

## WHAT'S CHINA UP TO IN AFRICA?

### In this issue

With Trade and Confucius to Africa	1
EPAs Born of EU's Concern With China in Africa	2
Hope Mingles With Concern	3
China Outdoes Europeans in Congo	4
Big Leap in China-Africa Ties	5

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Voices of the South on Globalization is a monthly newsletter intended to inspire a meaningful North-South Dialogue by raising awareness for global interdependences and by offering a forum for voices from the South in the globalization debate. Each edition will present short analyses or commentaries from a Southern perspective on one particular issue of the globalization process.

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### WITH TRADE AND CONFUCIUS TO AFRICA

2008 is a crucial year for Sino-African relations. It marks the interim phase of the roadmap of cooperation endorsed by leaders of China and 48 African nations at the unprecedented high-profile diplomatic gathering in China-Africa history in November 2006.

The action plan adopted at the Beijing Summit of the Forum on China-Africa Cooperation (FOCAC) envisaged that China and Africa would strengthen cooperation in politics, economy, international affairs and social development. Chinese President Hu Jintao announced at the summit eight measures to consolidate a "new type of strategic partnership" between China and Africa.

These included further opening China's markets to Africa's least developed countries, building three to five trade and economic cooperation zones in Africa in the next three years, providing \$3 billion in preferential loans and \$2 billion dollars in preferential buyer credits to African countries. According to Chinese official statistics, 454 types of African products receive zero-tariff treatment.

2008 will be a crucial year for carrying out the eight measures, as many projects will be implemented after one-year long planning and preparation.

China's trade with Africa is likely to hit \$100 billion by 2010, sooner than Chinese Premier forecast last year. It reached \$52.3 billion in the first nine months of last year and would surpass \$70 billion by the end of the year, Wei Jianguo, Deputy Minister of Commerce told a press conference last November. Sino-Africa trade rose to \$55.5 billion in 2006, up from \$40 billion in 2005 and \$10 billion in 2000.

The action plan also speaks of China and African countries resolving to bolster joint energy and resources exploration and exploitation "under the principle of reciprocity and common development". Noting that China and Africa are "highly complementary" in energy and resources sectors, the document says "better information sharing and pragmatic cooperation" in these sectors "serves the long-term interests of both sides." China will work to help African countries "turn their advantages in energy and resources into development strengths" while giving "high priority" to environmental protection and sustainable development in the continent, the action plan says.

The plan also voices the two sides' determination in combating HIV/AIDS, malaria, tuberculosis, Ebola, Chikungunya, avian influenza and other communicable diseases. The Chinese government will assist African countries in building 30 hospitals and provide 300 million yuan (\$37.5 million) of grant for providing anti-malaria drugs to African countries and building 30 demonstration centres for prevention and treatment of malaria in the coming three years.

The Chinese government will establish more Confucius Institutes in African countries to meet the locals' needs in Chinese language teaching and will encourage Chinese universities to teach African languages, the plan says. It also spells out China's decision to help African countries set up 100 rural schools in the coming three years and increase the number of scholarships for African students in China to 4,000 a year by 2009 from 2,000 in 2006. ☑

## 'EPAs BORN OF EU'S CONCERN WITH CHINA IN AFRICA'

By Miriam Mannak

The European Union is concerned about competing with China for access to resources and markets in Africa, which partly explains its drive to hook African states into the trade deals called economic partnership agreements (EPAs). According to Dr Rob Davies, South Africa's deputy minister of trade and industry, the EU is afraid that it will lose its foothold on the African continent and wants to prevent this at all cost.

"Over the past years, the trade between South Africa and Asia has grown tremendously while the trade with Europe has decreased," Davies said at a special EPA review meeting of the Africa Trade Network held in Cape Town, South Africa, Feb. 20-22. The network has civil society organisations from across the continent as members.

Instead of focusing on the EU as their most important trade partner, African nations should aim at nurturing and extending their trade relationships with emerging economic powers such as China and India, said Davies.

"China and India, due to their industrialisation, offer developing countries higher prices for natural resources. They do not force us to lower our tariffs, contrary to Europe," he stated.

**India and China offer better deals**

"We have got to keep working on those relationships, as they are very important to our economies. India and China offer developing countries better deals than the options provided by the old colonial masters. It is not utopia, but some serious opportunities exist in China and India. We should take them into consideration."

According to the EU, the EPAs are development tools designed to assist in the integration of the African, Caribbean and Pacific (ACP) countries into the world economy while promoting their sustainable development and contributing to poverty eradication.

"There is a huge gap between what Europe says its intentions are and the true picture," Davies told the meeting, which drew various delegates from African and international civil society organisations as well as several African trade officials

"Brussels claims that the EPAs will promote integration and development in the region and that it has no mercantilist intentions with the EPAs. This is not the case. Firstly, the ACP region has been divided into six different configurations. This does not contribute to unity.



"In addition, within each group, some countries have initialled interim EPAs while others have refused. This does not contribute to unity within the region either," Davies pointed out.

◀ Rob Davies, deputy minister of trade and industry in South Africa.

Credit: Miriam Mannak/IPS

One of the major objections regarding the agreements is the way the EU has forced ACP states to sign by threatening that raised tariffs would kick in at the end of 2007. Namibia is one example of this.

**Namibia's compulsions**

"Namibia signed under protest. The country was put under a tremendous amount of pressure by Brussels," explained Davies. "If Windhoek refused the EU offer, its beef sector, which plays a crucial role in its export economy, would have received a big blow as a result of tariff increases."

The non-discrimination clause or "most favoured nation" clause is also a cause of protest. According to the clause, countries that have signed an EPA are not allowed to discriminate against the EU.

"According to this clause, tariffs on EU products cannot be higher than the levies imposed on goods from developing countries," said Davies. "EPAs thus prevent other developing countries from having an advantage in bringing their goods on the markets of developing nations."

Despite these and other objections, 31 countries so far have initialled an interim EPA on trade in goods with Europe, which could eventually lead to a full agreement including services and "trade-related" rules. ☑

The writer is IPS news agency's correspondent in CapeTown.

## HOPE MINGLES WITH CONCERN

By Michael Deibert

While China's growing trade and investment flows to Africa have sparked a sometimes contentious debate with the United States and Europe over who has the continent's best interests at heart, a closer look at the dynamic developing reveals a political landscape where the rhetoric is rarely in line with the reality, observers say.

When a recent World Bank report revealed that trade between Africa, the EU and the U.S. is nearly equalled by that between Africa and Asia, a closer look at the numbers brought the picture of China's involvement in Africa into even starker relief.

African exports to China grew 48 percent annually between 1999 and 2004, with 10 percent of all sub-Saharan exports now destined for the Asian behemoth. Likewise, as a whole, over the last five years Asian exports to Africa increased at an annual rate of 18 percent, higher than that of any other region, including the EU.

China's deepening involvement in Africa has been driven by its domestic demand for the natural resources and raw materials that are needed to support its population of 1.3 billion and a booming economy -- the country has the second-largest economy after the U.S. and the world's largest current account surplus of about \$180 billion.

It is a development that is profoundly -- and, many believe, permanently -- changing the nature of Africa's relationship with the former colonial powers of the EU, and re-writing the nature of African realpolitik. But at present the EU remains Africa's largest trading partner with trade totalling more than €200 billion in 2006.

"I think it's going to dramatically change the diplomatic and economic landscape," says Mamadou Diouf, a noted West African scholar who directs the Institute for African Studies at Columbia University. "In the previous world defined by the Cold War, the pressure was much more ideological, Africa had to align itself ideologically rather than come up with its own agenda. Today they are negotiating between different choices and possibilities."

The seeming lack of conditionality to China's aid, such as the absence of any stipulation based on anti-corruption measures, as well as the speed with which it is dispersed have both proved attractive to African governments with varying degrees of accountability and respect for human rights.

"China's zero-condition policy is appealing to a country which doesn't have very transparent reporting and budgetary mechanisms," says Katherine Constabile, an Africa analyst with the New York-based Eurasia Group, a global political risk consultancy.

Among the more controversial aspects of China's involvement in Africa is that of the PetroChina company, a subsidiary of the state-controlled China National Petroleum Corporation, which owns a major stake in Sudan's national

oil consortia, and maintains extensive operations there. To help meet its demand for fuel, China purchased more than half of Sudan's oil exports in 2006. Critics charge that profits from these sales have enabled the Khartoum government to buy weapons with which to continue its military operations -- both directly and by proxy -- in the nation's Darfur region.

The Sudanese military and government-aligned Janjaweed militia forces stand accused here of carrying out war crimes against the area's civilian population. The chaos engulfing Darfur has claimed an estimated 200,000 lives, mainly civilians, since 2003, according to a study published in the journal *Science*.

**Selective memory**

Some in Africa, though, despite being sceptical of China's motives, see a certain amount of selective memory in the West's position. "Both the U.S. and Western Europe, particularly over the last two decades, have linked their involvement in Africa -- whether trade or other -- with demands for reform or better governance and a more democratic substance," says Ayesha Kajee, programme director with the International Human Rights Exchange (IHRE) at the University of the Witwatersrand in Johannesburg, South Africa.

"But elections have come to represent the be all and end all, with very few (African) governments paying more than lip service to them," Kajee says. "When it comes to the institutions of democracy, and instituting democratic practice in society, the U.S. and Europe haven't been half as vocal."

Western powers, even in recent years, have appeared to be willing to turn a forgiving eye to questionable regimes when the moment suited them.

In 2002, U.S. President George W. Bush invited Ethiopian President Meles Zenawi to the White House, and then conducted a high-profile meeting with Ugandan President Yoweri Museveni outside of Kampala in 2003. Both men had also enjoyed warm relations with the administration of former president Bill Clinton.

Zenawi's government has been accused of massacring nearly 200 protestors around the Ethiopian capital Addis Ababa in violent upheaval following disputed May 2005 elections, and routinely jails opposition politicians. He has been named 'Predator of Press Freedom' by the journalist's advocacy group Reporters Sans Frontières.

(continued on page 4, right column) >>>

## CHINA OUTDOES EUROPEANS IN CONGO

By John Vandaele

The massive deal that China signed with the Democratic Republic of Congo last year is not the "second colonisation" that some Europeans allege it is. The agreement appears, in fact, a promising way to kick-start an economy. The agreement on developing infrastructure through "resource-backed finance" certainly gives China a lot of influence in a country where Europeans are used to dealing the cards. European countries now look with a certain envy at what China has achieved.

President Joseph Kabila's political future depends on this Sino-Congolese deal. And, with that, at least a part of the economic future of Congo itself.

The Democratic Republic of Congo has been endowed with tremendous natural resources, but 40 years of mismanagement have brought the country down. The DRC is now one of the poorest countries on earth -- even the most basic of infrastructure has succumbed to four decades of neglect.

The announcement in September 2007 that China would take on big infrastructure projects in the DRC, to be paid for with Congo's immense copper and cobalt reserves, inevitably attracted a lot of attention. But it created also a lot of suspicion: what exactly were the Chinese up to?

The Chinese companies will, for one thing, start work on infrastructural projects this year more or less along the lines of the five priorities Kabila has set: water, electricity, education, health, and transport. These works will cost more than \$9 billion. That is a lot of money, considering that the 2007 government budget was a mere \$1.3 billion, most of which was needed just to pay the salaries of government staff. So how will the DRC pay off these Chinese loans?

The basic idea is that Congolese and Chinese state owned enterprises (SOEs) set up a joint venture, Socomin. This mining company will invest \$3 billion in mainly new mining areas. The profits of Socomin will be used to repay these mining investments and the investments in the big infrastructural works.

Broad agreement was reached in September last year. It was then fine-tuned through two months of negotiations in Beijing in November and December.

"It took a long time, that's for sure," says French-born Paul Fortin, CEO of Gécamines, the Congolese state-owned mining company. "We had to agree on an economic model that stipulates how the Chinese investments will be repaid with the revenue of Socomin. Apart from that, these were normal business negotiations comparable to those I did for the many partnerships of Gécamines with private companies."

One of the agreements was that over a 15-year period Socomin will raise about ten million tonnes of copper to pay off eventually \$12 billion in investments in mining and infrastructure. (Continued on page 5)

(Continued from page 3)

During elections in 2005, Museveni arrested Uganda's main opposition leader, Kizza Besigye, and posted heavily-armed government partisans around the court where his bail hearing was being held.

Stepping into this landscape of grey area and compromise, Chinese President Hu Jintao has visited 17 countries on the continent during the last year, making him the most frequent visitor among heads of state.

"The EU knows how much influence China has in Africa, they know that it's profound and that it has implications on EU-Africa relations," says Veronika Tywuschik, an academic researcher based in the Netherlands currently exploring Chinese-African relations.

In a report last June 'From Cairo to Lisbon -- The EU-Africa Strategic Partnership', the European Commission called for a reassessment of EU-Africa relations based on "a genuine partnership of equals." The report went on to say that the new understanding between the two regions should "promote peace and security, governance and human rights, trade and regional and continental integration in Africa" as well as to "facilitate and promote a broad-based and wide-ranging people-centred partnership for all people in Africa and Europe."

In an almost musical corollary, though, in late June, China's state-controlled China Development Bank commenced the first phase, measuring a billion dollars, of its \$5-billion China-Africa Development Fund.

Belying China's supposed carte blanche to its African counterparts, this aid in fact comes with many strings attached, though none, perhaps attractively for some governments, related to human rights or anti-corruption.

The conditions include that the aid's availability will be restricted solely to investment in Chinese enterprises and projects in Africa, and that 70 percent of the contracts be set aside for Chinese companies, with the rest going to African businesses, many already working with Chinese enterprises.

Despite all the sound and fury, some Africa observers say, what we may be witnessing is the same old networking simply presented in a new wrapping. "By and large, when you look at foreign interest in Africa, it is still directly linked to geo-strategic concerns," says Human Rights Exchange's Kajee. ☑



## BIG LEAP IN CHINA-AFRICA TIES

Three years after the biggest-ever gathering of Chinese and African leaders in Beijing, the fourth China-Africa summit will take place in Egypt in 2009. The summit will not only review the progress made in the action plan emerging from the previous summit. It will also lend fresh impulses to economic and political relations, particularly against the backdrop of tensions in EU-Africa ties emerging from controversies surrounding EPAs. The following article by Ernst Harsch, managing editor of *Africa Renewal*, which appeared first in January 2007 issue of the magazine, provides an insight into the shape of things to come. Africa Renewal, formerly Africa Recovery, works closely with the many UN agencies and offices dealing with African issues, including the UN Economic Commission for Africa and the Office of the Special Adviser on Africa.

Fifty years after China established its first diplomatic ties with an African country, the third summit of the Forum on China-Africa Cooperation (in November 2006 in Beijing) marked the biggest-ever gathering between Chinese and African leaders.

All 48 African countries that have diplomatic relations with China took part – with most of their delegations led by presidents or prime ministers. In addition, hundreds of African businesspeople went for a trade exhibit immediately following the summit, eager to explore new market outlets in the most populous country in the world, which has one of the fastest growing economies.

Building on several years of growing exchanges between China and Africa, the summit approved a three-year action plan to forge a “new type of strategic partnership.” That partnership, the plan says, would be based on pragmatic cooperation, equality and mutual benefit. The plan pledges that China will:

- Double aid to Africa by 2009 (to about \$1 billion)
- Set up a \$5 billion China-Africa development fund to encourage Chinese companies to invest in Africa
- Provide \$3 billion in preferential loans and \$2 billion in preferential buyer’s credits to African countries
- Cancel all debt stemming from Chinese interest-free government loans that matured by the end of 2005, for the 31 highly indebted and least developed countries (LDCs) in Africa that have relations with China (an amount estimated at around \$1.4 billion)
- Further open China’s markets to exports from African LDCs by increasing from 190 to 440 the number of products receiving zero-tariff treatment
- Train 15,000 African professionals, double the number of Chinese government scholarships given annually to Africans (to 4,000) and send 100 senior agricultural experts and 300 youth volunteers
- Build 30 hospitals, 30 malaria treatment centres and 100 rural schools.

(Continued on page 6)

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The Chinese have hedged their position quite aggressively. The first profits will be used to repay the mining investment, something that is typical of most private joint ventures with Gécamines. The agreement also says that “the Congolese government has to guarantee the safety of the investments, and the repayment of the infrastructural works.” Any disputes would be settled by the arbitration tribunal of the International Chamber of Commerce in Paris, and not through Congolese courts, that have a reputation of being corrupt.

Under the agreement, only one in five workers can be Chinese. In each of the projects half of one percent of the investment must be spent on transfer of technology and on training Congolese staff.

One percent has to be spent on social activities in the region, and three percent to cover environmental costs. Ten to 12 percent of the work has to be sub-contracted to Congolese companies.

How all this will work out for the DRC remains to be seen. And, what will be the quality of the work? Is the Congolese government capable of controlling that? One thing is obvious: this is not the black and white story some wanted to make of it. It is neither a colonial horror story, nor some idealistic investment on the part of China.

China is interested because it needs the natural resources. But Paul Fortin thinks the DRC has a lot to gain too. “Congo doesn’t have to wait for its infrastructure until it has the money. Building starts immediately with the natural resources as guarantee. Except in oil-rich states, I know of no other deal quite like this.”

One well-informed European diplomat who did not wish to be named admitted that “if carried out well, this can be positive for Congo.” The deal seems like a lifeline for Congolese President Joseph Kabila. After more than a year in power, there’s not a lot he can show to the Congolese people, who have started to criticise him.

The Congo-China deal seems a good way to move forward, also because the money does not have to be channelled through a corrupt Congolese bureaucracy. Loans from China’s state-owned Eximbank go directly to the Chinese state-owned enterprises China Railway Engineering Company (CREC) and Sinohydro. ☑

## BIG LEAP IN CHINA-AFRICA TIES

(Continued from page 5)

China also vowed to support the African Union, the continent's regional organization, including by building a new convention centre at the AU headquarters in Addis Ababa. It likewise reaffirmed its commitment to the New Partnership for Africa's Development (NEPAD), the AU's development plan.

The Forum on China-Africa Cooperation, which will hold its next summit in Egypt in 2009, is an important vehicle for dialogue on Africa's behalf, noted UN Under-Secretary-General and Special Adviser on Africa Legwaila Joseph Legwaila, who represented the UN at the meeting. The forum, he said, lends a "strong voice" to the UN's work to promote African interests among developed countries, including on aid, debt relief, market access and support for Africa's anti-poverty efforts.

During visits to several African countries earlier in the year, Chinese President Hu Jintao reiterated his government's longstanding "policy of non-interference in other countries' internal affairs." On that basis, all African governments that have diplomatic ties with China were invited to the Beijing summit, no matter what their records on democracy or human rights. That stance elicited some criticism, including from human rights groups and donor agencies.

Some African commentators have pointed to shortcomings in China's economic involvement in Africa. They have cited the limited regard for environmental and safety standards of some Chinese companies, their tendency to bring in Chinese workers rather than hire Africans and the stiff competition that African manufacturers face from large quantities of low-priced Chinese imports.

While acknowledging such drawbacks, other Africans have welcomed the opportunity to diversify the continent's external partnerships. They also appreciate the absence of explicit political or economic policy conditions on China's part, in contrast to the sometimes heavy-handed approach of certain Western powers.

During the summit, the Chinese authorities signaled their willingness to pay greater attention to countering corruption and protecting the environment in their African activities. Premier Wen Jiabao said that projects implemented by Chinese firms would be conducted in an "open, fair, just and transparent" manner. The action plan pledged Chinese assistance in building African countries' capacities to safeguard the environment and preserve biodiversity.

"As long as China is so willing to invest in Africa, we must not miss out on the bounty. But we must engage with our eyes wide open," wrote Macharia Gaiho, managing editor of The Nation Kenya.

Chinese foreign investment in Africa has grown spectacularly since the early 1990s. According to a recent study by the industrialized countries' Organization for Economic Cooperation and Development (OECD), flows of Chinese direct investment into Africa in 2003 reached \$107 million, more than 100 times the annual level in 1991. Today, some 700 Chinese firms are estimated to hold a total investment stock of \$6.3 billion in Africa.

The Beijing summit brought a dozen major new investment agreements totaling \$1.9 billion. They included deals to build expressways in Nigeria, a telephone network in rural Ghana and an aluminum smelter in Egypt.

**'More balanced' trade**

Trade between China and Africa is also expanding rapidly. Valued at only around \$3 billion in 1995, total trade grew to an estimated \$40 billion in 2005. Premier Wen stated during the summit that China hopes to increase that amount to \$100 billion by 2010.

So far, the nature of these flows has been quite similar to those between Africa and its traditional trading partners, noted the OECD study, *The Rise of China and India: What's in it for Africa?* For the most part, it found, Africa exported oil and other raw materials to China, while importing Chinese manufactured goods. Inexpensive Chinese textile and clothing products have become prevalent in many African markets, seriously jeopardizing the survival of Africa's own manufacturers.

A columnist in the Nigerian Daily Trust newspaper, Charles Onunaiju, observed that unless steps are taken to alter this pattern of trade, "the relationship in future will come to resemble the Europe/America and Africa relations, that is, lopsided, dependent and even detrimental to Africa."

China's leaders are responding to such criticisms. The action plan calls for the growth of China-Africa trade "in a more balanced manner." The decision to more than double the number of African products allowed into China duty-free was one concrete step in that direction. Another was a Chinese pledge earlier in the year to voluntarily cap clothing exports to South Africa. Whatever questions Africans may still have about China's economic relations with the continent, noted Legwaila, the high African turnout in Beijing "was a clear demonstration that China has succeeded in winning the confidence of its African partners." ☑

*\*The study published in May 2006 says: "African countries are not simply spectators to the economic rise of China and India, they are party to it. This book demonstrates how the growing economic power of China and India is already influencing the growth patterns of African countries, particularly oil- and commodities-exporting ones."*