomacy in Africa needs to be balanced and avoid the hyperbole that has characterised some accounts.[4] In the short-term, China's trade and investment with Africa is of assistance to the development of the continent if for no other reason than that investment is not really forthcoming otherwise. China's investment in Africa's crumbling infrastructure *is* needed and is welcomed by most. Throughout Africa Chinese companies are occupied in building hospitals, dams, government offices and stadiums and the refurbishment of facilities abandoned by Western companies.[5] In addition, China's demand for energy resources has inflated prices, bringing a windfall to African states" income. Partly as a result of China's interest – particularly in oil – in Africa, the continent's growth rate has increased, touching 4.5 per cent in 2004. Of course, what African leaders do with this sudden influx of receipts is key. Indeed, the big question is how do governments engage with this phenomenon and utilise the increased engagement by China to benefit the ordinary people and promote development in an environment of elite depredation and a lack of capacity?[6] Here, China's stance of "non-interference" and a studied disinterest in where the money goes is not particularly helpful. But certainly in the short-term China's increased engagement with Africa is beneficial in the sense that it is providing investment where little was previously forthcoming. Development may be stimulated by such activities and the Chinese provide what may be seen as a low-cost developmental solution to many African nations.

But it is when one looks at the long-term trajectory that concerns mount. Firstly, a reliance upon oil and other commodities is deeply problematic for African nations wishing to avoid the typical resource curses that tend to accompany an over-dependence on one particular commodity and/or move beyond being suppliers of primary products. "One risk is that the commodity boom might give rise to a sense of complacency, which might prevent governments from undertaking the necessary measures to make growth sustainable in the medium term (i.e. investment in human capital and infrastructure, institutional reform, etc.)'.[7] Over-reliance on commodities such as oil threatens to make African nations even more vulnerable to negative price shocks. Furthermore, if receipts accrue from oil exports to China there is a very real temptation for the local elites not

1. As did Indian companies, it should be noted.
2. Ibid.
3. Quoted in *New York Times* (New York), August 22, 2005.
4. For examples, see "China Covets African Oil and Trade", *Jane's Intelligence Review* (London), October 12, 2004; "Yet Another Great Game", *Newsweek* (New York), December 20, 2004; Peter Brookes and Ji Hye Shin, "China's Influence in Africa: Implications for the United States", *The Backgrounder, Heritage Foundation* no. 1916, February 22, 2006; "Africa's China Card", *Foreign Policy*, April 11, 2006.
5. Interview by author with Moses Pakote, Deputy Director, Investor Services, Namibia Investment Centre, Ministry of Trade and Industry, Windhoek, Namibia, August 11, 2006.
6. Interview with Christopher Parsons, Ministry of Trade and Industry, Freetown, Sierra Leone, June 8, 2006.
7. Deutsche Bank Research, "China's Commodity Hunger: Implications for Africa and Latin America", June 13, 2006, p. 12.

to diversify their economies. As mentioned earlier, this is a problem not specific to Chinese involvement. But the type of increased commodity exports and rising investment inflows into Africa stimulated by China's commodity demands have a tendency to fuel currency overvaluation, which undermines the competitive edge of export-oriented manufacturing sectors. This potential danger may be worsened by Beijing's propensity to keep downstream and processing activities within China whilst only generally importing pure raw materials.[1] In this sense, a huge increase in Chinese interest in Africa's oil threatens to only deepen Africa's dependency.

Of equal concern however, is China's relatively casual stance towards the liberal norms of human rights and democracy. In China's defence it might be averred that the strategies adopted by an incoming power, seeking to grab opportunities wherever it can, and those of an established power, looking to protect its investments in an unstable environment, are intrinsically different and account for some of China's actions. But the key question is how long is it going to take for Beijing to move from one stance to the other? Beijing's current attitude regarding its supply of weapons to regimes such as Sudan is that it is an internal matter for that sovereign state and that weaponry strengthens the state, thereby stabilising the political environment in which to do business. But most observers view such transfers as profoundly destabilising, particularly as African governments and armies are rarely in full control of the weapons they receive, as well as the more general point that providing arms to oppressive regimes is inherently anti-developmental. For how long China can maintain its position predicated on "non-interference" is a crucial question, particularly as China becomes more and more integrated into the global order and the responsibilities that come with this.[2]

Indeed, the current position of Beijing's critically undermines China's objectives to be implicitly seen as the leader of a developing world coalition or one that is qualitatively different from the "traditional exploiters" of Africa, i.e. the West.[3] This contradiction was most graphically illustrated in April 2006 when on the very same day as the Dutch government were suspending nearly $150 million in aid to Kenya because of longstanding concerns over corruption,[4] China was busy securing an important oil exploration agreement with that same country.[5] A telling illustration of the difference in approaches between the West and China vis-à-vis malgovernance on the continent.

Currently, Beijing does not seem to realise that corruption and political instability sabotage the long-term possibilities of sustained Sino-African economic links and also help maintain the situation where Africa remains at the bottom of the global hierarchy, plagued by dictators and human rights abusers. Whilst a certain type of African leader is deeply appreciative of such a friend, it is doubtful that the average African shares the same sentiments.[6] Problematically, as a Kenyan report put it:

> China has an Africa policy. Africa doesn't have a China policy, only a Beijing-controlled forum in which Mandarins figure out which country to take a sweet shot at. China talks of mutual trust…The danger is that China will politely rip off Africa, just as the West did (*The Nation*, Nairobi, June 12, 2006).

It would be all too easy to shrug off China's perceived amoralism as simply fitting in with ongoing external interaction with Africa – and at one level this would be true. After all, French policy towards the continent has never been guided by liberty, equality and fraternity and other Western actors in Africa do not exactly possess exemplary records. Washington's relations with oil-rich nations such as Saudi Arabia are equally not guided by concerns over democracy.[7] Business is business so, in this sense, criticism of China's oil diplomacy in Africa is somewhat hypo-

1. Ibid.
2. Interview by author with Henning Melber, Namibian political economist, Windhoek, Namibia, August 14, 2006.
3. China likes to play this card if and when criticised for its no-questions-asked policy. For instance, Chinese Foreign Ministry spokesman Qin Gang, in denying that China ignores human rights considerations, lashed out at Western journalists, asserting that "We [China] will not repeat the record of the then Western colonists who bloodily plundered and violated human rights. China is a responsible country", quoted by *Agence France Presse* (Beijing), April 26, 2006.
4. "Dutch Halt Kenya Aid over Graft", *BBC News Online,* April 29, 2006.
5. China's Hu Boosts Kenyan Business", *BBC News Online,* April 28, 2006.
6. Interview by author with Henning Melber, Namibian political economist, Windhoek, Namibia, August 14, 2006.
7. As one overview on Sino-African ties puts it, "Good governance is a prerequisite for the higher-order investments in Africa that Africans consider essential, such as beneficiation of natural resources and diversification of economic interests. It is important that Chinese and US economic activities do not implicitly or unconsciously undermine good governance, but also that Africa is not subjected to different rules than the US and others applied to different regions notably the Middle East", "Africa-China-US Dialogue", report of the first meeting of the Trilateral Dialogue, Tswalu Kalahari Reserve, South Africa, August 4–6, 2006, Brenthurst Discussion Papers 6/2006, p. 3.

critical.[1] However, this is not the whole story. There is arguably a growing consensus among the more serious governments in Africa of where they wish the continent to be heading. An example of this being expressed would be the New Partnership for Africa's Development (NEPAD), which has been enthusiastically pushed by a select number of countries in Africa, as well as by the G-8, as a means to stimulate what has been termed the "African Renaissance".[2] NEPAD has succeeded in placing the question of Africa's development onto the international table and claims to be a political and economic programme aimed at promoting democracy, stability, good governance, human rights, and economic development on the continent. Despite its faults, NEPAD is at least Africa-owned and has a certain degree of buy-in. Yet, "While in some countries China's involvement appears benign, in others its approach undercuts efforts by the African Union (AU) and Western partners to make government and business more transparent and accountable'.[3] Indeed, a key objection against China's oil diplomacy is that it threatens to re-introduce practices that NEPAD (and the African Union for that matter) are ostensibly seeking to move away from – even though China protests that it fully supports NEPAD.[4] As one South African newspaper put it:

> Chinese aid is as likely to subsidise profligate and/or dictatorial governments as it is to advance the welfare of ordinary Africans. These developments threaten a project of particular importance to President Thabo Mbeki, and through him, to South Africa. One of the objectives of the New Partnership for Africa's Development (NEPAD) of which Mbeki is a co-architect is to promote corruption-free, good governance in Africa, for its own sake as well as a means of securing sustained developmental assistance…Aid that fails to advance democratic government, no matter whence it comes, is counterproductive.[5]

Thus, criticism of Chinese diplomacy in Africa cannot be waved away as simply hypocritical sour grapes from the West; there is real concern *within* Africa at Chinese activities.[6] And China is not immune to accusations of exploitation either. After all, a car bomb attack in April 2006 near an oil refinery in Nigeria's Delta region was specifically aimed as a warning against Chinese expansion in the region, with the Movement for the Emancipation of the Niger Delta stating that:

> We wish to warn the Chinese government and its oil companies to steer well clear of the Niger Delta. The Chinese government by investing in stolen crude places its citizens in our line of fire.[7]

Indeed, there is growing evidence that African citizens' resentment against the Chinese, perceived to receive special favours and protection by host governments, is developing.[8] It would be a foolish government in Beijing that thinks that cosying up to African leaders regardless of their legitimacy can expect no backlash from frustrated and excluded locals. Policies have consequences.

Equally of note is China's stance towards sovereignty, which may well come back to haunt China in the long-term. It is true that at the moment the notion of sovereignty provides a useful common ground between China and regimes such as Angola and Sudan in facilitating co-operation on oil matters. Yet at the same time it is a potentially awkward doctrine for a very large and powerful state such as China to espouse in its dealings with relatively poor and weak states. After all, what are the implications for China's stance on non-interference in domestic affairs if a "sovereign" African state chooses to expropriate resources and materials owned by a Chinese corporation? Or if a Chinese corporation is punished for environmental damage or mistreating local employees?

This potential problem may be illustrated with reference to a non-oil producing state, such as Eritrea, where the government is intensely sensitive to any notion that its sovereignty is being encroached upon.[9] One might think that such a state would be

1. Interview by author with Robin Sherborne, editor of *Insight*, Namibian political magazine, Namibia, Windhoek, August 14, 2006.
2. See Ian Taylor, *NEPAD: Towards Africa's Development or Another False Start?* Boulder: Lynne Rienner, 2005.
3. *Africa Research Bulletin*, February16–March 15, 2006, p. 16855.
4. See for instance Liu Guijin "China-Africa Relations: Equality, Cooperation and Mutual Development", speech to the Institute of Security Studies, Pretoria, South Africa, November 9, 2004.
5. *The Star* (Johannesburg), July 4, 2006.
6. See "Beijing Woos Africa's Contemptibles", *Business Day* (Johannesburg), July 18, 2006 for a flavour of this concern.
7. "Car Blast Near Nigeria Oil Port", *BBC News Online,* April 30, 2006.
8. Interview by author with Robin Sherborne, editor of *Insight,* Namibian political magazine, Namibia, Windhoek, August 14, 2006. Note that in July 2006 miners working for the Zambian copper producer Chambishi Mining destroyed property in a protest. During this protest, according to miners and Zambian police, Chinese managers opened fire, wounding five workers.
9. Interview by au thor with Western journalist, Asmara, Eritrea, July 6, 2006. Due to the regular expulsion of journalists from Eritrea, the name of the source is withheld.

a natural ally of Beijing's.[1] Yet in fact dealing with such an entity is highly problematic as even the Chinese think that the government is untrustworthy and prone to act in unpredictable ways.[2] Despite the untapped mineral riches of Eritrea, whose future possibilities seemingly drive Chinese interest in the country, there is a real issue whether or not Beijing can sustain the relationship as the ability to effectively work in such a state is compromised by its "sovereignty" i.e. erratic policy decisions made with little or no regard for external opinion.[3] And because of this, China has no real influence over Asmara.[4] Although there are reports of possible oil fields off the coast of Eritrea and the country is reported to have natural gas reserves of some considerable scope,[5] the Chinese have not been as active as in other parts of Africa, although diplomatic sources are adamant that that is why China is in Eritrea.[6] Ironically, the relatively strong attributes of the Eritrean state possibly preclude this. In other words, and this is quite intriguing, whilst China emphasises the notion of state sovereignty, this is most enthusiastically applied to countries where the empirical properties of the state are lacking. Where there does exist a "real" state – and one with opinions and willing to act upon them – China is a lot more circumspect in its dealings – hence the more complicated relationship with South Africa.[7] If or when Eritrea strikes oil, it will be very interesting to see if China becomes involved.[8]

In a number of oil-rich states which China is dealing with – and emphasising the importance of state sovereignty – the state is actually relatively weak on the ground where the oil is being exploited. Nigeria's Niger Delta is a classic example of this, where the "sovereign" government of Nigeria has largely lost control of parts of the oil producing areas. Here, Western companies cut deals with local militias to protect their assets. Can China emulate their actions whilst at the same time preaching the importance of state sovereignty and non-interference? In addition, by closely engaging with oppressive regimes and turning a blind eye to abuses, China is in danger of being associated in the local populations' eyes with subjugation and exploitation, which may come back to trouble Beijing if there is ever a regime change in such countries.

China's emphasis on state sovereignty in its oil diplomacy in Africa is also thorny because Chinese companies are not dealing with the type of sovereign states typically understood by external policymakers – not least in Beijing. In many parts of Africa, including oil-rich territories, China is actually engaging with what have been termed "quasi-states".[9] These are spaces that possess juridical statehood but have only a tenuous empirical claim to such status, lacking the institutional features of the Weberian state, including the ability (or even inclination) to meet the socio-economic needs of the citizenry. Understanding how the state in Africa really functions and its attributes has critical implications for China's initiatives on the continent and in particular, its assertion of the importance of state sovereignty. Certainly, power in Africa must be understood in terms of the systemic exercise of patronage as a fundamental operating framework for politics. Whilst this is frequently exercised through institutions, in spite of the façade of the modern state, power in many African polities is intensely personalized and presidentialist in nature; it is neither exercised on behalf of the broad public good nor in promoting development, and is characterized by alarming levels of corruption.[10] Enjoying equal sovereignty with other states at the international level, these formations lack most legal and administrative institutions that main-

1. Interview by author with Shu Zhan, Chinese Ambassador, Asmara, Eritrea, June 29, 2006.
2. Interview with senior Western diplomat, Asmara, Eritrea, June 30, 2006.
3. Interview with Western diplomat, Asmara, Eritrea, June 29, 2006. China's current economic relationship with Asmara is largely based on construction and water borehole drilling.
4. Interview by author with Western journalist, Asmara, Eritrea, July 6, 2006. See also Kidane Mengisteab and Okbazghi Yohannes, *Anatomy of an African Tragedy: Political, Economic and Foreign Policy Crisis in Post-Independence Eritrea* Lawrenceville: Red Sea Press, 2005.
.5. Interview by author with Stan Rogers, Nevsun Resources, Asmara, Eritrea, July 5, 2006. The Bisha mine project, to go into production in 2008, is predicted to produce $1 billion worth of copper, zinc and gold over the next ten years.
6. Interview with Western diplomats, Asmara, Eritrea, June 29 and June 30, 2006.
7. Although the more developed economy of South Africa is a major factor, it is undoubtedly the fact that South Africa's relatively strong state makes Pretoria a far more resilient partner to negotiate with and to do business with than other states elsewhere on the continent.
8. Pakistan's Oil and Gas Development Limited, the largest petroleum exploration and production company in Pakistan, is reported to wish to establish an office in Eritrea shortly to cooperate in hydrocarbon exploration and assist in developing Asmara's oil and gas sector – interview with Western diplomat, Asmara, Eritrea, June 29, 2006.
9. Robert Jackson, *Quasi-States: Sovereignty, International Relations, and the Third World*. Cambridge: Cambridge University Press, 1990.
10. Ian Taylor, "Blind Spots in Analyzing Africa's Place in World Politics", *Global Governance,* vol. 10, no. 4, October–December 2004, pp. 411–417.

tain a state and instead are intensely patrimonial.[1] In such an environment, emphasising state sovereignty cannot work in the long-term as a means to secure access to resources in an arena where the state is decayed and quasi in nature. Furthermore, the implications are that if the elites in charge of such states are willing to sacrifice objectives such as development in order to stay in power at all costs, and an external benefactor emerges which, by its actions, supports such a milieu – if not bolsters it – China's expansion into Africa may be highly problematic.

These problems are compounded when one combines the nature of many African states with what is known as the "Resource Curse". Indeed, China's interest in African oil is potentially problematic, not simply because of the nature of China's overtures to Africa, but because of the broader character of the oil industry and the way it has tended to undermine democracy and accountability in the developing world, particularly in Africa.[2] Thomas Friedman has noted that regimes that benefit from oil receipts are not controlled by a need to generate revenues through taxation and are thus more easily tempted to sideline calls for accountability from or even participation in government. This lack of accountability and the misuse of resource revenues often leads to a struggle for access to the source of wealth, dramatically increasing political instability. At the same time, Friedman avers, receipts from oil prices, particularly if these prices spike, create windfalls, which governments often expend on patronage, repression of opposition groups, and increased internal security. Concurrently, resource-rich governments have very little incentive to diversify and promote development outside of the resource sector.[3]

Similarly, Leonard and Straus argue that enclave economies in Africa (economies that export extractive products concentrated in relatively small geographic areas) are particularly problematic. Revenue generation is physically confined to small locales, with the prime markets for the products being external (the international market). This makes "the general economic health of areas outside the enclave quite secondary, if not irrelevant. In enclave economies, then, elites gain little from any deep, growing, economic prosperity of the masses of the population'.[4] Thus whilst individuals who have gained access to rents from such enclaves may benefit handsomely, the system fundamentally fails to promote economic growth and development.[5] Indeed, in extreme cases, the idea that resources should be channelled towards the nebulous concept of "national development" is, in the main, not on the agenda of many elites in Africa as wealth generation and survival does not depend on productive development, but is dependent upon control over select areas of the country where the resources are, or by the manipulation of the market for personal reasons of power and profit.[6] Elite survival can be based on the capture and control of relatively limited geographic areas, as Africa's "resource wars" attest. Ultimately, "enclave economies do not need functioning states or infrastructure to generate revenues for elites'.[7] And in such circumstances, affluence and underdevelopment can go hand in hand.[8] This is a general problem that *all* actors interacting with Africa's resource-rich states must consider and manage. And in this regard, Western companies have been no better than others, in spite of their much longer engagement.[9] However, it is the specific nature of China's interface with those resource-

1. Robert Jackson, "Quasi-States, Dual Regimes, and Neoclassical Theory: International Jurisprudence and the Third World", *International Organization*, vol. 41, 1987, p. 528.
2. This is why in African countries currently prospecting for oil or where oil deposits are suspected – such as Sierra Leone – debate about the costs and benefits of any finds has become politically important – interview by author with Sanusi Deen, National Chairman Sierra Leone Indigenous Business Association, Freetown, Sierra Leone, June 7, 2006. In Uganda, which has recently discovered oil, this debate is now raging – see "With Leaders Like Ours, We Need Oil Wealth Like a Hole in the Head", *East African* (Nairobi), July 10, 2006; "Oil and Democracy", *The Monitor* (Kampala) July 12, 2006; "Oil Discovery Is a Blessing", *The Monitor* (Kampala) July 12, 2006.
3. Thomas L. Friedman, "The First Law of Petropolitics", *Foreign Policy*, May/June 2006, pp. 31–32.
4. David Leonard and Scott Straus, *Africa's Stalled Development: International Causes and Cures.* Boulder: Lynne Rienner, 2003, p. 13.
5. Douglas Yates, *The Rentier State in Africa: Oil, Rent Dependency and Neocolonialism in the Republic of Gabon.* Trenton: Africa World Press, 1996.
6. See Catholic Relief Services, *Bottom of the Barrel: Africa's Oil Boom and the Poor,* www.catholicrelief.org/get_involved/advocacy/policy_and_strategic_issues/oil_report_full.pdf
7. Leonard and Straus, 2003, op. cit., p. 16. For a detailed case study, see Geoffrey Wood, "Business and Politics in a Criminal State: The Case of Equatorial Guinea", *African Affairs*, vol. 103, no. 413, 2004.
8. Richard Joseph, "Affluence and Underdevelopment: The Nigerian Experience", *Journal of Modern African Studies,* vol. 16, no. 2, 1984.
9. See for example, Clive Wright, "Ethics in the Petrochemical Industry", *Business Ethics: A European Review,* vol. 6, no. 1, 1997; G. Chandler, "Oil Companies and Human Rights", *Business Ethics, A European Review,* vol. 7, No. 2, April 1998; Esther Cesarz, J. Stephen Morrison, and Jennifer Cooke, *Alienation and Militancy in Nigeria's Niger Delta.* Washington DC: Center for Strategic and International Studies, 2003; Afeikhena Jerome, Senyo Adjibolosoo and Dipo Busari, "Addressing Oil Related Corruption in Africa. Is the Push for Transparency Enough?", *Review of Human Factor Studies,* vol. 11, no. 1, 2005.

rich African countries that is potentially particularly problematic.

Concluding remarks

Ultimately, Chinese foreign policy in Africa and elsewhere is, like all other countries' foreign policies, self-serving and based on economic and strategic considerations.[1] On this Beijing is no different. As Zweig and Bi note, "China has a right to pursue energy sources through market strategies…[the West] must recognize that it would be irresponsible for China's leaders not to increase the country's energy supply'.[2] And it should be noted that Chinese expansion into Africa is a natural extension of China's opening up to the world and its pursuit of capitalism – policies that have been assiduously encouraged by all Western countries, some of whom now decry the results of this openness when China is seen to be expanding into Africa.[3]

But, it must be cautioned that currently, Beijing is an actor in Africa that does provide a discourse that effectively legitimises human rights abuses and undemocratic practices under the guise of state sovereignty and "non-interference". Chinese analysts openly admit this, noting that "Common sense about human rights and sovereignty is only one of the common values shared by China and Africa… There is no doubt that China's success in Africa has partly benefited from it'.[4] Whilst one might argue that other actors' policies in Africa support the same ends, or that the West is in no position to criticise anyone on Africa, Beijing's spirited defence of elite sovereignty certainly jars against the growing international consensus that political leaders cannot escape justice for violations against an emerging, if fragile, global norm – as Charles Taylor has most recently found out. Yet by promoting such views, China *is* undermining emergent international regimes, despite Jeffrey Sachs' recent assertion that Beijing's reluctance to "interfere" was "an asset, not a liability'.[5] This stance not only destabilizes nascent global values (which China would possibly dismiss as "neo-colonial" or "interference") but it also jars against the current pan-continental recovery plan of Africa itself, namely NEPAD – an accusation that China is particularly vulnerable and sensitive to.

So what is to be done? A Heritage Foundation report recently asserted that "The U.S. should coordinate with other donors to counter China's influence by linking economic incentives, diplomatic support, and other desirables to progress in economic liberalization, political freedom, and enhanced transparency and accountability'.[6] However, this is unlikely on two accounts. Firstly, given the growing preponderance of China's economic clout and its own no-questions-asked diplomatic support for African elites, it is unlikely that African leaders (particularly the ones in charge of oil-rich nations currently being courted by Beijing) will be easily wooed away by promises of aid when that aid is tied to conditionalities such as good governance and democracy. Secondly, and this is more profound, the Heritage Foundation assumes that most elites in the continent have a genuine interest in liberalization, political freedom, transparency and accountability. This is a rather misplaced belief, one might aver.

The key for policymakers – both Western and in those African countries that genuinely do seek a brighter future for the continent – is to become skilled at cooperating with China when it abides by governance norms and on matters of mutual concern. Encouraging Chinese involvement in UN peacekeeping operations in Africa, financial backing for the nascent African Union, and the mitigation of environmental damage are relatively straightforward areas of collaboration. But, if and when China does not abide by broad governance standards, it is important for significant African leaders themselves to take a lead and point out the disjuncture between Chinese activities and the norms expected and promoted by African initiatives such as NEPAD.[7] China is adept at waving away Western criticism as jealous hypocrisy and has a history of ignoring Western concern over its human rights record, indicating an indisposition to conform to Western demands. It would be much harder for Beijing to do this if it was African leaders who were holding China to account with regard to transparency and human rights. In particu-

1. Guang Lei, "Realpolitik Nationalism: International Sources of Chinese Nationalism", *Modern China*, vol. 31, no. 4, 2005, pp. 487–514.
2. Zweig and Bi, 2005, op. cit., p. 30.
3. Interview by author with Shu Zhan, Chinese Ambassador, Asmara, Eritrea, June 29, 2006.
4. He Wenping of the Chinese Academy of Social Sciences in Beijing, quoted in Servant, 2005, op. cit., p. 7.
5. Quoted in "China's Presence a Boon to Africa–UN Adviser", *Reuters* (Beijing) August 15, 2006.
6. Brett Schaefer, "America's Growing Reliance on African Energy Resources", *Heritage Foundation Backgrounder,* no. 1944, June 20, 2006, pp. 8–9.
7. As one report puts it, China's oil diplomacy "may unpick the strategy carefully knitted between the West and key African players for economic liberalisation accompanied by 'good governance', leading to stability", *Africa Research Bulletin*, December 16, 2005–January 15, 2006, p. 16,785.

lar, the inherent ultimately unsustainable strategy of courting dictators in key resource-rich African states needs to be emphasised. Only by Africa's more serious governments pursuing such a tack – by no means easy or without problems – can China's oil safari be changed from the amorality of "business is business" into something more tangible and positive for Africa and its peoples. It is surely axiomatic that in the long-term (which is ultimately the focus of China's Africa policy, albeit unstated), a stable and prosperous Africa is in Beijing's interest. Given that China's presence in Africa is here to stay, engagement with Beijing over such issues is the only feasible strategy to take. The next Sino-African summit in Beijing in November 2006 would be a good starting point for this dialogue to begin in earnest.

Uganda and China: Unleashing the Power of The Dragon

Margaret C. Lee

> This paper takes a very positive view of China's relationship with Africa, pledging more co-operation on many fronts, including trade, investment and sharing experience in governance and development (Hale 2006: 16).

One of the most controversial topics in Africa today concerns the Chinese. A trip deep into the market in Kampala, Uganda reveals how controversial the topic is. On the one hand you have stall after stall of informal traders selling cheap Chinese goods and offering special prices if you buy two or more of the same item, and on the other, you have the Kampala City Traders' Association (KACITA) warning poor Ugandans about the consequences of buying cheap Chinese goods. "It is difficult to get most people to understand that it is better to import a good generator from the United Kingdom (UK) that will work for a long time rather than a cheap one from China that will work for about three weeks", according to KACITA's Publicity Secretary, Issa Ssekitto (Interview, May 16, 2006, Kampala, Uganda). Similarly, he argues that "it is very difficult to get Ugandans to buy quality color TVs instead of the ones from China that only have color for three weeks and then they become black and white TVs" (ibid.).

Ugandan traders have been traveling to China for years, buying goods to sell in the markets in Uganda. Recently, however, they have begun to experience serious competition from Chinese formal and informal traders who now import the same items into the country at a much cheaper price, thus undermining local traders. In the meantime, the Ugandan government has ignored the concerns of traders regarding the implications of the relatively new Chinese onslaught as government officials proudly watch the Chinese construct new buildings and provide suspect financial benefits to government officials as unemployment among formal and informal traders continues to increase. How could the Chinese be enemies of the people of Uganda, government officials ask local entrepreneurs affected by the growing Chinese presence in their country, when they construct new buildings, write off Uganda's debt, construct medical facilities, etc.? (Interview with KACITA officials, May 16, 2006).

This paper is a preliminary exploration of the implications of China's growing presence in Uganda. The paper raises more questions than it answers, especially since it is too early to really assess the implications of China's new strategy towards Africa in the 21st century. What is very clear is that China's interest in the continent raises serious questions about the future of Africa at a time in which the continent is confronted with continued political and economic instability. Those attempting to analyze the implications of China's growing presence in Africa are very concerned as to whether the outcome of China's new Africa adventure will leave the continent in a better or worse position within the world economy. In a previously published article I have compared China's current scramble for access to Africa's markets and natural resources to that of the EU and the US, noting that it can best be described as "naked imperialism" (Lee 2006). Clearly there are many who would disagree with this assessment, including most African leaders who are welcoming the Chinese with open arms as well as many scholars, policy analysts, and entrepreneurs, who are extremely impressed with the economic growth of the continent since the Chinese have aggressively begun to import resources from Africa and invest in all sectors of the economy.

Commodity prices in 2005 are reported to have increased by 29 percent in dollar terms, and it is predicted that this will continue for another five years, largely as a result of Chinese investments and exports (*The Africa Report* 2006: 7). While economic growth is important, economic development in Africa will not be realized without internal development plans in place to enhance human development – increase employment, literacy, provide access to clean water, housing, the eradication of poverty, etc. Therefore, it is the opinion of this author that one has to watch with a critical eye the impact of the Chinese presence in the continent. Thus, for those who praise the Chinese for spearheading a level of economic growth that Africa has not seen since the end of colonial rule, basically within the context of the neoliberal paradigm, as David D. Hale indicates in the opening quote to this paper, the expectation exists that there may even be gains to be realized in sharing "experience in governance". The idea that China and Africa could share experience in governance is seemingly a bit of a hyperbole, especially since China is one of the world's greatest human rights violators and African leaders are willing to give China unlimited access to their markets and resources largely because the one-China policy is the only condition placed on their relationship. It is in this same document that Hale quotes an Angolan minister indicating that due to the fact that the Chinese have won so many construction contracts, he expects that four million Chinese could actually relocate to the country within the next few years. This is a country that only has sixteen million people (Hale: 16). One can only imagine the increase in the level of indigenous unemployment if such an onslaught of new Chinese employees enters the Angolan market. Hale even notes that, just "the arrival of only 100,000 Chinese in Angola would be a major geopolitical event" (ibid.).

The major question raised in this paper is what are the potential economic and political consequences for the majority of the population from the growing presence of the Chinese? Since oil was recently discovered in Uganda, in the future it might be a country where the concept of naked imperialism will be applicable. With respect to the discovery of oil and the Chinese, Allan B. Ssenyango, writing in *The New Times* (Kigali), notes that, "Whatever it is they are interested in from Uganda, oil must be its name or nickname" (2006). Notwithstanding the future implications of the discovery of oil and the Chinese in Uganda, the current presence of the Chinese in Uganda is controversial enough to examine the issue indepth with a view to accessing the perception by Ugandan traders of the impact the Chinese are having on their economy, especially those that deem themselves to be economically marginalized. In assessing the economic implications of the growing presence of any foreign capital, one has to also examine the political implications. For example, in the case of Uganda, some traders argue that the government is deliberately undermining the development of an African middle class by increasing the economic power of the Chinese. The major reason for this is that a strong African middle class in Uganda that pays its taxes will be in a position to demand that the government address their needs/interests. In preventing the development of such a group of people, at elections the middle class is marginalized and therefore is often politically voiceless. The Chinese, as foreigners, cannot vote, but, in keeping with rent-seeking practices, provide economic resources to incumbent leaders in order to guarantee their electoral victory.

The paper is divided into the following sections: Uganda in Economic Perspective; Uganda's Trade and Investment Policy; Uganda-China Relations: 1962 to the Present; Uganda-China Relations in the 21st century from the Prism of Formal and Informal Traders; and The Way Forward.

Uganda in economic perspective

Uganda's traditional exports consist of coffee, tea, cotton, and tobacco, while non-traditional exports include fish, cut flowers, cereals, spices, vegetables, legumes, hides and skins, cement, gold, and soap. Although non-traditional exports are growing faster than traditional ones, the latter contribute 50–60 percent of the country's export revenue, 40 percent of which is accounted for by coffee (Government of Uganda 2005:8). Agriculture continues to be the main sector of the economy, contributing 85 percent to export earnings. Consequently, agriculture provides employment for about 69 percent of the population (ibid.), with 85 percent of the labor force being located in rural areas (Bwogi 2006).

In its 2005 report on Hunger, the United Nations Millennium Project identified Uganda as among the "hotspot" countries that are characterized by widespread hunger, which is often associated with the prevalence of disease. In addition, in 2006 UNICEF reported that 23 percent of children in Uganda under five years of age are underweight; the stunting rate is 39 percent and wasting is four percent. In addition, 12 percent of infants have low birthweight (Kashambuzi 2006:16). These are alarming statistics indeed, especially for a country whose average Gross Domestic Product (GDP) growth rate is currently averaging between 4 and 5.1 percent (Asiimwe 2005:18; CIA 2006:8). Unfortunately, over half of Uganda's government budget comes from international donors. This is the case, according to journalist Andrew M. Mwenda, because the government only collects 57 percent of taxes due to the Uganda

Revenue Authority. The government refuses to implement the necessary tax reform to collect owed revenue, according to Mwenda, because of foreign aid. "Taxation is a politically explosive exercise – why should any government alienate political allies in the name of tax collection when international donors are willing to pick up its bills? By acting as a subsidy to government corruption and incompetence, foreign aid creates disincentives to fiscal reform." He further notes that "a country like Uganda receives so much foreign aid the economy is unable to absorb it. Hence, the cost of containing foreign-aid-driven public expenditure is that the central bank is holding treasury bills to the tune of $700 million, interest payments on which cost the taxpayer $10 million annually" (Mwenda 2005).

A major reason for the above statistics stems from the reality that poverty in Uganda is estimated to be 34 to 38 percent (Kashambuzi 2006). Godfrey Asiimwe argues that income poverty has affected approximately 46 percent of Uganda's population, with a Gini index gap between the rich and the poor at beyond 40 (19).

According to a 2006 Uganda Bureau of Statistics report, urban unemployment is 12 percent, while the overall unemployment rate in Uganda is only 3.5 percent, and the national underemployment rate is 17 percent (Bwogi 2006). These figures no doubt reflect an assumption that the 85 percent of the rural-based labor force is employed, presumably, in agricultural production. The level of poverty in the country, however, seemingly would point to a higher level of unemployment. The Uganda Bureau of Statistics does admit that an estimated 36 percent of the work force consist of the working poor (3.5 million), 44 percent of whom are employed in agriculture (ibid.). Also, any observer walking the streets of Kampala on a given work day would certainly assume that the unemployment rate is extremely high. The Ugandan government, like many governments, presumably does not consider in its statistics those who are discouraged and have therefore discontinued looking for employment.

In Uganda, like most African countries, economic liberalization (neoliberalism) has had a devastating impact on industrialization, resulting in de-industrialization. A case in point are the cheap textiles from South Africa and Asia (including of course China) (Assimwe 2006:20). Another example of serious competition has come from the United States Government. Through a United States Agency for Development Program (USAID), as part of its foreign assistance program, the US government exports cooking oil to Uganda for auctioning on the market. With the profit generated, USAID then invests in specific development programs in the country. A similar process is taking place with wheat. In both cases there are negative implications for local entrepreneurs (Interview with two members of the Uganda National Chamber of Commerce, March 21, 2006, Kampala, Uganda).

Uganda's trade and investment policy

According to the Ugandan government, the country lacks a comprehensive trade policy. The latter, however, is defined within the context of its overall development strategy, which is the reduction of poverty. The development strategy itself calls for economic transformation outlined in its Poverty Eradication Action Plan (PEAP). PEAP is based on five pillars: (1) private sector-led growth and inflation control; (2) reduction of the overall fiscal deficit; (3) increase in government revenues; (4) financial sector development; and (5) enhancement of production and competitiveness (Government of Uganda: iix).

Within the above context, Uganda's trade policy is allegedly designed to (1) reduce poverty; (2) promote employment; (3) spearhead economic growth; (4) increase economic diversification and promotion, especially non-traditional exports; and (5) integrate the country fully and effectively into the regional and global economy (ibid.). Admitted weaknesses in the government's trade policy include trade support; linking trade policy with poverty eradication, moving toward World Trade Organization (WTO) compatibility; constraints to regional integration; negotiating market access; enhancing trade policy capacity and the administration of procedures that are efficient; lack of focus on domestic trade; and ignoring the interests of disadvantaged groups, including women, youth, the landless and poor (ibid: ix–x).

With a view to increasing much needed investment, the Ugandan government created the Ugandan Investment Authority (UIA) in 1991. The UIA is designed to (1) promote and facilitate investments; and (2) provide advice to the government regarding investment issues. Since its task is to work with all relevant government agencies in order to provide more efficient services to investors, it is deemed to be a "one-stop facilitator" (Government of Uganda 2005: 31). To complement the UIA, the government instituted the Investment Code Act, 1991, which is a law designed to govern foreign investment. The law is to oversee the licensing of investment, protect foreign investment, provide agreements for foreign technology transfer as well as the externalization of funds. Following a review of the UIA, the Ugandan government discontinued issuing tax holidays to investors (ibid: 32). The tax holiday regime, however, was replaced with a very generous benefits package which includes:

> Initial capital allowance; uniform corporate tax rate; import duty exemption of plant and machinery; duty drawback facility for exporters; 100 percent initial allowance for training, scientific research and mineral exploration expenditures and generous depreciation allowances (ibid.).

Finally, the Uganda National Chamber of Commerce and Industry (UNCCI) has over 6,000 members and their primary objective is to enhance industrialization as well as local and international trade. The latter is to be achieved by supporting sustainable policies that support private sector activities. Other UNCCI activities include involvement in issues related to non-preferential certificates of origin for export purposes, trade fairs/exhibitions, undertaking trade missions (both inward and outward), participating in buyer-seller meetings, contact promotion, and disseminating trade and investment related information (Government of Uganda 2005: 46–47). The UNCCI is considered the "'apex' representative of the private sector to Government, promoting members' needs and interests particularly on policy development issues. The UNCCI has, through its district network, over 6,000 members, ranging from small, medium to large-scale enterprises and has branches in all the 56 districts of the country"(ibid.).

Uganda–China relations: 1962 to the present

Diplomatic relations between Uganda and China were established on October 18, 1962. Between 1962 and 1985, although bilateral relations between the two countries continued to develop, the relationship was hindered by the regime changes in Uganda. Consequently, it was not until 1986, following the ascendancy of the National Resistance Movement (NRM) to power, that the relationship between the two countries really blossomed. This resulted in increased bilateral cooperation as well as reciprocal high-level exchanges (Chinese Foreign Ministry 2006). Ugandan projects supported by the Chinese beginning in 1962 included "the Kibinba and Doho Rice Schemes, the Kampala Ice Plant, methane-generating pits, the Foodstuff Porcelain Research Center and the National Stadium" (ibid). In addition, the Chinese provided Uganda with other small-scale processing equipment. In 1987 Chinese companies started contracting and service businesses in the country, mostly dealing with housing projects, bridge construction, and roads. Ten Chinese companies are still involved in these activities, including Jiangsu International Economic Technical Cooperation Co Ltd and Sichuan International Economic Technical Cooperation Co Ltd. Although diplomatic relations between China and Uganda did not commence until 1962, trade relations started in 1960. In 1971, at the 26th United Nations General Assembly, Uganda voted to restore China's seat in the world body. In 1985, China and Uganda signed an official cultural exchange agreement, although they had been involved in cultural exchanges and cooperation commencing with the establishment of diplomatic relations (ibid.).

Since 1986, Uganda–China relations have become extremely complex, especially following the first China-Africa Co-operation Forum, held in Beijing October 2000. The remaining section of this part of the paper will attempt to analyze Uganda-China relations by subject/sectors: diplomatic relations; trade; investment; tourism; medical support; and armaments.

Diplomatic relations

In 1996 and 1997, the Ugandan government supported China's stance in the sessions on the UN Human Rights Commission on not being scrutinized for human rights violations. Then, in 2000, China received support from Uganda for a bill to maintain and observe the Anti-Ballistic Missile Treaty in the UN. President Museveni has been unwavering in his support of China's one-China policy, which totally rejects independence for Taiwan (Chinese Foreign Ministry 2006).

Since 1959, 313 Ugandan students have been sent to China to study and eleven Chinese medical teams have been sent to Uganda since 1983. In August 1999, the two countries signed the 2000–2003 Implementation Program of the Agreement on the Cultural Cooperation between Uganda and China (Chinese Foreign Ministry 2006). Then in 2001, China cancelled a US$50 million Ugandan debt owed to the country. At the same time China donated US$80,000 to help in the fight against the Ebola virus, agreed to commence drilling for oil on Lake Albert in western Uganda and extended grants and free loans, including for the building of a $40 million food research facility (*Asian Economic News* 2001).

Friendly and cooperative diplomatic relations beween the two countries were reinforced in June 2006 during talks between Chinese Prime Minister Wen Jiabao and President Yoweri Museveni. These took place during a two-day official visit to Uganda by Wen in which six agreements were signed. A joint communiqué signed between the leaders indicated they were both satisfied with bilateral cooperation in all fields and therefore the two leaders pledged to maintain high-level contacts, increase mutual political trust and enhance business cooperation. This includes in the following areas: trade, investment, water conservation, agriculture, infrastructure, telecommunications, energy, textiles, human resource development and agro-processing. In addition, the two leaders expressed an interest in closer consultation with a view to enhancing the rights and interests of developing countries as well as global prosperity and development (Etyang 2006).

Trade

In 2005, trade between Uganda and China was in the latter's favor. The Chinese exported US$79.37 million to Uganda and only imported US$20 million. China's primary exports to Uganda include mechanical and electrical appliances, enamel products, footwear, pharmaceuticals, textiles and garments. Uganda exports to China coffee and plastics (Chinese Foreign Ministry 2006). Uganda was added to China's list of countries that can export duty and quota free 187 products commencing in 2005 (Shinn 2005).

In 2002 great expectations were generated for increased coffee exports to China with the opening of a coffee shop in Beijing. The coffee shop was a joint venture between Beijing North Star Industrial Group (BNSIG) and the Uganda Coffee Development Authority (UCDA). These two entities created the Beijing Chenao Coffee Company Limited (BCCCL) in January 2002. For the first time in Uganda's history, the country's coffee was marketed as its own brand, Crane coffee. Heretofore, Ugandan coffee had been blended with other coffees (*New Vision* 2002). Initially the new venture received 20 tons of Ugandan coffee, but within two years this had increased to 110 tons (People's Daily Online 2004). By 2005, critics were arguing that although Uganda had been the first African coffee producing country to enter the Chinese market, the country was not taking full advantage of the opportunities being offered, unlike countries like Rwanda, Kenya, and Brazil. "I feel Uganda is neglecting the Asian market, especially China" noted Henry Ngabirano, managing director of UCDA (Nakaweesi 2005). By 2005, coffee exports to China had increased to 360 tons, 250 of which were shipped by the private sector.[1] According to Ngabirano, Ugandan coffee was being brewed in 28 hotels, four coffee shops as well as restaurants and through one private entrepreneur (ibid.).

In order to compete with the growing international coffee market, Ngabirano noted in August 2006 that Uganda must begin to produce instant coffee. He further argued that in order to rejuvenate Uganda's competitiveness, the government needed to invest into producing roasted coffee for export. In this regard, State Minister for Agriculture Kibirige Ssebunya, in agreeing with UCDA's assessment, said that "Uganda is the only major coffee producer without instant coffee on the market…" (Mugerwa 2006a). With respect to the earlier mentioned joint venture between China and Uganda that resulted in the creation of the North Star Industrial Group (BNSIG), in an article in a scholarly journal on "Restructuring Uganda's Coffee Industry: Why Going Back to Basics Matters" the author notes that "it appears … that the alliance with the Chinese company did not proceed as smoothly as expected. It was reported that "…their [BNSIG] core business is not coffee. They sold their shares [to UCDA] and they have gone back to real estate business'." (Baffes 2006: 428).

On a totally different subject, but still related to Uganda-China trade, recently allegations surfaced that a second large consignment of allegedly Ugandan ivory was impounded in Manila (the Philippines) destined for China. About three months earlier Ugandan ivory had been confiscated in China, bringing the amount of illegal ivory from Uganda for 2005 to 3.3 tons (*New Vision* 2005).

Investment

There is fundamentally no sector in Uganda in which the Chinese have not invested or have future plans to invest, leaving one to ponder why any government would want to be so dominated by another in the 21st century. The level of Chinese existing and planned investment causes one to pause and serious-

1. A separate article from 2006 notes that the UCDA says Ugandan coffee exports to China have increased from 60 tons in 2002 to presently 120 tons. One can speculate that the UCDA is not counting coffee shipped to China by the private sector (Mugerwa 2006a).

ly take note of an interview with Kenyan economist James Shikwati entitled, "For God's Sake, Please Stop the Aid!" Shikwati, among other things, notes on the question of the desire by Western industrialized nations to eliminate hunger and poverty in Africa that:

> Such intentions have been damaging our continent for the past 40 years. If the industrial nations really want to help the Africans, they should finally terminate this awful aid. The countries that have collected the most development aid are also the ones that are in the worst shape. Despite the billions that have been poured into Africa, the continent remains poor (*Der Spiegel* 2005).

Further to the point he notes that:

> Huge bureaucracies are financed (with the aid money), corruption and complacency are promoted, Africans are taught to be beggars and not to be independent. In addition, development aid weakens the local markets everywhere and dampens the spirit of entrepreneurship that we so desperately need. As absurd as it may sound: Development aid is one of the reasons for Africa's problems. If the West were to cancel these payments, normal Africans wouldn't even notice. Only the functionaries would be hard hit. Which is why they maintain that the world would stop turning without this development aid (ibid.).

This same phenomenon is playing itself out with the current huge influx of development aid and assistance from China to Africa. As one plows through the history of current and future Chinese investment, one ponders whether Museveni and his entourage have just become professional beggars. Is there fundamentally anything that the Ugandan government is able to do without foreign assistance?

As previously noted, the Chinese have long financed rice projects, an ice plant and methane generating pits. In the latter part of the 1980s they built the stadium in Kampala and have rehabilitated the military barracks, built the new ministry of foreign affairs, the bureau of statistics building, and are now in the process of upgrading the state house. Various Chinese companies have been active in constructing housing projects, roads, the construction of bridges, and overseeing a Ugandan arms manufacturing company. Currently negotiations are taking place for the establishment of a direct flight between Uganda and China (Shinn 2005).

The Chinese are in the process of setting up assembly plants for brand new motor vehicles, pick-up trucks, motor bikes and mini-buses. These are to replace second hand ones, mostly imported from Japan (*Xinhua* 2006a). As a follow up to this agreement, in October 2006 it was announced that a Chinese firm has been contracted to make 200 buses for Uganda (Sseppuya 2006a).

Uganda raw hides and leather will be produced in Jinja by a Chinese company, Skyfat Tannery Company Limited. With an investment of US$5 million, the plant is scheduled to process between 1,500 and 2,000 hides daily. Although the company is scheduled to employ 400 people, experts from China will install the machines. The remainder of the employees are allegedly to be Ugandans (Muwanga 2006).

The government has signed an e-government memorandum of understanding (MOU) with Huawei Technologies Limited, a Chinese technology company. The company is to undertake a parallel study with the Ugandan government to determine the feasibility of building "a national fibre-optic backbone to take Internet connectivity across the country" (Kisambira and Segawa 2006). In addition, the China Development Bank and the East Africa Bank have signed a framework agreement on cooperation. This will facilitate the involvement of the Chinese in regional infrastructure and agriculture projects. In addition, there were discussions about projects related to "cooperation in the financing of the energy and transportation sectors along with the irrigation sector and the establishment of industrial parks" (*Monitor* 2006a; Olupot 2006).

In September 2006, Museveni met with members of the China Development Bank urging areas of cooperation in the following sectors: energy, the railways network – linking Uganda to both southern Sudan and Dar-es-Salaam, Tanzania; coffee processing and textiles (*New Vision* 2006a). Request for assistance in the development of the latter sector is most alarming given the reality that the government has been criticized by the Ugandan textile industry for allowing Chinese importers to undermine local producers. The need for cooperation in foreign exchange earning projects, specifically in coffee processing and textiles, was noted. One of the major objectives of some of these projects is to decrease the huge trade imbalance that exists between the two countries. In response to Museveni's requests, Chinese Foreign Minister Li Zhaoxing said that China was "committed to make Uganda our investment hub" (Mugerwa 2006b). Since Uganda will likely not become a major oil producer[1] and does not have other important natural resources for the development of China, it is difficult to take this Chinese government pronouncement seriously. In October 2006, industry minister Ephraim Kamuntu allegedly announced that China is committed "to providing long-term loans for industrialists and related developments" (Sseppuya 2006b).

In February 2006, the Ugandan government imported from China over 2000 hi-tech condom vending machines, known as condom "ATMs." The machines will take a 500 shilling coin (Balimwikungu 2006).

The domestic and general aviation terminal of Entebbe International Airport is scheduled to be upgraded by China Nanjing International. This upgrading, which includes the arrivals area as well (the contract was awarded to a Ugandan company), is expected to be completed in time for the Commonwealth Heads of Government Meeting (CHOGM) in November 2007 (Olanyo 2006; Kiirya 2006).

The Ugandan government has decided to let Chinese companies take total responsibility for expanding the parliamentary building. Although the government has allocated partial funding for the project in the national budget, after the Chinese agreed to pay for the entire project, the Ugandan government has basically decided not to contribute to the project. According to finance minister Erza Suruma, "bidding for the works will be done in China for Chinese companies as a condition for the Sh24b grant Uganda got from the visit of the Chinese Prime Minister Wen Jiabao on June 23" (Musoke 2006). If past experience is an indicator of future policy, this means that Chinese workers will be imported into the country to do the construction, along with Chinese equipment.

Two of the most recent victims of international competition in Uganda are the Nakasesro Soap Works Ltd (NSWL) factory, which was started in 1945 and Yam Yam Sweets. The former is having to close its doors because of cheaper imports, while the latter is unable to compete with cheaper imports from Kenya, China and India. In addition, both industries are faced with power problems, which is a nation-wide problem, resulting in daily power outages throughout the country. Other constraints include increases in fuel prices and transportation costs from Mombasa to Kampala (Juuko and Ssonko 2006).

In the early 1990s a major rift developed between the Ugandan and Chinese governments over the Owen Falls Dam Extension Project. Specifically, in 1992, Sietco, a state-owned Chinese construction company, won an $84 million contract that would have resulted in Uganda being able by May 1999 to double its hydro-power generation capacity. Although the construction of the project commenced in 1993, a year prior to the scheduled completion Sietco had only completed an estimated ten percent of the concrete works, but had received $33 million of the cost of the contract. The Ugandan government decided to sue Sietco for the $33 million (which the Ugandan government had borrowed) for aggravated damages and in July 1996, the Uganda Electricity Board (UEB), Uganda's power utility, terminated the contract (Wakabi 2000).

The major financers of the project were the World Bank, the African Development Bank, Danida, Norad, and the Islamic Development Bank. Work on the project commenced in 1997 after a new finance package was put together by the donors and a new contractor took over (ibid.).

Tourism

In April 2005, Uganda and China signed a memorandum of understanding (MOU) in the area of cooperation in tourism. This meant that Uganda was granted approved destination status as a tourist site for Chinese visitors. During a ten-day tour of the first Chinese tourists following the signing of the MOU, the General Manager of Tourism in Uganda, James Bahinguza, told the visitors that "We are grateful to the Chinese government for making our dream come true. Since you are the first delegation, you will have hands on experience then go back and tell stories of our beautiful attractions and diverse cultures" (Nakaweesi 2006). In anticipation of an increase in Chinese tourists, the state minister for tourism, wildlife and antiquities, Serapio Rukundo, has recommended that schools and institutions of higher learning teach the Chinese language. Individuals who learn the language would then be eligible for jobs as tour guides, drivers, and workers in the hotel industry (Karibwije and Ilakut 2006).

Medical support

Recently a Chinese pharmaceutical company introduced a new drug to fight malaria in Uganda. It is a three-day, one-dose-a-day therapy. This was the

1. It is estimated that Uganda will initially only produce 6,000 to 10,000 barrels a day compared to Chad which produces 170,000 barrels a day and of course Nigeria, which produces 2.3 million barrels a day (Olukya 2006).

Duo-Cotecxin's second anti-malaria drug introduced to Uganda. The cost of the medication is 10,000 Ugandan shillings (US$5.4) for eight tablets (*Xinhua* 2006b). In addition, the Chinese government has agreed to provide US$100,000 (approximately 180 million shillings) for computers for the infectious diseases program at Makerere University, which is located at Hulago Hospital (Matsiko 2006).

In early October 2006, the Chinese opened a US$1.2 million medical educational equipment shop. Equipment that will be available in the shop includes dental units, gynecological beds, operating beds, and weighing scales (Balagadde 2006).

Arms from China

The most controversial aspect of Uganda–Chinese relations is in the area of armaments. According to a June 2006 Amnesty International report Uganda was named among the countries that between 2000 and 2003 imported Chinese made pistols and revolvers. However, a spokesman from the army and defense department, Major Felix Kulayigue, responded to the report by stating that these claims are not true. Instead, he noted that Uganda receives non-combat equipment such as transport vehicles. He further noted that neither Uganda nor China was under an arms embargo (Kirunda 2006). The Amnesty report further noted that Uganda had received "Chinese copies of AK-47 assault rifles, known as Type 56c" (Amnesty International 2006: 8).

In defense of these allegations, another Ugandan military official noted that "There is noting wrong with Uganda importing firearms from China because we have no capacity to manufacture those firearms we need to defend our citizens." He further noted that "Uganda will continue dealing with countries like China until it gains the capacity to manufacture its own weapons…Uganda has been dealing with China for long, arguing that China supported Uganda's freedom struggle" (Mubiru 2006).

In addition to arms, China has recently supplied the Uganda People's Defence Forces (UPDF) with 28 trucks. These included 24 Jiefang troop carriers, two fuel and water tankers as well as an assortment of spare parts (*Xinhua* 2006c).

Uganda–China relations in the 21st century from the prism of formal and informal traders

Through interviews with both formal and informal traders in Uganda, as well as traveling deep into the market in Kampala, the author was able to gain a preliminary glimpse into ways in which formal and informal traders see the Chinese presence in their country as well as their attitude about the fact that Ugandan government officials seem to be insensitive to their concerns. This section of the paper discusses these issues within the context of three groups of people: the Kampala City Traders' Association (KACITA); the Uganda National Chamber of Commerce; and traders interviewed independently of either of the above two organizations. Efforts to get the Chinese themselves to talk about why they were in Uganda were basically fruitless. The typical response from the Chinese was twofold. One was that they didn't understand English and two that they were invited by the Ugandan government to open their business in the country. Traveling deep in the market in Kampala it became obvious that not only were the Chinese very comfortable, but one could find them lying on carpets from China during the middle of the day taking siestas.

"The subject matter of Uganda-China relations is a very sensitive, but very important issue" according to Issa Ssekitto, Kampala City Traders' Association (KACITA) Publicity Secretary (Interview, May 16, 2006). The extent to which the issue is sensitive is reflected in the document KACITA submitted to the Ugandan government in May 2005, entitled "The Issue of Aliens in Uganda, As Affecting the Economy: Where does Uganda gain? And where does it lose?"

KACITA was established in 2001 in response to the impact the IMF/World Bank structural adjustment program, adopted by the government in the late 1980s, was having on the country. Specifically, KACITA was concerned about:

- Communication (sic) breakdown between government and policy makers, as bent on implementing the IMF World Bank Structural Adjustment Programmes, (SAPS) by merely focusing on the face value of the programmes, without minding the incapacistating (sic) effect on the Business sector, which was predominantly indigenous, and disadvantaged in many respects.
- This had over time, disrupted the formal and informal sector business practitioners, and to an extent, affected the natural flow of business in formation, profitable performance and survival, amid the apparent stiff neck competition created by the adjustment programmes (KACITA 2003: 3).

KACITA'S founders envisaged the organization as helping to alleviate poverty; stopping business entrepreneurship drainage; and decreasing the "donor dependency syndrome of the government which had oppressed and dislodged many local business practitioners from the city of Kampala and elsewhere in the countryside" (KACITA 2003: 4). They were also committed to the reduction of corruption and most importantly "of being a viable strong and reliable professional body, which has expertise and resources to assist the local indigenous Business Enterprises" (ibid.). The organization also sees itself as being in a "position to effectively lobby Government and Local Authorities to improve the formal and informal business sector and operational environment, through a change and reform of bad and oppressive legislation, as well as policies, which make it difficult for business practitioners to gain requisite access to prospective opportunities" (ibid). The organization has approximately 30,000 individual and company members (Interview with KACITA officials, May 16, 2006).

In the above-mentioned document, presented to the government of Uganda dealing with the impact the aliens in Uganda are having on the economy, KACITA noted that:

> This paper analyses the issue of Aliens and how their progressive inflow into Uganda, duly affects the country. This is particularly so with the Chinese and Indian Aliens. It is aimed at guiding His Excellency the President of Uganda, to arrive at an equitable rationale for taking a firm stand regarding the sensitive issue of Aliens, especially the Chinese, whose new wave of entry into Uganda, has become quite alarming, as of recent (KACITA 2005: 8).

The document outlines four major negative impacts of the Chinese presence in Uganda. The first concerns the dumping of substandard goods and merchandise, thus cheating the Ugandan economy. Specifically, the document argues that the Chinese have taken advantage of and exploited Ugandans by the negative manipulation of the price mechanism. This occurs because the Chinese take advantage of "unscrupulous, illiterate and docile Uganda traders, going to China in search of cheap consumable marketable items, where Uganda's heavy taxation tariff on imports carries less or no impact on profitability" (ibid:15). Further to the point, the Chinese traders, who are "more knowledgeable and negatively shrewd in the assortment of cheap unqualitative (sic) goods coming from China…have aggressively but negatively outdone Ugandans at the expense of sound economy, which is vitally supported and propped up by the indigenous business practitioners, whose rate of capital repatriation, is almost zero" (ibid.).

The document further questions why the Ugandan government allows the Chinese Aliens to undercut local Ugandans out of business and allows Chinese capital repatriation to be almost 100 percent (ibid:16). KACITA charges the government with being more interested in attracting foreign investors (some of whom have turned out to be fake), than in implementing economic programs and policies that would build the capacity of local indigenous Ugandans. To this extent, they charge the government with giving away the management of the economy to the aliens, thus possibly creating future social, economic, and political problems (ibid:17).

The second issue outlined in the document raises concerns about the fact that "all forms of trade, including hawking and other forms of petty trade is, a profound demotivator for serious investors in Uganda" (ibid:18*).* This is as a result of the fact of the unwarranted competition from the Chinese, whose non- durable cheap goods are dumped all over the streets of Kampala (ibid.).

Unemployment is the third major issue raised by KACITA in their document. Specifically, they are concerned that given Uganda's most pressing issue – unemployment, the government is seemingly not concerned with this growing problem (ibid.). Although not stated in the document, during interviews with KACITA officials, concerns were raised that the Chinese government is allowed to import into the country as many skilled and unskilled workers as they want, thus preventing indigenous Ugandans from employment opportunities (Interview with KACITA officials, May 16, 2006).

The final issue raised in the KACITA document concerns tax evasion. Specifically, the government is accused of not being concerned about the evasion of taxes by alien entrepreneurs.

> Customs authorities have a profound tendency of carrying out less scrutiny to Aliens, who are regarded as being more efficient, organized and superior in whatever they do, than Ugandans. With this sort of regard, therefore, the documents of alien import traders, are not rigorously scrutinized, to the extent that, whatever built-in tax evading anomalies, are allowed to pass, without much ado to the complete benefit of the aliens, after due connivance with some customs officials, to evade tax. With such rampant corruption, as is in Uganda, there have been many cases, where some Chinese

> aliens, among others, who have evaded substantial amount of tax revenue, through connivance with some tax officials (sic) (ibid.:19).

It appears that KACITA never received a response to this document from the Ugandan government.

In talking to members of KACITA, one can discern a love-hate relationship with the Chinese. In addition to the fact that "the Chinese commercial counselor is very aggressive and always visiting our office" (Interview with KACITA officials, May 16, 2006), Ugandan traders have a long history of going to China to buy goods to sell in the markets in Uganda. The dynamics of the relationship seemingly changed after the Chinese built the stadium in Uganda in the late 1980s. Instead of all the Chinese workers returning home after the stadium was completed, many remained in Uganda and became involved in the long-standing Uganda-China trade relationship. They returned to China temporarily to buy cheap Chinese products to sell in Uganda. The only problem is that as Chinese they are able to purchase these goods at a much cheaper price and thus they compete with traditional Ugandan traders. Although members of KACITA and other traders are extremely angry at the privileges they receive from the government, including the ability to repatriate all their profits and the fact that the Ugandan government imposes no restrictions on the amount of goods they import into the country or the Chinese laborers they bring in, there is another side to the story.

The other side is that unlike the United States and the United Kingdom, the Chinese allow Ugandan formal and informal traders basically unfettered access to travel to China to purchase goods. According to KACITA officials, "when we go to Europe to buy products, the Europeans make us feel inferior. This is not the case with the Chinese. They don't make us feel inferior" (Interview with KACITA officials, May 16, 2006).

> Especially since 9/11, it has become increasingly difficult to go to the UK and the US to buy goods to trade. It is almost impossible to get a visa to travel to these countries. They ask you all kinds of questions and if you don't have a formal business you can forget it, no matter how much money you might have. Even if you have a formal business and prove that you have no intentions of staying in the US or UK, it is still almost impossible to get a visa (Interview with KACITA officials, May 16, 2006).

"The Chinese, on the other hand", according to KACITA officials, "will give you a visa for just showing you have money to buy goods. You go to Nairobi and within five minutes you can have the necessary paper that allows you to get a Chinese visa upon arrival at the airport" (Interview with KACITA officials). The only caveat is that the paper specifically states that you cannot work in China, even for free (ibid.).

The other issue that speaks to the complexity of Uganda-China trade relations among Ugandan traders is the problem of high tariffs imposed on imported electronic equipment. In general, a tariff of 64 percent is imposed on electronic goods imported into the country. Since US and UK electronic products are much more expensive than Chinese products, most Ugandan traders import goods from the latter, notwithstanding the fact that very often they are of poor quality. For example, while in 2005 fifteen Ugandan companies were able to import electronic goods from the US and UK, in 2006 this number had decreased to only four. So by default more electronic products are imported from China because they are cheaper (Interview with KACITA officials, May 16, 2006).

The hostility towards the Chinese, nonetheless, remains strong among KACITA officials. On the one hand, as previously mentioned, the government of Uganda gives Chinese companies land to build structures, such as the Ministry of Foreign Affairs and the National Bureau of Statistics buildings, on the other, because Chinese entrepreneurs have unfettered access to the Uganda market, you have Chinese, according to KACITA, who come into the country doing manual labor, such as pulling a construction cart, and within six months they are rich and exporting money back to China. In the meantime, they are not building new homes in Uganda, but living in existing homes (Interview with KACITA officials, May 16, 2006).

With respect to the issue of poor quality goods imported into the country by the Chinese, KACITA officials note that although there exists a Uganda Bureau of Standards, the reality is that it does not function and therefore there is no quality control. Government officials are very aware of the poor quality of imported goods from China and do nothing about it (Interview with KACITA officials, May 16, 2006).

Another major problem KACITA has with the Ugandan government is the Investment Code of 2000. KACITA officials note that the investment code was designed to screen investors. Potential investors were initially required to provide $100,000 as a security deposit for their interest in investing in Uganda. Allegedly now the code is being abused. Specifically, while initially the money and evaluation of potential investors was handled by the Bank of Uganda, it is now being handled by commercial banks. The problem is that the commercial banks are owned by Asians, which means, according to KACITA, this is a conflict of interests. "We believe that either the Uganda Investment Authority or the Bank of Uganda should handle potential investors. The trade unions are pressuring government to deal with this issue" (ibid.).

In the final analysis, KACITA, through its lobbying activities, is trying to get the Ugandan government to understand that to the extent that they become accountable to the people, they will be able to collect more taxes from local entrepreneurs and therefore meet their projected GDP goals (ibid.). Regarding this subject, noted Ugandan journalist Andrew M. Mwenda argues that "The government of Uganda is not accountable to the people of the country; it is accountable to international donors (international capital) as a result of the fact that so much foreign assistance comes into the country" (Interview with Andrew M. Mwenda, May 15, 2006). He further notes that:

> The Chinese are not a threat to the government. In fact, the government would rather that the Chinese accumulate capital in Uganda than local business people because the Chinese have no political power and therefore cannot use their capital to influence elections. So the Ugandan government is happy to have Chinese capital undermine local capital or business people. In this regard, the Chinese are interested in dispossessing the locals (ibid.).

When I asked the KACITA officials about the above analysis of Mwenda, they agreed, noting that "international capital keeps them in power and allows for rent-seeking. A strong indigenous business community would not be involved in providing the government with kickbacks" (Interview with KACITA officials, May 16, 2006).

The second perspective offered in this paper about Chinese and Ugandan traders is that of the Uganda National Chamber of Commerce and Industry. "Something has to be done about the Chinese. Otherwise we are going to perish" notes one representative of the Chamber (Interview with Chamber officials, March 21, 2006). The representative further notes that while this is an issue they have raised with the government, the government has failed to put in place measures to deal with it. "We are the dumping ground for the Chinese. They subsidize their companies. How can the Chinese come here and sell shoes for 2,000 shillings?"[1] (ibid.).

Many of the concerns raised by Chamber members are the same concerns raised by KACITA. While noting that the government of Uganda has liberalized the economy, the Chamber is adamant about the fact that the government needs to protect Ugandan industries against unfair competition, including from the Chinese. And like KACITA, Chamber members complain that the Uganda Bureau of Standards "has no capacity to check on counterfeit goods that are coming into the country from China. "We are a dumping ground for rubbish!" (ibid.).

Some of the independent traders in Uganda go beyond blaming the Ugandan government for the problems created by the Chinese, noting that "Africa is making China a beast" (Interview with formal Ugandan trader, March 13, 2006). When asked to explain this statement, the trader noted that Africans go to China and request cheap products to be made specifically for the African market. So when you go to China you will find products that are made for sub-Saharan Africa (except South Africa whose products are of better quality and located in a different area), the United States, Europe, and Asia. The trader gave the following example of how Africa is making China a beast. A Ugandan trader will go to China and tell a Chinese cell phone company that they want them to make a phone that they can sell in Uganda for 10,000 shillings (approximately US$5). The Chinese company designs it to look like a Nokia cell phone. A special symbol, which is hard to see, is put on the phone to prevent Nokia from suing the company. The phone is put on the market in Uganda and it sells for 10,000 shillings. Since it looks like a Nokia phone, people buy it thinking they are actually getting such a phone. The phone might last four months. Since it is not from Nokia, the consumer has no recourse to ask for a replacement.

Another example given by this same trader is that an excellent quality textile (e.g., dress, suit) might be imported into the country from the US or the UK. The local trader then takes this good quality product to China and has it reproduced very cheaply and it enters the Ugandan market. However, because it is of such poor quality, the product does not last long (ibid.).

1. In March 2006, US$1 equaled 1,800 shillings. So one could buy a pair of shoes for just over US$1.

The real irony with the above process is that the very trader that is complaining to the government about the dumping of cheap Chinese products on the Ugandan market is the same trader that goes to China to request that these cheap products be produced for the African market. Again, the real dilemma for a country like Uganda is the competition that now exists between indigenous traders, who once dominated the Uganda-China trade market, and the Chinese, who are now dominating the market and thus undermining local traders.

As these cheap Chinese products flood the market in Uganda, poor people are more vulnerable to the bargains offered by the Chinese. For example, as one independent trader noted, a well produced Ugandan shirt that will last a long time costs 15,000 shillings. The Chinese, however, will offer consumers three cheap shirts for 15,000 shillings. Although one might only be able to wear each of the Chinese shirts at most five times, people are so poor in Uganda that they are only looking at what they perceive to be a bargain – three shirts for the price of one (Interview with formal trader, March 13, 2006).

As indicated by KACITA officials and other independent traders interviewed, there exists a great deal of rent-seeking in the relationship between the Ugandan government and Chinese business officials (who receive huge governmental subsidies from the Chinese government). Tiger Head batteries imported from China are a case in point. There is a widely held view that the Vice President of Uganda, Gilbert Bukenya, receives significant kickbacks from these batteries being imported into Uganda. If one is lucky, according to both traders and actual sellers in the markets, the batteries will last for seven days; if one is unlucky, they last for two days (Interview with formal traders and sellers in the markets, March 13, 2006). Although it is public knowledge that the batteries are of poor quality, because the Vice President is allegedly involved in the scheme, no action is taken to stop them from being imported. People continue to buy the batteries because of abject poverty. While two Tiger Head batteries sell for 500 shillings (approximately US 30 cents), two Duracel batteries sell for 2,800 shillings, in some cases more than twice one's daily wages if employed in the formal sector.

Imported rice from China, according to one trader, is much more expensive than local rice and usually is expired. Although it is expired, Ugandans buy it because it tastes better than local rice. Toilet paper is also imported from China. The Chinese make the toilet paper rolls look thick by having a loose tension on the roll. "Ugandans use 100 percent wood-free paper and the Chinese are using recycled or sugar cane pulp paper. They are doing 150 sheet rolls instead of the required 250 sheets" (Interview with a local trader, March 13, 2006).

Another issue that is of major concern to traders as well as construction workers is the fact that the Chinese are able to underbid local contractors for construction work. Since it is difficult to get a governmental subsidy in Uganda, it is impossible to compete with Chinese construction companies that are subsidized by their government.

> They not only underbid local companies, but they also import cheap Chinese equipment. So construction companies in Uganda have gone out of business. The Chinese also live in one house, so they can afford to underbid. They pay Chinese workers US$50 a month, which means they also import cheap labor. In this regard, the Ugandan government provides work permits for this cheap labor to be imported into the country. (Interview with formal trader, March 13, 2006).

There is anecdotal evidence, according to one Ugandan involved in the textile industry, that Southern Range Nyanza Limited, which is a long-existing Ugandan company controlled by Indians, is being undermined by the Chinese textile industry. Southern Range Nyanza produces fabric, apparel and has a spinning mill, so there exists a great deal of downstream activity using Ugandan cotton. "Currently they control 60 percent of the market. Some, however, have suggested that the Chinese have begun using their brand." In addition,

> The Chinese have created "one stop shops". They get an entire floor in a building, buy cloth, hire local tailors and begin to undermine local tailors on the streets in the markets. So people no longer have to go to one place to buy material and then another to have clothes made (Interview with Ugandan official, May 15, 2006).

The Chinese are able to undermine the local industries in general because they establish partnerships with local Ugandans and it is not known how much actual indigenous involvement exists. "The Chinese go straight into the trenches. They establish businesses deep in the markets in Kampala. This is very unusual" (ibid.). Fundamentally, they are prepared to put money into everything. "They have a blank cheque from their government. They don't have a lot to lose because they are covered by their government" (ibid.). "The current level of engagement with the Chinese ambassador to Uganda and the government of Uganda is huge!" (ibid.). Another thing that is unique about the Chinese is that they give credit to local African traders, which has never happened with the Indians. Finally, all over Kampala you have Chinese herbs/medicines, clinics, and restaurants (ibid.)

The way forward

Clearly, for the foreseeable future, the Chinese will continue to remain a strong political and economic force in Uganda. And although they might be a thorn in the side of many of Uganda's traders, there are others who feel the Chinese presence has great potential. For example, an editorial in *The Monitor* (Kampala) of June 26, 2006b suggests that there are serious benefits to be realized through Uganda's relationship with China. The paper calls on China to open its huge and wealthy market to Uganda's fish, flowers and coffee; in short, the Chinese should trade more with Uganda. In addition, they should encourage Chinese tourists to visit Uganda. Finally, the Chinese should help train Ugandan scientists and engineers and there should be deeper technical co-operation between the two countries. Then, the editorial notes, the "Sino-Uganda relationship will be truly worthy of celebration" (June 25, 2006). Instead of China training more scientists and engineers, what about employing those who are already trained instead of importing Chinese scientists and engineers into Uganda? This would certainly serve to decrease the high unemployment rate in the country.

Robert Kabushenga of *New Vision* (Kampala) argues that Africa needs to make sure that Sino-Africa relations are mutually beneficial. The best means for transforming the lives of Africans, he argues, is through investment intervention. "China is proclaiming that it is not here to exploit and run away. We should hold them to their word. If they cannot live up to it, there are others who want to do business with Africa. This is our time. We must get the best deal out of it" (June 26, 2006). I wonder who these "others" are. Is Kabushenga referring to the United States or the European Union? Perhaps the author does not realize that it is up to Africans to implement the necessary structural transformation to lift the continent out of the current downward spiral it is faced with. Africans must invest in Africa in order to spearhead the needed structural transformation. The West and other powerful countries have been "allegedly" attempting to do this since African independence and Africa as a continent is more marginalized within the world economy than it was when Ghana gained its independence in 1957.

Seemingly the way forward for Uganda is for the government to listen to the formal and informal traders who are seriously suffering from not only the undermining of their economic survival by the Chinese, but by foreign entrepreneurs and capital in general. The government needs to immediately discontinue giving unlimited working visas to Chinese workers. If the Chinese are going to continue to be heavily involved in the construction industry, then the Ugandan government needs to force them to hire local workers. This will afford the government a tremendous opportunity to decrease unemployment in the country.

The second measure that should be taken by the government is to discontinue allowing the Chinese unfettered access to the Ugandan market. A trip by members of parliament deep into the market in Kampala might give them an appreciation of the adverse impact cheap Chinese products are having on the average formal and informal trader. If Ugandan traders are lucky, several members of parliament might even have an epiphany and realize that the masses of people living in abject poverty are more important than the illegal kickbacks they receive from allowing the Chinese to build ministries of foreign affairs, parliaments, etc. or import substandard goods into the county.

Clearly, if the people of Uganda are going to survive the current undermining of their economy by the Chinese in particular and foreigners in general, immediate action must be taken by the government to reverse the current trend of giving out valuable Ugandan land in return for new buildings and huge kickbacks to wealthy officials. The 21st century scramble for Uganda needs to be stopped. The dragon has been unleashed and now it's time to put it back in the bottle for the sake of the impoverished masses in Uganda. The leaders of the country should stop begging and reclaim their country – a country that has the potential to be a great model for the rest of the continent.

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Interviews

Andrew A. Mwenda, Journalist, *The Monitor* (Kampala)

The following were among the KACITA individuals interviewed:
Chairperson – Livinstone Zziwa
Publicity Secretary – Issa Ssekitto
General Secretary – Mubarak Mukisa Ntale
Coordinator – Ambrose W. Kibuuka

The members of the National Chamber of Commerce requested to remain anonymous as did the independent traders interviewed that were not associated with KACITA or the National Chamber of Commerce.

China–African Relations in the 21st Century: A "Win–Win" Relationship

Sanusha Naidu

The year 2006 could be interpreted as a significant period in China's deepening relations with Africa. On the one hand it marked the 50th anniversary of formal Sino-African diplomatic ties. On the other hand it saw the first White paper on China's Africa Policy being released in January. The first half of the year was also characterized by visits from China's top three executives, starting with a New Year tour by the Foreign Minister, Li Zhaoxing, to six African countries[1], followed by President Hu Jintao's whirl wind visit to three countries[2] on the continent in April and concluded with Premier Wen Jiabao's seven African nation[3] visit in June that also included attending the World Economic Forum hosted in Cape Town. But the distinct highlight of the year was the Third Ministerial Meeting and First Heads of State Summit of the Forum on China-African Co-operation (FOCAC) hosted by Beijing in November. Believed to be one of the largest gatherings to be held on Chinese soil with 48 African states and some 1,500 business persons attending, FOCAC 2006 concluded a year that was dubbed by the Chinese leadership as China's "Year of Africa'.

Outwardly the "Year of Africa" demonstrated a striking success for China. Increased access to Africa's oil resources was profitably negotiated with the aforementioned countries for China's state owned enterprises for exploration rights and stakes in offshore blocks. Two way trade also impressively rose from US$40 billion in 2005 to US$50 billion in 2006, making China Africa's third largest trading partner after the European Union and the United States. Meanwhile FDI inflows to the continent were substantially increased as a result of the US$1.9 billion new investment and business deals signed at FOCAC 2006. This clearly demonstrates China's deepening political and economic footprint within the continent and the pivotal role that Africa will play in Beijing's economic future.

But not everyone is enthused about China's rising engagements in Africa. Critics and commentators have labelled this new thrust by China and India as the "second scramble for Africa's resources" in the 21st century. The impetus for the concerns relates to these new political and economic actors plundering Africa's resources along the same lines described as the raison d être of the 19th century scramble. For these critics the long-term impact would be a race to the bottom between the continent's former colonial powers and the newly emergent competitors, in particular China, with deleterious consequences, namely Africa's further underdevelopment and marginalization from the processes of globalization.

While the inherent geo-political oil interests and the asymmetrical trade balance of China's African relations have been exhaustively explored in numerous scholarly articles and media commentaries, the Chinese leadership has been quick to offset such claims by insisting that their relationship with Africa is born out of historical friendship, equality, common development, mutual support and mutually beneficial co-operation. At the closure of the 2006 FOCAC Summit President Hu Jintao reiterated this stance and emphasized that the "Heads of State" that participated in the Summit have laid the concrete foundation for a new podium of strategic co-operation and partnership between Africa and China",[4] which is premised on a "win–win" foundation.[5]

Both, sets of rhetoric, however, tend to oversimplify Sino-African relations and speak past each other. For China's detractors there is an inherent tendency to use futile dichotomies of the 19th century

1. The countries visited were Cape Verde Islands, Liberia, Libya, Mali, Nigeria and Senegal. It was also during the Foreign Minister's visit to these nations that China released its African policy paper.
2. Nigeria, Kenya and Morocco.
3. Angola, Republic of Congo (Brazzaville), Egypt, Ghana, South Africa, Tanzania, and Uganda.
4. See "Africa–China Summit Concludes", *Shaebia*, 5 November 2006, http://www.shaebia.org/artman/publish/article_4727.html
5. *Declaration of the Beijing Summit of the Forum on China-Africa Co-operation,* November 2006, http://www.focac.org/eng/zxxx/t280370.htm

scramble in analysing and characterising China's political and economic behaviour in the continent as neo-colonialist. This often fails to recognize that it was not so long ago that the Western media had labelled Africa as the "hopeless continent" or that the adoption of the good governance approach coupled with a sense of humanitarianism has been a recent adjustment to the West's development policy towards the continent. On the other hand, the Chinese leadership's rhetoric belies the contradictions that may set its long-term African strategy at risk.

Therefore, this discussion paper provides a more nuanced discussion of some of the pull and push factors that may make China's African relations more vulnerable in the future and less of a win-win partnership, in spite of what may be construed as a zero sum game in Africa's interests. This is because of the political fragmentation of African states across the continent.

China's soft power diplomacy

Certainly Beijing's attractiveness as an alternative development partner in Africa has been widely noted. The use of its soft power offensive has managed to forge diplomatic relations with 48 countries on the continent with Chad being the last African state to switch diplomatic ties from Taipei to the mainland. The soft power diplomacy may be simple in its application but it is a sophisticated strategy that entwines the use of political non-interference and economic incentives coupled with the rhetoric of non-alignment and comforting words like historical friendship, equality, common development, mutual support and mutually beneficial co-operation that has endeared Beijing to a majority of Africa's leaders. This has enabled China to garner access to Africa's natural resource sector, namely oil, in return for investments in one of the continent's nearly depleted sectors, infrastructure. What can be termed as a symbiotic relationship between Beijing's strategic need to source raw materials abroad and its rapid industrialization has served the Chinese leadership well and paid handsome dividends for Chinese state managed oil enterprises.

Since 1995, crude oil has become the dominant import from Africa (see Figure 1, page 46), which currently sees the continent export almost 30 per cent of its oil to the East Asian power. This has also seen a boom in the operations of China's top three oil companies across Africa, which have multiplied significantly during the period 1995–2005 (see Figure 2, page 46).

But Beijing's soft diplomacy is a lesson in history that has traversed China's external relations for centuries. As early as the Silk Road trade China's approach to forging relations was based on influence rather than open conflict and direct colonization. This is aptly reflected in Gavin Menzies' seminal book on Chinese expeditions during the reign of Emperor Zhu Di where the policy pursued was to "despatch huge armadas every few years throughout the known world bearing gifts and trade goods".[1]

The real question, though, is whether China can continue to yield this soft power approach in a shifting landscape at home and in the continent?

Social instability at home

The answer to the aforementioned question raises important concerns that confront China domestically and relates to the nature of the African state. The outcomes of the recent 2006 FOCAC Summit outline some of the challenges that Beijing will face in the long term regarding its expanded development commitments towards strengthening its relationship with Africa.

The multi-billion development package that President Hu Jintao unveiled at FOCAC 2006 expanded upon China's 2000 and 2003 Focac aid assistance to the continent by making the following promises:[2]

- To double its 2006 aid commitments to the continent by 2009.
- To provide US$3 billion in preferential loans and US$2 billion in preferential buyer's credits to Africa over the next three years.
- To set up a China-Africa development fund that will reach US$5 billion that will encourage Chinese companies to invest in Africa and provide support to them.
- To cancel debt in the form of all the interest-free government loans that matured at the end of 2005 owed by the heavily indebted poor countries and the least developed countries in Africa that have diplomatic relations with China
- To further open up the Chinese market to African products by increasing from 190 to over 440

1. Gavin Menzies, 2003, 1421: *The Year China Discovered the World.* London: Bantam Press, p. 62.
2. See President Hu Jintao's speech delivered at the opening ceremony of the 2006 Beijing Summit of FOCAC, 4 November 2006, http://english.focacsummit.org/2006-11/04/content_4978.htm

the number of export items to China receiving zero-tariff treatment from the least developed countries in Africa who have diplomatic relations with China.

- To build a conference centre for the African Union to support African countries in their efforts to strengthen themselves through unity and support the process of African integration.

Moreover to complement the existing initiatives under the African Human Resources Development Fund (AHRDF), President Hu Jintao promised over the next three years to:[1]

- Train 15,000 African professionals.
- Send 100 senior agricultural experts to the continent.
- Set up 10 specific agricultural technology demonstration centres in Africa.
- Build 30 hospitals in Africa.
- Provide a RMB 300 million grant for artemisinin and construct 30 malaria prevention and treatment centres to fight malaria in Africa.
- Dispatch 300 youth volunteers to the continent.
- Build 100 rural schools in the continent. And
- Increase the number of Chinese government scholarships to African students from the current 2,000 per year to 4,000 per year by 2009.

Broadly it would seem that a consensus was reached at the Summit with Africa's leaders probably getting more than they had asked for or anticipated while the Chinese leadership was abundantly generous with their pledges. But herein lies China's dilemma.

With a growing social security crisis emerging in the domestic economy, the Chinese leadership faces the daunting challenge of a looming internal crisis that have been created by the impressive economic boom. Whereas "only two decades ago China was one of the most equal societies on earth … today China ranks 90 in the UNDP's 131-nation HDI".[2] Rising inequality and regional disparity have become serious problems threatening the stability of President Hu's government. According to the 2005 China Human Development Report there are growing regional imbalances in all the major indices from per capita income to life expectancy to literacy rates[3]. Moreover the same report also highlighted that China's Gini Co-efficient was 0.46 and "has increased by more than 50 percent in the past 20 years, with urban dwellers earning nearly four times that of rural residents".[4] The report also noted that while this maybe lower than some countries in Latin America and Africa, the stark urban-rural income inequality is perhaps the highest in the world.[5] Therefore as Wenran Jiang notes China's spectacular:

GDP only makes inequality worse, and when systemic factors biased against the rural population are included, China's city-countryside income ratio is as high as 6:1. The result is that a person in richer cities enjoys a life expectancy of close to 80 years – the level of a middle-income country and 10–15 years longer than a farmer's life span in Tibet or other remote provinces. The UNDP report also shows that the inland regions lag behind in education, especially among the female population.[6]

There are increasing reports of social protests rising in China as a result of the "collapse of the old safety-net" which "…guaranteed employment" but now has "… left some households vulnerable".[7] As Chen et al illustrate "some of the 'left behind' households started poor and some became poor, even though aggregate poverty rates have tended to fall over time. Urban areas have figured prominently in these concerns about the 'new poor'".[8] Last year more than 3 million people took part in 58 000 social protests, an increase of over 15 percent from the previous year according to official statistics. The disputes focused mainly on wage disputes, social welfare problems, the restructuring of state-owned enterprises, and evictions.[9]

These demonstrations were aimed against the government's reform process and confirmed that the growing dissatisfaction amongst China's socially marginalized centred on the fact that the economic boom was not benefiting them.

1. Ibid.
2. Wenran Jiang "The Dynamics of China's Social Crisis", *Jamestown Brief,* Vol. VI (2), January, 20, 2006.
3. Ibid.
4. Ibid.
5. See http://www.undp.org.cn/modules.php?op=modload&name=News&file=article&topic=40&sid=228
6. Ibid.
7. Ravallion, Martin and Shaohua Chen, 2007, "China's (Uneven) Progress Against Poverty," *Journal of Development Economics,* vol. 82, issue 1, pp. 1–42.
8. Shaohua Chen, Martin Ravallion & Youjuan Wang, *Di Bao: A Guaranteed Minimum Income in China's Cities?* World Bank Policy Research Working Paper 3805, January 2006.
9. Louisa Lim "Chinese protests on the rise", *BBC,* 8 June 2006, http://news.bbc.co.uk/2/hi/asia-pacific/3786541.stm

In so far as Jeffrey Sachs can implore Africa to seek lessons from China's poverty reduction strategies which has lifted almost 250 million people out of poverty, it is the looming dangers of the rising inequality that besets China's future relations with Africa. While these social protests demonstrate that there are increasingly expectations for social justice, China's leadership have become keenly aware of the pending implications this will have if such expectations are not addressed. From this perspective it becomes significantly important for the current Chinese leadership to be cautious about how much in terms of development assistance, concessional loans and grants or for that matter deployment of doctors, teachers, and other professionals it can afford to give Africa in assisting the continent with its development challenges when similar challenges exist at home. Despite the fact that China has become a "second generation donor", the Chinese leadership will have to consider how this may affect its political legitimacy.

Since not all have benefited from Deng Xiaoping's famous call that "to get rich is glorious", President Hu and future Chinese leaders can ill afford to ignore the mounting social tensions that could endanger the future of China's political, economic and social establishment. Justifying to its "electorate" why it is supporting Africa's development programme and not building a viable social safety net for the poor will be a hard task for Beijing.

This was recently commented upon by the governor of the People's Bank of China, Mr. Zhou Xiaochuan, who recognized that China has the financial resources (the US$1 trillion foreign exchange reserve) to tackle the problem.[1] Such public acknowledgements of China's growing social development struggles are a clear indicator that Africa cannot rely on China being the panacea of its development ills. A point that China itself has openly acknowledged and repeatedly recognized is that social stability is critical in developing its economy.

Surely, with China hoping to quell any discord at home this compels Africa to find a more pragmatic way of harnessing this win-win partnership that Beijing prefers to construe as its relationship with the continent. This is mainly so that the growing trade and investment by Chinese firms as well as revenue from oil receipts are used effectively to address the internal challenges by diversifying their economic base and developing the appropriate skills and technology. This was aptly captured by President Thabo Mbeki's speech to the 2006 Focac Summit: "It is necessary that we lock in investments in addressing supply side constraints, diversification and beneficiation of the resources derived from African countries through encouraging joint ventures between Africa and China"[2].

Thus it becomes apparent that China's soft power approach to its African relations and hence the win-win partnership that it constantly refers to as the nature of this relationship may be short-lived if China's looming social security crisis escalates. If this does happen then China will have to consider how to use its political and economic attractiveness to address the challenges at home.

Competing actors in the African state

At the other end of the spectrum, China's soft power diplomacy is also myopic in the way that it is applied towards garnering relations on the continent. China prefers entering into bilateral as opposed to multilateral relationships. So far the soft power approach has been employed on a bilateral basis with China forging ties at a government to government level with individual African countries. While this has managed to create investment opportunities for China in Africa's natural resource sector, the soft power policy has some inherent flaws. First, it treats the African state as a homogenous unit. Second, it assumes that state elites have legitimacy. Lastly, it fails to recognize the role of non-state actors and the power that they may wield in resource enriched African states.

In so far as critics may point out that in Sudan and Angola the soft power strategy has worked favourably for China because Beijing has entered into alliances with state elites who control access to the oil, in other countries the converse maybe true. The key question is whether African state elites still exert control over their populations. A case in point is the Nigerian government's control over the Niger Delta region. Some analysts like Clapham have been quick to point out that the reason why China's soft power diplomacy fits in so well in the African landscape is because it reinforces the old model of state patrimonialism[3]. Such an analysis neglects to interrogate that in some cases China's soft power diplomacy may have to be negotiated with non-state actors.

1. See Richard McGregor, "Beijing urged to overhaul welfare system", *Financial Times*, 21 November 2006.

2. President Thabo Mbeki's speech to the 2006 FOCAC Summit http://www.dfa.gov.za/docs/speeches/2006/mbek1105.htm
3. C. Clapham, "Fitting China in", *Brenthurst Discussion Papers* 8/2006. Johannesburg: Brenthurst Foundation.

As China entrenches itself as a major player in Africa it will have to undergo the same learning processes as other outside powers experienced and probably respond in a similar fashion to the same predicaments. One area in which this is fairly evident is in countries where conflict exists between state elites and community groups over the rightful legitimacy over natural resources, namely the Niger Delta or Southern Sudan. This means Chinese companies and the state would need to find ways to protect their investments in the face of pending threats from various groups around access. It may also force the Chinese leadership to reconsider its stance on state-to-state relations and seek ways to negotiate its soft power diplomacy with communities who they perceive as having the power to guarantee them access to resources.

This would undoubtedly alter the balance of power away from state elites who may use China's soft power diplomacy and the win-win partnership to remain in power. As Africa's landscape becomes more fluid with the continent's citizenry becoming more aware about their political, economic and social rights, it may prove difficult for China's soft power diplomacy to remain levelled at state elites. Depending on who exercises control and who can guarantee access, Beijing may consider this win–win partnership to include non-state actors with whom they have vested interests. To this end, Africa's leaders need to significantly consider how democratic reform and its consolidation could entrench a sustainable formula that includes all stakeholders who benefit from China's win–win partnership.

Conclusion

China's growing footprint in Africa has raised important questions regarding this win-win partnership. Whilst the Chinese leadership would like to eschew that its win-win partnership with the continent is of mutual benefit it, nevertheless, underscores some pragmatic concerns for both sides. For the Chinese leadership, it means how long Beijing can sustain the political and economic largesse towards continental leaders in return for access to Africa's markets and resources. If the rising social protests are any indication of China's future then it must be acknowledged that Beijing has a social stability crisis that will require its immediate attention that may require a medium to long term solution. This definitely raises questions about whether Africa can expect Beijing to expand on its 2006 Focac commitments or if it is willing to take a risk.

On the other hand for Africa to ensure that there are mutual gains in this win-win partnership, then surely it must set the rules of engagement with China and not vice versa. This means developing an African consensus regarding the relationship with China, ensuring that the rule of law and an effective monitoring and regulatory framework are in place to oversee that investment practices are conducted appropriately and legally, and most of all that their citizens are the main beneficiaries of this win–win partnership, not only state and economic elites. If this is not managed properly, then communities operating outside the structures of the state will seek to established their own relations with China and hence China will reorient its strategies towards these non-state actors based on mutual interests.

Therefore as President Mbeki noted in his address to the FOCAC 2006 Summit:

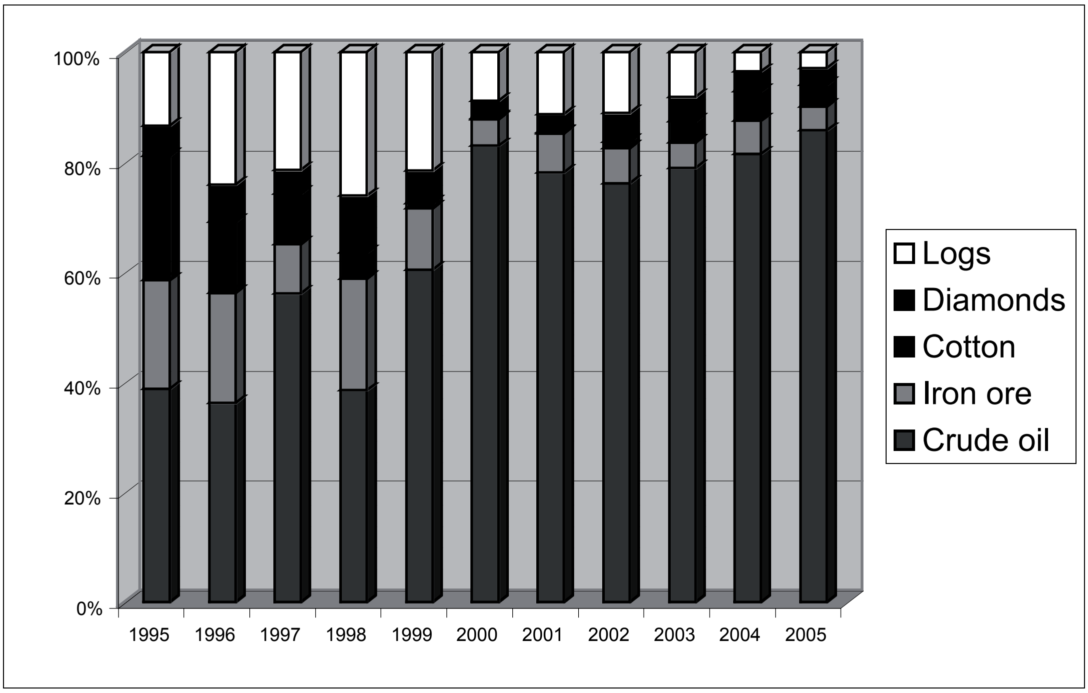
> A winning partnership is surely one in which we encourage sustainable trade and investment while promoting a better life for all within sustainable human settlements. Peace and friendship will surely flourish when we empower and uplift the poorest of the poor from hunger and unemployment, disease, homelessness, illiteracy and environmental degradation.[1]

China would also do well to realise that if it wants to sustain a win-win partnership with Africa then at the core of its strategy should be the interests of Africa's citizenry who should be the beneficiaries of its deepening involvement in the continent. Otherwise Africa's economically marginalised and China's socially excluded may likely become bedfellows in challenging their respective governments for a share in the win–win partnership.

1. Ibid.

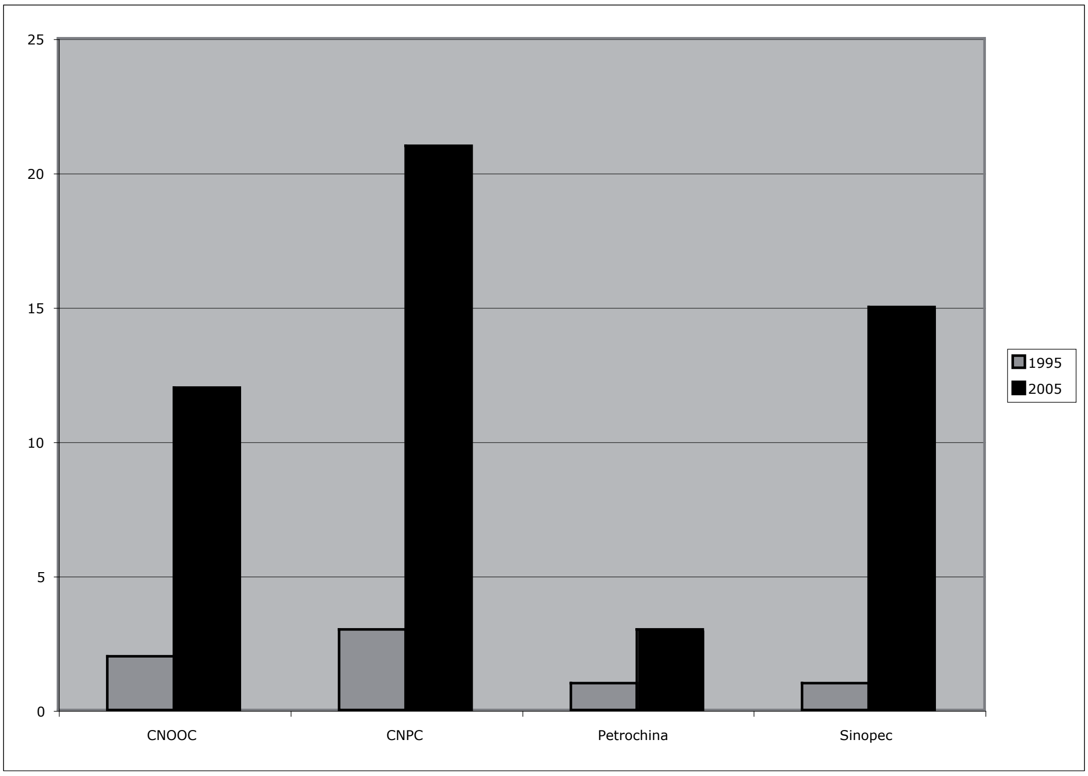
Appendix

Figurre 1: Africa's exports to China 1995–2005



Source: World Atlas data in Tralac Data Analysis

Figure 2: Number of operations by Chinese oil companies in Africa over a ten year period



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