

No. 2 / 2002

Thomas Scharping

Chinese Policy Interests in Sub-Saharan Africa

Zusammenfassung: Das vorliegende Kurzdossier diskutiert die langfristigen Motivationen der chinesischen Politik gegenüber Sub-Sahara Afrika. Als Hauptfaktoren unter ihnen werden die Taiwan-Frage und der Alleinvertretungsanspruch der Regierung in Beijing, der Wunsch nach Zurückdrängung der amerikanischen Dominanz und nach Revision der bestehenden Weltordnung sowie die Handels-, Energie- und Rohstoffinteressen Chinas identifiziert. Der Aufsatz skizziert die Merkmale neuer chinesischer Hilfszusagen und den Kreis der Hauptempfänger in Afrika; er umreißt auch auffällige Innovationen in der sino-afrikanischen Wirtschaftskooperation und deren wichtigste Partnerländer. Abschließend werden künftige Trendaussagen für die sino-afrikanischen Beziehungen gemacht.

Schlagworte: Interessenstruktur, Taiwan, USA, Partnerländer, Multipolarität, Handelsvolumen, Warenstruktur, Öl- und Rohstoffimporte, Entschuldung, Entwicklungshilfe, Wirtschaftskooperation, politische Zusammenarbeit

Autor: Thomas Scharping (t.scharping@uni-koeln.de) ist Professor für Moderne China-Studien, Lehrstuhl für Neuere Geschichte / Politik, Wirtschaft und Gesellschaft Chinas, an der Universität Köln, Deutschland.

Abstract: This policy brief discusses the long-term motivations of Chinese policy toward Sub-Saharan Africa. The Taiwan question and the claim to sole representation of China, the wish to counter American hegemony and to revise the present world order, as well as Chinese trade, energy and resource interests, are recognized as the main factors. The article sketches the characteristics of new Chinese aid commitments and their main recipients in Africa; it also outlines conspicuous innovations in Sino-African economic cooperation and identifies the main partner countries. A conclusion projects future trends of Sino-African relations.

Key words: Interest structure, Taiwan, USA, partner countries, multipolarity, trade volume, commodity structure, oil and resource imports, debt relief, development aid, economic cooperation, political partnership

Author: Thomas Scharping (t.scharping@uni-koeln.de) is Professor for Modern Chinese Studies, Chair for Politics, Economy and Society of Modern China, at the University of Cologne, Germany.

Kölner China-Studien Online

Arbeitspapiere zu Politik, Wirtschaft und Gesellschaft Chinas

Cologne China Studies Online

Working Papers on Chinese Politics, Economy and Society

Die Kölner China-Studien Online - Arbeitspapiere zu Politik, Wirtschaft und Gesellschaft Chinas - sind eine Veröffentlichungsreihe der Modernen China-Studien, Lehrstuhl für Neuere Geschichte / Politik, Wirtschaft und Gesellschaft Chinas, an der Universität zu Köln, Deutschland. Sie enthalten aktuelle Arbeitspapiere und frühere Analysen von andauernder Relevanz in deutscher oder englischer Sprache. Alle Studien sind nach dem Jahr ihrer Fertigstellung nummeriert und im Internet unter der Adresse www.china.uni-koeln.de/papers abrufbar. Soweit nicht anders angegeben, liegt das Copyright beim Autor.

Cologne China Studies Online – Working Papers on Chinese Politics, Economy and Society - is a publication series of Modern China Studies, Chair for Politics, Economy and Society of Modern China, at the University of Cologne, Germany. The series presents recent working papers and past analyses of continuing relevance in German or English language. All studies are numbered by year of completion and can be downloaded from the Internet address www.china.uni-koeln.de/papers. If not stated otherwise, the copyright stays with the authors.

Moderne China-Studien, Universität zu Köln
Lehrstuhl für Neuere Geschichte /
Politik, Wirtschaft und Gesellschaft Chinas
Prof. Dr. Thomas Scharping
Albertus-Magnus-Platz
50923 Köln, Germany
Tel.: +49- 221- 470 5401/02
Fax: +49- 221- 470 5406
www.china.uni-koeln.de

Contents

1 Introduction.....4

2 Key Drivers..... 4

3 Taiwan Question..... 5

4 Countering US Dominance.....5

5 Chinese Rewards.....6

6 Trade Interests.....6

7 Economic Innovations.....7

8 Main Players.....7

9 Long-Term Trends..... 8

1 Introduction

Sino-African relations in the 1990s have intensified to an impressive degree. In comparison to the preceding decade, the exchange of high-level delegations has more than doubled, with President Jiang Zemin, his likely successor Hu Jintao, or former prime minister Li Peng each paying more than one visit to the continent. Overall, more than 80 Chinese delegations of vice-ministerial rank and above have toured Sub-Saharan Africa since 1990, and the return stream has been even greater. The exchanges have resulted in formal accords on regular political consultations between the Chinese foreign ministry and its counterparts in five African nations (Botswana, Cameroon, Ghana, South Africa, and Sudan).

In addition to 39 agreements on trade and economic cooperation, the web of formal bilateral commitments now encompasses agreements on investment protection (with 19 Sub-Saharan countries) and double taxation relief (with four of them). During the last years, eleven trade and investment centers, a number of bank offices, and numerous Chinese companies have been established in Africa. In 22 countries the Chinese presence extends to the backbone of African statehood, the military, which is courted by instructors from China and substantial but largely undisclosed arms deals. Crowning it all has been the Sino-African Cooperation Forum of October 2000 that saw top African leaders from 40 states flocking to Beijing in order to discuss future policy coordination with China. The follow-up will include regular Sino-African meetings and evaluations in the next five years.

2 Key Drivers

Three elements can be identified as the main drivers of Chinese interest: 1) the wish to secure African support for the claim to sole representation of the Chinese people and for the continued isolation of Taiwan; 2) reaction to the anti-China policies of the US, dissatisfaction with the present world order, and the desire to counter American dominance through a united front of developing countries; 3) interest in the economic potential of Africa as a Chinese export market and a supplier of strategic products. While the first driver has been an enduring element of all Chinese initiatives in Africa since the 1960s, the second and third ones have seen manifold changes in the course of Chinese reform policies. Whereas during earlier decades China annoyed many African partners by the demand to draw a clear line between themselves and Soviet or American hegemony, it now concedes them the right to entertain closer relations with and accept aid from any country. Quite clearly, the limits of Sino-African cooperation would be reached should African countries be asked to reduce their ties with Western countries or institutions.

For China, the strident advocacy of a new economic and political world order has become tempered by the quiet acceptance and exploitation of many ingredients of the existing one. This is borne out by the new forms taken by Chinese economic interest in Sub-Saharan Africa, many of which have a distinct capitalist flavor. Also, China has attracted the lion's share of foreign direct investment and successfully competed for help by the World Bank. By implication, this has reduced the aid and investment available for other claimants such as Sub-Saharan Africa.

3 Taiwan Question

Chinese policy-makers have not forgotten that the African voting block helped the PRC to enter the UN and to occupy a permanent seat on the Security Council. Even after the entry of many new countries, the 48 states of Sub-Saharan Africa still constitute a quarter of the vote in the General Assembly. They are essential to thwart Taiwanese plans for readmission. As of today, 40 of those states recognize Beijing, while eight have official relations with Taiwan. Although Chinese policies have become more flexible, and allow for economic deals even in absence of diplomatic relations, intense rivalries between Beijing and Taipei and constant lobbying among African governments continue to characterize the situation.

Many small and poor African countries have taken advantage of this situation and traded diplomatic recognition for generous aid. The 1990s saw much money diplomacy, with six switches from Beijing to Taipei (Burkina Faso, Chad, Gambia, Liberia, Sao Tome and Principe, Senegal) and five switches from Taipei to Beijing (Central African Republic, Lesotho, Guinea-Bissau, Niger, South Africa). Seven countries cashed in more than once and effected repeated changes.

The major move, however, was the exchange of ambassadors between the PRC and South Africa in 1992, which ever since has become one of China's favorite partners for diplomatic and economic exchanges. In the mid-term, Chinese policy has primarily targeted Liberia and Malawi for yet another turn away from Taiwan. There is no sign for a Beijing-Taipei accord in the near future; on the contrary, the new US administration has strengthened Taiwan's resolve. Beijing-Taipei rivalries will thus continue.

4 Countering US Dominance

The absolute equality of all nations, their unimpeachable sovereignty, and their right to choose a way of development and a political system of their own are the constant leitmotifs of Chinese foreign-policy statements in recent years. To a remarkable degree, China has succeeded in convincing African governments that international rather than internal democratization is the crucial issue in contemporary world politics. In view of the domestic state of affairs in most African countries, the wide-spread distaste of US hegemony, and the unpopularity of the dictates of Western-dominated institutions like the IMF and the World Bank, most African states did not need much persuasion. Emerging Sino-American rivalry is a godsend for Sub-Saharan countries, which have seen themselves becoming marginalized and international aid getting reduced after the end of the Cold War. They will therefore try to gain from Sino-American competition as they gained from the Soviet-American one.

Nine consecutive votes in the UN Human Rights Commission against US-backed draft resolutions criticizing violations of human rights in China have seen the majority of Sub-Saharan states aligned in favor of China. The single exceptions were South Africa and Rwanda, which supported the US, or the African allies of Taiwan, which abstained. Even these positions have become eroded, and no swing of the vote against China is likely in the next five years. China has linked this diplomatic victory adroitly with attacks on American contempt of the United Nations and with pleas for raised African representation in the reform of the Security Council or the Bretton Woods institutions.

The PRC also supports African calls for more generous debt relief from Western donors and better terms of trade. Significantly enough, however, Chinese policy embraces the WTO framework and stops short of reviving the regulatory approach of the 1970s for a reform of the world economic system.

5 Chinese Rewards

The rewards offered by China for African support were announced at the Sino-African Cooperation Forum in October 2000. They consist of debt relief for the poorest African countries, amounting to 1.2 billion US-\$ within 2001 and 2002, financial incentives for Chinese companies investing in Africa, and the creation of a support fund for African students and academics studying in China. According to incomplete reports, Equatorial Guinea, Eritrea, Lesotho, Rwanda, and Uganda will be among the beneficiaries of Chinese debt relief. It is indicative of the ambivalence of the situation that some of them still have tolerable debt ratios and do not qualify for relief by Paris Club standards, while the first actual recipient of Chinese debt relief, Uganda, happens to be the highly indebted Sub-Saharan country with the best track record of Western-style economic reforms.

Apparently, other motives than need alone are also included among the Chinese criteria for aid disbursement. Efficiency of use is among them: grants and interest-free credits from China have increasingly given way to soft loans with reduced interest rates. In relation to the total external debt of Sub-Saharan Africa (circa 215 billion US-\$ in 2000), the Chinese relief contribution remains small, as does China's volume of official development assistance. Its precise level is a well-guarded secret. However, a rough estimate on the basis of the few published figures would put it at scarcely more than 3% of net official aid from OECD donor countries. Although China has promised a gradual increase in the future, it is unlikely that this level will be exceeded in the next five years. This constrains Chinese influence and keeps recipients dependent on financial help from Western countries and multilateral institutions.

6 Trade Interests

Chinese visions of trade relations with Africa focus on the complementarity of their economies and the great potential for increased cooperation. At the moment, however, the reality is disappointing. Whereas in 2000 Sub-Saharan countries directed 5.3 % of their exports to China, China received only 2.4 % of her imports from them. At the same time, Sub-Saharan imports from China accounted for 4.0 % of the region's total imports, and only 1.4 % of China's total exports. Despite optimistic expectations for future growth, the turnover of mutual trade in 2001 took a downward turn again. The usual trade deficit for most African countries with China doubled between the 1980s and 1990s. The major exception was the year of the Sino-African Cooperation Forum, when a large surplus for Sub-Saharan Africa was reported. However, in 2001 that surplus had dwindled again to minor proportions.

There are deep structural problems and many hidden conflicts behind such sobering figures. One is the attractiveness of cheap electrical appliances, consumer goods, textiles, garments, and shoes from China,

which often contrasts with a lack of saleable African goods for the Chinese market. This creates problems of payment and constant pressures from African partners to revert at least partially to the former practice of barter trade in order to offset the usually large Chinese trade surplus.

The pattern has only been broken where Sub-Saharan African countries have satisfied China's growing demand for oil imports. At present, crude oil from the region has risen to 22 % of all Chinese oil imports. Projections for Chinese demand make it likely that annual oil deliveries from Sub-Saharan Africa will double to around 25 million tons in the next five years. Timber, iron ore, copper, manganese, and rare minerals are other attractive products from Africa. However, China can easily do without African agricultural goods or its modest exports of manufactures.

7 Economic Innovations

Sino-African trade relations are increasingly supplemented by the sale of services within the framework of projects contracted by Chinese companies or labor exported on a profit basis. This includes areas like low-cost housing, road construction, or agricultural production, which used to be the domain of official aid projects. Other spheres of cooperation are the extraction of minerals or forestry products, the production of consumer goods, fishing, or pharmaceutical production. Increasing competition for African markets and fishing grounds, oil and mineral resources is in the offing. Chinese companies haven been plying African markets for commercial contracts ever since 1985; investment centers have been set up since 1995, banks since 1997. A Sino-African Chamber of Industry and Commerce is in the planning stage. Progressively more Chinese economic actors in Africa are independent companies seeking profits instead of political returns.

Turnover of Chinese companies in African countries has now equaled 13 % of their global total. Sino-African joint ventures or wholly Chinese-owned companies are further innovations. In some cases, these have involved debt/equity swaps. Chinese FDI in Sub-Saharan Africa usually holds a majority of equity, and it is growing. However, it has also suffered from the mixture of civil strife, corruption, limited markets, and lack of capital that characterizes many African economies. With a total of approximately 700 million US-\$ in 2000, it still makes up only 0.7 % of all FDI in the region.

8 Main Players

In contrast to the past, China now demonstrates a clear understanding of the complexities of the African situation. Its diplomatic efforts have focused on South Africa, Nigeria, Kenya, and Côte d'Ivoire, which have been courted as political opinion-makers and economic heavyweights. Long-term clients like Mali and Tanzania have also received a disproportional share of attention. Chinese policy, however, has made it a point to involve even peripheral African countries in regular exchanges.

South Africa is also the major foreign trade partner in the region. It is followed by Sudan, Angola, Nigeria, Congo and Equatorial Guinea – all typically oil suppliers. Within this group, China's erstwhile enemies in Angola have been wooed by big loans, while Sudan has received the largest share of Chinese FDI in the

region. China has invested more than 440 million US-\$ in Sudanese oil fields, which account for 8% of its oil imports. However, in view of the Arab-African conflict within that country and the hostility of most Sub-Saharan states towards it, Beijing has stayed clear from too close a political association. Djibouti and Benin are noteworthy for their role as re-export hubs for Chinese goods, while Zimbabwe has drawn attention for its arms deals with China. China has eyed mineral-rich Congo (Kinshasa) as a prime candidate for future trade expansion. While that country certainly has the potential, much hinges on the unpredictable outcome of the Congolese wars.

9 Long-Term Trends

China's growing economic strength and her aspiration to great-power status make it likely that present patterns will continue, even in the unlikely event of a near end to communist rule. Sino-American rivalries are welcome to many African states, which see them as a chance to escape from marginalization and domination. However, the growing Chinese presence in Sub-Saharan Africa also increases the risk of generating resentment or falling victim to inner-African conflicts. Imports from China threatening native producers and squeezing out local produce create problems; investments and personnel in trouble-spots like Sudan, Liberia, and Nigeria are in permanent danger. They become vulnerable to the many civil wars and wide-spread crime in the region. First kidnappings of Chinese personnel and strikes against Chinese companies have been reported. This raises the Chinese stake in African peacekeeping.

Increasing Sino-African diplomatic cooperation in a number of multilateral agenda is to be expected: reform initiatives for the UN, the World Bank and the IMF; payment of UN arrears; resistance against new norms in international law, so that peacekeeping and international interventions come only with express consent of the Security Council and the parties concerned; treatment of human rights issues as internal affairs; Kyoto Protocol and international environmental issues; calls for more generous debt relief by international organizations and Western donors; attitudes toward the Comprehensive Nuclear-Test-Ban Treaty. Biased US-Israelian policies vis-a-vis the Palestinians and Arab countries are another field where common views exist between China and the majority of African states, but in view of her strong economic and military cooperation with Israel, China will shy away from taking more than symbolic action against the Jewish state. In all these areas there is an implicit (and often quite explicit) conflict with US concepts and interests, and they can serve to counter US unilateralism with an international united front strategy under which the many align against the one most powerful contender for world supremacy.