

China y África: un espejo distante para América Latina¹

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RESUMEN

La profundidad y la forma del posicionamiento chino en África están bien establecidas en el sector de los recursos naturales y se reflejan en las relaciones comerciales, la inversión y la diplomacia china en la región. De la mano de la creciente diversidad de actores chinos presentes en el continente –que va desde empresas estatales hasta microempresarios–, la creciente presencia china en África da luces sobre las dinámicas que también se evidencian en otras regiones en desarrollo ricas en recursos naturales como América Latina. Este artículo examina el rol de China en África en detalle, con particular énfasis en Sudáfrica, y reflexiona sobre cómo estas experiencias podrían reflejar tendencias emergentes en las relaciones chino-latinoamericanas.

PALABRAS CLAVE

China-África • política exterior china • comercio e inversión chinos • recursos africanos • política exterior sudafricana

China and Africa: A Distant Mirror of Latin America

ABSTRACT

The depth and form of China's engagement with Africa is well-established in the resource sector and reflected in its trade, investment and diplomacy towards the region. Coupled with the growing diversity of Chinese actors present in the continent - which ranges from state-owned enterprises to small-scale entrepreneurs - the expanding Chinese presence in Africa provides insights into the dynamics that are evident in other resource-rich developing regions such as Latin America. This article examines in detail China's role in Africa, with particular emphasis on South Africa, and considers how these experiences might reflect emerging trends in Chinese-Latin American relations.

KEYWORDS

China-Africa • Chinese foreign policy • Chinese trade and investment • African resources • South African foreign policy

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INTRODUCTION

The rise of China, from stalwart of revolution in the 1950s to global economic and political actor in the last decade, is one of the defining features of the 21st Century. The initial praise of the leading industrialized economies of the North for China's gradualist shift to a market economy has evolved into a chorus bemoaning its impact on their trade competitiveness and growing concern as they are upstaged internationally by Beijing. These developments are most clearly visible in Africa, a once-forgotten continent that had been languishing on the margins of the international agenda since the ending of the Cold War. China's forthright engagement with the African continent, built upon its historical support for independence struggles and, increasingly, on the economic power wielded by Beijing, has helped re-ignite continental economies through new investment and trade opportunities as well as restoring African political agency within the international system.

Latin America is a developing region that shares some fundamental characteristics with Africa. However, it retains distinctive features in crucial aspects of its historical, economic and political position both as a region and within the international system. It is itself increasingly the object of Chinese interests. Since the late 1990s, the growing trade and investment linkages between China and Latin America have assumed greater importance and have

been the object of overt activism by the Chinese government. In particular, the contemporary trade and investment patterns between China and Latin America, driven in the first instance by the resource-seeking conduct of Chinese firms, seem to replicate the trade and investment patterns that have developed between China and Africa. This suggests that there are parallels to be found in Africa's own experience of decades of engagement with China, with its drive for resources and markets, its forms of diplomatic activism and the proliferation of Chinese actors in the region. These experiences can offer insights into the process currently occurring in the Latin American region, and also highlight some important differences.

This article examines China's engagement with continental Africa² as a 'mirror' for Latin America. That is to say, it examines the African experience with China as a vehicle for understanding key features of Chinese policy towards developing regions as a whole, including an analysis of the role played by an increasingly diverse set of Chinese actors in shaping the implementation of policy. It does not detail the Latin American case, but does make some general analytical observations concerning possible parallels.

First, the article examines the sources of Chinese engagement with Africa; second, the proliferation of Chinese actors on the African continent; third, the Forum for China-Africa Cooperation (FOCAC) process, the diplomatic cornerstone of the relationship; and fourth, the particular case of Chinese-South African relations. The article concludes with an assessment of the new trends in the relationship.

1. THE SOURCES OF CHINESE ENGAGEMENT WITH AFRICA

Since the onset of economic reform in 1978, China has had an unmatched record of sustained growth that has transformed key sectors of its economy, and converted it into the leading site for manufacturing and production in the global economy. To maintain the high levels of domestic output that are considered crucial not only for the Chinese economy but for overall social

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2 Chinese institutions do not follow the distinction between sub-Saharan Africa and North Africa, hence the use of "continental Africa" in this article.

and political stability, the economy requires critical energy, mineral and others resources from abroad.³ The promulgation of the government's 'going out' strategy, whereby ultimately over a hundred restructured state-owned enterprises were given the legal and administrative means, preferential access to finance, and diplomatic support necessary to break into markets outside China, has been the main policy response to this need. Given that, in the aftermath of the global financial crisis in 2008, China has become the world's largest holder of capital, with over US\$2.4 trillion in foreign reserves, it was, in retrospect, a fairly straight forward task to carve out a position in the energy and strategic minerals markets in the capital-starved African environment. Concurrently, the willingness of the Chinese government to provide a whole package of inducements alongside a range of leasing or supply agreements designed to meet elite-defined needs (ranging from presidential palaces to large-scale infrastructure projects), has proved to be crucial to securing deals in Africa.⁴ Underlying this approach is a highly publicized provision whereby the Chinese government forswears any interest in the domestic affairs of African governments, in direct contrast to the European Union (EU) or the United States (US), both of which have selectively applied conditions to their development assistance programmers and even to some investments. In parallel with this state-led drive for resources abroad is a search for new markets aimed at expanding the investment and trade opportunities for Chinese firms, though the relatively small size of the African market imposes some constraints on Chinese ambitions. Finally, there is a diplomatic imperative, tied to the decades of competition between Beijing and the Taiwanese government in Taipei over official recognition, within which countries in Africa are particular targets.

a. Resource Security

China's position within Africa's resource sector has surged in the last decade and a half, from that of a marginal player to a holder of significant

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3 See, for instance, Downs (2004, 21-41); Soares de Oliveira (2008, 83-109).

4 For further details, see Alden (2007, 11-36).

interests in oil leases from Angola to Sudan and mining concessions from the Democratic Republic of the Congo (DRC) to South Africa. Its two-way trade with Africa, which reached US\$127 billion in 2010, is overwhelmingly based on the extraction of oil, strategic minerals and a few other raw materials, which are exchanged for manufactured goods.⁵ Reflecting these trends, in 1993 China went from a leading Asian oil exporter to, a few years later, the second largest world consumer (2003) and third global importer of oil (2004). This evolution alone justifies the reallocation of energy security to the core of Beijing's foreign policy formulation⁶ since, as David Zweig and Bi Jianhai point out, not only is China's continued economic growth dependent on securing the supply of resources but so too is its social stability and, ultimately, the survival of the Communist Party of China (CPC).

Despite featuring among the major oil producers (with 4.8% share of world's production)⁷ and coming second only to the US in refinery capacity and output (8.5% and 8.7% respectively),⁸ China is able to provide for less than half of its domestic oil needs.⁹ Additionally, China accounted for 9.3% of world's oil consumption in 2007 (still lagging far behind the world's major oil consumer, the US, which consumes 24%) and 10.2% of total oil imports (third after the US, which has a 33.9% share, and Japan with 12.5%).¹⁰ China's oil consumption has doubled in the last decade and according to OPEC its oil demand will show the world's fastest growth rate in the coming decades,

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5 See Pinaud et al. (2006).

6 For a detailed account on the emergence of energy security as the major driver of China's Foreign Policy see: Zweig and Jianhai (2005).

7 China is the fifth largest producer after Saudi Arabia and the Russian Federation (both with 12.6%), USA (8%) and Iran (5.4%). Data taken from BP. 2008. *Review of World Energy*, <http://www.bp.com/productlanding.do?categoryId=6929&contentId=7044622>, p. 9.

8 US refinery capacity and output share are 20% of total, over twice China's share. Data from BP (2008, 18).

9 According to BP, in 2007 China produced 3,7 million b/d and consumed 8,2 million b/d. In BP (2008, 9 and 11).

10 BP (2008, 11).

doubling again by 2030 when it is expected to consume over 15 million b/d.¹¹ China itself is currently responsible for 30% of global oil demand growth.¹²

Although China became a net oil importer in 1993 it was not until the new century that energy security became a question of central political importance. Although other energy sources such as coal, natural gas, nuclear energy, hydropower, and alternative fuels are important to this debate, oil is China's principal concern since it represents its largest external reliance. As Erica Downs points out, if the question in the 1990s was whether Beijing would have the financial means to secure the oil supply it needed, in the 2000s the issue became if there would be enough oil available on the international market to supply China (Downs 2006 15). Furthermore, concerns about growing instability in the Middle East encouraged a diversification strategy which, because of the inherent complementarities, swiftly placed Africa high in Beijing's list of new suppliers. Uneasiness about the matter among the political elite has continued to grow in recent years as illustrated by the creation of the Energy Leading Group in 2005 (a coordination body headed by premier Wen Jiabao), the publication of a White Paper on Energy ('China's Energy Conditions and Policies')¹³ in December 2007 and the White Paper on Diplomacy (July 2008) whose first chapter is on 'The issue of energy security during the period of high oil prices' (Hsiao 2008).

In order to sustain its economic growth, China also became externally dependent on other sectors of the extractive industry, further justifying its growing economic interaction with the African continent in the new century. Over the past decade China has surpassed the US to become the world's leading consumer of most base metals. Chinese demand has been growing at a rate over 10% a year since 1990, having intensified in recent years (Brett and Ericsson 2006, 22) and has become the major driver behind the soaring prices of metals in the international market. China is the world's largest consumer

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11 OPEC (2009, 46), <http://www.opec.org/library/world%20oil%20outlook/WorldOilOutlook08.htm>.

12 OPEC (2009, 47).

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

and producer of aluminium, iron ore, lead and zinc and is a significant actor in all other mineral markets.

Finally, food security itself is becoming an area of great concern for China. The years of rapid economic development have, for the first time in decades, exposed China to the vagaries of supply and to market constraints in agricultural commodities. In terms of overall agricultural imports, China is the Asian region's leading consumer, importing 44% of the world's soybeans, 35% of cotton, 20% of palm oil and 2.5% of rice, with Japanese, Indian and South Korean demand trailing in its wake. Consumption patterns in China have changed dramatically since the gradualist introduction of market capitalism, and Chinese total caloric intake (2,258 calories in 2003, of which 423 was meat) has risen to levels equivalent to the US (2,736 calories in 2003, of which 446 was meat). Rising domestic demand might have been expected to open up opportunities to expand local agricultural production. But China's physical constraints – despite its geographical size, it has only 7% of the world's arable land – and the fact that rapid industrialization and its accompanying urbanization have removed tens of thousands of hectares of fertile land from productive activity. The result has been a steady rise in food imports which, combined with Chinese (and Indian) energy needs, has pushed food prices up world-wide. For China in particular, the fear that inflation and dwindling supplies might contribute to the periodic waves of domestic unrest that had begun to gather force was underscored in a report issued by the State Council on food security in 2005, the first year China had been obliged to import large quantities of food since the CPC took over. In response, the National Development Reform Committee produced a 20 year Food Security Strategy whose preliminary findings were released in November 2008. According to the strategy, food security would be guaranteed first and foremost by maintaining 125 million hectares of arable land under production in order to ensure 95% self-sufficiency in grains.¹⁴ One outcome of this rising concern was that the government initiated a search for external supplies intended to

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14 Cited by Kelley (2009, 94).

offset the expected shortfalls, echoing to some extent the drive to seek out energy and strategic minerals that had begun in the early 1990s.

b. The African Resource Bounty

Against this backdrop, Africa has assumed a critical role in China's search for resource security. The African continent possesses a generous endowment of natural resources, especially hydrocarbons, minerals and timber, which remain mostly untapped as a result of decades of political instability, poor infrastructure and lack of investment. However, Chinese forays into this sector had to take into account the prevailing dominance of established interests, primarily the US, France and the UK, all of which reproduced a pattern of investment that replicated colonial-era divisions refracted through the politics of the Cold War. With the end of the bipolar conflict, economic interests rapidly took center stage, and the geographical spheres of influence which had shaped energy investment gave way to direct competition between, for instance, French and American interests in West Africa.¹⁵ Other major powers like Germany and Japan were attracted to the region, but their interests never challenged the established American and French companies. Among the most prominent new-comers are Asian states (China, India, Malaysia and Singapore) and Middle Eastern countries (Saudi Arabia, and Kuwait). This scenario has prepared the ground for growing competition for economic and political influence in the continent in future decades. This is particularly astounding given that less than a decade ago Africa was suffering from a sharp decline in interest from its traditional Western partners.

In world-regional terms Africa possesses the third largest oil reserves with an estimated 9.5% of known global deposits in 2007, behind the Middle East (61%) and North America (11.6%) and ahead of South and Central America (8.5%). Noteworthy is the fact that Africa boasts the fastest growth rate in known oil reserves, which have doubled during the past two decades (BP 2009, 6). In sub-regional terms, North Africa and Sub-Saharan Africa each account for half of the continent's known reserves. Libya (35%),

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 15 For a detailed analysis see: Schraeder (2000, 395-419).

Nigeria (31%), Algeria (10%), and Angola (8%) possess the largest reserves. In terms of production, Africa occupies fourth place, with a 12.5% share of the world total, with Nigeria as the main African oil producer (25%), followed by Algeria (21%), Libya (20%) and Angola (18%).¹⁶ In recent years the production of the Northern African countries has shown signs of stabilization while the Sub-Saharan African countries have expanded their share. For instance, Angola has registered the fastest growth rate in production during the past decade, having overtaken Nigeria as Sub-Saharan Africa's major oil producer in mid-2008.¹⁷

Africa's endowment in non-fuel minerals further complements the attractiveness of this picture, in which South Africa appears as a prize since it sits on one of the world's richest mineral beds. South Africa produces a range of minerals. It is the leading producer of platinum (80% of total production and 90% of world reserves) and manganese (holding over 75% of world reserves) and the second largest gold producer (overtaken by Australia in 2007). Moreover, South Africa is a major coal producer and has developed the world's leading technology in converting coal to synfuels, introducing new possibilities for the coal-rich Chinese state. Recognition of this has led to a joint venture between two Chinese firms and the South African parastatal, Sasol (though the deal which was actually suspended in 2011). By way of contrast, following decades of neglect and internecine conflict, the DRC's mineral wealth is notoriously unexploited. Even so, the DRC is the world's leading cobalt producer (36%) possessing half of the world's known reserves, and the largest diamond producer (33% of total world production). With South Africa and Botswana it accounts for over half of global diamond mining output and 60% of known deposits.¹⁸ Other African countries that possess significant reserves of minerals and which have attracted Chinese interest are Gabon

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16 Data adapted from BP (2009, 8).

17 Although Angola's production has been increasing exponentially, this situation is partly due to increasing unrest in Nigerian southern oil fields.

18 All figures are for 2007 and are based on data in: USGS (2008).

(manganese), Zambia (copper and iron ore), Zimbabwe (platinum) and Angola (diamonds, copper and iron ore).

Finally, African agriculture and forestry resources remain underdeveloped. According to the FAO, only 14% of Africa's total 184 million hectares of available land is under cultivation, with 93% of that dependent upon rainfall; furthermore, fertilizer usage is low.¹⁹ African agriculture, which continues to serve as a mainstay of employment in most countries in the continent, suffers from low productivity, chronic under-investment and difficulties in accessing potential export markets. To be sure, the environmental constraints on agriculture in much of the continent are considerable, though viewed from a Chinese perspective, the impediments faced are familiar. Private Chinese farmers have already set up farms in Uganda, South Africa and Zambia (23 in the latter case) (Spielloch and Murphy 2009, 42). While bigger agricultural firms are engaged in negotiations with African governments to lease larger tracts of land for productive purposes. There are also hundreds of thousands of square kilometers of virgin forest in parts of tropical Africa that have inspired small and medium sized Chinese, Thai and Malaysian companies to set up logging operations – both legal and illegal – across the continent.

Building on these economic complementarities there has been a dramatic surge in trade. Recent flows illustrate the impressive complementarities that uphold this thriving relationship. Between 1995 and 2000 commercial exchange more than doubled from US\$4 billion to US\$10 billion, and quadrupled over the following five years (to US\$ 42 billion in 2005), surpassing US\$106 billion in 2008²⁰ - a year earlier than the 2010 target established by Hu Jintao during the FOCAC III summit in Beijing in 2006. Even with the inevitable downturn that came in the wake of the global financial crisis of 2008, trade soon regained its momentum, reaching US\$127 billion in 2010.

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19 Jacques Diouf, Director General of Food and Agriculture Organization, 19 June 2008, www.allafrica.com.

20 Figures according to data of the Chinese Ministry of Commerce available at <http://english.mofcom.gov.cn/article/statistic/ie/200802/20080205371690.html> and WTO Data in: http://www.wto.org/english/res_e/statis_e/its2006_e/appendix_e/a14.xls

South Africa's leading bank, Standard Bank, has forecast growth to an extraordinary \$300 billion by 2015.²¹

At the same time, the onset of the world's worst economic crisis since the Great Depression has challenged the new-found certainties of Chinese engagement in Africa. Some analysts are already declaring that the withdrawal of dozens of Chinese firms from the mining sector and Beijing's push to re-open negotiations on the purported US\$9 billion investment package in the DRC are signs that the high water mark of China-Africa economic ties has been reached. The proposed loan to the DRC has itself been the subject of intense criticism by Western donors and the IMF, who were able to pressure Kinshasa and Beijing to revise it downwards to US\$6 billion in February 2009.²² The pessimistic interpretation is, however, misplaced: China's involvement in Africa remains a priority, albeit one which is subject to changing international and domestic economic circumstances as well as the emergence of a reconsideration of risk in selected African environments.

c. New Markets and Diplomacy

Though resource security impulses are at the forefront of the contemporary push into Africa, with China's energy sector State Owned Enterprises (SOEs) taking the lead, the desire to benefit from commercial opportunities by expanding trade into African markets has also played an important role. In part, the policy of using Chinese finance to support Chinese construction firms building infrastructure in Africa represents a concerted strategy of risk mitigation and, concurrently, provides incentives for domestic firms to 'go out' and seek opportunities abroad. Indeed, survey data suggests that once established in the African market, Chinese firms 'anticipated that they will secure further contracts.' (Davies and Corkin 2007, 246). The over-supply of infrastructure firms and labor within China itself provided an additional rationale for this expansion into new markets. The appeal for

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21 "China's investment in Africa to increase to \$50 billion by 2015, bank says", Bloomberg (22 February 2011), www.bloomberg.com/news/2011-02-22/chin-s-investment-inafrica-to-increase-to-50-billion-by-2015-bank-says.html

22 Cited in Lokongo (2009), www.pambazuka.org

African governments of the approach, despite the concerns around the use of Chinese labor voiced in some circles, was that these were ‘turkey operations’ that placed few demands on the African recipients and produced in short order a relatively inexpensive and functioning road or railroad system, bridge or dam (Fletcher 2010, 7).

Another driver is the need of Chinese manufacturing firms to find new outlets for their products, especially those at the low end of the consumer market, which, - losing favor domestically and with little appeal in sophisticated Western markets - contributed to a surge in two-way trade (Broadman 2007). With manufacturing accounting for 32% of China’s GDP and 89% of its merchandise exports by 2005, and with the exacerbating factor of rising labor costs in Southeast China, the importance of opening up new opportunities abroad was paramount (Biacuana et al. 2009, 10). At a different level, a new wave of Chinese migrants to Africa has opened up wholesale and retail shops across the continent, bringing low cost goods to the African consumer and contributing to a boom in the purchase of items such as bicycles, radios and watches that were once out of the reach of the majority of the population.²³

More traditional diplomatic concerns also influenced the Chinese move into Africa. These included the longstanding competition with Taiwan for diplomatic recognition. Taiwan had been successful over the years in retaining or winning recognition from a number of African states (Rawnsley 2000). Beijing’s drive to isolate Taipei internationally meant that it actively sought to provide inducements for African governments to reconsider their links with Taiwan. Finally, as pressure increased on China to play a more activist role on the global stage, the need to seek out partnerships with like-minded states became imperative. Africa’s position as a friendly environment for Beijing was underscored by the unwillingness of African countries to join in the Western sanctions campaign that followed in the wake of Tiananmen Square, and its support for China in international forums as varied as the International Olympic Committee (where African votes helped secure Beijing’s hosting of the 2008 Olympics) and the UN Human Rights Commission. Sharing a

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 23 See, for instance, Dittigen (2010); Yoon (2009); Dobler (2008).

common view on sovereignty and human rights – though one that was arguably in the process of changing as a result of developments in the African Union and the emergence of the Responsibility to Protect – enabled China to work in tandem on many issues with the largest regional voting bloc in the UN (cited in Chris Alden 2007, 16). To address these complex diplomatic ends, the Chinese Ministry of Foreign Affairs established the multilateral Forum for China-Africa Cooperation in 2000.

2. THE CHINESE IN AFRICA: FROM STATE OWNED ENTERPRISES TO RETAIL SHOPKEEPERS

It is important to capture the diversity of China's engagement in Africa if the complex and sometimes contradictory reactions that its presence inspires across the continent are to be understood. Ranging from global parastatals like CNOOC to thousands of retail shops, the Chinese have made inroads in the economic life of ordinary Africans in an extraordinarily short period of time. Moreover, the rapidity with which these Chinese actors adapt to changing circumstances in Africa – to an extent itself a product of the fast pace of change in China – continually challenges assumptions about their standing in Africa.

At the sharp end of China's engagement in Africa are a host of SOEs which have sought to gain access to resources and markets formerly dominated by Western and South African firms. Using a package of high-profile diplomatic and substantive financial incentives, these SOEs have been able to secure leases for oil exploration in Angola, Sudan and Nigeria as well as deals for access to strategic minerals in countries such as Gabon, the DRC and Zimbabwe. According to one study, the proximity of the top management of these SOEs to leading party officials 'affords certain strategic SOEs vital political connections and a measure of input into foreign policy decisions pertaining to their particular business interests' (Jakobson and Know 2010, 26). For developmentally-minded African leaders, the attractiveness of Chinese support for infrastructure development, an area neglected by traditional Western donors in recent decades, is rooted in the visible and immediate impact transportation and communication provision has on enhancing the economic potential in their respective countries and improving livelihoods

within affected communities. These 'resources for infrastructure' deals, often involving billions of dollars' worth of low interest concessional loans from the China Export Import Bank, have been carried out for the most part by Chinese construction firms whose use of Chinese contracted laborers and even basic supplies has been criticized in some African circles.

Moreover, the overall competitiveness of Chinese firms has meant that, once exposed to the African environment, they have been able to capture a growing portion of the open tenders for infrastructure projects. According to one study, Chinese construction firms have succeeded in recent years in winning 30% of the combined value of infrastructure contracts tendered by the African Development Bank and World Bank (Foster et al. 2007, 5-6). This trend is evident in the conduct of Chinese infrastructure and engineering firms operating in Africa as early as 1988 where, in countries like Liberia, for example, the China State Construction Engineering Corporation was able to stay on and win contracts from the Liberian government to renovate the local hospital (Brautigam 1998, 214). Contemporary examples of Chinese construction firms that have entered African markets via a Chinese financed-project before winning public tenders abound. Furthermore, as their personal contracts are completed, an undetermined number of Chinese laborers brought in to work on these construction projects has stayed on in Africa to seek out employment opportunities, joining the swell of migrants opening small businesses.

Indeed, while Chinese SOEs capture the attention of the international media, there is an equivalent drive by small and medium enterprises (SMEs) into the continent which is just as prevalent and is arguably having as much of an impact as the aspiring multinationals. Many of the medium-sized companies are drawn from the ranks of the reformed SOE sector, which has been undergoing a painful restructuring process that has cut it back from 300,000 to 150,000 firms over the last decade (CSIS/IIE 2006, 23-24).²⁴ In some cases, these businesses were motivated by a desire on the part

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24 At a cost of 25 million unemployed, this sector having formerly employed 80% of all of Chinese workers.

of a relatively large Chinese company to establish foreign subsidiaries so as to guarantee access to Western markets should protectionism take root (Hong and Sun 2006, 624). For many smaller businesses, the motivation, as noted above, has been to make use of China's competitive advantage relative to African and other foreign companies, based on their control of relatively advanced technologies and cost-effective production (Hong and Sun 2006, 625). This market-seeking impulse is borne out in surveys conducted with 80 Chinese SMEs working in Africa, which ranked gaining access to the continent's markets as their top priority (Gu 2009, 570-585). Analysts suggest that over 20,000 Chinese SMEs are operating on the continent, increasingly focused on middle income countries (Gu 2009, 570-585).

At the same time, the poor conduct of some Chinese firms operating in Africa has threatened to tarnish the overall reputation of the country. For instance, the willingness of a number of Chinese mining companies based in Katanga province, DRC, to ignore basic health and safety regulations, local labor laws and even industry environmental standards has brought down a rain of criticism.²⁵ The fact that the collapse in commodity prices in late 2008 caused many of these companies to pull out of the DRC only highlights their opportunistic and exploitative character. In Zambia, which many Chinese consider an exemplary African partner, the poor practices of a leading Chinese mining firm resulted in a flurry of accidental deaths in 2006 and, more recently, the shooting of African laborers by Chinese managers during a labor dispute. These practices have led the political opposition to use anti-Chinese feeling as a mobilization strategy in election campaigns.

Finally, the growing trend of Chinese migration in parts of Africa has not passed unnoticed in communities unaccustomed to hosting foreigners from outside the continent. Much of the Chinese immigration has been undocumented, leading to wild speculation as to the numbers of settlers, a situation further compounded by the African tendency to identify all non-Indian Asians as 'Chinese'. Within the continent's leading destination for migrants,

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25 "China lets child workers die digging in Congo mines for copper", Bloomberg.com. Accessed 23/7/08.

South Africa, the Chinese community has surged from 80,000 in the 1980s to an estimated 350,000 in 2006, though Beijing claims that the total number of migrants in Africa is only 750,000 (though other estimates are higher) (Yoon 2009, 3). Concurrently, the evident lack of financial means and the low skills base of many of the migrants have raised concerns amongst educated Africans and small business owners alike. The proliferation of Chinese retail shops in urban and rural communities, introducing low-cost consumer goods to African markets for the first time, is nonetheless driving Africans out of the retail trade and spurring resentment in these circles.

In short, during the last decade and a half, the Chinese presence in Africa has been marked by diversity in composition and depth, defying the easy stereotypes that have accompanied many portrayals in the Western and even the African media. This spectrum of Chinese actors has been matched by changing approaches to Africa at the highest governmental levels in Beijing and, more prosaically, by individual migration strategies. Africa's resources may have instigated Chinese interest in Africa, but it is clear that China's ties with the continent are increasingly set to be anchored by an expanding cast of characters and by changing relationships.

3. THE DIPLOMATIC CORNERSTONE OF THE RELATIONSHIP: THE FOCAC PROCESS

A special dimension of China's engagement with the African continent has been the founding of a regionally-tailored multilateral platform, the Forum for China-Africa Cooperation (FOCAC). This formal structure provides a public setting to celebrate the achievements of the relationship, an opportunity to formulate a raft of economic targets aimed at fostering mutual development interests and recalibrating policies to achieve them, and to endorse common perspectives on global issues. However, while this public diplomacy is multilateral in nature, the substance of the economic ties (notably aid and investment agreements) continues to be rooted in bilateral relations between China and individual African states.

The origins of the FOCAC process are to be found in a variety of converging factors. As noted above, the economic context of China's going out 'strategy was significant, bringing with it a need for key resources which

Africa could readily supply. Politically, there was a renewed push to counter Taiwan's so-called 'dollar diplomacy' on the continent, which, by the early 1990s, had succeeded in winning back official recognition from a number of African states. This corresponded to the broader aim of revitalizing diplomatic ties with the developing world in the wake of Tiananmen Square and the accompanying Western opprobrium and sanctions. However, the specific shape of Chinese engagement in the form of a large multilateral regional coordination mechanism apparently derived from a desire to emulate Japan's TICAD process which, as interpreted by the CPC's Central Committee, had found what was deemed to be a successful way of responding to African requests for changes to aid policy (Jin 2010, 13). The initiative was taken against the backdrop of the longstanding Franco-African Summit process and a new US-led approach that culminated in a ministerial conference on Africa in 1999 and a widely touted visit to the continent by US President Bill Clinton the previous year.

It was during a 1996 trip to Africa that Chinese President Jiang Zemin promoted the idea of establishing the Forum. The African ambassadors in Beijing served, along with their Chinese counterparts, on what was initially an ad hoc unit within the Chinese Ministry of Foreign Affairs, as a de facto secretariat for organizing the first FOCAC ministerial meeting held in Beijing in 2000. The agenda was decidedly mixed, resulting in the inclusion in the final declaration of a commitment to increasing trade, strengthening development co-operation through the expansion of Chinese credit facilities, and monitoring and reducing the flow of Chinese small arms.

The second FOCAC ministerial meeting took place in December 2003 in Addis Ababa and produced a firm commitment to increase two-way trade to US\$30 billion by the next FOCAC meeting, forgiving the debt owed by 31 African countries and combating 'hegemony' in international affairs. It was, however, FOCAC III held in Beijing in November 2006 – and designated a 'summit' by the Chinese and Africans in recognition of the participation of high-ranking political leaders – that attracted the attention of the world by bringing together the largest number ever of African leaders in a summit outside the continent. Indeed, in that same year a range of additional developments indicated the rising importance of the

continent to China, namely the issuing of the first ever 'White Paper on China's Africa Policy' (January 2006) and the visits by Chinese leaders, Hu Jintao and Wen Jiabao in April and June 2006 respectively. The final declaration of FOCAC III called for an increase in trade to US\$100 billion by the next ministerial meeting as well as commitments to reduce tariffs on 440 items produced by Africa's least developed countries, the creation of a US\$5 billion investment fund and numerous small grant and training programmers. More recently, FOCAC IV, held in Egypt in 2009, included a commitment to a US\$10 billion package of concessional loans, commitments to raise African agricultural productivity, reduce or eliminate tariff barriers for Africa's poorest countries, build hospitals and schools, initiate or expand training programmers in human development, provide for 100 clean energy projects and increase support for peace and security.

What is striking about the contents of the FOCAC IV declaration is the degree to which, building upon the previous three meetings, the process reflects a growing and deliberately constructed convergence between African development needs and Chinese economic interests. For instance, in agriculture – a sector where it has long been recognized that, despite the fact China has provided technical assistance since the 1960s, there has been a lack of investment in Africa's comparative advantages - the Chinese propose to introduce new techniques, seed varieties and training programmers derived from their own experience raising agricultural productivity.²⁶ To facilitate this process, the Chinese government is rolling out an additional ten agricultural training centers across the continent in countries like Mozambique, Zimbabwe and Senegal. Coupled to this are additional financial means aimed at providing financial support for commercial enterprises. Raising Africa's agricultural productivity will not only dramatically enhance the livelihoods of rural communities in Africa through improvements in income generation and employment, but will potentially address a growing problem of food security in China itself.

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26 For an overview of Chinese technical assistance in agricultural sector in Africa, see Brautigam (1998).

Another example is the targeting of Africa's SMEs for development and growth through a US\$1 billion special fund. Moreover, signaling that it understands that a focus on the supply side is not enough to make real development gains, Beijing has agreed to scrap tariffs on 95% of all products from Africa's less developed countries. This decision to open up China's market to African commerce has the potential, when linked with the support for African business, to set in motion a virtuous cycle of development. This redirection of African capabilities towards accessing the Chinese market could lay the foundation for a more balanced long term trading relationship than has been the case so far. At the same time, it bears mentioning that it could end up like the US African Growth and Opportunity Act (AGOA), which gave preferential access to the American market in sectors like clothing but that contributed to a surge not so much in African as Asia-based investment. Africans will have to be nimble investors to make the most out of what seem to be the genuinely generous terms on offer. Indeed, they may even find that they are competing with the growing Chinese communities in their midst, whose proven entrepreneurial acumen and understanding of the Chinese domestic market has fuelled China's own economic transformation.

Moreover, the diversity of Chinese actors in Africa contrasts with the assumption that the notion of 'Chinese-African relations' implies the presence of just two unitary entities, and poses a dilemma in structuring and managing the relationship. This was once shaped and led from above by Chinese and African political elites and involved the steady diffusion of economic power to semi-autonomous SOEs, provincial authorities and a sometimes rapacious profit-seeking private sector. The latter has introduced a diversity of interests and practices that are as often at odds with Chinese foreign policy aims as they are in harmony with them. The actions of murky investment houses like the China International Fund and the state-owned national oil company, Sonangol – a joint venture that effectively marries Hong Kong-based finance to Angolan political ambitions and which has sought to secure a huge stake in the illegal military regime in Guinea – raises troubling questions about the long term impact of China's role in the continent. Operating on the margins of respectability, these organizations are capable of damaging the positive

intentions on display at FOCAC IV in their unwavering pursuit of profit and willful disdain for African sensibilities (as was the case in Guinea).

This situation also highlights one of the most notable gaps in the FOCAC process, namely the role of actors formally outside the state. While much of the media attention focused on what happened within the confines of the ministerial discussions and the press conferences, the FOCAC Business Forum met on the fringes of the event. Missing, however, was the once mooted inclusion of a parallel Chinese-African civil society process. In Western practice, the role of guardian of the underlying values of national foreign policies is partially fulfilled by a vibrant and active civil society operating both in the West and in Africa. Unabashedly critical of the state and private capital – and undoubtedly the bane of authoritarian and, at times, democratic governments alike – these sometimes self-appointed ‘voices of the people’ nonetheless play a tremendously important role in re-asserting the moral purpose of foreign policy actions. African civil society varies in its depth and policy impact across different countries. In Africa, China has seemingly exported many features of its domestic setting (such as opaque business and financial practices), including the assumption of a weak civil society whose boundaries of action are circumscribed to varying degrees by the state (Alden and Hughes 2009, 13-34). It remains to be seen whether current arrangements, which place the burden of responsibility to anticipate, manage and ameliorate the conduct of a plethora of Chinese actors in Africa exclusively on the party leadership and bureaucracy, will prove sufficient.

4. CHINA AND SOUTH AFRICA

Of all the African countries involved with China, South Africa’s standing as a middle-level economy with a reasonable industrial base coupled with underlying socio-economic divisions rooted in large income disparities and historical policies of discrimination, provides a useful ‘mirror’ for Latin America. The warm official ties between China and South Africa are based in part on close political affinities and growing economic engagement which have placed China as South Africa’s principal trading partner and a leading investor. At the same time, there are a number of areas where shared

interests are less evident, especially in the eyes of some of South Africa's businesses, trade unions and civil society actors.

Though the incoming African National Congress (ANC) government unexpectedly retained official diplomatic ties with Taiwan (a holdover from the apartheid government) after the first democratic elections in 1994, and following two and a half years of domestic debate, the South African government finally announced its decision in November 1996 to switch allegiance in January 1998.²⁷ Once South Africa had officially recognized China it entered a new era characterized by a re-orientation of its diplomacy and, increasingly, its economy away from a singular focus on Europe and North America. The establishment of the bi-national commission, subsequently reinforced in 2004 through the strategic partnership dialogue process and more recently, in 2010, a 'comprehensive strategic partnership' has ensured that there is regular government to government contact at deputy/vice presidential and ministerial levels, a process that facilitates close co-operation on areas of mutual concern. During its tenure as a non-permanent member of the UN Security Council from 2007-2009, South African positions on matters like Darfur, Zimbabwe and Myanmar/Burma mirrored those of the China and were a clear indication of the two governments' shared outlook on the global system. Indeed, Pretoria's prioritization of concerns for sovereignty over human rights and democracy suggests that South Africa's once-celebrated image as a liberal beacon is definitively waning. In their attitudes to reform of international institutions South Africa and China also share a common view on the need to transform the UN Security Council and the international financial institutions to better reflect developing country interests (though Beijing has been careful not to alienate other African aspirants to a permanent presence at the Security Council, by supporting the African Union's call for a rotating seat). The recent decision to grant South Africa a second term as a non-permanent member of the UN Security Council is likely to reinforce this trend. Furthermore, South Africa's aspiration to become a member of the coveted BRIC-club (Brazil, Russia, India and China), has been endorsed by China, despite the fact that some observers argue that South Africa is too small (in

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27 For a detailed account of that period, see Alden (2001, 119-138).

terms of territory, population size and economic strength) and that its economic growth falls far short of the growth rates of the BRICs.

These close diplomatic ties have been matched by growing economic engagement. With two-way trade rising from US\$800 million in 1998 to US\$14.1 billion in 2009 – converting China into South Africa's largest trading partner – economic co-operation between the two countries is being realized at ever-increasing rates (Gelb 2010, 1). That being said, South Africa has a negative trade balance with China and the structure of its exports to China is largely limited to minerals, agricultural goods and related products, whilst its imports are dominated by low-end consumer goods – though this is slowly changing to include higher value-added products such as white and so-called brown goods. At the same time, the once low levels of Chinese investment in South Africa are finally catching up with the high-profile of South African investment in China. Chinese FDI reached new heights with the announcement in November 2007 that the International Construction Bank of China (ICBC) would be purchasing a 20% stake in South Africa's Standard Bank, worth US\$5.6 billion. However, although this deal pumped a massive amount of capital into the economy, it cannot be considered to be the kind of investment that will directly promote job creation (though the potential of the partnership to attract FDI to South Africa and the rest of the continent, should not be underestimated). Of smaller monetary value, though with perhaps more long-term value to the economy, especially in the area of job creation and skills development, is Chinese investment in the country's mining and construction sectors (Gelb 2010, 8). Another area of Chinese involvement in the South African economy is that of the provision of so-called soft loans, whose significance lies in the announcement in November 2010 that China would provide financial support for the expansion of South Africa's dormant nuclear capacity.

This development is complemented by significant South African investment in China, which surpassed US\$200 million in 2006. Leading the charge are SAB-Miller, which owns 55 breweries in China; Sasol, which has a joint venture with Ningxia and Shenhua CLC to develop coal-to-oil plants; and other resource based companies such as Anglo-American and Kumba Resources. These ventures have generally proved to be a financial boom, with the media group Naspers, for instance, growing 24% in 2009, led by the US\$307 million

profit (of total US\$775 million annual earnings) generated by its China-based internet platform.²⁸ SAB-Miller, which entered the Chinese market in 1994 by investing in a joint venture – CR Snow breweries –now dominates the market ahead of local and foreign breweries. With Chinese demand for foodstuffs growing exponentially, the potential for further development of commercial links between South Africa and China is clear.

At the same time, the deepening of economic ties with China has raised important questions as to the uneven impact of trade in certain sectors of the South African economy – with South African textile sales experiencing sharp reductions while exports of agricultural products are soaring – and has created challenges for both countries. The emphasis of South Africa-China trade has been on China securing minerals, agricultural goods and related commodities while South Africa has absorbed imports of low-end consumer goods. Additional frictions exist over the uneven balance of trade which favors Chinese manufacturing. Chinese competitiveness is a phenomenon which is raising concerns not only in certain circles in South Africa but increasingly across the rest of the continent. While talk of a wholesale ‘de-industrialization’ of South Africa (and Africa) may be exaggerated, there are, nonetheless, very real fears that in some areas South Africa’s hard fought gains in manufacturing will fall victim to the economic juggernaut that is contemporary China. According to one study, the value of South Africa’s textile exports to the US has declined 54% since 2005 as a result of Chinese competition, and approximately 60,000 jobs have been shed (Biacuana et al. 2009, 15). It is a measure of the sensitivity of trade relations – and in particular the vocal criticism of China by the South African trade union movement – that the Chinese government agreed to impose unilateral restrictions on its own textile and clothing exports in late 2006 in order to give South Africa’s manufacturers time to retool their operations in anticipation of a re-opening of trade in this sector. The restrictions were lifted 18 months later (Alden 2007, 49). South African construction firms have also railed against Chinese competition, especially in other countries in Africa. For the most part, tough

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²⁸ *Financial Mail* (Johannesburg), 8 July 2010.

regulatory requirements and stringent labor laws have kept Chinese firms out of the sector inside South Africa.

As noted above, another emerging area of concern is Chinese migration to South Africa, with the burgeoning community estimated to number between 300,000 and 400,000, making the country the overwhelmingly preferred destination for the Chinese in Africa. Though studies are few, both for South Africa and other parts of the continent, many of the migrants have taken up positions in small retail and wholesale shops, and, taking advantage of their superior networks and connections with China, have been able to crowd out some of the local shopkeepers.²⁹

Notwithstanding these issues, it is clear that relations between South Africa and China are fast becoming the linchpin of a new invigorated form of South-South co-operation in Africa. Reflecting this is the signing of the Comprehensive Strategic Partnership Agreement in 2010 whose overarching aim is to forge a more equitable relationship between the two countries. Featuring in this arrangement are talks aimed at gaining long term access to South African resources in exchange for investment and greater market access for value-added and benefited products, greater Chinese investment in South African manufacturing and provisions for technology transfer and human capital development.

Finally, beyond these strictly economic depictions of interests, China exercises a growing hold on the imagination of South Africa's elites. In one respect, this is due to the phenomenal developmental successes it has achieved over the last three and a half decades. Though conscious of the obvious differences between the two countries, the South African government is nonetheless eager to replicate this success. Another aspect of the Chinese experience that appeals directly to South Africa's governing party, the ANC, is role of the Communist Party of China (CPC). This attraction is twofold. First, China's track record on development and poverty reduction confirms the South African elite's belief in the possibilities inherent in a 'developmental state', i.e. efficient state intervention in the economy, in eradicating poverty and promoting growth and development. Concurrently, the ANC is enamored

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²⁹ See Yoon (2009).

of the way in which the CPC has managed to liberalize its economy and improve the lives of its huge population while, at the same time, maintaining its grip on national political power. President Jacob Zuma's public declaration in May 2010 at the regional World Economic Forum that 'Africa cannot eat democracy' can be interpreted as sign of the saliency of both aspects of this appeal for the South African elite.

CONCLUSION

China's emergence as a leading trade and investment partner of African nations has had a number of impacts upon the continent which in turn are strongly suggestive of parallel implications for Latin America. From this comparative perspective, China's economic engagement has revived the flagging fortunes of Africa's resource-based economies, providing new investment and markets that have contributed to the global commodity boom. China's interest in resources has helped drive up prices while its focus on infrastructure has brought about a renewal of donor interest in financing vital improvements in that neglected sector. At the same time, the Chinese approach to financing its expanding role in the resource sector through the provision of hard infrastructure is, it could be argued, crucially dependent upon its very dearth in the target country. As the South African case demonstrates, middle income countries like Brazil, Argentina and Colombia, which have reasonably well-developed infrastructure, existing expertise in the local business sector, strong labor unions and an established regulatory environment, are likely to be less attractive investment destinations. However, other Chinese actors – notably those in the financial sector – are drawn to these settings as they provide a stronger institutional framework which will support their pursuit of profits. Both these aspects of Chinese engagement hold lessons for Latin American engagement with China.

In political terms, the African example suggests that China can provide a welcome alternative to established sources of trade and investment, not the least because it is less concerned with using the development process as an instrument to impose normative transformations on target states and more interested in pursuing mutual economic interests. The revival of African economic fortunes has had a direct impact on the international stature of African leaders, allowing them to challenge the certitudes that informed the approach adopted by the OECD

'donor cartel'. The result is not, as some critics have feared, a shift away from the North but rather a diversification of development partnerships that – at least in those African countries with sound and committed political leadership – offers an unprecedented opportunity to use all means available to achieve development.

Change and adaptability remain the hallmarks of Chinese-African relations and, to the credit of the Chinese government, whose willingness to revisit and revise specific initiatives in the light of experience on the ground, give the relationship a dynamism lacking in many other trans-regional initiatives. China's experience in Africa has in many ways provided a short, sharp lesson in how easy it is to break into the relatively neglected African markets and, at the same time, how it might become increasingly difficult to secure its interests over the long term. China's willingness to maintain its focus on building a long term economic relationship with the African continent, despite obstacles encountered on the ground and more recently the adverse global economic climate, should be closely observed by Latin Americans who have long complained about the limited interests of traditional investors. However, just as coming to terms with the diversity of Chinese actors and their narrower, and often self-serving, interests is a challenge for Africa it is likely to pose similar challenges to Latin America as the region seeks to ensure that its carefully constructed relationship with China stays on course.

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