The China–Africa Toolkit:

A resource for African policymakers

China in Africa Project

South African Institute of International Affairs (SAIIA)

September 2009

Please note that all amounts are in US$ unless otherwise indicated.

South African Institute of International Affairs
P O Box 31596
Braamfontein
2017
Tel: +27-(0)11-339-2021
Fax: +27-(0)11-339-2154
www.saiia.org.za

Table of Contents

Introduction/Foreword

China's rise to global prominence, founded on its economic achievements and its growing role in Africa, has inspired debate across the continent. While much of the discussion has focused on the implications of China's presence in Africa, especially as it relates to traditional Western interests, very little attention has been given to the potential opportunities that it may present to enhance African development. The fact that China's economic expansion into Africa is continuing at a rapid rate, even in the wake of the global financial crisis, moving into new sectors and territories speaks to the determination of the Chinese to develop a long term development partnership with Africa. This profoundly political impulse on the part of Beijing, fortified by its domestic economic needs and bolstered by a desire to participate in Africa's development, has been given expression through high profile diplomatic events such as the Forum for China Africa Co-operation (FOCAC).

African policymakers have, for the most part, treated Chinese engagement with the continent in a reactive and ad hoc fashion. Not unexpectedly, this improvised approach has produced a raft of uneven experiences with China, some to the benefit of African development others distinctively less so. While it is clear that some aspects of China's involvement echoes features of Western engagement with Africa – for instance the focus of Chinese trade and investment in the continent's resource sector – in many ways it is the desire to realise a long term strategic partnership which sets China apart from Africa's traditional relationships with external powers. Indeed, Beijing has expended considerable effort to demonstrate its willingness to work together with African elites to forge ties, and increasingly it recognises the need to broaden these to civil society to ensure their long term sustainability. As this crucial new relationship takes shape, there is an unprecedented opportunity for African policymakers – particularly within government but in the commercial sector and broader civil society as well – to influence the direction and scope of these ties. Making the most of the development opportunities presented by China's growing trade and investment in the continent has to be a key priority for African policymakers in the 21st century. However, to do so, African policymakers require information on China which is appropriate to their needs and can facilitate more effective outcomes.

Bridging this knowledge and information gap is a fundamental challenge for Africa. One way of meeting this need is to develop a resource which captures in short form the crucial elements of Chinese engagement in Africa, the drivers of Chinese involvement, and the variety of Chinese institutional, bureaucratic and commercial actors participating in different sectors. Such a resource should be aimed at providing the requisite 'tools' for policymakers that would allow them to more effectively engage China to the greater benefit of African development interests.

In light of these concerns, the China in Africa Project at the South African Institute of International Affairs decided to put together a 'China–Africa Toolkit' for African policymakers. The aim is to meet this demand for a 'one-stop shop' that provides the critical information, basic data and focused interpretations that can enhance decision making on issues involving China. At the same time, it is recognised that no single resource can provide all the requisite information that policymakers faced with a specific set of concerns will need in a given case. For this reason, the 'China–Africa Toolkit' is targeted in its content, providing selective data and analysis which can be used to inform a particular decision, and is supplemented with references to other relevant resources. In the end, it is believed that by consulting the 'China–Africa Toolkit', African policymakers will be in a better position to understand their Chinese counterparts, their motives and methods, and compare their particular approach to an issue with the experiences of other Africans involved with China. The result will be improved outcomes that directly address key African concerns around Chinese engagement – be it around the quality of Chinese foreign direct investment (FDI) and its socio-economic impact, the use of Chinese labour, or a host of other issues – and in so doing lay the foundation for a sustainable partnership where Africans can truly see the development benefits.

How to use this resource

The 'China–Africa Toolkit' is divided into a number of sections, listed in the table of contents, which introduce key themes and specific areas which are important to understanding China and its changing role in Africa. The first section, entitled *Context*, provides policymakers with a short synopsis of the crucial historical background that led to the creation of the People's Republic of China and its subsequent search for international recognition abroad and a development approach at home that would, after 1978, put the country on the path to rapid growth and fundamental change. The second section, entitled *Content*, looks in detail at Chinese–Africa relations, specifically focusing on the trade and investment dimensions. The third section, entitled *Instruments and Actors*, examines the various apparatus, institutions and actors involved in particular aspects of China's approach to engaging with Africa. The fourth section of the report entitled *Charting the Future of China-Africa Relations* looks to the future of ties between the two regions, and is followed by a section entitled *Resources*, which points to other useful sources of information on aspects of China, including web-based and published accounts of China in Africa that African policymakers may wish to consult.

1. CONTEXT

This section aims to provide African policymakers with the critical historical information and background needed to understand Chinese foreign policy towards Africa. As a people, the Chinese are acutely aware of history and the place of China within the broader trajectory of human events. This profound consciousness of the past continues to exercise influence over the policy choices made by officials in Beijing to this very day. Reflecting this is the deliberate evocation of history by China as it seeks to explain its foreign policy towards Africa. Therefore, this toolkit includes a brief summary of the history of the People's Republic of China and its subsequent search for international recognition abroad and a development approach at home that would, after 1978, put the country on the path to rapid growth and fundamental socio-economic change. This is followed by a survey of Chinese foreign policy towards Africa into the modern era and supported by a summation of key data on trade and investment into Africa.

1.1 China's Re-emergence as a Global Actor

China can rightly claim a position of profound historical significance to humankind and, by dint of its sheer size and recent phenomenal economic growth, is of enormous consequence in global affairs. It is one of the world's longest enduring civilisations, with a written history spanning 4 600 years; it is the third largest country in the world in terms of territorial extension (9.6 million km^2); and hosts nearly a fifth of the world's population (1.33 billion). At the same time, despite these attributes, it was not until the economic boom of the past three decades that China emerged as a key global player in the modern era.

With an eye-watering growth rate averaging nearly 10% a year since 1979, China has managed to move from widespread rural poverty, exacerbated by socialist policies, to being an industrialised trading nation, in only three decades. Since the formal onset of the reform process in late 1978, China's economy grew tenfold, becoming the third largest (after the US and Japan) in 2007, and the second largest if measured in PPP terms, with a GDP of $3.5 trillion.[1] Even with the expected slowdown for 2009–2010, which will bring China's growth rate to an enviable 6-7%, the country's economy is likely to overtake that of

Japan within a few years, and the United States by 2025, when it will become the single largest economy in the world.

Even if in terms of GDP per capita China is still a developing country, and one ranking far down the list (104th in 2008 according to the IMF), sustained economic growth has dramatically changed the face of China in little over a generation. The clearest indicator of this silent revolution is China's rate of urbanisation which has transformed the once-rural society. City dwellers represented just 17% of the total population in 1978; by 2009 they represented 45% of the population, at just under 600 million people. As part of this process of urbanisation, a significant portion of Chinese rural labour has been reallocated to industrial and services sectors, overall revenues have shot up and savings have soared, leading to the emergence of a growing middle class which, because of China's demography, is unmatched in consumption potential. Reflecting these socio-economic changes, the percentage of the Chinese population living below World Bank's consumption poverty line dropped from 65% in 1981 to only 4% in 2007.[2]

And yet these dramatic statistics disguise important features of the Chinese economy and society at large. While the country has made impressive economic gains since 1978, in many respects it remains a developing country. Investment in health still has a long way to go, with health insurance coverage being only 40% in 2005.[3] Despite overall improvements, China's infant mortality rate remains high, especially where access to services is low, and 46% of the population does not have sustainable access to improved sanitation.[4] Economic growth has also contributed to widening inequalities across regions (namely rural areas and western China), urban residents and migrant populations, and even gender.[5]

The Opium Wars
(1839–42 and 1856–60)

British merchants' persistent illegal trade in opium sparked two wars with imperial China. The Qing dynasty lost both wars, and as a result was forced to tolerate opium trading and sign the Treaties of Nanjing and Tianjin which opened Chinese ports to international trade. Furthermore, Hong Kong was occupied and other extra-territorial concessions were made to the British. Other foreign powers took the opportunity to sign similar treaties with China, including Japan, which occupied Taiwan in 1895 following a short Sino-Japanese war.

Industrialisation has also led to rapid environmental degradation of air and water resources and is having a huge impact on human health, pushing the indicators down despite central government's efforts. The paradox of plenty and poverty is one of the most significant influences on Chinese policy today, shaping everything from the Chinese officials' assertion of China's developing country status to the dynamic drive of Chinese entrepreneurs in their rush to get wealthy.

Moreover, despite impressive economic achievements in a relatively short period of time, China's modern history was not always this unwavering. In fact, China's historical record over the past 150 years resembles in many ways the volatile path of politics and development experienced by Africans since the advent of colonialism and independence, a fact that can make the Chinese economic success appear to be even more appealing to contemporary Africans.

A Short History of China

Indeed, rather than political stability and sustained economic growth, extended domestic turmoil is the best phrase to describe the 100 years that preceded the foundation of the People's Republic of China (PRC) in 1949. The Opium Wars (1839–42 and 1856–60) triggered this long period of foreign intervention and domestic instability. A series of military campaigns and territorial occupations by European powers forcefully opened China's relations with the outside world and, in the process, China became a semi-colonised state. The humiliation brought to imperial China by the 'unequal treaties' with European powers fuelled domestic uproar against a powerless Qing dynasty leading to the Taiping (1850–64) and Boxer (1899–1901) rebellions, which culminated in the ousting of the monarchy in 1911 and the official proclamation of the Republic of China on 1 January 1912 by Chinese nationalist Sun Yat Sen. The control of the Kuomintang (Sun Yat Sen's National Party) over the Chinese territory, however, was weak and soon degenerated into a period of civil strife, led by provincially based Chinese war lords. In the late 1920s General Chiang Kai Check attempted to reunite China under the Kuomintang rule, opposed by a variety of forces that included Mao Zedong's Communist Party of China (CPC). After Japan invaded Manchuria in 1931, the Kuomintang and the communists formed a united front to fight the Japanese occupation. Civil war resumed again as soon as the Japanese withdrew, following the end of the Second World War in 1945. By 1949, the Chinese

Cultural Revolution
(1966–1976)

Fearing a rightward drift in the CPC and his own loss of influence, Mao set in motion a broad ideological purge in which the youth ('Red Guards') played a large role. Starting in academic and art circles, the purge soon spread to all sectors of society aiming at reforming the whole of Chinese society by banning all liberal elements from politics, economics, culture and education. This episode created over a million victims and destroyed many ancient symbols of Chinese civilisation.

Communist Party's guerrilla army controlled most of the Chinese territory and drove the Kuomintang to retreat to Taiwan (which the Japanese had been forced to hand back to China at the end of the Second World War). Mao Zedong declared the establishment of a new China, the People's Republic of China, under the rule of the CPC on 1 October 1949.

Mao Zedong and Revolutionary China

Mao Zedong's dominance of China marked a period of political consolidation and economic experimentation at home and promotion of revolution abroad. Though he succeeded in pacifying the country, the CPC under Mao failed in delivering its main goal which was significant economic development. The approach adopted at that time was drawn from the experience of its key ally, the Soviet Union, and applied with poor – and even disastrous – results to rural China. This model went through various phases drawing upon different stages of Mao's thought, but was, from the beginning, curtailed by the ideological imperatives of the permanent social revolution. The first phase was marked by the launching of the first five year plan which emphasised both the reconstruction of the heavy industry complex and a socialist rural reform, which led to the nationalisation of all private property, following closely the Soviet model. Ties with capitalist countries were either curtailed or severed, and China became increasingly dependent on Moscow in financial and technological terms. The ideological rift at the end of the 1950s opposed Beijing to Moscow and from then on China was out there competing with the Soviet Union for the international leadership of the communist movement, particularly in the newly independent countries in Asia and Africa. Facing the growing inefficiency of the command economy, unable to generate enough production to sustain a growing urban population, Mao put in practice a more radical solution that he called the 'Great Leap Forward' (1959–1961), designed to build up China's self sufficiency by allocating all labour to the national development project set around rural communes. This approach also failed to bring about development, having further impoverished the country, and towards its final years it induced a man-made famine. Opposition started to build among intellectuals in the nomenclature, and the purge that followed, the period known as the 'Cultural Revolution' (1966–76), brought about a further deterioration in China's situation, putting the population on the brink of starvation and the country's economy on the verge of collapse.

Although Mao declared the end of the Cultural Revolution in 1969, it was not until his death in 1976 that the conflictive dynamics generated by it began to diminish. At the same time that the domestic situation was racked by turmoil, China's foreign relations were beginning to stabilise. The admission of the PRC to the United Nations in 1971, with the backing of many African states, initiated a period of normalisation of relations with the West that was ultimately to hold important implications for China's development.[6]

Deng Xiaoping and 'Opening and Reform' in China

After Mao's death and the dismissal of the radical leaders (the so-called 'gang of four'), the moderate/faction headed by Deng Xiaoping gradually took over the CPC, determined to pursue a reformist path to development. With this in mind, the 'four modernisations' –

'One Country, Two Systems'

A principle enunciated by Deng Xiaoping to promote reunification with Taiwan in late 1970s, and later formally applied to the handover negotiations of Hong and Macau, initiated in the early 1980s.

It encompasses the granting of a high degree of autonomy in economic, social, judicial and administrative domains – leaving outside only external relations and defence. This autonomy is guaranteed for a certain amount of time (50 years in the case of Hong Kong and Macau), perceived as the transitional period needed for the mainland to achieve similar development levels so as to allow for a smooth full reintegration.

initially proposed by Chinese Foreign Minister Zhou Enlai in the 1960s (agriculture, industry, national defence and science and technology) – were, in 1977, written into the Chinese Constitution as the strategic base needed to make China a modern and powerful socialist state. In December 1978, the third plenary session of the XI Central Committee of the CPC approved the ambitious project of economic reforms to be enacted in a context of gradual opening to the outside world. Mao's designated successor and head of the conservative faction, Hua Guofeng, was formally set aside in 1981 and Deng's leadership fully endorsed by the 6th plenary session, further consolidating political support for the economic reforms.

The reforms started in the agriculture sector with the abolition of the People's Communes and the establishment of the 'rural household responsibility' system, based on 15-year land lease, during which time farmers gained the right to sell a significant part of their production in the market, creating an incentive for production that did not exist previously.

The Gradual Opening up of China's Economy

The strategy was to create zones with large economic autonomy and primarily geared to exporting processed goods. The main goal was to attract FDI through preferential policies and incentives, such as preferential tax, lower tariffs, better infrastructure, and a flexible labour market.

1980 – First four SEZs (Shenzhen, Zhuhai, Xiamen and Shantou)
1984 – Opening up of 14 coastal cities to foreign investment and trade
1985 – Establishment of seven open economic zones in coastal regions
(Pearl River delta, Yangtze River delta, Liaoning province…)
1988 – SEZ of Hainan and territorial expansion of the previous four
1990 – Pudong New Zone opened to foreign investment
1992 –Opening of a number of border and inland capital cities

Additionally, 15 free-trade zones, 32 state-level economic and technological development zones and 53 high-tech industrial development zones were established.

Opening up followed a multilevel diversified approach integrating coastal, inland, river and border areas, encompassing most of the mainland territory.

Further, improvements in technology and methods raised production and generated an increasing labour surplus that fuelled an increasing migration to urban centers. This sustained the expansion of labour-intensive light industry. The second phase of reforms focused on the coastal urban centers, and was based on preferential fiscal and investment policies and international trading rights.

The economic backwardness induced by almost three decades of Maoism was further evidenced by the economic success of capitalist-oriented Taiwan, Hong Kong and Macau on the shores of the mainland. Recognising this fact and its importance for the rebirth of China, these territories were integrated into Deng's reform strategy under the principle 'one China, two systems', aimed at bringing the territories back to Chinese sovereignty but preserving the liberal economic structure that engendered their success. Furthermore, inspired by the successful experience of East Asian EPZs (such as Taiwan, Korea and other newly industrialised economies), the first four Chinese Special Economic Zones (SEZs) – namely Shenzhen, Zhuhai, Xiamen, Shantou – were created in 1980 and were strategically established around Hong Kong, Macau and Taiwan. The goal was economic – to benefit from their access to the world market – as much as political – to reduce the income gap between those and the new SEZs so as to allow for a smooth reintegration.

Economically, these SEZs were to work as laboratories to test economic reform and opening-up strategies which were gradually extended to the rest of the mainland. This strategy allowed China to open up its market in a gradual manner and, as such, avoid ruptures in the system as later was the case with the Soviet Union. The objective was to rapidly develop a strong export-led light industry by, on the one hand, attracting foreign investment and technology and, on the other hand, creating a privileged gate to channel its production to the world outside.

In face of all these pragmatic changes, Chinese socialism went through a profound reinterpretation so as to circumvent the contradictions and build a new ideological framework that would not compromise the Marxist ideological mould of the regime which ultimately legitimised the CPC. The result was Deng's introduction of the concept of 'Socialism with Chinese Characteristics' during the 12th National Party Congress in September 1982. Production relations should be adjusted to economic growth imperatives and, in this sense, all practices that encouraged growth were, from then on, considered socialist, irreversibly blending Chinese socialism with economic growth and modernisation.

The 3rd plenary session of the 12th CPC Central Committee, which took place in 1984, approved a resolution on the reform of economic structure that took the reforms a little bit further, launching the foundation of a planned market economy based on public ownership. The focus was then placed on the restructuring of productive forces in urban centres, mostly located in the coastal area. The first large restructuring of state owned enterprises (SOEs) dates from this period when they were given more autonomy. Gradually a mixed picture emerged in the Chinese entrepreneurial panorama, as public companies started to be listed in world stock exchanges, a full private sector began to emerge, and foreign enterprises settled in China on their own or through joint ventures. Inspired by the Korean model, the government identified SOEs as leading in heavy industry while SMEs were encouraged into light industry. Increasingly private and foreign investment was admitted in most sectors, with the exceptions being electricity, oil, telecommunication and defense, over which the government retained control. This restructuring set in motion the emergence of the current structure of Chinese companies – SOEs, provincial enterprises, and large private companies – that are among the largest investors and infrastructure contractors in Africa.

The Tiananmen protest on June 1989, led by students with the sympathy of other groups, resulted in a widespread government crackdown. The reaction of the US and most European states was to impose economic and diplomatic sanctions, moves which seemed to threaten China's reform process. Despite his advanced age (88) at this stage, the engineer of the reforms – Deng Xiaoping – sought to carry forward the reform process. Deng went on his celebrated tour to the southern part of China where he pointed out that a market economy was compatible with both capitalism and socialism and urged the country to accelerate and deepen the economic reforms. The 14th National Congress of the CPC in 1992 sanctioned Deng's proposal by declaring that the main goal of the reforms was the establishment of a socialist market economy in which the state is to play a macro regulatory role. In this context, a major focus was put on adapting the SOEs to a liberalised economy, and on establishing a unified open national market and a better distribution of resources. For this purpose China was divided into seven economic regions, and major investments were made in infrastructure which was to lay the basis for the competitive construction industry present nowadays all over Africa. Simultaneously, the government restructured the national financial system, by creating three separate commercial banks and the China Export-Import Bank, alongside the People's Bank of China, and implemented changes to the country's legal system. In addition, the service sector was further liberalised to allow private and foreign investment in previously restricted sectors, such as distribution, banking and insurance.

As part of the modernisation effort China also reorganised the education system, and thousands of Chinese students and researchers were sent to American and European universities to acquire knowledge and technological expertise seen as critical for China's modernisation. At the same time, China actively worked on the diversification of its economic partnerships (with the EU, US, Japan and, from the 1990s, Africa) as a means of avoiding excess economic dependence and maximising access to financing sources and technological transfer, critical to developing its major competitive advantage in the world market.

Reforms under Jiang Zemin and Hu Jintao

With the death of Deng Xiaoping in September 1997, the third generation of leaders, headed by Jiang Zemin, took power. The pace of economic reform continued, with the commitment to deepening economic reforms being confirmed at the 15th National Congress that same year. Having achieved a position as the world's largest production platform and the largest emerging market, the focus of the third and also the fourth generation of Chinese leadership, under Hu Jintao, who took over in 2002, was the pursuit

Socialism with Chinese Characteristics

Although sanctioned by the 12th National Party Congress in 1982, its contents were never fully theorised officially, allowing for a flexible interpretation of the policy in accordance with the needs of China's modernisation path. This pragmatism was from the beginning the instrument sustaining Deng Xiaoping's reforming drive, best summed up in his celebrated dictum 'it does not matter whether the cat is black or white as long as it catches mice.'

of a policy of deeper integration into the global economy. In going beyond the export-led model, China's strategy now encompasses global expansion of its economy on two major fronts: trade and investment. Regarding trade, a major part of the effort was naturally placed on the negotiations to integrate into the WTO, having been officially admitted as a member in 2001. Meanwhile, in the area of investment, the strategy was to create the necessary domestic conditions for Chinese enterprises to 'go global'.

WTO accession involved the gradual adaptation of the Chinese market to WTO norms, rules and principles, which sparked concerns, on the one hand, over the capacity of China's socialist market economy to keep up with these and its normative commitment to principles of liberalisation and free trade. On the other hand, concerns have been raised over the consequences that China's accession would entail for other members and for China itself. Eight years on, these apprehensions have largely been dissipated by China's constructive approach, namely by progressively granting greater market access and resorting to dispute settlement instruments within the system to solve its trade quarrels with other members. Accession to the WTO intensified China's international trade flows to unprecedented levels. China's share in global trade has doubled since 2001, having grown in absolute terms from $510 billion in 2001 to $2.5 trillion in 2008. China was the second largest global trader in 2007, and it is expected to soon surpass the US to become the largest trader in the world.

On the second front, outward investment has been increasingly the hallmark of China's economic dynamism in the present decade. This 'going global' strategy was carefully

Socialist Market Economy

The expression was adopted by Deng Xiaoping during his trip to the South and was later officially sanctioned by the XIV National Congress in 1992.

It identifies a third economic path, combining elements from capitalism and socialism, justified by the specificity of the Chinese reality, being thus ideologically rooted in the 'socialism with Chinese characteristics' formula.

The goal is to have the best of both worlds: the freedom of private initiative and the administrative and regulatory power of the state.

developed, and was launched by the government in 2002. The objective is to create the conditions for the emergence of 30 to 50 (later expanded to 100) national champions among China's most strategic SOEs which, for the purpose of expanding operations abroad, enjoy a range of benefits from the government, namely preferential access to public credit, domestic tax benefits and political backing. The globalisation of its firms has allowed China, on the one hand, to gain positions in other markets and capture a greater share of higher value sectors, and on the other hand, to bring new knowledge and technologies back to the country. By actively promoting the expansion of its firms' operations beyond its borders, mostly through mergers and acquisitions (M&A), China is also entering a new economic stage in which it will gradually move away from a purely export-led economy.

As a result many Chinese public and private companies have emerged as relevant players in the global market, including Lenovo, Haier, Huawei, ZTE, Sinopec, CNOOC, CNPC, China MinMetals Group, and Shanghai Automotive Corporation. In 2009, 92 Chinese companies were listed in the *Forbes 2000* ranking of major global companies. Twenty-three of these were placed among the first 500, and most of them were in the banking, minerals and construction sectors. Moreover, a significant number of Chinese SOEs, such as Sinopec, CNOOC, CNPC, now have subsidiaries listed in international equity markets, namely Hong Kong and New York, having established branches in world capital cities.

The impact of the globalisation of the Chinese economy in the new century goes, however, far beyond the mere intensification of trade and investment flows. Indeed, recent shifts in the world market can be increasingly traced back to China. This was the case with the sharp rise in oil prices throughout most of the first decade of the 2000s, as well with shifts in the prices of other raw materials and commodities in this period, and with the decline in manufactures' prices and the general decreasing trend in wages and growing unemployment in the sector around the world. These are just the tip of the iceberg. China's influence in defining world market trends is actually expected to rise even further in the future because of the sheer size of its expanding economy. Indeed, China's impact on the world economy is anticipated to be more significant and lasting than that of Japan or the 'Asian Tigers' in previous decades, and will surpass that of the US by the middle of the 21st century.

Along with this globalisation drive naturally flowed a commensurate set of political and economic aspirations. In this context, Beijing has allocated a significant role to developing regions in promoting China's rise as an emerging power. Developing markets such as Africa provide an ideal platform for the 'going global strategy', especially for the internationalisation of Chinese companies, since they represent a similar economic environment for training before they venture in developed markets. Indeed, this has been the case in sectors as diverse as telecommunications and construction. In addition, developing markets have been playing an expanding role in providing natural resources for Chinese demand. At the same time that China is working on strengthening this economic partnership with the developing world, it has been consolidating its political alliance with these regions within multilateral forums, namely the G20, so as to promote their common interests in world affairs. China's venture in developing regions such as Central Asia, Latin America and Africa is turning into one of the most striking features in its emergence as a global player in the 21st century. Further, in a changing world where a new order is in the making, this trend clearly has the potential to become one of the defining traits, as the search for markets and energy and food security are expected to become increasingly crucial factors in China's foreign policy.

1.2 Understanding China–Africa Relations

China's engagement in Africa is perhaps the most striking dimension of its recent international activism. Despite Africa's relatively unexploited endowment in natural resources, including hydrocarbons, minerals and timber, the continent had seen a sharp decrease in investment and interest from its traditional trading partners. China's economic needs require greater resources as well as the development of new markets. These evident complementarities led China to apply its expanding financial resources to the goal of carving out a position not only in African extractive industries but also in other sectors where its companies had a competitive advantage, such as banking, construction and telecommunications. Although Western interests and companies remain dominant in much of Africa, China's presence is expanding at a very rapid rate – two-way trade is valued at $100 billion, and China is playing an increasingly important role as an investor and even provider of aid.

The Historical Background

Although China's dealings in Africa have never before aroused this much attention internationally, Africa has played a significant role in Chinese foreign policy throughout most of the six decades of the PRC's existence. Even though the nature and motivation of bilateral relations have dramatically changed over time, the core rhetoric behind contemporary China-Africa foreign policy remains deeply rooted in historical experiences and lessons of the socialist period and, to some extent, goes even beyond that timeframe.

Though not as well documented as Africa's relations with Europe, the history of China–Africa relations dates back to ancient times.[7] Evidence shows that exchanges with northern Africa go back to the early Han dynasty, before the Christian era, through indirect contacts via Arab merchants (Silk Road). But it was only under the Ming dynasty (1368–1644) that Sino–African relations achieved their historical climax through a series of expeditions that reached the East African coast under the command of Admiral Zheng He (1405–1433). These too place at about the same time that the Portuguese were embarking on their explorations on Africa's Atlantic coast. These cordial visits paid to local rulers, during which time no slaves were taken and no land was occupied, came to an abrupt end in the late 15th century. In the early 20th century new China–Africa contacts were made when Chinese labour was brought to work in mines and plantations in Europe's African colonies.

Against this historical backdrop, when the People's Republic of China was founded in 1949, Chinese leaders could rightly claim that theirs was a positive record in Africa and that they, like Africa, had suffered from Western imperialism. The early years of the PRC coincided with the quest for African independence, and soon Beijing played an active role in supporting African aspirations. It was in this setting, at Bandung Conference in 1955, that the Five Principles of Peaceful Co-existence were put in service of Chinese diplomatic efforts to establish official contacts with newly independent countries in Africa and Asia. By the end of the decade five African countries, headed by Egypt, had established diplomatic ties with China and, in the following two decades, another 36 African countries recognised the government in Beijing.

The Five Principles of Peaceful Co-operation

1. *Mutual respect for territorial integrity and sovereignty*
2. *Mutual non-aggression*
3. *Mutual non-interference at each other's internal affairs*
4. *Equality and mutual benefit*
5. *Peaceful co-existence*

These principles were first put forward by Zhou Enlai in 1953 during negotiations with India over the settling of the Tibet issue and introduced in the preface of the final agreement signed in 1954. Zhou Enlai reiterated the principles during the Bandung Conference and they were fully integrated in the final declaration of the summit. The Five Principles have served as the base for the establishment of diplomatic relations with other countries and were written into the PRC's constitution in 1982.

Between 1963 and 1965, Foreign Minister Zhou Enlai paid three official visits to Africa, the first of which included ten countries (December 1963 to February 1964) and the announcement of the Eight Principles Guiding China's Assistance to Africa. In 1964 alone, Beijing signed eight agreements with six African countries, on matters ranging from communications to all inclusive economic aid and technical assistance. In this same year China was particularly active in extending loans to African states, being responsible for 53% of the loans given to that continent.[8] Loans were given on an interest-free basis in the form of complete equipment and technical assistance provided by Beijing and to be repaid over an extended period of time with African exports to China, having no conditions attached.

Africa's Role in the UN Security Council Vote in 1971

When the resolution was voted, seven African states changed their vote to favour China's stance: Rwanda, Sierra Leone and Togo changed from 'no' to 'yes' and Botswana, Cameroon, Senegal and Tunisia switched from abstention to 'yes'. China secured the UN seat with the support of 26 African states (34% of General Assembly votes).

The Eight Principles

1. The Chinese government always bases itself on the principle of equality and mutual benefit in providing aid to other countries. It never regards such aid as a kind of unilateral alms but as something mutual.

2. In providing aid to other countries, the Chinese government strictly respects the sovereignty of the recipient countries, and never attaches any conditions or asks for any privileges.

3. China provides economic aid in the form of interest-free or low-interest loans and extends the time limit for repayment when necessary so as to lighten the burden of the recipient countries as far as possible.

4. In providing aid to other countries, the purpose of the Chinese Government is not to make the recipient countries dependent on China but to help them embark, step by step, on the road to self-reliance and independent economic development.

5. The Chinese government tries its best to help the recipient countries build projects which require less investment while yielding quicker results, so that the recipient governments may increase their income and accumulate capital.

6. The Chinese government provides the best-quality equipment and material of its own manufacture at international market prices. If the equipment and material provided by the Chinese Government are not up to the agreed specifications and quality, the Chinese Government undertakes to replace them.

7. In providing any technical assistance, the Chinese Government will see to it that the personnel of the recipient country fully master such technique.

8. The experts dispatched by China to help in construction in the recipient countries will have the same standard of living as the experts of the recipient country. The Chinese experts are not allowed to make any special demands or enjoy any special amenities.

Source: Chinese Ministry of Foreign Affairs <http://www.fmprc.gov.cn/eng/ziliao/3602/3604/t18001.htm>.

This is a pattern which can be easily recognised in present China–Africa loans.

During this period, Chinese support for liberation movements translated into diplomatic and military support as well as provisions for training. Anti-colonialism, coupled to the growing rift with the Soviet Union, saw China increasingly involved in divisive politics of the Cold War in Africa. The onset of the Cultural Revolution in 1966 curtailed this form of

Chinese activism on the continent and, following the winning of a seat on the UN Security Council in 1971 – with the support of African member states – and the launching of the domestic economic reform programme, Beijing embarked on a new phase in its relationship with Africa. This involved the normalisation of diplomatic ties with African countries, regardless of their ideological orientation (as long as they accepted the one-China policy), and the extension of economic assistance to selected governments. This shift in Beijing's African policy was critical in achieving UN admission in October 1971.[9] By 1976, 39 African states had recognised the government in Beijing, encircling further the government of Taipei that, by then, had diplomatic ties with only eight African countries.

The most celebrated Chinese development assistance project, the Tazara railway, was completed during this period (see box). In addition, loans were given to other African countries (e.g. $84 million to Ethiopia in 1971 and $190 million to Sudan)[10] on very favourable terms: interest free repayment over thirty years to start after a five year period of grace with no strings attached.

Tazara Railway (1970–75)

The railway was built to link Zambia's rich copper belt to the coastal port of Dar Es Salaam, so to break the dependency on white-ruled Rhodesia. The decision to build the railroad grew out of a direct request from Zambian president Kenneth Kaunda, seconded by his Tanzanian counterpart, Julius Nyerere. China assembled a $405 million interest free loan for this project, representing then the largest single offer of economic assistance granted to an African state by a communist country.

Interestingly, many of the aspects of Beijing's current approach to African relations reflect the impulses and decisions of that era. This includes the government's responsiveness to an African priority, the use of state resources and preference for Chinese labour to construct infrastructure projects and the signature of high profile prestige projects to mark relations. Chinese economic and technical assistance suited African needs rather well: it had no political strings attached (beyond acceptance of the one-China policy), provided training for Africans, was concentrated in vital areas and, additionally, its terms of credit and repayment were much better than those offered by traditional donors. The full potential of this aid packages was, however, curtailed by the limited resources available to China at the time as it was still a developing state. [11]

Following onset of Deng Xiaoping's economic reforms in 1978, China–Africa relations entered a new stage. The announcement of the new 'independent policy' was followed by Premier Zhao Ziyang's Africa tour to eleven countries (20 December 1982 to 17 January 1983),[12] aimed at launching a new African policy summarised in the 'Four Principles on Sino–African Economic and Technical Cooperation'. Shorn of much of the ideological baggage, the Four Principles differed substantially from the 'Eight Principles' in the sense that they were much more inspired by economic pragmatism in tune with China's new domestic developmental priorities and its limited financial resources.[13]

Four Principles of Sino–African Economic and Technical Cooperation

1. Equality and mutual benefit
2. Practical results
3. Variety of cooperation forms
4. Common progress

These principles were announced by Chinese Premier Zhao Ziyang, in January 1983 in Tanzania at the end of this tour to 11 African countries.

Facing growing diplomatic isolation after the Tiananmen Square episode in 1989, China launched a diplomatic offensive targeting the developing world, and Africa in particular, attempting to realign its international relations and circumvent the encirclement promoted by the West. Chinese officials were dispatched on goodwill missions worldwide, exchanges with foreign leaders were actively promoted, efforts were made to normalise relations with as many countries as possible irrespective of their ideological allegiance, and a policy of moving closer to developing countries within international institutions was pursued.

Chinese efforts to cultivate closer ties with Africa were warmly welcomed by African leaders not only because they came at the same time that US interest in the continent was diminishing but also because China's approach to questions of governance and human rights echoed concerns of many African regimes under pressure from Western donors.

The Taiwan Issue

The battle for diplomatic recognition between China and Taiwan has been essentially played with financial instruments, with Beijing and Taipei trying to supersede each others bids across the continent. Being in an advantaged position as an emerging global power, China has been winning support in Africa, particularly after South Africa's recognition of the Beijing government in 1998, although not without periodical setbacks.

Again, as in the 1970s, Africa's support proved vital in resisting Western criticism in multilateral forums throughout the 1990s. Another important factor in China–Africa policy revitalisation was the Taiwan issue. Accounting for almost one third of votes in the UN, Africa became a renewed battleground for diplomatic recognition.

President Jiang Zemin and Li Peng's Africa–Asia tours in 1996 and 1997[14] respectively were a prelude for the full revival of Africa in China's foreign policy that materialised at the dawn of the 21st century. In fact, it was during the 1996 trip that Jiang Zemin launched the idea of creating FOCAC. In the discussions that followed, it was decided that meetings at a ministerial level would be held every three years, with China and African countries alternating as hosts of the event.

The first FOCAC ministerial meeting was held in 2000 in Beijing, with President Jiang Zemin opening the proceedings. The event was attended by three African presidents as well as numerous ministers, and it laid the foundation of the new relationship. Following the ascent of the fourth leadership generation of the CPC in 2002, President Hu Jintao demonstrated his government's commitment to continue to revitalise ties with Africa through a surge in diplomatic exchanges with the continent. [15] The second ministerial meeting took place in December 2003, in Addis Ababa, presided over by President Meles Zenawi and Premier Wen Jiabao, and attracting six African presidents. The meeting expanded the agenda of co-operation. However, it was the third FOCAC event, held in Beijing in November 2006, that attracted world's attention by bringing together the largest number ever of African leaders in a summit outside the continent. Called the Year of Africa, the Beijing Summit coincided with the 50th anniversary of the establishment of relations with the first African country (Egypt) and brought leaders from 48 African countries to

China. Indeed, in 2006, many developments signalled the rising importance of the continent to China, aside from FOCAC summit, namely the issuing of the first ever White Paper on China's Africa Policy (January 2006) and the visits by both Hu Jintao and Wen Jiabao to the continent, in April and June respectively. The ambitious programme of action included commitments to increase the value of trade to $100 billion by 2009, double aid, and expand technical co-operation and training programmes.

The founding of FOCAC marked the beginning of a thriving phase in China–Africa relations. This unprecedented China–Africa convergence is characterised by the intensifying of high level exchanges and the rapid expansion of economic flows. Indeed economic affairs have quickly become a main feature of China–Africa relations, as demonstrated by the sharp increase in the value of bilateral trade $4 billion in 1996[16] to over $50 billion in 2006 and $107 in 2008, having surpassed the $100 billion target a year before expected.

1.3 The Global Financial Crisis and China–Africa Relations

The onset of the global financial crisis, sparked by poor lending practices among US banks but quickly exposing the weaknesses in the financial sector in much of the rest of the West, presents an unprecedented set of challenges and opportunities for China–Africa relations. On the one hand, the strong position that China currently occupies – having nearly two trillion dollars in foreign reserves – suggests that it is the only country with the means to provide the significant investment and development assistance needed to continue the positive growth trends experienced by African economies. This was illustrated by the public commitment made by Hu Jintao initially in February 2009 and restated at the G20 meeting in April 2009 to maintain its levels of aid and investment to Africa, including cancellation of debt. China's unprecedented financial position was further reinforced by the ability of Chinalco to raise $21 billion in cash from four Chinese banks in pursuit of a

Deepening Ties with Africa in the 1990s

Between June 1989 and June 1992, Chinese Foreign Minister Qian Qichen visited fourteen African countries. In 1990 China–Africa aid amounted to $374.6 million spread among 43 recipients, compared to $60.4 million in 1988 distributed among 13 countries.

deal with mining giant Rio Tinto in December 2008, the height of the financial crisis when liquidity was at its most constrained. On the other hand, the global financial crisis has resulted in falling exports to traditional markets, which has meant that the Chinese government has had to cope with its own domestic difficulties, including rising unemployment and failing businesses. So too, the Chinese have become more aware of risk in certain African countries, and a new note of caution has accompanied some Chinese investments, a situation underscored by the decision to withdraw from a potentially lucrative bauxite mining-for-infrastructure deal in the wake of difficulties in host country Guinea.

For these reasons, African interests in China and its intentions have sharpened in the build up to the FOCAC IV ministerial meeting in Egypt. Decisions to invest in mines in Zambia and Zimbabwe, to continue to support infrastructure development in Angola, and to complete a host of projects in Liberia, are solid indications that the pattern of economic engagement is set to continue. Complementing this is the expansion of African commercial interests in China itself, including the opening of branch offices by South African and Nigerian banks. At the same time, preliminary discussions around debt cancellation, strategies of expanding human resource development and the devising of new approaches to improving the livelihoods of ordinary Africans are taking place. More broadly, as policymakers in China and Africa know, the long term sustainability of the relationship is best guaranteed by moving beyond the dominance of the resource trade to a more comprehensive form of economic engagement. Reaching out to local communities and demonstrating that China's interests in African development extend to producing positive impacts on their lives therefore forms one of the key challenges for Beijing. Poverty eradication and community outreach will, for this reason, feature at the FOCAC IV ministerial meeting, as much as discussions of enhancing economic exchanges, as it lays out the framework for deepening the ties that are already in place.

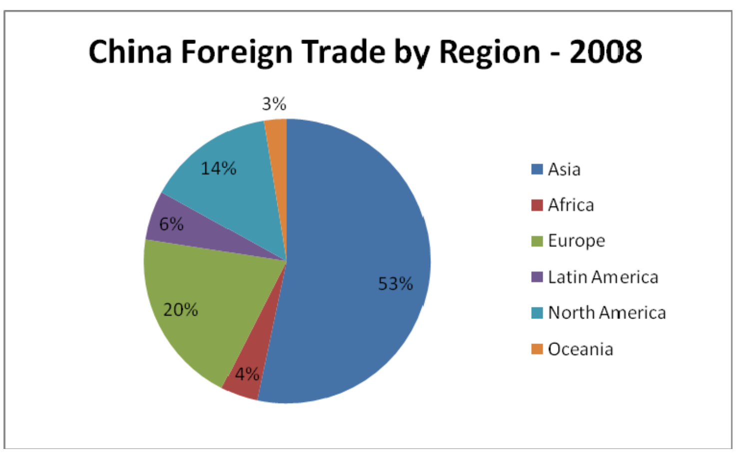
2. CONTENT

The political foundations of China–Africa ties are today complemented by a broadening economic relationship. This section of the 'China–Africa Toolkit' provides a discussion on China–Africa trade relations, detailing the structure of trade as well as the sectoral focus of this exchange. This is followed by an examination of Chinese investment flows into Africa, placing these in the context of corresponding forms of economic co-operation and their impact.

2.1 Contemporary China-Africa Trade Relations

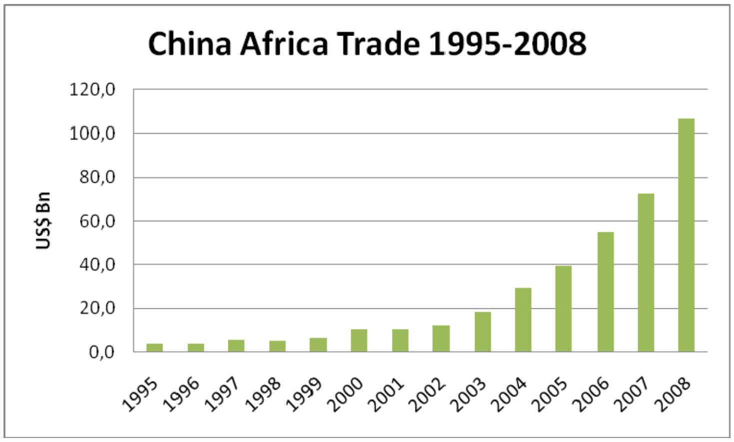
Although in relative terms Africa's share of China's total foreign trade is only small, as shown in Chart 1, in absolute terms bilateral trade has registered a remarkable expansion since 2002 as evidenced in Chart 2. Indeed one of the most astonishing features of this new phase in China–Africa relations is undoubtedly the dramatic expansion in trade flows. In only six years, bilateral trade grew approximately nine fold from $12.3 billion in 2002 to $107 billion in 2008.

Chart 1



Source: WTO, World Trade Data statistics online (1995-2007); MOFCOM, English website of Department of General Economic Affairs, (Jan-Dec 2008).

Chart 2



Source: WTO, World Trade Data statistics online (1995-2007); MOFCOM, English website of General Economic Affairs, (Jan-Dec 2008).

Although striking, these trade figures have to be put in perspective within the broader picture of China's expanding trade relations with the outside world (Chart 3) as part of the rapid globalisation of its economy following WTO accession in 2001. Indeed, the expansion of China–Africa trade in recent years is part of a general growth trend of China's foreign trade, being that Africa's value curve is quite similar to the ones showed by the Middle East, Central and South America and CIS.

Chart 3

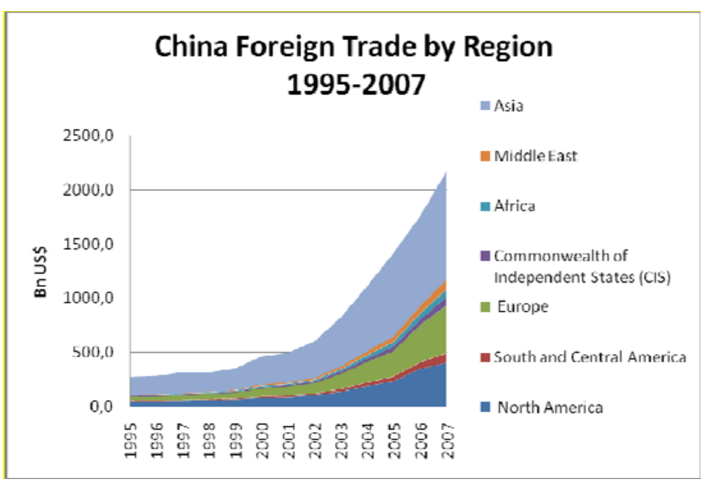
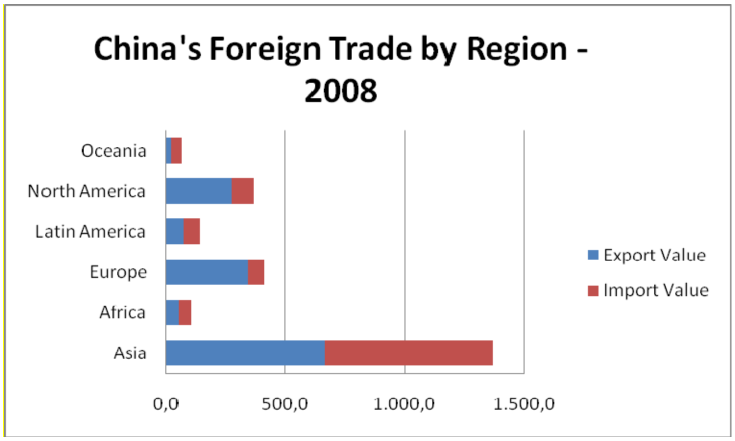


Chart 4

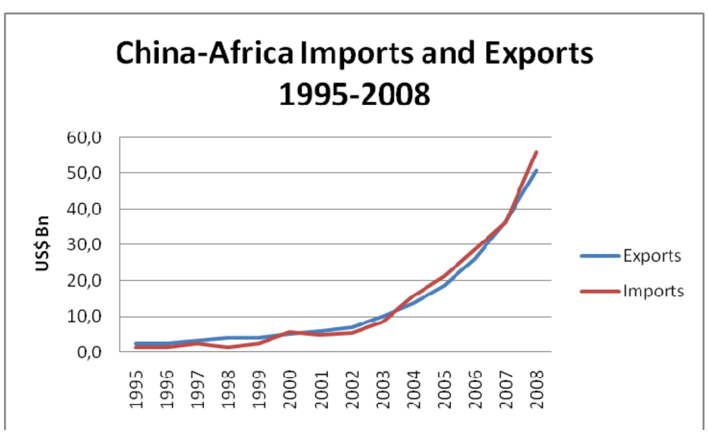


Source: WTO, World Trade Data statistics online (1995-2007).

From Africa's perspective, it remains nonetheless a very relevant fact that the continent's share in China's foreign trade has doubled between 2002 and 2008 from 2% to 4%.

As shown in Chart 5, China's export and import value to and from Africa have progressed quite closely, with the balance changing in favour of Africa since 2004. With the exception of 2007, when the trade balance was slightly favourable to Beijing ($100 million), China has been running a trade deficit with the African continent. In 2008, however, the trade deficit with Africa reached $5 billion (see Chart 6), the highest value ever. That same year, Africa was the origin of 5% of China's imports and the destination of 4% of its total exports.

Chart 5



Source: WTO, World Trade Data statistics online (1995-2007); MOFCOM, English website of Department of General Economic Affairs, (Jan-Dec 2008).

Chart 6

The structure of bilateral trade

Though it has experienced an exponential change in volume and value in recent years, the structure of China–Africa trade has remained constant, as shown in Chart 7. Indeed bilateral trade has been continuously dominated by Chinese fuel and mining imports (43% in 2007) and its manufactures exports to the continent (48% in 2007).

Chart 7

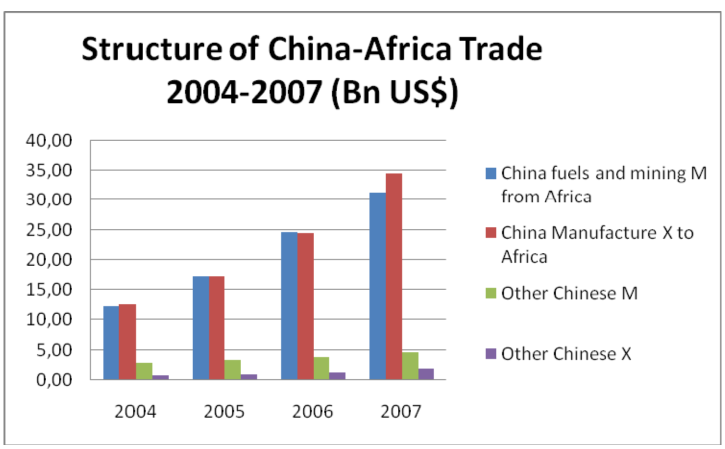
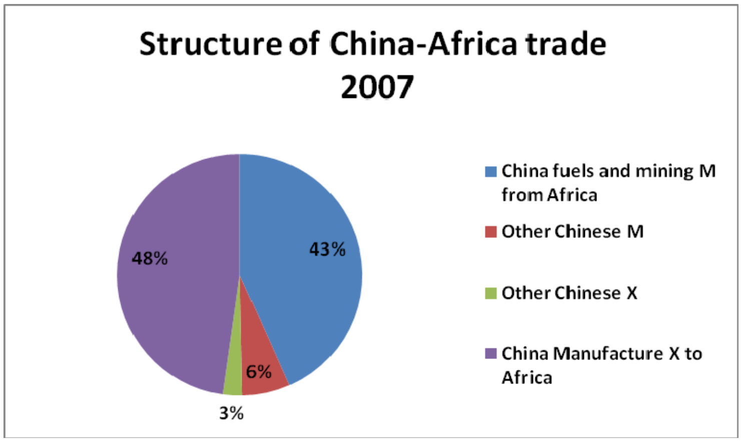


Chart 8



Source: WTO, World Trade Data statistics online (2004-2007).

As shown in the charts below, Chinese exports to the continent are largely dominated by manufactures (95%) and, in 2007, machinery and transport equipment accounted for almost half of that category, which is in great part explained by the infrastructure rehabilitation and construction projects China is involved around the continent. Unlike imports, there has been a slight change in the structure of the exports to Africa, with the machinery and transport category having expanded from 38% in 2004 to 45% in 2007, and share of textiles in exports having fallen from 22% in 2004 to 16% in 2007.

Chart 9

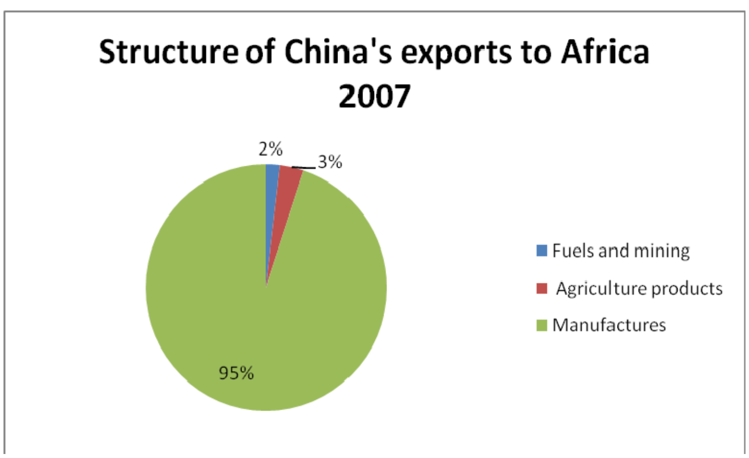


Chart 10

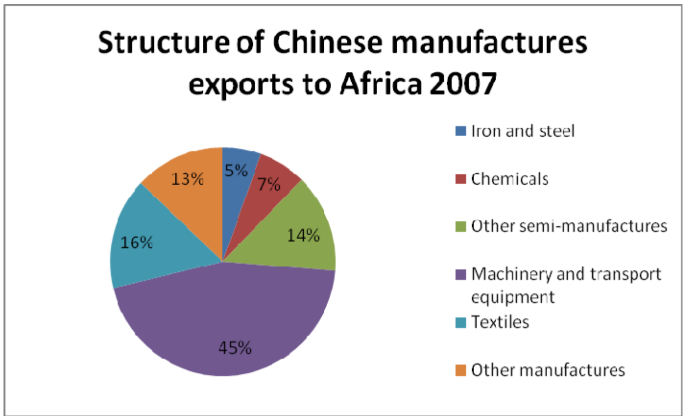
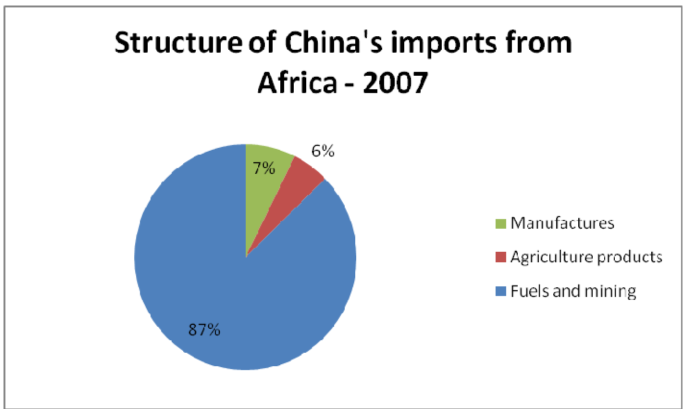
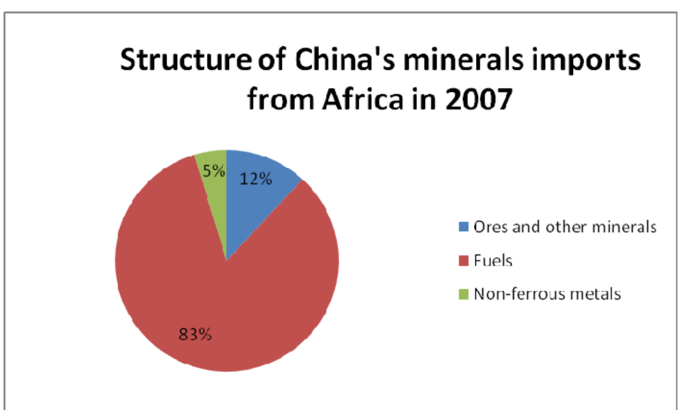


Chart 11



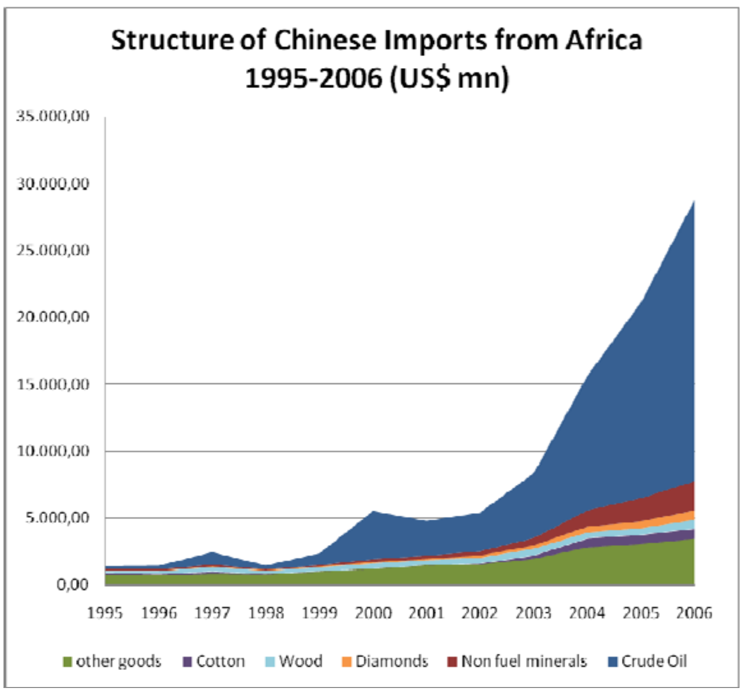
Source: WTO, World Trade Data statistics online (2004-2007).

Chart 12



Regarding the structure of Chinese imports, as demonstrated in the charts above, African extractive industries have been the main source of inflows to China from the continent, accounting for 87% of total imports in 2007. Some 83% of that share is oil. An analysis of this picture, as shown in Chart 13, indicates that before the turn of the century, Chinese imports from the continent were much more balanced in relative terms, with other goods playing a significant role, including cotton (11%) and wood (6%), while crude oil represented only 18% of total inflows from Africa in 1995.[17] Oil prominence in bilateral trade is thus a relatively recent phenomenon, dating from the early 2000s, underlining the role that oil plays in the revitalisation of China–Africa relations in the new century.

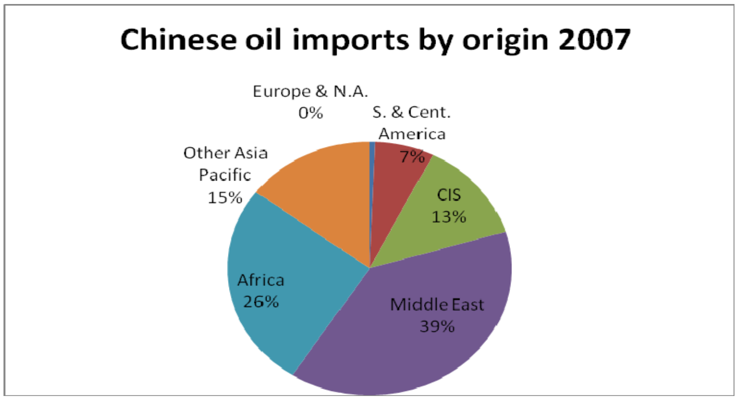
Chart 13



Source: WTO, World Trade Atlas, China-Africa top 20, 2007.

Indeed, instability in some parts of the Middle East, China's main regional oil supplier, has led Beijing to look for strategic alternatives and, because of the inherent complementarities, Africa naturally appeared high on the list of China's oil suppliers. The need to diversify supply in order to secure a continued flow is now critical for Beijing given that, since 2003, China has been the world's second largest oil consumer and, since 2004, the world's third-largest oil importer. This is of particular importance if we take into consideration that only a little more than a decade ago China was a leading Asian oil exporter.

Chart 14



Source: BP, Energy Statistics Review 2008.

Globally, Africa is now China's second-largest oil supplier (26% in 2007) after the Middle East (39%). Within Africa (Chart 15), over two-thirds of Chinese oil imports originate in West Africa, followed by almost a quarter from Eastern and Southern Africa, and only a meager share (9%) from northern Africa. On the other hand, as shown in Chart 16, China is the second-largest destination (19%) of sub-Saharan oil after the US (37%),[18] having recently overtaken Europe while the gap with the US is closing.

China's Oil Dependence in Figures

1. Share of world's production (2007): 4.8%; of global refinery capacity: 8.5%; and output: 8.7% – yet China provides for less than half of its domestic oil needs.
2. Second-largest global consumer: share of 9.3% in 2007 (first: US, 24%)
3. Third-largest global importer: share of 10.2% (US 33.9% and Japan 12.5%)
4. China's oil consumption doubled in the last decade and, according to OPEC, China's oil demand will show the world's fastest growth rate in the coming decades, doubling again by 2030, when it is expected to consume over 15 million b/d. At present, China alone is responsible for 30% of global oil demand growth.

Chart 15

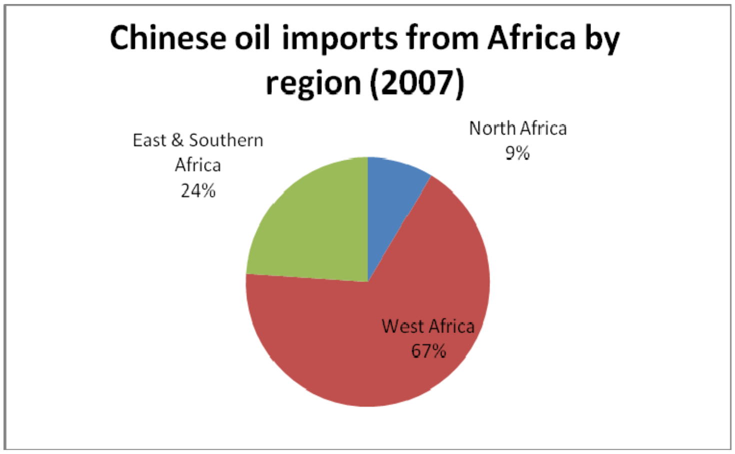
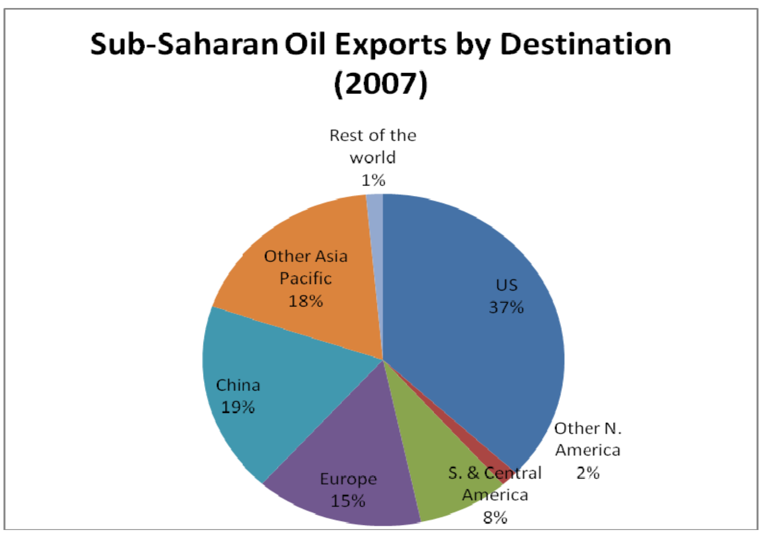


Chart 16

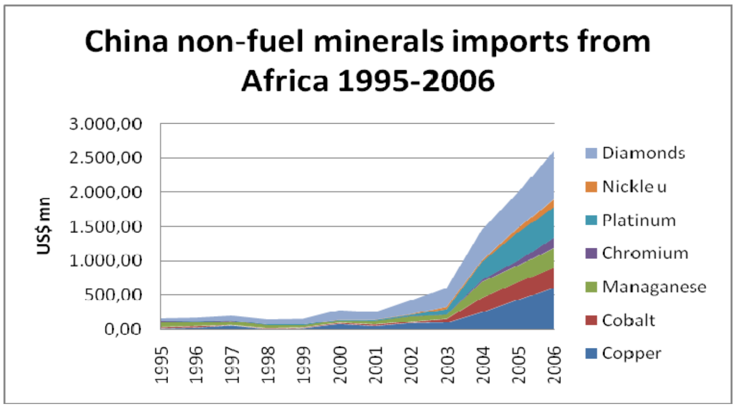


Source: BP, Energy Statistics Review 2008.

Four countries alone account for 93% of China's oil imports from Africa: Angola (51%), Sudan (18%), Congo-Brazzaville (13%) and Equatorial Guinea (11%). Other minor sources include Nigeria (3%), Gabon (1%) and Chad (1%).[19] This evolving reality implies a growing reliance in both directions since, on the one hand, China is now absorbing a significant part of the oil production of a number of countries, including Sudan and Angola, and, on the other hand, Angola alone provides for 15% of China's global oil imports.

Although oil remains China's largest external reliance, over the past decade Beijing has also become externally dependent on other extracting sectors, having surpassed the US as the world's leading consumer of most base metals, which further reinforced its economic engagement in Africa. China is the world's largest consumer and producer of aluminium, iron ore, lead and zinc, and holds significant shares in the supply and demand markets of all other minerals.

Chart 17



Source: WTO, World Trade Atlas, China-Africa top 20, 2007.

As shown in Chart 17, there has been a steady increase in Chinese minerals imports from Africa since the late 1990s, but inflows have intensified sharply since the early years of the 2000s, with the share in Chinese imports having expanded from 6% to 12% between 2000 and 2007.[20] In absolute terms Chinese imports of non fuel mining products from Africa increased from $286 million in 2000 to $5.13 billion in 2007.[21] In 2006 diamonds imports occupied the largest share (27%), followed by platinum (17%), copper (15%), cobalt (11%) and manganese (11%). Here as well, an evolving reliance is starting to show. For instance, over 80% of China's cobalt imports and 40% of its manganese imports originate in Africa, with the Democratic Republic of Congo (DRC) and Gabon acting as the main suppliers.[22]

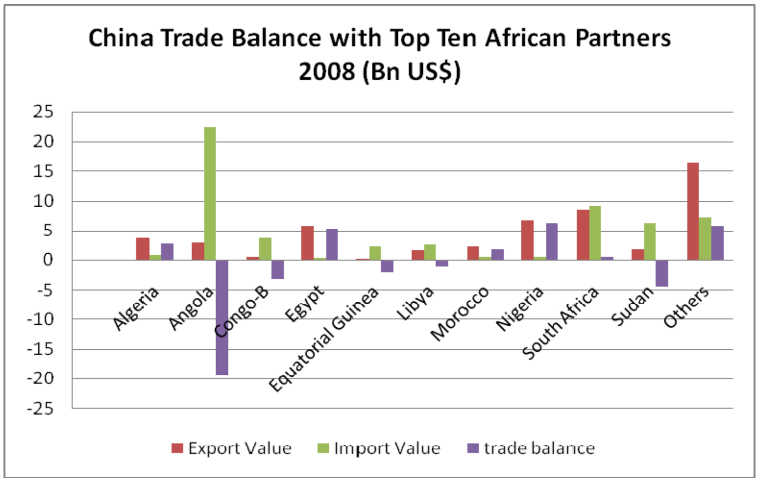
The recent surge in China–Africa imports has shown remarkable resilience with respect to its composition even while there has a diversification of sources. Indeed, notable shifts have taken place since the early 2000s. Angola overtook South Africa as China's major trading partner in the region, and overtook Sudan as China's main oil supplier from the continent. Other oil producers, such as Equatorial Guinea and Congo-Brazzaville have also gone up in China's import ranking. The DRC surpassed South Africa as China's leading cobalt supplier and Ghana was overtaken by Gabon as China's major African manganese provider. Moreover oil, diamonds and base metals have seen their share expand dramatically, to the detriment of other import goods that formed part of the trade chart in the late 1990s (such as cotton, wood, tobacco, decorative stones, oleaginous seeds and fruits). The export volume of these goods to China did not increase as fast over the years, translating into an increasing concentration of mineral resources in Chinese imports. The emerging interest of China in agribusiness in Africa might prompt another shift towards diversification in the composition of imports from Africa in the near future.

Main trading partners

Since 2006, Angola has been China's main African trading partner, accounting for almost a quarter of Chian's bilateral trade with the continent in 2008, most of which consisted of Luanda-Beijing oil flows. South Africa occupies the second position, followed by Sudan, Nigeria and Egypt. A significant number of China's top ten trading partners in Africa, which collectively account for nearly 80% of total bilateral trade, are, not surprinsingly, resource-based economies. Nonetheless, half of these countries run a trade deficit with China, as shown in Chart 18, which is particularly surprising in the cases of leading oil producers such as Nigeria and Algeria. This reality means that China's trade venture in Africa does not have a pure extractive nature. Indeed it is a quest for markets for its manufactured goods as much as for resources to fuel its economy.

Chart 18

Chart 19

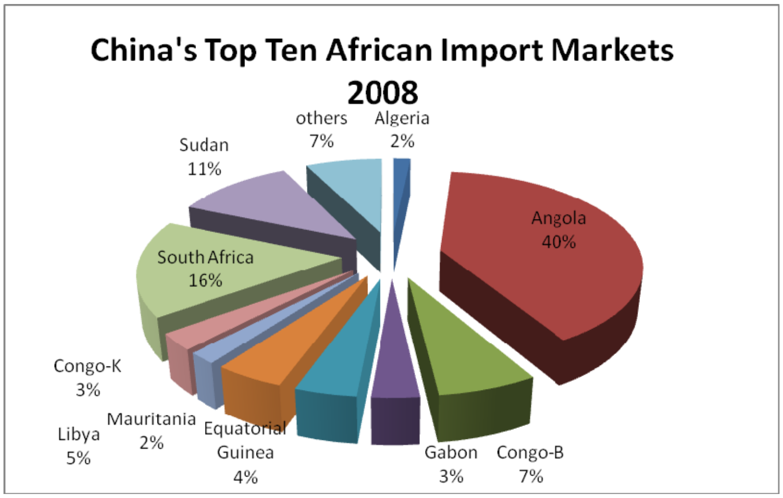


Source: MOFCOM, English website of Department of General Economic Affairs, (Jan-Dec 2008).

In this setting South Africa represents to China its most balanced and, therefore, mature trade relationship in Africa. Angola represents China's most unbalanced relationship, with China running a trade deficit of $19.5 billion with this country, ranking Angola fourth in the top ten sources of Chinese trade deficit, after Taiwan, South Korea and Japan.

Chart 20

Chart 21



Source: MOFCOM, English website of Department of General Economic Affairs, (Jan-Dec 2008).

South Africa, Nigeria, Egypt and Algeria – China's main export markets on the continent – absorb nearly half of China's trade outflows to Africa, running Beijing a favourable trade surplus. Nigeria is the single largest source of trade surplus for China in Africa, and surprisingly so as Nigeria is a major oil producing country. Although having a positive effect in rising general living standards, some Chinese imports – cheap manufactures – have drawn criticism in certain African countries, mostly in those with established or nascent manufacturing sectors, for whom Chinese manufactures represent direct competition. This is the case for South Africa, Botswana, Nigeria and Liberia, where friction has emerged with China over this issue.

2.2 Chinese Investment and Co-operation in Africa

Although representing considerably less than trade in terms of absolute value, Chinese FDI and economic co-operation are the two other outstanding features in contemporary China–Africa relations. Indeed, as shown in the charts below, the same sharp rise in recent years can be seen in Chinese FDI and economic co-operation flows into Africa.

Chart 22

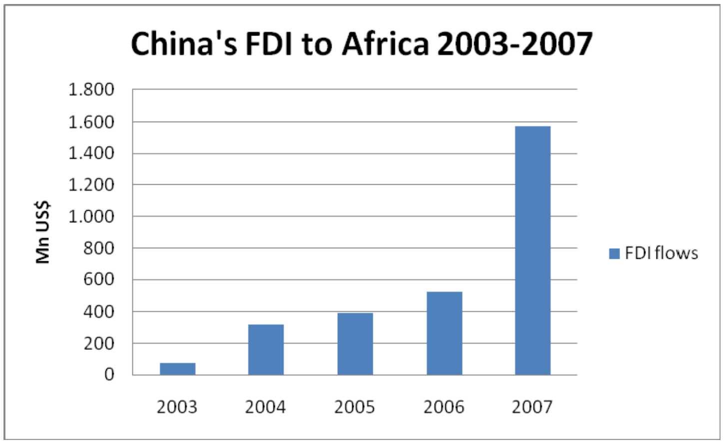


Chart 23

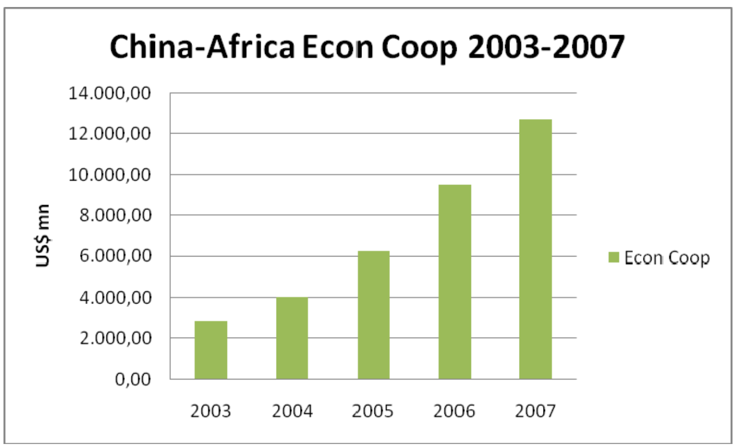
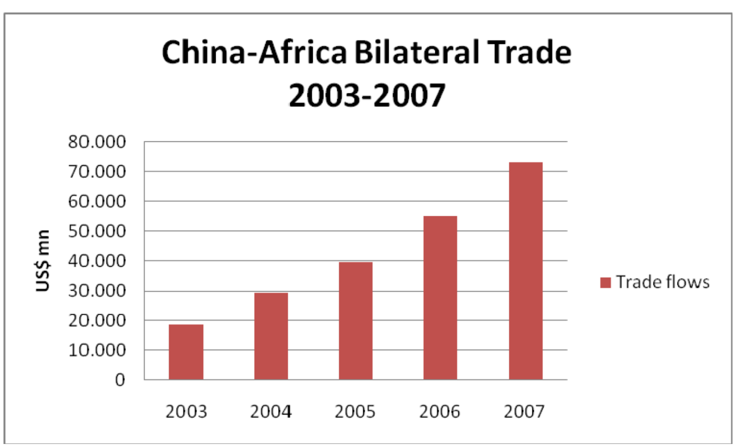


Chart 24



Source: MOFCOM, 2007 Statistical Bulletin of China's Outward FDI & NBS, China Statistical Yearbook, various years.

As with trade, the dramatic increase registered since the early 2000s is the result of expanding complementarities. Sub-Saharan Africa (SSA) has a huge infrastructure deficit – particularly in terms of transportation systems, power generation and distribution capacity, and water and sanitation networks – causing it to lag far behind other developing regions. This reality has to a great extent prevented the continent's development from taking off. To solve that problem, it is estimated that SSA will need at least $20 billion to be injected into infrastructure development every year for the next two decades. The recent race for Africa's resources has improved the picture, however, as many of the new players (mostly from Asia and the Middle East) have been funding infrastructure projects around the continent. Nevertheless, half the funding needed for that purpose – $10 billion – remains unmet[23] and this is where China fits into the picture. Indeed, aside having a very large and competitive construction industry, raised upon its own domestic modernisation experience in the past three decades, China holds the world's largest foreign exchange reserves, valued at nearly $2 trillion in March 2009. The scale of China's financial might places it in a unique position of being able to meet Africa's infrastructures needs, thus representing an important development opportunity for the continent. Furthermore, both China and Africa have a strong interest in developing the continent's infrastructure as this will allow the countries involved to fully realize the potential of their resource endowment, and will enable China to access much needed commodities to fuel the increasing demand of its booming economy.

In this setting, infrastructure has thus been the main target of China's economic co-operation with the continent while natural resources development accounts for the largest share of Chinese investment in Africa. The expansion of Chinese FDI and economic co-operation with Africa has been accompanied by a growing influx of Chinese enterprises and labour into the region, making it the more visible side of China's growing engagement with the continent. Albeit still much smaller in scale than trade or economic co-operation, according to official figures, Chinese FDI into Africa has expanded 21-fold from $75 million in 2003 to nearly $1.6 billion in 2007. Although still absorbing a relatively small portion (6%) of China's outward direct investment, Africa's share has doubled since 2003, and in absolute terms it is the third-largest regional destination of Chinese FDI, ahead of Europe, North America and Oceania. In terms of Chinese FDI stock, Africa also occupies the third position, with a volume of $4.5 billion, which corresponds to a share of 4%. This remains well behind Asia (67%) and Latin America (21%).

Chart 25

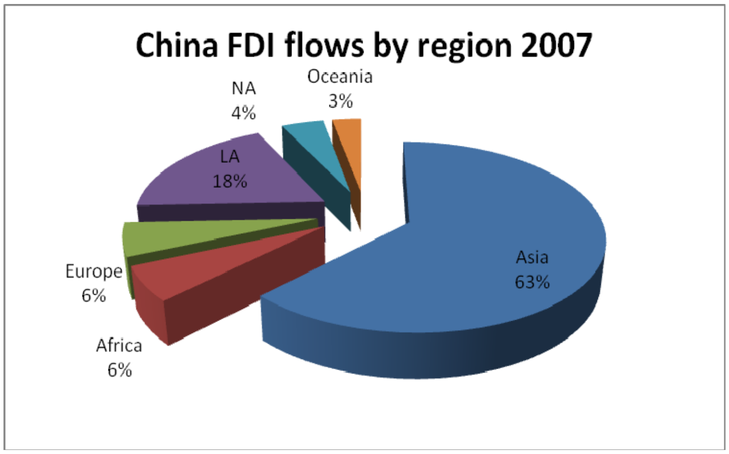
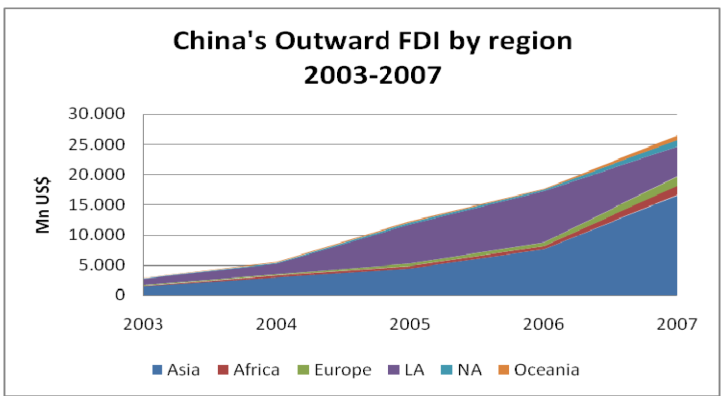


Chart 26



Source: MOFCOM, 2007 Statistical Bulletin of China's Outward FDI.

According to China's official data, South Africa was Africa's largest recipient of Beijing's FDI in 2007 ($454 million), absorbing almost a third of total Chinese inflows to the continent and, together with Nigeria, accounting for over half of the total. Although the top 10 list of Chinese FDI recipients overlaps slightly with the list of China's top ten trading partners (Angola, South Africa, Nigeria, Sudan, Algeria and Libyia), the shares vary quite a lot, especially in the case of Angola, which accounts for 24% of China–Africa trade but receives only 3% of China's FDI.

Chart 27

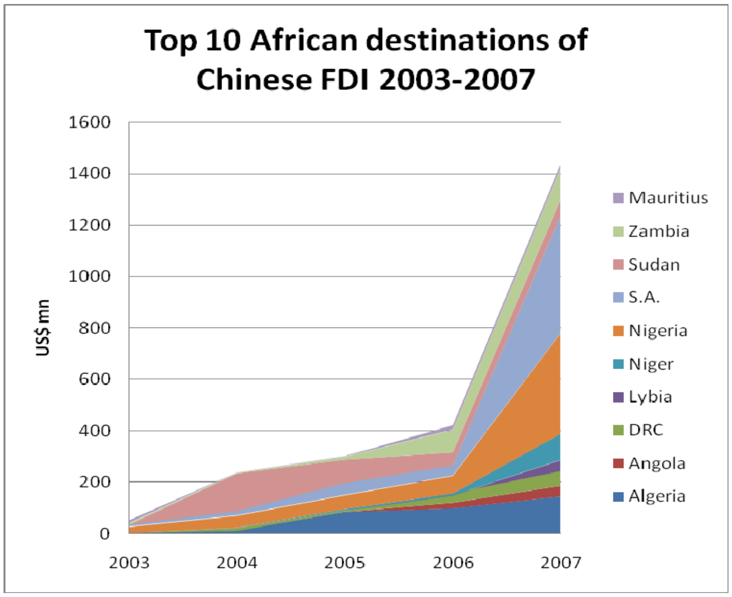
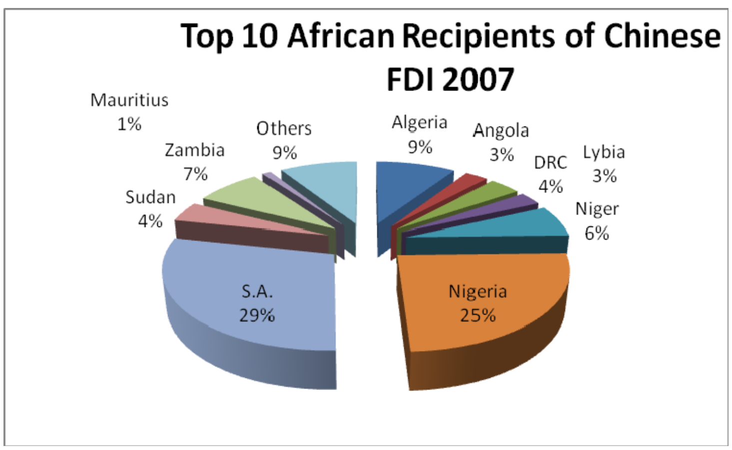


Chart 28



Source: MOFCOM, 2007 Statistical Bulletin of China's Outward FDI.

A longer term perspective demonstrates a sharp decrease in FDI flowing to Sudan, which nevertheless still accounts for 13% of China’s FDI stock in the continent. South Africa and Nigeria, on the other hand have seen a significant expansion of Chinese FDI inflows since 2006, and in 2007 accounted for 16% and 14%, respectively, of Chinese FDI stock in Africa.

Chinese FDI in Africa is mainly directed at the natural resources sector, particularly the oil industry and, to a lesser extent, minerals, matching closely the structure of Beijing's imports from the continent. In a short period of time, China has, through its major oil parastatals (CNPC, SINOPEC and CNOOC), secured exploration rights in a considerable number of African countries, namely, Angola, Chad, Congo-Brazzaville, Côte d'Ivoire, Equatorial Guinea, Ethiopia, Gabon, Kenya, Mali, Mauritania, Niger, Nigeria, Sao Tomé & Príncipe and Sudan. Nonetheless, China's oil companies' position in the African oil industry still lags far behind international oil companies from developed countries, mostly due to the fact that China is a latecomer and lacks deepwater drilling technology.

Indeed, according to a recent report by the World Bank, Chinese oil investments in Africa, valued at around $10 billion, are hardly a tenth of the amount other international oil companies have invested in the region. The same picture can be seen in minerals sectors, with Chinese companies having secured exploration rights in a few countries (the DRC, Gabon, Guinea, Zambia and Zimbabwe) with an estimated value of $2 billion. Most of these rights to explore oil and minerals have been secured in the framework of governmental financial deals. Other sectors attracting Chinese investment, though to a much lesser extent, are wholesale trade, manufactures, banking and agriculture.

The expansion of China–Africa trade and investment flows has been accompanied by the strengthening of official economic co-operation. Unlike assistance from its developed counterparts, Chinese assistance is not channeled through a co-operation agency but through its public banking system, in which China Exim bank plays a prominent role, followed by China Development Bank and China Construction Bank. Most Chinese official co-operation assumes the format of concessional loans by these banks and, as such, financial assistance often comes tied to the procurement of goods and the participation of contractors from China, and is sometimes secured by natural resources, a formula that came to be known as 'the Angola mode'. This reflects the eminently pragmatic nature of China's assistance, designed to bring benefits for both the lender and the borrower, aptly described as 'win-win' co-operation and 'mutual benefit'. This formula, however, is not exclusive to China, with other developing countries investing in the region, such as India, using the same approach.

According to official Chinese statistics, the value of Chinese economic co-operation, which includes overseas contracts, labour exports and consulting services, expanded nearly tenfold between 2000 and 2007, from $1.3 billion to $12.7 billion.

Chart 29

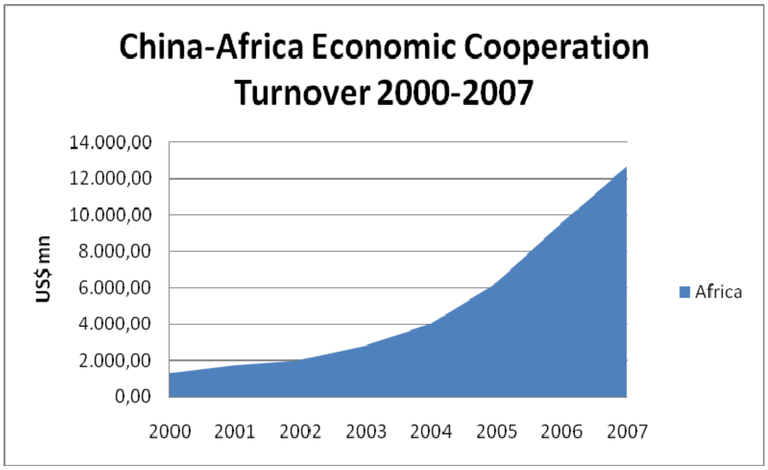
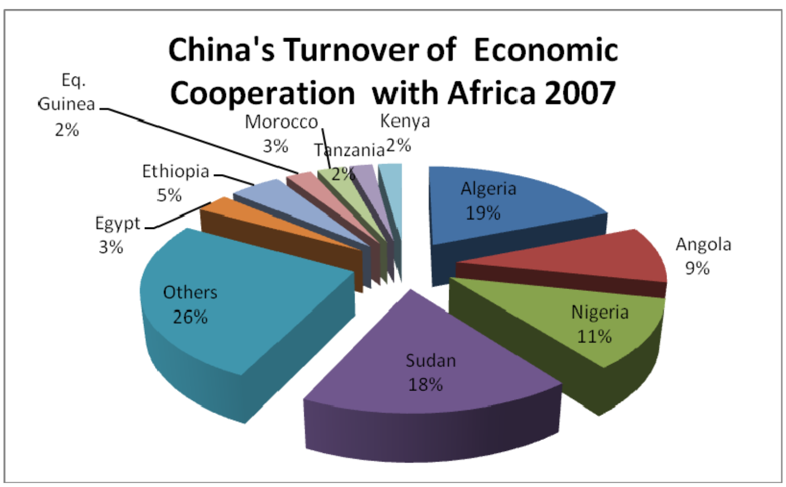


Chart 30



Africa (28%) is the second-largest recipient of Chinese co-operation after Asia (53%). Four countries alone – Algeria, Sudan, Nigeria and Angola – accounted for 57% of its co-operation with the African continent. China–Africa co-operation assumes mainly the form of infrastructure rehabilitation and construction.

According to an estimate by the World Bank,[24] China has infrastructure finance commitments in 35 countries in SSA. Four of them alone account for nearly 70% of the total value: Nigeria (34%), Angola (20%), Ethiopia (10%) and Sudan (8%). In sectoral terms the largest share of Chinese co-operation goes towards power generation (33.4%, $5.3 billion – cumulative value 2001–2007), most of which concentrated in hydroelectric plants. By the end of 2007, China was financing 10 major dams in nine African countries (Congo-Brazzaville, Gabon, Mozambique, Nigeria, Sudan and Zambia), representing an expansion equivalent to one-third of the current power generating capacity on the continent. Transport comes second accounting for 33.2% of Chinese financing. Railroads rehabilitation (1 350 km) and new construction (1 600 km), spread around a few countries, namely, Nigeria, Gabon and Mauritania, takes up the most part of this ($4 billion). This is followed by roads ($550 million) involving over 1 400 km in various countries (Angola, Ethiopia, Botswana). Information and communication technology takes up the third position (17.4%), with nearly $3 billion, most of which is accounted for by equipment sales, through which Chinese firms (such as ZTE and Huawei) are emerging as key suppliers to the African telecommunications market. Water and sanitation account for the smallest share of China's financial commitments in African infrastructures ($320 million, in Angola, Cape Verde and Mozambique).

Although a clear emphasis seems to be placed on the supply of preferential loans to build hard infrastructure – perceived as the major obstacle to the continent's development – China–Africa co-operation goes far beyond that to include 'softer' forms of assistance. Indeed, in the last few years Africa has seen a rise in the number and forms of Chinese co-operation for development. Debt relief has been an important instrument, with Beijing having twice (in 2001 and again in 2006) written off overdue African obligations, valued at a total of $2.6 billion.[25] China has also provided many grants, most of which assumed the form of public buildings around the continent, ranging from the new headquarters of the African Union in Addis Ababa to ministerial facilities, national courts, conference centers, schools and hospitals. Technical co-operation is also evident, particularly in agriculture and health, with numerous expert teams having been dispatched to different African countries in recent years. A strong focus has also been put on human resources development, through providing training for African cadres and granting scholarships to African students to study in Chinese universities. Cultural exchanges have been also on the rise, with the

Confucius Institute playing an important role in this area – seven Confucius institutes have been set up in six countries since 2005 (Egypt, Nigeria, Kenya, South Africa, Rwanda and Zimbabwe).

Through the rapid expansion of bilateral trade, investment and co-operation flows, as evidenced above, China has emerged as a significant stakeholder in Africa, bringing a new dynamism to the continent. However, not all African states see China's growing economic involvement in the continent in exclusively positive terms. This is especially the case with countries such as South Africa, where the local manufacturing industry is threatened by China's exports and has, consequently, raised the ire of local trade unions (a trend seen in a number of smaller African economies as well). In spite of this troubling impact on the prospects for industrialization and employment, China's footprint on the continent seems to have awakened a new wave of 'real politik' among the local political elites, who envisage China as a means of balancing traditional partners, namely the US and the EU, and are keen to take the most out of this newly acquired bargaining power. Traditional Western players, on the other hand, feel threatened by the rapid inroads China has made in the continent and generally tend to be suspicious of the future implications of a closer China–Africa relationship. Illustrative of this concern is the fact that both the EU and the US have sought to put in place trilateral platforms to establish a dialogue with China concerning its dealings in Africa.[26] Furthermore, international financial institutions like the World Bank are responding to the changing terms of development on the continent by teaming up with China Exim Bank for development projects in Africa.[27]

3. INSTRUMENTS AND ACTORS

In this section, the specifics of Chinese foreign and economic policy towards Africa are examined. This entails a closer look at the details of China's Africa policy, including the various apparatus, institutions and actors involved in particular aspects of its approach to engaging with Africa. The distinction between the form that Chinese involvement takes in Africa's extractive sectors and the form it takes in the continent's non-extractive sectors is made. Though the focus of most research, Chinese interests in Africa extend beyond commercial ties, and this chapter seeks to capture this by investigating China's changing role in the security arena. Moreover, in order to highlight the differing experiences of African engagement with China, examples are drawn from across the continent in different sectors and countries.

3.1 Inside Chinese Foreign Policy Towards Africa

China's foreign policy towards Africa has its foundations in a raft of facts, guiding principles and official documents produced over the five decades of relations between independent Africa and the PRC. Indeed, China–Africa policy underpinnings integrate the ideological contributions of all four generations of leaders, based in their respective experiences and the changing nature of the national interest in the context of a gradual shift from a planned to a market economy.

The reform period and the subsequent emergence of an economic driver in China's foreign policy has influenced the decision making process. As a result, the making of China's foreign policy is becoming much more complex, integrating inputs from an array of different state actors, including supra-ministerial organs, several ministries and respective departments, governmental financial institutions and SOEs. The high profile of the agents involved makes the authority line fuzzy, and the diversity of agendas, and sometimes conflicting interests, makes co-ordination a very problematic issue not only among them but also with the corporate actors at the bottom.[28]

At the top of the authority chain stands the National Development and Reform Commission (NDRC), a key policymaking body within the State Council (China's highest administrative body) that plays a central role in defining the long term aims of the Chinese state. It is worth noting that the drawing of guiding lines for energy policies (price setting, approval of domestic and international energy projects, etc.) within the NDRC is now under the responsibility of the recently created Energy Bureau (2003), a signal of the rising importance of the energy issue in defining the national interest and overall foreign policy strategy. Uneasiness over this topic among the political elite continued to grow in recent years, as illustrated by the publication of a White Paper on Energy ('China's Energy Conditions and Policies')[29] in December 2007, and the recently published White Paper on Diplomacy (July 2008), the first chapter of which is on 'The issue of energy security during the period of high oil prices'.[30]

Central Level

In the particular case of energy policymaking, which is especially relevant in the China–Africa relationship due to the critical role played here by natural resources, there are four ministries concurrently contributing to energy policymaking: the Ministry of Land and Resources (which oversees natural resources), the Ministry of Finance (responsible for tax and fiscal policies), the Ministry of Foreign Affairs (MOFA) and the Ministry of Commerce (MOFCOM). The last two play a bigger role not only in resource diplomacy formulation but also in its implementation.

MOFCOM's contribution spans across different levels, and the ministry has strong responsibilities regarding Chinese engagement in Africa. This responsibility is exercised through four of the ministry's departments: West Asia and African affairs, which provides policy advice to policymakers, and information on African markets to Chinese investors; the Department of Foreign Economic Co-operation, which regulates the overseas activities of Chinese companies, which are required to register with the department; the Department of Foreign Aid, which administrates Chinese aid programs, namely concessional loans, approves Chinese companies to bid for overseas contracts, and manages biddings and overseas projects; and the economic counselors offices attached to local Chinese embassies, which have regulatory authority over all registered Chinese companies.[31]

Although less comprehensive, the role of MOFA is also crucial in that it provides political support to Chinese corporations (public and private) bidding in energy projects abroad as well as assessing the political risks inherent in any investment. Two departments within MOFA play an important part in this: the West Asia and North Africa affairs and Sub-Saharan Africa desks.

All these actors develop their own policies separately and according to their particular agendas; as such co-ordination between departments is poor. This institutional flaw is acknowledged by elements in the Chinese bureaucracy that, for many years, have been trying in vain to tackle the issue. With this purpose, a supra-ministerial organ, the Energy Leading Group (ELG), was created in 2005 to co-ordinate China's energy policymaking. The ELG, placed directly under the State Council, is headed by premier Wen Jiabao and two vice-premiers, and is composed of nine Ministers. Its function is to provide a basis for consensus building and co-ordination across the existing bureaucratic structure. Daily operations are secured by the State Energy Office, headed by the Minister of the NDRC and staffed by NDRC and energy SOE representatives, in a clear effort to also increase co-ordination and curb the growing influence of corporate interests in resources diplomacy. Notwithstanding the high profile of the representatives involved, the effectiveness of these bodies is stalled by their own consensus-building nature, the fact that they have no formal authority over other energy state actors, the operational overlapping of SOEs and the Energy Bureau at the NDRC, and the complex energy bureaucratic structure and multiple vested interests it encompasses.

The Economic Might of China's Provinces in Figures

Among mainland China's 31 provincial entities, the nine coastal provinces account for 90% of China's total trade, with Guangdong alone accounting for 30% of the country' foreign trade. If the GDP of China's individual provinces is compared with other countries, Guangdong, China's biggest provincial economy, would stand as world's 23rd largest economy in terms of market exchange rates (MER), comparable to Norway or Saudi Arabia. If PPP terms are used, Guangdong's ranking would move to 14th place, surpassing Indonesia and Australia.

If the six SE coastal provinces (Guangdong, Shandong, Jiangsu, Shanghai, Zhejiang and Fujian) are added together on an MER basis, an economy worth $1.6 billion (2007) is created, bigger than Spain or Canada. China's coast would be the world's seventh largest economy. Using the PPP method, this coastal zone produced $3.534 billion worth of goods and services in 2007, 18% more than India, which would make it the world's third-largest economy.

The intricate reality of China's resource diplomacy at present stems ultimately from the liberalisation and decentralisation of China's energy sector in the late 1990s, aiming then to prepare the sector's transition from a planned towards a global market economy, which gradually resulted in the fragmentation of authority and the subsequent shift of power and resources towards the corporate interests at the bottom. This has been further complicated by the decentralisation of authority over some areas of foreign economic policy to the provinces. Despite the fragmentation at the formulation and implementation levels of policy, in practical terms China's strategy for engagement and carving out access in what the Chinese liked to characterise as Africa's 'closed market', has been a resounding success. However, despite the visible success of China's resource diplomacy in gaining access to African energy and mineral markets in a relatively short period of time, it has become evident that operating in the African environment, coupled with the changing demands of consolidating its established position in certain markets, has posed new challenges for Beijing.

Regarding the lining up of general development co-operation, the scenery is not much different from the above in terms of the complexity of the actors involved and the overall dynamics, and will be explored in detail in as part of a look at China's development assistance instruments and China's development apparatus.

The Provincial Level

Other actors with increasing influence over China's foreign policy towards Africa include provincial and local governments that are actively promoting investment by Chinese companies in Africa. China's 33 provincial level divisions, including four major municipalities, are, in cases like Guangdong or Shanghai, increasingly significant economic actors on the global stage. Since 1982, these entities have been given greater authority by the central government, first to promote exports and attract FDI and, later, coupled to their rising financial power, to play a key role as traders and investors in Africa.[32] Provincial firms are also among the top recipients of infrastructure contracts funded by Beijing, placing them at the forefront of engagement with particular African countries.

3.2 China's Multilateral Initiatives towards Africa

The institutionalisation of FOCAC as a dialogue platform between China and Africa in 2000 had from the beginning the aim of promoting mutual development through the intensification of economic co-operation flows in a large range of different fields. As enunciated in the preamble of the Beijing Declaration, these include co-operation in economics, trade, financial services, agriculture, medical care, science and technology, culture, education, human resources development, transportation, environment and tourism. It also included a clause on managing small arms trafficking.

Although China's approach towards development co-operation replicates the more traditional multilayered format, it differs quite significantly from more typical Western patterns in two aspects. The first one has to do with the fact that China is a developing country itself and as such co-operation with other developing regions falls within the category of South-South co-operation, which allows for a two-way benefit approach and an emphasis on practical results (in line with the pragmatic 'Four Principles' enunciated by Zhao Ziyang in 1983). Secondly China's co-operation comes with no political conditions attached, a product of its non-interference and equality ideational legacy. China's co-operation approach in a sense envisages a more intimate relation between economic co-operation and development.

Institutionalising China–Africa Co-operation: the FOCAC Process

The first FOCAC ministerial summit took place in 2000 (10–12 October), under the aegis of the third generation of leaders, and was hosted in Beijing by President Hu Jintao and Premier Zhu Rongji. The Beijing Declaration, signed at the end by China and all of the 44 African states represented, works as the founding document of the forum. According to it, FOCAC is a collective dialogue platform for co-operation between China and Africa, based on equality and mutual benefit that seeks to promote economic and social development. Through fostering solidarity among developing countries, it ultimately aims to favour the emergence of a new just equitable political and economic world order in which developing countries have a more effective participation in the international process of decision making.

FOCAC assumes as its ideational base the principles stated in the constitutive charters of the United Nations and the African Union, plus the Five Principles of Peaceful Co-existence, with particular relevance to peaceful settlement of disputes, non-interference in domestic affairs, mutually beneficial co-operation, and common development. It also highlights some other specificities of the Chinese co-operation model, namely the 'no strings attached' concept, and a more flexible approach in what concerns human rights universalism as it points out some possible limits justified by different development levels or socio-cultural particularities. This ideational base, adopted in the Beijing Declaration, was sanctioned in all the subsequent documents adopted in the following summits.

The first summit set the basic procedures, structure and contents of the new phase in China–Africa co-operation, which were gradually developed in subsequent ministerial meetings. Indeed, the first action plan (Programme for China–Africa co-operation in economic and social development 2001–2003) established an extensive list of areas for co-operation that, while having remained basically the same, has been developed with regard to content, and has been reorganised into different categories, in 2003 and 2006, translating into a gradually more structured and focused approached from Beijing. The main areas of co-operation lined up in this first action plan were: inter-governmental (promote high level exchanges, provide development assistance to support policies of receiving countries, preferential access to China...), trade and investment (supposed to play a leading role in bilateral co-operation), infrastructure, financial co-operation, debt relief, tourism, migration, agriculture, natural resources and energy, science and technology, medical care and public health, education and human resources development, environment and biodiversity and co-operation in multilateral forums. It also included a clause for stemming the flow of small arms trafficking.

Furthermore, this first action plan also established the three-level follow up mechanism, a light institutional body, in order to evaluate implementation progress. At the top level stands the ministerial meeting (summit), taking place every three years. On the subsequent level is a senior office meeting, to take place every two years. Both the ministerial and senior office meetings are to be held alternatively in Beijing and in an African country. Finally, regular meetings are to be held at the ambassador level in Beijing.

The second FOCAC ministerial meeting took place in Addis Ababa in 2003 (15–16 December). Some 44 African countries sent representatives and China was represented by its new Premier, Wen Jiabao. The approved Action Plan 2004–2006 reorganised the extensive list of co-operation fields advanced in the previous programme in three main categories: political affairs, multilateral co-operation and economic development. In practical terms, this change did not introduce much progress, and the action plan continued to be mostly general.

Regarding political affairs, emphasis was put on peace and security issues through the intensification of China's participation in peace-keeping operations in Africa as well as in de-mining activities, fighting terrorism and tackling non-traditional security issues, namely trafficking, illegal migration and transnational crime. In terms of multilateral co-operation, the action plan proposed to intensify consultation between China and Africa within international multilateral institutions so as to safeguard common interests and strengthen co-operation in areas identified by NEPAD (such as infrastructure, health, agriculture and human resources). The matter of economic development gathers the largest number of co-

FOCAC 3 Action Plan (2007-2009)

Agriculture: *dispatch 100 agriculture experts and set up 10 demonstration centres.*

Investment*: set up a $5 billion Development Fund to encourage investment by Chinese companies and establish 3–5 Trade & Economic Co-operation Zones.*

Trade*: increase export items eligible for zero-tariff entering Chinese market from 190 to 440.*

Development assistance & debt relief*: Double assistance by 2009;*
$3 billion preferential loans and $2 billion in export buyer's credits; cancel interest free loans due by end of 2005 by African LDC and HIPC.

Human resources development*: train 15 000 African cadres.*

Education*: build 100 rural schools, double scholarships to African students to 4 000 a year.*

Medical care and public health*: build 30 hospitals, provide RMB 300 million in antimalaria drugs, set up 30 centres for prevention and treatment of malaria.*

operation fields, namely, agriculture (technological and human resources development), infrastructure, trade and investment (mutual greater market access), tourism, debt relief, development assistance, natural resources, energy development and social development.

The most recent FOCAC summit, held in Beijing in 2006 (4–5 November), named the Year of Africa was attended by an impressive number of high-level officials from 48 African countries and signalled the upgrade of bilateral co-operation by setting up a strategic partnership between China and Africa and advancing a large number of concrete tasks to be achieved during the 2007–2009 action plan, most of which were actually achieved ahead of time. The declaration made a call for enhanced South-South co-operation and North-South dialogue in order to promote African development. It also reiterated the appeal made in the previous declarations for the reform of the UN and of other multilateral institutions (IMF and WTO) and the pledge of supporting African NEPAD goals through FOCAC's action plan.

The action plan issued at FOCAC III is by far the most focused and ambitious of all three, advancing a range of concrete measures to be taken by China. It is divided into four co-operation categories: political, economic, international affairs and social development. Social development was previously a point within the economic category.

Within the political co-operation category it is proposed to continue and enhance high level visits and co-ordination in major regional and international affairs. Furthermore it proposes the setting up of a FOCAC political dialogue mechanism between foreign ministers to take place on the sidelines of the UN General Assembly (UNGA) in September in New York, which has taken place ever since. Other concrete measures include promoting contacts between legislatures and local governments, consular and judicial co-operation and co-operation between China and the AU and sub-regional forums.

Economic co-operation is, again, the largest category in the action plan. Although the core areas of economic co-operation remain the same (agriculture, investment and business co-operation, trade, finance, infrastructure, energy resources, science and technology), this category has expanded to include new areas such as information, air and maritime transport and quality inspection. Another change to the economic category in relation to the previous action plan is that social development now constitutes a new separate category of its own.

Co-operation in social development integrates development assistance and debt relief, human resources development, culture, education, medical care, environment protection, tourism, people-to-people exchanges (particularly youth and women) and co-operation in news and media.

The action plan has been a resounding success in almost every area, having achieved most of the goals and even gone beyond some of the targets, including the $100 billion trade volume target for 2009, which was surpassed a year early ($107 billion). Even in terms of mechanism institutionalisation, progress has been remarkable, namely with the dialogue platform during the UNGA, establishment of a China–Africa chamber of commerce and industry, the agreement for facilitation and protection of investment, and the agreement to avoid double taxation.

Some criticism has risen, however, related to the absence of a permanent institutional structure. Formally, FOCAC is under the aegis of the Ministry of Foreign Affairs (although it integrates the Minister and Vice Minister of Commerce as co-chairmen) and has no multilateral permanent body. A secretariat based in the premises of the African Department of the Chinese Ministry of Foreign Affairs serves as a follow up mechanism in between FOCAC meetings. Aside from that, FOCAC meets once a year at the level of African Ambassadors in China, twice a year at the senior level and every three years at the summit level.

The lack of a permanent secretariat is not, however, an exclusive feature of FOCAC, as most other regional co-operation forums created under the Chinese government's initiative share this same shortcoming. For example, this is also the case with the China–Arab States Co-operation Forum, created in 2004 to promote trade and co-operation in various fields between China and 22 countries of the Arab League. Although the areas of co-operation differ slightly, as the emphasis of this forum naturally rests on energy co-operation (gas, oil and renewable power – over 40% of China's oil imports originate from Arab league countries, trade has risen from $37 billion in 2004 to $132 billion in 2008) and counter-terrorism, the *modus operandi* is similar with foreign ministerial meetings happening every two years (Cairo September 2004, Beijing June 2006 and Bahrain May 2008) and issuing two-year action plans. In fact, there is only one notable co-operation forum exception, the Macau Forum, which has a multilateral permanent secretariat justified by its specificities (see box).

China and the Portuguese Speaking Countries

The Macau forum was created in 2003 to facilitate trade and co-operation between China and the Portuguese speaking countries (PSCs) (Angola, Brazil, Cape Verde, East Timor, Guinea-Bissau, Mozambique and Portugal), using Macau (Chinese territory until 1999 under Portuguese rule) as a linkage platform. This forum is to a great extent a small replica of FOCAC regarding its aims (promotion of trade and economic co-operation) and process (ministerial meetings every three years, three year action plans covering the same co-operation areas). However, unlike FOCAC it came into existence within the Chinese Ministry of Commerce and not the Ministry of Foreign Affairs, and it has a multilateral secretariat which is based in Macau. The permanent secretariat is composed by a Chinese Secretary General aided by three adjunct secretaries, one Chinese (heads administrative office staffed by MOFCOM cadres), one from Macau (support office, Macau cadres) and one from the Portuguese speaking countries (liaison office, PSC delegates). The main reasons for this difference rest on the fact that this forum is composed by a much small number of countries (China + Macau + 7 PSCs) and is, in practice, easier to co-ordinate; it is under the aegis of the much more pragmatic MOFCOM; and, most importantly, expenses involved are minimal for Beijing as the structure is fully funded by the executive in Macau.

A permanent multilateral secretariat is, however, very unlikely to take shape in the FOCAC case as there are too many countries involved in the initiative which would make it hard to co-ordinate and would imply financial costs that China is not willing to support unilaterally, especially since all major developments within this framework take place on a bilateral level, which is much more convenient for China.

The multilayered co-operation framework set in motion by FOCAC has, in any case, contributed indisputably to a striving Sino–African partnership in the new century in which trade plays a critical role.

Consolidating co-operation through trade flows

While those aspects of China's foreign policy that concern Africa have received considerable attention, a key dimension — that is, the provisions they make for preferential trade access — has not been the subject of close scrutiny or analysis. Yet this new trade regime is often mentioned alongside Beijing's recent forgiveness of over $2 billion in least developed country (LDC) debt as signifying attempts by China to elevate its international standing. After all, offering preferential market access to other developing countries is both extremely rare and difficult to criticise. It is a display of magnanimity that

AGOA and EBA Initiative

Trade preferences for African LDCs have existed in various forms for more than 20 years, but their results have been somewhat disappointing. The two most important preference schemes for African LDCs are the US African Growth and Opportunity Act (AGOA) and the EU Everything but Arms (EBA) initiative. The US and EU (considering the latter as a single economy) are Africa's two largest export markets, and the preferences they offer African LDCs are broad. AGOA, which applies to 37 African countries, some of them LDCs and some not, provides preferential access to over 6 400 products. EBA preferences apply to LDCs worldwide, and cover 10 200 products. Because of the market size they represent and the breadth of coverage they offer, the US and EU preferences are the standard-bearers for preferential trade terms for LDCs. However, the modest benefits they have earned for the recipient countries suggest that either something is wrong with the design of these preferences, or that the African economies that ought to be profiting from them do not have what is needed to take advantage of transparent price incentives. Both possibilities turn out to be true.

China is using to simultaneously reinforce its relations with Africa and to signal its rise to great power status.

China's newest foreign policy tool, a technique generally associated with industralised countries only, extends unilateral trade preferences to Africa's LDCs. In 2005, President Hu Jintao announced that Beijing would offer duty-free treatment to imports from the 39 LDCs around the globe with which it has diplomatic relations. Furthermore, Beijing announced that 190 products from the 39 designated LDCs, most of them in Africa, would benefit from the same terms. At last November's FOCAC meeting, China announced that it would more than double the number of items on the duty-free list for 30 African LDCs to 440 items.

Preliminary analysis of these preferences suggests that they are well-tailored to the export capacity African LDCs; 88% of the products on the list have been exports from the African LDCs to China over the last decade.[33] The average margin of preference for these products is 10.4%; that is, China's MFN trade partners will face an average 10.4% tariff on certain items, whereas the African LDCs will not. This is a significant margin of preference, considering that the beneficiary countries were exporting all of these products to China before the special treatment regime was adopted.

Using a simplistic 'implicit transfer' calculation,[34] estimates put the overall economic value of these preferences in the order of $10 million a year. The most economically valuable Chinese preferences are either primary products or simply transformed manufactures. These include sesame seeds, cocoa beans, various leathers, and copper and cobalt materials. Twenty-one of the 30 beneficiaries export at least one of the 10 most valuable preference products to China.

Naturally, many products are excluded from the duty-free list. The most important omission is raw cotton which, although a vital export for many of these LDCs, faces a 40% tariff in China. This charge on cotton costs the 30 LDCs an implicit transfer of $68.6 million a year, but it is unlikely that China will be able to reduce the protection it affords its domestic cotton farmers at this stage.

There are 49 preference-receiving products that are currently not exported by the African LDCs to China. These could also promise economic benefit if supply constraints are not too great, because the margin of preference is significant at 9.4%. Most of these products are textiles, yarn and thread. These could offer higher value-added opportunities for African countries if they can transform their silk, cotton, and wool in cost-efficient ways. The average margin of preference for these products offers the African countries a real advantage over China's MFN trade partners, particularly in textiles, as it represents tariff *de*-escalation for African exporters. China's protection of raw cotton imports in tandem with the duty-free preferential access it provides for cotton *products* should serve as an incentive to African producers to process raw materials locally before exporting them.

However, African LDCs will be competing with those in Asia that currently export many of these duty-free products to China. Beijing recognises 11 Asian LDCs,[35] and also provides them duty-free access for 190 products, a point that is often forgotten. There is, as yet, no official indication as to whether the new list of 440 products for Africa will also be made available to Asian economies. If so, it may decrease the competitive advantage of the African LDCs in the Chinese market.

China's rules of origin are stricter than those in AGOA: at least 40% of value must be added in the exporting country, compared with the 35% regional value-added requirement for AGOA. The EBA requirements are even stricter. However, as already noted, China's preferences mostly cover primary commodities or simple manufactures, which are unlikely to contain substantial imported content. The 40% local value-added requirement will not strip much value from preferences for such products.

Other non-tariff barriers may pose a greater problem. According to China's 2006 *WTO Trade Policy Review*, 6.5% of tariff lines were subject to discretionary import prohibitions on grounds of health, environmental safety and national security concerns[36], but it is unclear whether they were enforced against any African LDCs. There is a real risk that, in the future, China will impose import prohibitions against African LDCs on the basis of health and environmental concerns, given both that many of the duty-free products are of animal origin, and that capacity for quality control in LDCs is generally weak.

In sum, the Chinese authorities have designed a preference scheme well-suited to the export capacity of the African economies it intends to help, yet it will probably have only a small economic impact. With an implicit transfer of about $10 million a year spread across

30 countries, the estimated economic value (excluding oil) represents only about 1.2% of exports from these countries to China. About half of the beneficiaries may see an implicit transfer of less than $100,000 a year. Barring an unexpectedly strong supply response in Africa, the preferences will not alter trade flows to China much, and certainly will not reduce the bilateral trade deficits of African economies that do not export oil.

However, and this was the case before the preferential regime was introduced, over 90% of LDC exports enter China duty-free. This makes it difficult for Beijing to craft a Chinese preference programme that is capable of making a dramatic impact on these economies (barring a preference for import-sensitive raw cotton). This means that any feasible Chinese trade preferences for the LDCs will be of greater symbolic than economic value. Nevertheless, this essentially diplomatic offering by Beijing has provided some genuine commercial benefits.

3.3 China's Development Co-operation Instruments

Chinese development co-operation in Africa has invoked admiration and criticism, much of it based on limited empirical or anecdotal evidence, contributing to conflicting perceptions as to its purpose, means and outcomes. Unpacking the policies, institutions and instruments of Chinese development co-operation is a necessary prerequisite to understanding the impact that this form of assistance has on African economies and livelihoods.

Grants, interest free loans and concessional loans

The contemporary structure of China's economic co-operation with Africa is rooted in its ideational legacy and revolves around three basic instruments – grants, interest free loans and concessional loans. Grants are aimed at social projects, technical assistance, training and disaster relief. The primary modality of this form of assistance is decidedly not cash but rather grants in kind with housing, clinics and schools being the favoured application of this support. Interest free loans are provided towards larger infrastructure such as roads, railroads and dams. According to Davis, '(d)ebts derived from these loans – and some debts from concessional loans – have been subject to debt cancellations, in effect turning loans into grants.'[37] Finally, concessional loans (which the Chinese commonly called ‘preferential loans’) are low interest loans provided over a period as long as 20 years at below markets rates subsidised by the government.

The key institutions involved in Chinese development co-operation reflect the centrality of mutual benefit to the contemporary formulation of foreign assistance policy.[38] MOFCOM’s Department of Foreign Aid handles the bulk of the aid flows to Africa. It is charged with formulating and implementing policies and monitoring aid – be it in the form of grants or interest-free loans. Regional units within MOFCOM, such as the West Asia and African Affairs division, play an advisory role in this process. MOFCOM manages the tendering process for specific projects from a group of approved companies. The Economic and Commercial Counsellor is MOFCOM’s representative in a given recipient country and, as such, is in charge of overseeing the implementation of particular projects as part of its overall role in managing bilateral aid.

The China–Africa Development Fund

The China–Africa Development Fund (CAD Fund), one of President Hu Jintao’s eight measures aimed at forging a new type of strategic partnership announced at the 2006 Beijing Summit of FOCAC, was officially launched in June 2007 with an initial capital o $1 billion. The fund has now reached $5 billion, all provided by the China Development Bank, with the aim of financing the market entry of Chinese firms into the African economy. The CAD Fund will promote economic co-operation between China and Africa by investing directly in Chinese enterprises that have set up operations in Africa or plan to invest on the continent. Its target industries and fields are: agriculture and manufacturing, infrastructure and underlying industries (electric power and other energy facilities, transportation, telecommunications, urban water supply and drainage), natural resources, and industrial parks set up by Chinese firms. Access for African enterprises to this fund can only be achieved through joint-ventures with their Chinese counterparts, which will then apply on their behalf.

To date $90 million have been invested into four projects: a glass factory in Ethiopia, a gas-fired power plant in Ghana, a chromite project in Zimbabwe and a building material project. Co-operation deals for these initiatives were signed with China National Agricultural Development group, China Machinery and Equipment Import and Export Corp. and others. It opened an office in Johannesburg in 2009.

The China Export Import Bank (China Exim), a state run financial institution founded in 1994, falls directly under the State Council (China's highest administrative body) and has been the leading financial institution involved in providing concessional loans for projects in Africa. In 2006, for instance, the China Exim Bank provided an estimated $12-15 billion in concessional loans to Africa, more than the World Bank. More recently, the China Development Bank (CDB), also established in 1994 as a policy bank, has been authorised by the State Council to handle the $5 billion China Africa Development Fund, launched at FOCAC in November 2006.

The Ministry of Foreign Affairs (MOFA) plays a part in shaping Africa policy, primarily through the work of its Department for African Affairs, and has some direct role in dispensing humanitarian assistance through a discretionary fund. Notably, though MOFA officials are often called upon to serve as public spokesmen for aspects of the government's aid policy, their actual involvement in shaping it seems to be secondary when compared to MOFCOM. Moreover, there are concerns that the commercial rationale behind the MOFCOM approach is not always fully attuned to the 'win-win' nature of economic co-operation espoused by Chinese leaders. Finally, while MOFA annually allocates the budget for economic co-operation and aid that ends up as bilateral aid dispersed by MOFCOM, funds aimed at multilateral aid are dispersed directly from it to any of the African regional development banks and international financial institutions.

The China–Africa co-operation formula differs quite significantly from the approach encoded by traditional donors in the Organisation of Economic Co-operation and Development (OECD), as it is openly managed as strictly business: infrastructure for resources. What China lacks in terms of technology and capacity building, it capitalises in willingness to provide these package deals to Africa. This funding arrangement, now referred to as the 'Angola mode', is not, however, unique to China, as other Western countries and institutions have adopted similar lending practices in the past decade, using oil resources to overcome Angola's lack of creditworthiness in the international financial market. Not surprisingly, the China Exim Bank's largest credit lines for infrastructure development secured by resources supply were recently granted in west Africa: $4.5 billion to Angola in 2004 (+2007) in exchange for oil supply, $3 billion to Gabon in 2006 in exchange for Manganese exploration rights, and $9 billion to the DRC in 2007/2008 in exchange for cobalt mining development opportunities. Many other such deals were signed all over Africa.

The process includes the signature of an intergovernmental framework agreement establishing the purpose, amount, maturity and interest rate of the loan, followed by a loan agreement (concessional most of the time – interest subsidised by the Chinese government) between Exim Bank and the borrower.[39] Interest varies from 1.25% to 3%, the grace period varies from five to eight years, and repayment is required over 10 to 20 years. The capital is disbursed in successive batches, released against project completion and directly paid to Chinese companies in China through Exim Bank. The lion's share (60% to 80%) of the projects is to be farmed out to Chinese enterprises selected by Exim Bank in China and MOFCOM and sanctioned by the beneficiary governments. It is an aid package notable for its convenience in comparison with traditional donor practices: easier and faster in delivery, no conditions attached, plus the money is only 'virtual' in the target country which prevents it from being easily diverted. The result is that this sort of financial arrangement, packaging infrastructure development with resources, has become common practice for China on the continent, using it as a guarantee in countries that have a bad credit record but abundant resources. Underpinning this comprehensive package ('Angola mode') is a Chinese approach to risk management in Africa: the use of familiar Chinese firms and labour to fulfil the terms of Chinese-financed infrastructure packages minimises the exposure to those risk and negative factors in African environments that put other investors off, namely corruption and local labour costs.

The exceptionalism of China's co-operation model

Beginning in the 1990s, China entered a new phase of financial assistance to Africa with specific integrated objectives. This mode of assistance emphasises reciprocity, political interests, economic benefits, and the obligations of a global power. The Chinese approach to the provision of foreign aid is 'demand-driven', unlike the conditionality approach followed by the West, and is currently evaluated in terms of outcome rather than processes.

Indeed some African policymakers and analysts have come to think of Chinese development assistance as more efficient than Western development assistance – in terms of cost efficiency, time, and procedural aspects. OECD donors are, for the most part, trying to deal with government management and capacity-building issues, matters that are difficult to undertake on a project basis.

The characteristics of Chinese development assistance are distinctive because China does not use the donor model, and does not separate between development assistance and economic co-operation (trade etc). The Chinese believe that development assistance should be part of economic co-operation – as it is part of the ultimate goal. This makes it difficult to see how large the Chinese foreign assistance budget is. However, according to Chinese scholars, it is estimated that in late 2006 it was $8.2 billion and in 2007 $10.8 billion. There are certain elements of Chinese economic co-operation which are worth highlighting as they either differ from contemporary Western donor practice or, rhetorical assertions to the contrary, replicate aspects of it. Financing in the form of cash gifts, much less budget support, are not favoured by Beijing and rarely utilised. Chinese scholars have

Practical Challenges

At the same time, as experience has demonstrated to the Chinese government in the past, even this approach doesn't guarantee a positive developmental outcome. For instance in the case of Senegal in the mid 1970s, which like South Africa in the mid 1990s was poised to switch official diplomatic recognition to Beijing, the Senegalese government's insistence that the building of a sports stadium take precedence over that of an ongoing agricultural project – despite there already being four stadia in the area – resulted in it being prioritised. In fact, the Chinese government had indicated that it was keen on supportng an agricultural project which involved technical training in high yield rice cultivation in the country's Casamance district. Subsequent discussions between Chinese and Senegalese officials became entangled in contrary desires within the Senegalese bureaucracy for a dam as well as the aforementioned stadium, eventually leading not just to the closure of the agricultural project but to disagreements over the degree of involvement of local contractors and even architectural style of the stadium that were to delay construction for several years. (Bobiash 1992: 103–106; 140–143) In this sense, the efficacy of Chinese development co-operation is ultimately dependent upon the knowledge, policy choices and commitment of the African partner.

suggested that the preference for projects in kind reflects in part a desire to manage closely the funds expended by them and ensure that they are not wasted by recipients. Of equal importance is the fact that the application of 'mutual benefit' has made the use of Chinese factors of production – management, labour, equipment and supplies – a feature of any prospective project. This stands in contrast with the OECD-DAC donors, who have committed themselves to eliminating this sort of 'tied aid' (as the use of donor materials and manpower are characterised), though only two have in fact fully implemented this. As with the financing of projects, a strong domestic rationale – in the form of Chinese competitiveness, the oversupply of local firms in areas such as construction, cultural cohesion and work ethic as well as familiarity with Chinese government procedures – explains the preference for the use of Chinese firms and factors of production in the delivery of projects.

Another element in the Chinese approach that differs from the traditional actors is that the Chinese insist that their project personnel conform to local standards and that they do not receive 'special treatment', which effectively means that their wages and living arrangements are equivalent to those found in the host country. Needless to say, Western and South African firms operating in Africa have traditionally had considerably higher wages, standard of living allowances and other packages which inflate the costs of their work. Further, unlike the OECD-DAC countries, the Chinese government does not publish any annual statistics on its development assistance, either in aggregate form or in terms of particular projects. The result is that what is known is usually anecdotal and not subject to comparison, either across other Chinese programmes, over time or with other countries' foreign aid. The result is that, despite assurances by Chinese officials (and indeed, a rationale given by Beijing as to why it would not join the OECD-DAC and adapt itself to what it characterised as its 'less efficient' donor practices), objective judgments about the efficiency of Chinese aid are difficult to make.

Finally, a crucial characteristic which has distinguished Chinese aid co-operation from many (though not all) traditional OECD-DAC donor forms of assistance over the years has been the effort to integrate this assistance within the context of the recipient government's stated developmental needs. This process of consultation and, indeed, negotiation between Beijing and the host government introduces a strong element of 'local ownership' of the project. This increases the likelihood that the project meets a recognised need and, as such, is more apt to win the sometimes elusive support of the African government, explicitly targeted beneficiaries and the local community. Such support can be crucial in building a local constituency that can fulfill longer term commitments such as providing for the recurrent costs associated with upkeep and maintenance of a project.

4. Charting the Future of China–Africa Relations

When critics characterise China's engagement in Africa as nothing other than a scramble for resources, Beijing rightly counters that its ties are more complex in aspiration and content. This invocation of 'Chinese exceptionalism' – that its relationship with Africa is bound together on the basis of common historical experience and a set of mutual interests as developing regions – is meant to assure Africans that deepening economic engagement will not devolve into Western style neo-colonialism. China's assertion of difference in its exercise of power is not only significant for Africa but can be folded into wider claims Beijing makes as to the unique features of its global rise.

For this reason Africa is an important proving ground for the new face of China, a fact that is reflected in its carefully constructed approach to the continent. In a decade that has seen Chinese-African trade and investment soar to unprecedented levels, Beijing's economic activism is mirrored by the deliberate shedding of its traditional temerity in

Challenges Ahead for Chinese Development Assistance and Economic Co-operation with Africa

1. *How can Chinese development assistance and strategies of economic co-operation be more closely related to local capacity-building?*
2. *How to ensure that this assistance reaches local communities and impacts positively upon their lives?*
3. *How to better regulate the conduct of Chinese businesses – private and public SOEs – in terms of laws and regulation so that they behave in accordance with corporate social responsibility?*
4. *How to balance domestic and international needs – China still has a large number of people living in poverty. There is a rising critique on foreign aid between scholars, government officials and the public, with the latter preferring to see the benefits of finance spent locally.*
5. *How can China continue the good practices of development assistance followed by the OECD countries? Does China need a law regulating Chinese development assistance?*
6. *How does aid factor into African states that are patrimonial and corrupt? The problem is that these states don't negotiate with their citizenry and are therefore not held accountable.*
7. *How to ensure the sustainability of projects? China focuses on 'hard-infrastructure' and at times neglects the issue of recurrent costs and management after the projects have been completed ('soft-infrastructure').*

foreign policy towards the region. China has boldly stepped out of the international shadows to take up a constructive stance in such areas as UN peacekeeping, exercising quiet influence in the Darfur crisis and, through the diplomatic triumph of the China–Africa Summit, laid solid foundation to claim a position as Africa's closest ally. The past, however, is prologue and for authorities in Beijing the global economic meltdown poses serious challenges for the consolidation of these hard-fought gains.

With commodity prices fluctuating and traditional sources of aid and investment struggling to meet their domestic needs, the potential costs to African development ambitions are considerable. While the economic incentives for Chinese involvement remain – lower prices, naturally, open up opportunities for cash-rich buyers like China to take long term positions in commodities – this situation comes at a point when China is recognising for the first time the political risks of its broader exposure to the African environment. In the energy sector, its oil interests in Sudan are threatened not by Darfur but disturbing undercurrents suggesting the possibility of a renewal of conflict between the North and South in future. In Nigeria, though much is made of the targeting of Chinese oil workers in the Delta, the more disturbing dimension was how the election of Umaru Yar'Adua inspired a review of existing agreements with Beijing. And, recalcitrant behaviour of its alleged allies in Khartoum seems to suggest the limits of Chinese influence and with that the soft power that Beijing claims to be the basis of its actions. Further, behind all of this is the spectacle of violence and instability once again engulfing eastern Congo, a country that China has enormous financial stakes in.

For China–Africa relations, the current global economic crisis is a tipping point as important as the financial crisis was to Southeast Asia in 1997. At that time, concerns that China would use the economic crisis to further its own mercantilist aims were prevalent amongst some Southeast Asian policy makers. In fact, the Chinese government acted judiciously in providing conditions that helped stabilized the situation. By maintaining the solid track record of investment in key sectors and expanding support for African development, China can demonstrate, as it did among sceptics within the developing countries of Southeast Asia, its commitment to consolidating the relationship as a development partnership. By clearly articulating their own interests, Africans have a unique opportunity to shape that relationship into a form that meets the development needs of the continent.

5. Resources

1. Context

1.1 China's Re-emergence as a Global Actor

Goldstein A, 'The diplomatic face of China's grand strategy: A rising power's emerging choice", *China Quarterly*, 168, December 2001.

Guo S & J Blanchard (eds), *Harmonious World and China's New Foreign Policy*, Plymouth: Lexington Books, 2008.

Medeiros E & M Fravel, 'China's new diplomacy', *Foreign Affairs*, 82, 6, November/December 2003.

Zhang Y, *China Goes Global*. London: The Foreign Policy Centre, 2005.

Zhao S (ed.)*, Chinese Foreign Policy: Pragmatism and Strategic Behavior*. New York & London: M.E. Sharpe, 2004.

1.3 Understanding Contemporary China-Africa Relations

Alden C, *China in Africa*, London & New York: ZED, 2007.

Alden C, Large, D & R Soares De Oliveira (eds), *China Returns to Africa: A Superpower and a Continent Embrace*. London: CR Hurst, 2008.

Alden C & A Alves, 'History and identity in the construction of China's Africa policy', *Review of African Political Economy*, special issue: The New face of China-African Co-operation, 35, 115, March 2008.

Gao J, 'China and Africa: The development of relations over many centuries', *African Affairs*, 83, 331, April 1984.

Payne R & C Veney, 'China's post-Cold War African policy', *Asian Survey*, 38, 9, September 1998.

Rotberg R (ed.), *China into Africa: Trade, Aid and Influence*. Cambridge & Massachussets: World Peace Foundation, 2008.

Taylor I, *China and Africa: Engagement and Compromise*. London & New York: Routledge, 2006.

1.4 The Global Financial Crisis and China-Africa Relations

Cook S & W Lam, *The Financial Crisis and China: What are the implications for low income countries?*, IDS In Focus Policy Briefings, 7, 6. Brighton: IDS, 2009.

Cook S & J Gu, *The Global Financial Crisis: Implications for China's South-South Cooperation*, IDS Bulletin, 40, 5, pp. 38-46, 2009.

2. Content

2.1 Contemporary China-Africa Trade Relations

Broadman H *et al., Africa's Silk Road: China and India's New Economic Frontier*. Washington DC: World Bank, 2007.

Kaplinsky R, McCormick D & M Morris, *The Impact of China on Sub-Saharan Africa*, IDS Working Paper, 291. Brighton: Institute of Development Studies, November 2007.

English website of Department of General Economic Affairs, Chinese Ministry of Commerce (MOFCOM), < http://english.mofcom.gov.cn>

WTO, World Trade Statistics Online

2.2 Chinese Investment and Co-operation in Africa

Corkin L & C Burke, *China's Interest and Activity in Africa's Construction and Infrastructure Sectors*, Centre for Chinese Studies, Stellenbosch University, November, 2006.

Foster V *et al.*, *Building Bridges: China's Growing Role as Infrastructure Financier for Africa*. World Bank, 2008.

Cheung Y & X Qian, *The Empirics of China's Outward Direct Investment*, CESifo Working Paper Series, 2621, April 2009.

3. Instruments and Actors

3.1 Inside Chinese Foreign Policy towards Africa

Downs E, 'China security: the fact and fiction of Sino-African energy relations', *China Security*, 3, 3, Summer 2007.

Zhao S, ‘The making of Chinese foreign policy: actors and institutions’, in Ampiah K & S Naidu (eds), *Crouching Tiger. Hidden Dragon? Africa and China*. Scottsville: University of Kwazulu-Natal Press, 2008.

3.2 China’s Multilateral Initiatives towards Africa

Guérin E, ‘Emerging donors and global governance of development aid: What is China’s role in Africa?’, *Ideés pour le Debat: Gouvernance Globale*, *3, 2008*, Paris: IDDR.

Lanteigne M, *Chinese Foreign Policy: An Introduction*. Oxon & New York: Routledge, 2009.

3.3 China’s Development Co-operation Instruments

Pehnelt G, *The Political Economy of China's Aid Policy in Africa*, Jena Economic Research Paper, 2007-051, August 2007.

Davies P, *China and the End of Poverty in Africa: Towards Mutual Benefit?* Sundbyberg: Diakonia, August 2007.

SAIIA China in Africa Research Project publications

Policy Briefs Series:

Bosshard P, *China’s Environmental Footprint in Africa*, China-Africa Policy Brief, 3. Johannesburg: SAIIA, April 2008.

Roque P & C Alden, *China and the United Nations Security Council: From Observer to Activist*, China-Africa Policy Brief, 2. Johannesburg: SAIIA, April 2008.

Minson A, *China's Preferential Trade Policy towards Africa*, China-Africa Policy Brief, 1. Johannesburg: SAIIA, February 2008.

Policy Reports Series:

Mthembu-Salter G, *Price Power: China's Role in the Telecommunications Sector of the Democratic Republic of Congo*, China-Africa Policy Report, 6. Johannesburg: SAIIA, 2008.

Meyer R & C Alden, *Banking on Africa: Chinese Financial Institutions and Africa*, China-Africa Policy Report, 5. Johannesburg: SAIIA, 2008.

Alves A, *China and Gabon: A Growing Resource Partnership*, China-Africa Policy Report, 4. Johannesburg, SAIIA, 2008.

Idun-Arkhurst I, *Ghana's Relations with China,* China-Africa Policy Report, 3. Johannesburg, SAIIA, 2008.

Alves A, *China's Lusophone Connection,* China-Africa Policy Report, 2. Johannesburg, SAIIA, 2008.

Pehnelt G & M Abel, *China's Development Policy in Africa*, China-Africa Policy Report, 1. Johannesburg: SAIIA, 2008.

SAIIA Occasional Papers:

Thakur M, *Building on Progress? Chines*e Engagement in Ethiopia, SAIIA Occasional Paper, 38. Johannesburg: SAIIA, July 2009.

Alden C & A Ying Chen, *Chinese Development Co-operation in Africa: The Case of Tembisa's Friendship Town*, SAIIA Occasional Paper, 30. Johannesburg: SAIIA, April 2009.

Disenyana T, *China in the African Solar Energy Sector*, SAIIA Occasional Paper, 25. Johannesburg: SAIIA, February 2009.

Jung Park Y, *Chinese Migration in Africa*, SAIIA Occasional Paper, 24. Johannesburg: SAIIA, February 2009.

Roque P, *China in Mozambique: A Cautious Approach*, SAIIA Occasional Paper, 23. Johannesburg: SAIIA, February 2009.

Zhimin C & J Junbo, *Chinese Provinces as Foreign Policy Actors in Africa*, SAIIA Occasional Paper, 22. Johannesburg: SAIIA, February 2009.

Meyer R & C Alden, *Banking on Africa: Chinese Financial Institutions and Africa*, SAIIA Occasional Paper, 14. Johannesburg: SAIIA, October 2008.

Other Sources

The Centre for Chinese Studies, Stellenbosch University, provides a weekly survey of news items related to China-Africa topics. See: <http://www.ccs.org.za/>. The centre also maintains an ongoing research programme with in depth reports on various China-Africa topics. Again, check website.

Selected Websites

SAIIA China-Africa Project
<http://www.saiia.org.za/chap/china-in-africa-project.html>

Institute of Development Studies – Research on China
<http://www.ids.ac.uk/index.cfm?objectid=FEF8B4C4-5056-8171-7BD5BF87076852A6>

Chinese Government Official Website
<http://english.gov.cn/>

Ministry of Commerce PRC Department of Aid to Foreign Countries
<http://yws2.mofcom.gov.cn/>

Ministry of Commerce PRC Department of Western Asia and African Affairs
<http://xyf2.mofcom.gov.cn/>

Ministry of Foreign Affairs PRC
<http://www.fmprc.gov.cn/eng/>

Forum on China Africa Co-operation
<http://www.fmprc.gov.cn/zflt/eng/>

China-Africa Development Fund (CAD-Fund)
<http://www.cdb.com.cn/english/Column.asp?ColumnId=176>

China Development Bank
<http://www.cdb.com.cn/English/index.asp>

China EXIM Bank
<http://english.eximbank.gov.cn/>

China Construction Bank
<http://www.ccb.com/portal/en/home/index.html>

Agriculture Bank of China
<http://www.abchina.com/en/hq/index.jsp/index.html>

Africa-Asia Confidential
<http://www.africa-asia-confidential.com/news>

South Scan Africa Analysis
<http://southscan.gn.apc.org/>

Pambazuka News
<http://www.pambazuka.org/en/>

All Africa news
<http://allafrica.com/>

People's Daily News on Africa
<http://english.people.com.cn/90001/90777/90855/index.html>

Xinhua Africa News
<http://www.chinaview.cn/world/africa.htm>

Macauhub, News on China in the Portuguese speaking countries
<http://www.macauhub.com.mo/en/index.php>

Reuters Africa
<http://af.reuters.com/news>

The China Institute at the University of Alberta provides a comprehensive review of Chinese energy policy and related interests. <http://www.china.ualberta.ca/index.cfm>

China-Africa Business Council
<http://www.cabc.org.cn/english/index.asp>

[24] PPIAF report.

[25] <http://www.imf.org/external/pubs/ft/fandd/2008/03/wang.htm>.

[26] EU proposal to set up a trilateral (Africa–China–EU) dialogue and co-operation, notably in the areas of peace and security, infrastructure and sustainable management of natural resources. <http://ec.europa.eu/development/icenter/repository/afrique_chine_UE_public_consultation_report_final.pdf> (accessed November 5, 2008).

[27] McGregor R, 'World Bank to work with China in Africa', *Financial Times*, 19 December, 2007 <http://www.ft.com/cms/s/0/047cea58-add3-11dc-9386-0000779fd2ac.html?nclick_check=1> (accessed February 19, 2008).

[28]: Downs E, 'China Security: the fact and fiction of Sino-African energy relations', *China Security*, 3, 3, Summer 2007, pp. 42-68.

Erica Downs, *China*, Energy Security Series, The Brookings Foreign Policy Studies, December 2006, p. 16–24.

[29] Available online at <http://www.china.org.cn/english/environment/236955.htm>.

[30] Hsiao R, 'Energy security the centrepiece of China's foreign policy', *China Brief*, 8, 16, 1 August 2008), <www.jamestown.org/terrorism/news/article.php?articleid=2374346> (accessed November 6, 2008).

[31] Gill B and Reilly J, 'The tenuous hold of China inc. In Africa', *The Washington Quarterly*, 30, 3, Summer 2007, pp. 42–43.

[32] See Zhimin C & J Junbo, Chinese Provinces as Foreign Policy Actors in Africa, *SAIIA Occasional Paper*, 22. Johannesburg: SAIIA, February 2009.

[33] 'The last decade' refers to 2000 onwards. The data used are complete until 31 December 2006.

[34] This calculation merely multiplies the margin of preference by the average annual export value. In reality, the 'transfer' will not necessarily accrue to the exporter; it is only a crude approximation of the value of a preference. The true value will depend on price elasticity, that is the demand for, and supply of, these products in China and the African LDCs respectively. This is very difficult to estimate, so we settle for the implicit transfer to set the preference value.

[35] These are Afghanistan, Bangladesh, Bhutan, Cambodia, Laos, the Maldives, Myanmar, Nepal, Timor Leste, Vanuatu and Samoa.

[36] WTO (World Trade Organisation), Trade policy Review: People's Republic of China, 2006. Available online at <http://www.wto.org/English/tratop_e/tpr_e/tp262_e.htm>.

[37] Martyn Davies 2007: 52–53.

[38] This section relies upon the work of Penny Davies.

[39] World Bank, 2008, p. 42.

Endnotes

[1] <http://www.guardian.co.uk/business/2009/jan/14/china-world-economic-growth>.

[2] <http://eapblog.worldbank.org/content/remarkable-progress-remaining-vulnerability-among-chinas-poor>

[3] WHO (World Health Organisation), Country Cooperation Strategy at a Glance: China, April 2006, <http://www.who.int/countryfocus/cooperation_strategy/ccsbrief_chn_en.pdf>.

[4] UNDP (United Nations Development Programme), World Development Report, 2005.

[5] WHO, *China Cooperation Strategy 2008-2013*, May 2008, <http://www.wpro.who.int/NR/rdonlyres/BB787F03-A760-4F01-908E-D17D8DB75178/0/CCS_EN.pdf>.

[6] Canada and Italy in 1970; Austria, Turkey and Belgium in 1971; United Kingdom, Greece, Japan, Germany in 1972. Although US President Richard Nixon's official visit to the PRC took place in 1972, official ties were not established until 1979.

[7] For historical accounts of China-Africa relations see Snow P, *The Star Raft*. London: Longman, 1988; and Jinyuan G, 'China and Africa: the development of relations over many centuries', *African Affairs*, 83, 331, April 1984, pp. 241–250.

[8] Yu G, *op. cit*., 1965, p. 325.

[9]El-Khawas M, op. cit., p. 27.

For a detailed account of African states role in China's UN Admission see: El-Khawas M, 'Africa, China and the United Nations', *African Review*, II, 2, July 1972, pp. 109-118.

[10] Hull R, *op. cit*., p. 50.

[11] For an extensive analysis of the impact of China's development assistance in rural Africa in the 1970s to the 1990s see: Bräutigam D, *Chinese Aid and African Development*, 1998.

[12] Algeria, Congo, Egypt, Gabon, Guinea, Kenya, Morocco, Tanzania, Zaire, Zambia and Zimbabwe.

[13] George Yu, 1988, p. 857.

[14] When these tours took place not only was the Taiwan issue on the table but also a resolution on China's human rights situation was being voted in the Human Rights Commission.

[15] Hu Jintao toured Africa in 2004, 2006 and 2007, and many other official dignitaries have been visiting Africa on a regular basis, namely the Premier Wen Jiabao, and the Foreign and Commerce Ministers.

[16] Payne R and Veney C, 'China's Post-Cold War African Policy', *Asian Survey*, 38, 9, September 1998, p. 876.

[17] WTO, World Trade Atlas, China-Africa top 20, 2007.

[18] Figures for 2007 and based on data in BP, Review of World Energy 2008.

[19] Foster V *et al*., *Building Bridges: China's growing role as infrastructure financier for Africa*. World Bank, 2008, p. 47.

[20] Based on data in World Trade Data, *China Africa's top 20*, 2007.

[21] Based on data in World Trade Data, *China Africa's top 20*, 2007.

[22] Foster V *et al*., *Building Bridges: China's growing role as infrastructure financier for Africa*. World Bank, 2008, p. 31.

[23] PIAFF.