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Chinese Trade and Investment
Strategies Toward Selected African
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Consideration of the Energy
Commodities and the Potential
Competition with European
Countries

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Chinese Trade and investment strategies toward selected African countries under special consideration of the energy commodities and the potential competition with European countries

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Abbreviation

APF	African Peace Facility
AU	African Union
CBO	Congressional Budget Office
China Eximbank	the Export-Import Bank of China
CNOOC	China National Offshore Oil Corporation
CNPC	China National Petroleum Corporation
CPA	Comprehensive Peace Agreement
DPA	Darfur Peace Agreement
EEC	European Economic Community
EIA	Energy Information Administration
EITI	Extractive Industries Transparency Initiative
EU	European Union
FDI	Foreign Direct Investment
FOCAC	Forum on China-Africa Cooperation
GDP	gross domestic product
GNPOC	Greater Nile Petroleum Operating Company
GNU	Government of National Unity
IEA	International Energy Agency
IMF	International Monetary Fund
mb/d	Million barrels of oil a day
MEDN	Emancipation of the Niger Delta
mt	million tons
NCP	National Congress Party
NEPAD	New Partnership of Africa's Development
NOCs	national oil companies
OPEC	Organization of the Petroleum Exporting Countries
PRC, China	People's Republic of China
ROC, Taiwan	Republic of China
Sinopec	China Petroleum and Chemical Corporation
SLM/A	Sudan Liberation Movement/ Army
SPLA	Sudan People's Liberation Army
SSA	Sub-Sahara Africa
UK	United Kingdom
UN	United Nation
UNAMID	The UN-AU Mission in Darfur
UNEP	United Nations Environment Programme
UNSC	United Nations Security Council
US	United State
USSR	Soviet Union
WTO	World Trade Organization

1. Introduction

As an alternative source of energy and raw material, Africa gradually becomes the subject of international political attention. Politicians and journalists in the United Kingdom (UK) named the year 2005 as “The Year of Africa.” (Vallely 2005, n.p.; Wild & Mephram 2006, p.1) The UK made Africa a priority during its joint presidencies of the G8 and the European Union (EU). (Ibid) Soon after that, China and Africa celebrated their 50th anniversary of the launch of China-Africa diplomatic relations in 2006. (Wang 2007, p.236) With a series of political and cultural events, the China-African relations advanced to a new stage. At the beginning of 2006, China has published its Africa Policy. In April and June, Chinese President Hu Jintao and Premier Wen Jiabao visited 10 African countries respectively. (Wild & Mephram 2006, p.1) End of the year, the Summit of the Forum on China-Africa Cooperation (FOCAC) was held in Beijing. Leaders of 48 African countries participated in this Summit. (Modi 2006, p.39) The year of 2006 was therefore called “China’s Year of Africa.”(Hofmann et al. 2007, p.75)

As Taiwanese student, such big diplomatic event happened in Asia catches the author’s eyes. As student majoring in Euro Master, the author is interested in the relations between the EU and China. Although China is not a new player in Africa, its presence and impacts on Africa has grown very fast just recently. And this change has become a focus in the international society. This is because China’s engagement in Africa could influence the energy security of the Western countries, including the EU. As citizen living in the global village, energy security is an issue closely related to everyone’s daily life. All these three factors were then merged into the master thesis chosen by the author. In this paper, Chinese trade and investment strategies, particularly under special consideration of the energy commodities, are going to be discussed. Due to the limitation of space and research time of a master thesis, the subject of energy commodities is mainly confined to petroleum.

The discussion of this paper starts with a short historical review of China’s engagement in Africa. Then the relations between the two regions will be linked to the Chinese energy strategy in Chapter 4. In order to understand why China needs to go overseas for getting energy commodities, the dilemma of Chinese domestic development of energy supply will be discussed first. Then, the Chinese global strategy in the field of energy will be shortly presented. Why and how important is Africa in China’s global strategy of energy commodities? The author tries to find the answer to

this question in Chapter 5 through analyzing Sino-African trade relations, which includes trade of energy commodities. And three African states, namely Sudan, Nigeria and Angola, are chosen for making case studies due to their particular significant importance in terms of Chinese investment in the field of oil production in Africa. It is expected that Chinese way of doing business could be more clearly observed in the case studies. And since Chinese way differs from the western approach represented by the EU, the potential competition between the two ways will be discussed in Chapter 6. In order to clarify the complex relations among the EU, China and African states on the African continent, the analysis is planned to be made from three perspectives. First of all, the EU-African relations are introduced from the European aspects and then responded from the African perspectives. Second, the Sino-African relations are going to be discussed both from Chinese and African sides. Thirdly, the EU-China relations are challenged due to their different strategies toward Africa. Both the EU's criticisms against Chinese approach toward Africa, and China's response to such criticisms are stated in the end of Chapter 6. Although the author tries to analyze such complex multilateral relations in good order, it is however expected to remain very complicated.

Are there possible solutions to ease such complex situation already resulting in bad consequences in Africa? After a series of discussions from Chapter 3 to 6, Chinese trade and investment strategy toward African countries under special consideration of the energy commodities and its impact on the EU-China relations could hopefully be represented clearly enough, so that reasonable suggestions could be made in the conclusion.

2. Research methods

The results in this paper are based on the literature research. The basic knowledge of this topic is mainly from the analysis of literatures, including relevant books, newspapers, journals, and official documents. Since this issue is relatively new, not many relevant books have already been published. The articles in different newspapers, journals and official documents as well as statements become important during the research.

Besides, the relevant statistics associated with public confidence are relatively difficult to get, because many relevant countries do still not get used to publish their official data in the field of trade and investment concerning energy commodities. Therefore, the statistics used in this paper are mainly from international organizations or institutions, such as Energy Information Administration (EIA), International Monetary Fund (IMF), etc. However, it is inevitable that forecasts from various institutions differ from each other.

Moreover, since this topic is very popular in China and Taiwan, and since the author masters Chinese, some literatures used in this paper are originally written in Chinese and translated in English by the author. Those Chinese literatures are found in the online database of Chinese academic journals. With the help of Chinese friend, the author in Germany could have access to the full texts of those online literatures. It is expected that combined with Chinese literatures, the results of this paper could be much more comprehensive.

Furthermore, the background of the author, as a Taiwanese student majoring in Euro Master, keeps the author from being nationalistic for China, and helps the author have critical eyes both on Chinese and European strategies. Hopefully, both the European and Chinese as well as African viewpoints could be equally presented in this paper.

3. Historical review of the China's engagement in Africa

3.1 Before the establishment of the People's Republic of China (PRC, China)

Contact between China and Africa could be traced back to centuries ago. This could be indirectly proved through the discovery of Chinese coins and porcelain fragments, which date from the Sung Dynasty (960-1279). (Taylor 2006, p.16) When it comes to the first concrete manifestation of personal Sino-African relations, the famed explorations by the Chinese admiral Zheng He during the Ming Dynasty (1368-1644) has to be mentioned. (Ibid.) Two of seven voyages between 1416 and 1423 led by Zheng He had reached the east African coast. He conducted commerce with the African local people with the products brought with him. Evidences of these contacts have been found in Kenya, Tanzania, Madagascar, Zimbabwe and South Africa. (Gao 1984, p.245) Zheng He's efforts have been seen as the "climax of China's efforts to develop relations with Africa" in China's ancient time. (ibid, pp.245) Although a closed-door policy adopted by the Qing dynasty (1644-1911) stopped the further contact with Africa, the historical mission by Zheng He has a symbolic meaning until today and was therefore often referred by many China's leader when they dealt with Africa. (Taylor 2006, p.16) Take Zhou Enlai's tour in Somali in 1964 for example. According to Ministry of Foreign Affairs of PRC, in Zhou Enlai's public speech in Somali on February 3, 1964, he has mentioned that even if it was his first time to come to Africa, his colleagues and he did not find them in a strange land. Some five hundred years ago, the Chinese navigator Zheng He had already reached East African coasts. (Ministry of Foreign Affairs of People's Republic of China, 1964, n.p.) In addition, China and Africa both had suffered from colonial aggression. Struggles against imperialism, colonialism, and struggled for national liberation were the common historical experience. These common historical misfortunes and struggle experiences have promoted deep friendships between the Chinese and African. (He 2003, n.p.; Ting 2000, p.81)

3.2 Before the Bandung Conference

The establishment of the PRC was in the end of colonialism and in the beginning of the Cold War. Countries in the colonized world started to strike for their independence. (Muekalia 2004, p.6) PRC's contact with Africa was very little before the Bandung Conference. A number of domestic and external problems excluded PRC from an active foreign policy which may have included Africa. (Taylor 2006, pp.17-19) It could be said that before 1955, Africa played no significant important role in China's foreign policy. But from then on, the PRC devoted itself to seeking international recognition, because it was in competing with Republic of China (ROC, Taiwan). And at that time, the PRC also strived for political allies in order to strengthen international alliances

against the capitalist West and the revisionist communist Soviet Union (USSR). (Kanza 1975, n.p.; Ting 2000, p.78)

3.3 Bandung Conference

In 1955, the Bandung Conference was held for economic and cultural cooperation among the South. 29 Asian and African countries in the Conference accepted the strategy to “affirm their nations’ independence from ‘Western imperialism’ while keeping the USSR at a distance.” (Muekalia 2004, p.6) Statements such as “We all belong to the Third World, we are developing countries” were often made at that time. (Larkin 1975, n.p.) A foundation for the latter nonaligned movement was also offered. At the Bandung Conference, China first established tentative links with the African continent. They adopted the five principles of “Peaceful Coexistence” that had been formulated by India and China. These included: mutual respect for sovereignty and territorial integrity; mutual non-aggression; non-interference in each other’s internal affairs; equality and mutual benefit; and peaceful coexistence. (Ibid.) Some writers, such as Abdulgani (1981) and Kahin (1956)¹, viewed it as great and lasting importance for Sino-African relations, because it was the first time that Africa was included in China’s agenda, although it was grouped with Asia. (Taylor 2006, p.20) Some others such as Larkin, however, were of the opinion that Africa still remained unimportant to China at the time of Bandung Conference. (Larkin 1971, p.19)

3.4 After the Bandung Conference

After the Bandung Conference, China started to involve more in Africa. China began to combine its African policy with the attempt of asserting its leadership over the Third World and the nonaligned movement. (Meidan 2006, p.72) China offered various kinds of support, such as economic, technical and military support, to African countries and liberation movements. (Muekalia 2004, p.6) This policy was rooted in Beijing’s early view of the world. That is to say, the world was divided into two camps: the force of socialism and those of imperialism. According to Mao Zedong, “what the imperialists fear most is the awakening of the Asian, African and Latin American peoples... we should unite and drive the United State (US) imperialism from Asia, Africa and Latin America back to where it came from.”(Mao 1960, n.p.) Moa’s theory of “Three World”

¹ According to Taylor, Abdulgani and Kahin are of the opinion that Africa’s importance in Chinese foreign policy was starting to show in the Bandung conference. For further information see Abdulgani, Ruslan (1981): *The Bandung connection: the Asia-Africa Conference in Bandung in 1955*, Gunung Agung, Singapore. See also Kahin, G.M.(1956): *The Asian-African Conference*, in: Cornell University Press, 1956, pp.64-72

was presented by Deng Xiaoping at the United Nation (UN) 1974. (Muekalia 2004, p.7) The solidarity, unity and cooperation within the Third World were emphasized in order to against the “imperialistic aggressors”, namely the US and USSR. (ibid.) In this period, the characteristics of China’s African policy could be concluded into “anti-colonialism, anti-imperialism and anti-revisionism.”(Li 2006, p.3; Ting 2000, p.78) China’s policy just suited African states at that time because African states needed allies to help them win their fight for independence and financial support to fund these struggles. (van de Looy 2006, p.2) Yet, China could not make efforts in deepening relations with Africa between 1966 and 1969 due to its domestic changes and the great proletarian Cultural Revolution. It was until its internal disputes had been settled that China restarted its relationship with African continent. (Larkin 1975, n.p.)

According to the viewpoints of Larkin, Sino-African relations in the 1970s could be summarized in five characteristics. First, more and more African countries established diplomatic ties with China. From 1967 to 1974, the number of Chinese diplomatic missions in Africa had increased from 13 to 30. (ibid) Second, China took over Taiwan’s seat in the United Nations Security Council (UNSC). This change pleased African states with closer political ties with China. (ibid.; Wang 2007, p.237) As Moussa Taore said:

“The presence of the PRC in the UN as a permanent member of the Security Council (will) contribute notably to the strengthening of the capacity of this organization in maintaining peace and international security.”(Larkin 1975, n.p.)

Thirdly, China committed itself to more prestigious projects, such as federal buildings, stadiums, factories, infrastructures, medical teams and student exchange programmes. (Snow 1988, n.p.) Fourthly, China provided military support for African nationalist movements that fought for independence and the end of imperialism. Fifthly, China emphasized “the existence of a dichotomy between the world’s super powers and their weaker opponents, assisting the latter in their survival.”(van de Looy 2006, p.4)

3.5 The change of China’s African policy in 1980s

From late 1970s to early 1980s, Sino-Africa relations cooled down, partly because China walked into the world economic system; for example, China joined the World Bank and the IMF in 1980; and partly because China experienced its economic recovery at that time. (Muekalia 2004, p.7) In China’s foreign policy, social system and ideological orientation played gradually not so important role. China began to open up to the developed world. (ibid.; Meidan 2006, p.74) As Muekalia wrote in his text,

“China had gradually changed its tactics from confrontation to cooperation, from revolution to economic development, and from isolation to international engagement.” (Muekalia 2004, p.7) In 1982, China shifted from policies that “economy serves diplomacy” to policies relied on “diplomacy serves the economy.” (Li 2007, p.72) In this period, China required the western technical support and commercial links. (van de Looy 2006, pp.4) For the aim of developing its own economy, China enhanced its relations with the two superpowers, the US and USSR. China did not have enough financial resources for further assisting Africa with costly aid programs at the same time. (Ting 2000, p.78) China therefore no longer played the role of a spokesman for the Third World. (van de Looy 2006, p.4) In the contrary, it was stated in the *Beijing Review* on December 27 in 1983 that “Third World countries...should have no leader/follower relations among them...Any country which attempts to pose as a leader and control others will be spurned.” (ibid, p.5)

In Li Anshan’s viewpoints, China’s African policy might have changed in 1980s, but its principles remain constant. China aided Africa with billions of dollars between 1956 and 1978, even if China faced unstable economic situation. Only the aid, however, is unable to significantly improve the poverty in Africa. (Li 2007, p.74) China was then aware that improving Africa’s ability to self-develop was more useful than offering free economic aid. That is one important reason why China modified its African policy in the 1980s for the aim of attempting to help Africa help itself. (ibid.)

3.6 Influence of the events in Tiananmen Square

After the events in Tiananmen Square in 1989, China was mired into “international condemnation and isolation for violation of human rights.” (Meidan 2006, p.74) The relations between China and Western were strongly influenced. It was the support of African countries in the UN that relieved China from diplomatic isolation. (ibid.) When official Chinese visits were made to Africa, the dogma of “non-interference in each other’s affairs” was emphasized. One official had mentioned that the basis of the emerging new international order should be respect for each other’s affairs and non-interference. In comparison with the Western concerns on issues like human rights, China’s insistence on “non-interference” gain its appeal for African states. (Taylor 2001, n.p.) China itself also benefits from this principle. First, China’s own sovereignty can be guaranteed. Second, China can win the trust of African countries. (Li 2007, p.75) Moreover, with Chinese dynamic economic growth, China’s quest for energy commodities and other raw materials is growing. And Africa with abundant resources

could satisfy Chinese increasing appetite for energy and other raw materials. Therefore, China developed further relations with African states in 1990s.

3.7 Diplomatic Competition with Taiwan

When reviewing the historical development of China's engagement in African, one thing is needed to be pointed out, namely the diplomatic competition between China and Taiwan. Before the late 1970s, China's influence on the African continent could not be expanded successfully, first due to the African close relations with the West and second because of Taiwan's dollar diplomacy at that time. (Meidan 2006, p.75) This situation was changed with the growth of Chinese economic and diplomatic power. China's engagement in Africa began to grow. Some African countries broke off diplomatic relations with Taiwan; and some African governments even "played the two capitals against each other", which caused a more intense competition between China and Taiwan. (Taylor 2002, pp.125-140) Take Niger for example. 1992 Niger's government decided to establish diplomatic relations with Taiwan. Then, Niger received Taiwan's medical and agricultural programs as well as the assistance in developing the uranium deposits. Four years later, Niger cut off the diplomatic relations with Taiwan and switched back to Beijing. The similar situation also happened to Senegal and Liberia. (Ibid.) Nowadays, only four of the fifty-three African countries remain formal ties with Taipei, namely Burkina Faso, Sao Tome and Principe, Swaziland, and Gambia. Although China has already got most African countries' support and won the race for recognition, the issue of Taiwan, which is also called "One China" principle, remains the only one political string of receiving Chinese investment aid to Africa. (ibid.)

After making a brief historical review, the relations between the two regions will be more closely linked with Chinese energy strategy in next chapter.

4. Chinese energy strategy and its dilemma

4.1 domestic development in field of energy

Since 1990, China's real gross domestic product (GDP) growth has averaged around 9.2% annually; the growth of China's per capital incomes of urban household is 13.3% over that same period. (Congressional Budget Office (CBO) paper for the Congress of the United States 2006, p.8) This high rate of growth in economic output and personal

income results in China's growing demand for oil. (Ibid, p.1; Kazim 2007, n.p.) The average growth rate for China's total oil use was 7.5% a year from 1995 to 2004. The forecast growth rates for China's total oil use range from 3.5% a year by International Energy Agency (IEA) to 5.8% by EIA. (CBO 2006, p.19) Although China is the fifth-largest global producer of crude oil, the Chinese oil production faces limitation because of various conditions. And it makes self-sufficient in oil resource impossible. (see Figure 1) (Meidan 2006, p.77; Kang 2006, p.80)

The majority of China's oil reserves are in form of land oil, which accounts for 90% of the total amount of China. The crude oil produced in eastern China, namely Song Liao oil production area, composes of 75% of the country's total. It is undeniable that this area is of great significance to stabilize the total output of China. (Chen 2003, n.p.) The yield there, however, gradually stays in stagnation. Since the 1990s, the yield increase of land oil comes mostly from China's western region. But due to the complicated geological conditions and natural environment in China's western region, the production costs there are higher than other regions as well as than the international level. (Chen 2003, n.p.; Jiang 2003, p.110) Besides, although China's offshore petroleum production has gained ground, the oil fields there are mostly medium- or small-sized ones. Exploitation there is difficult and the production descends also fast. (Chen, 2003, n.p.) Moreover, oil and gas resources in East and South China Seas prospect well; nevertheless, China has to first deal with the territorial disputes with neighboring countries, and then has the possibility to tap the resources there. (ibid.; Jiang 2003, pp.110) Because of these limitations, the domestic Chinese oil production growth slowed in the mid-1990s. (CBO 2006, p.5) It could no longer meet the sharp increase of demand. Imports of oil from overseas are thus imperative. That is the reason why China became a net importer of oil since 1993. (Meidan 2006, p.77; Han 2006, p.55) And China's government has also encouraged state-controlled companies to go out for exploration and making contracts with countries that produce oil, gas, and other resources. (Gill& Reilly 2007, pp.39)

By 2000, Chinese imports accounted for one-third of China's total oil consumption. (EIA 2005, p.34) But its demand on oil could hardly stop. In addition to an expanding economy, a generally wealthier society with increased demand for consumer goods, such as cars and fridges also requires more energy. (van de Looy 2006, p.14) In 2004, China's demand for oil has already forced itself to become the world's second largest oil importer behind the US. (Ibid.) A CBO paper for the Congress of the US estimates conservatively that growth in Chinese oil consumption will average 4.5% a year through

2010. If China's petroleum use continued to grow at the high average pace of the past decade, the growth rate will reach 7.5% a year. (CBO 2006, p.2) The projections by EIA also indicate that China has to import 60% of its total oil consumption in 2010 and 75% in 2025. (EIA 2005, p.34) In China's viewpoints, oil import pressure has become a more urgent issue.

Since the publication of a White Paper of the Chinese Ministry of Defense in 1998, energy security has been regarded by Chinese government as a vital part of its all overall security. (Jane's Intelligence Review 2004, p.56) From then on, Beijing divides itself both to expanding its oil imports and to diversifying its oil suppliers. (Tull 2006, p.469) But when it comes to the question if China has developed its own energy diplomacy, it is still debatable. In the energy industry, the multiplication of interest groups has the possibility to influence energy policy. Due to the multitude of these influences, China has to pursue economic goals through diplomacy and neomercantile approaches on the one hand, and is pushed for greater liberalization and integration with markets for another. (Meidan 2006, p.89)

China's vision of energy security, which is called "neomercantilism," could be described more precisely as "strong state control over national oil resources and a preference for consolidating long-term political ties with oil producers instead of relying solely on the markets." (Ibid, p.78) In other words, the more resources overseas China could control, the more power China has to fix market price and shape trends. (Ibid, p.89) For this aim, China's national oil companies (NOCs), such as the China National Petroleum Corporation² (CNPC), the China Petroleum and Chemical Corporation³ (Sinopec) and the China National Offshore Oil Corporation⁴ (CNOOC), have been going out and expanding their activities overseas. (Ibid., p.78; Liu 2007, p.44) Although NOCs are not instructed by Chinese government on overseas acquisitions, they do in fact strongly influenced by the decision maker in Beijing, which means that NOCs benefit from solid diplomatic backing. (Meidan 2006, p.88; Gill & Reilly 2007, pp.38) The procedure appears that NOCs initiate overseas operations, and wait for the approval for it from the Ministry of Foreign Trade and Economic Cooperation and/or the

² CNPC is a vertically integrated business, involved in oil and gas production, refining, pipelines, and retail outlets. It generally operates in the North and West China. Its subsidiary, PetroChina, is China's largest producer of oil and gas from onshore regions. CNPC also holds oil and gas assets worldwide. See CBO 2006, p.11.

³ Sinopec is a second vertically integrated business. It is China's largest petroleum refiner and largest retailer of petroleum products. It operates in the South and East China. Sinopec also holds oil and gas assets worldwide. Sinopec and CNPC together control China's 95% of the petroleum refinery capacity. See CBO 2006, pp.11

⁴ CNOOC is the largest producer of oil and gas in China's offshore areas. It holds oil and gas resources throughout the Pacific and in Southwest Asia. See CBO 2006, p.12

National Development and Reform Council. (Ma and Andrews-Speed 2006, pp.1-14; Jakobson and Zha 2006, pp.60-73) By providing low-cost capital and a supportive foreign policy, Chinese government helps its NOCs gain long-term supply contracts, have equality positions in foreign oil development, and make bilateral trade with global potential suppliers. (CBO 2006, p.12)

In order to more precisely understand China's global energy strategy, China's interest in the main oil production areas worldwide is going to be introduced thereafter.

4.2 Resources overseas

The main oil producing countries in the world could be geographically divided into four areas: Middle East, American, Eurasia, and Africa.

4.2.1 Middle East

According to Oil & Gas Journal, 56% of the world's total proved oil reserves are located in the Middle East. (Oil & Gas Journal 2006, pp.24-25.) Since the Second World War, the exploration of oil resource in Middle East continues growing. And many Middle East oil-producing countries, such as Saudi Arabia, Iran, Iraq, Kuwait, Oman, Algeria, Yemen, etc, decided to explore new oil field and enhance crude oil yield. (Chen 2003, n.p.) The main purpose of oil produce in Middle East is to supply the world market. About 80-90% of the new crude oil is exported. Its main export market is West Europe, Japan, the US and some Asian-Pacific countries. (ibid.) Undoubtedly, according to Chen, Middle East has an advantageous position and fundamental effect in the deposit produce and supply of oil in the world. (ibid.)

China depends intensely on the traditional oil producing area in the Middle East. (Zhang 2005, p.5.; Han 2006, p.55) In January 2004, Chinese President Hu Jintao met delegates from the 22 members of the Arab League in Cairo. China tried to enhance political and economic relations with them and develop a "new type of partnership" which would further increase oil shipments to China and bilateral trade. (Zweig & Bi 2005, p.28.) But Middle East is also an area dominated by Western, such as European, American and Japanese oil corporations. As a growing but new oil consuming state, China could only obtain small share of the oil. (Zhang 2005, p.6) Chinese oil concessions there have also been thrown into doubt after the US-led war in Iraq. (Goodman 2004, n.p.) In other words, the political instability and the absolute military control of the US in oil market in Middle East forced China to search for other oil-

producing countries in order to diversify its import source. (Meidan 2006, p.77) According to the BP Statistical Review 2006, only 38% China's oil import is from Middle East. Compare with the number in 1998, which is over 50%, Chinese efforts to reduce its dependence on any one source could already be seen. (ibid.)

4.2.2 America

Before 1950s, America was the main oil producing area in the world. (Huang and Chen 2007, p.172) According to the statistic by EIA, the US is still the world's third largest oil producer. And both Mexico and Canada remain in the top 10 of the world's largest oil producers.(EIA 2007, p.32) However, oil fields in Mexico and the US are drying up, which also tightens world supplies. (Krauss, *New York Times*, 2008) The Canada's oil output is expected to gradually decline in the future. (EIA 2007, p.32) In comparison with North America, South America still has the potential for increasing output over the next decade. In 1999, Brazil has produced 1 million barrels of oil a day (mb/d). And it is expected that its production will rise to 3.9 mb/d of conventional production and 0.5 mb/d of unconventional production in 2030. (Ibid., p.35) Colombia is another positive example. Although Colombia suffers from its economic downturn and civil unrest, which delayed its development of oil production infrastructure, it is estimated that Colombia's output could reach 700,000 barrels per day in 2015. Also the oil production volumes in Ecuador have the possibility to increase. (Ibid.)

China is interested in the oil production in America. For example, in 2004 China signed an oil deal with Venezuela, the world's fifth largest oil exporter. This oil deal allows China to operate oil fields in Venezuela and invest in new refineries. (N.N. *BBC News* 2004) But since the Cold War, Latin America is regarded by the US as its own backyard. The US has much closer relations with countries there. Take Venezuela for example. 60% of Venezuela's oil output is sold to the US. (Ibid.) Any Chinese activity in Latin America calls US's special attention. China is inevitably again confronted with the US dominance power, which is hardly to compete with.

4.2.3 Eurasia

Europe

Production from Norway, OECD Europe's largest producer, appears to have peaked at about 3.4 mb/d in 2001, and it is projected to continue declining to about 1.4 mb/d in

2030 as the larger and older fields mature. And production from the UK, which peaked in 1999 at 3.0 mb/d, is projected to fall to 0.5 mb/d in 2030. (EIA 2007, p.32) North Sea oil was first exploited in 1970s. (Bloxham, *Telegraph*, 2008) But its production is projected to decline rapidly. (EIA 2007, p.32) Although recent news shows the possible potential of second oil boom in this area due to the huge unexplored reserves, this is still in debate. (Bloxham, *Telegraph*, 2008) In addition to the declining production in Europe, the main purpose of oil produce in this region is to satisfy the European demand. This might explain why the author did not find any related information about China's interests in oil production in Europe.

Russia

Russia's oil reserves account for 13% of the total in the world, and its oil output accounts for 11%. (Huang and Chen 2007, p.173) Today, Russia is the second largest oil exporter in the world. Although during the 1990s, production volumes in Russia fell rapidly from 9 to 6 mb/d, Russia's production increases again in the 21st century. For example, in March 2002, it has even once overtaken Saudi Arabia to become the world's number one oil producer for the first time since the 1980s. (N.N. *BBC News*, June 24, 2002) In 2005, Russia's oil production grew by 2.7% to 9.44 mb/d. Russia exports around 5 mb/d of crude oil. (N.N. *BBC News*, Feb. 13, 2006) Russia's turnaround even causes attention of Organization of the Petroleum Exporting Countries (OPEC) members, because it poses a threat to OPEC's efforts to manage the oil price. (N.N. *BBC News*, June 24, 2002)

China had in the past close relations with USSR, especially when it suffered from oil embargo carried out by the US and its allies after the Korean War. At that time, China relied mainly on the USSR for oil import. But with the breakup of Sino-Soviet relations in 1950-60's, China for a long time did not import oil from the USSR, even if it had faced several oil supply shortage. (Zhang 2005, pp.6) In 2001, CNPC and Sinopec started once more to discuss with Russia's second largest oil company, Yukos, about tapping oil and gas resources in Russia. (N.N. *BBC News*, Sep.24, 2001) In recent years, Russia's oil exports to China have been steadily rising. The year 2006 was even described as a critical year in bilateral energy cooperation. It is because that Russian natural gas company Gazprom finally signed an agreement with the CNPC on the joint designing and construction of the oil pipeline from Russia's Skovorodino to the border of the two countries. (N.N. *Xinhua online*, March 23, 2006) And at the same time,

Gazprom also signed a memorandum of understanding with CNPC on the construction of two pipelines that will allow Russia to supply 30 billion to 40 billion cubic meters of natural gas to China annually. (ibid.)

Central Asia

In 1991, Central Asia regained global strategic importance after the collapse of USSR. A vacuum appeared and allowed energy companies around the world to compete for the region's vast oil and gas resources. (Blua 2005, n.p.) Take Kazakhstan for example. It has the Caspian Sea region's largest recoverable crude oil reserves, and its production accounts for over half of the roughly 2.8 mb/d currently being produced in the region (including regional oil producers Azerbaijan, Uzbekistan, and Turkmenistan). (EIA 2008, n.p.) 1994, Sino-Kazakh negotiations over petroleum began. When two important contracts were signed in 1997 within the framework of a general agreement between the two countries that invited the CNPC and its subsidiaries to invest in Kazakh fields, it is seen as the real beginning of cooperation on petroleum. A second turning point in Sino-Kazakh energy relations occurred in 2003 with the start up of the Atasu-Alashankou pipeline project and the purchase of new fields. (Peyrouse 2007, pp.49) And in late 2005 the oil pipeline from Kazakhstan to China (Aterlao–Kenjiyaker-Atasu-Alashankou) finally began to carry oil. (Pan 2007, n.p.)

Although Central Asia is an area with abundant oil and gas reserves, the religious and cultural differences, which have also been used by terrorist and extremist forces, have often underlain the ethnic, religious and sectarian conflicts in the region. (Pan 2007, n.p.) Besides, Central Asia is also a region with great geopolitical meanings. The US, Russia and China have become the three main forces competing for influence in Central Asia. (Blua 2005, n.p.) Also the European Union is interested in the oil and gas reserves there. Such keen competition in this region, which is also described as “the great energy games” (Fang, *U.S. News* 2006), is the situation China has to face in this region.

4.2.4 Africa

Chen Fengying, an expert at the China Contemporary International Relations Institute, which is based in Beijing and affiliated with the state security system, has pointed out that “China confronts foreign competition... Chinese companies must go places for oil where American [and] European companies are not present.” (Goodman

2004, n.p.) From Kazakhstan to the Middle East, Chinese firms are hard to compete with the multinational titans that already dominate the energy business in these old producing areas. (ibid ; Kang 2006, p.80) That is the reason why China is eager for establishing good relations with the new oil-producing areas, such as Africa.

African continent is divided into two regions, namely North Africa and Africa south of Sahara desert, which is also called Sub-Sahara Africa (SSA). (N.N. *BBC News*, January 23, 2004) The dividing line is however not only Sahara desert. It is also related to culture, language and even skin tone. North Africa is predominantly Arab and relatively more developed. Many residents identify more with the Middle East than they do with the larger part of the African continent. (ibid.) When it comes to the oil reserves in Africa, both North Africa and SSA are important. Africa owns about 8% of the world's oil reserves and 11% of world oil production. In Gulf of Guinea, namely in Nigeria, Angola and Equatorial Guinea, new deepwater oil discoveries have been made. (van de Looy 2006, p.15) Africa is one of the most promising regions of the world for future oil production. Proven reserves increased by 56% between 1996 and 2006; the rest of the world grew only 12%. (BP Statistical Review of World Energy 2007, p.6) IHS Energy projects West Africa will account for 38% of global oil production growth through 2010, more than any other regions, excluding the Middle East. (N.N, *Lloyd's List* 2007) African oil has not only high quality, but most of it is also found offshore, which is beneficial for the loading of tankers. Besides, African leaders are willing to offer attractive condition for foreign investors. (van de Looy 2006, p.15)

For its own energy security, China is looking for new countries and different suppliers to diversify its sources. In Africa, China has a better chance to exploit new sources. (Alden 2005, pp.147-164) China's oil imports from Africa have been increasing at an annual compounded rate of 30%, slightly higher than the growth rate for imports from the rest of the world, which is 26%. (Broadman et al. 2007, p.82) In order to gain and retain control of these sources, considerable military, politico-diplomatic and economic resources are allocated by Chinese government in the continent. (Alden 2005, pp.147-164) African countries, like Algeria, Angola, Chad, Sudan, Nigeria, Gabon and Equatorial Guinea, has been exporting oil to China. (van de Looy 2006, p.15) In 2003, 22.5 million tons (mt) of African oil was imported into China, which was around 18% of Chinese total imports. (BP Statistical Review 2005, cited in Meidan 2006, p.77) In 2005, 38.5 mt was imported from African, which rose to almost 25% of Chinese total imports. (ibid.) In January 2006, CNOOC made its largest-

ever overseas acquisition to pay \$2.3 billion for a 45% stake in a Nigerian oil and gas field. (N.N. *People's Daily*, Jan. 10, 2006)

These statistics above already imply the importance of Africa in Chinese global strategy in the field of energy. In order to understand how this desire for energy commodities influences Sino-African trade relations, China's trade and investment strategy toward Africa will be presented more clearly in next Chapter.

5. China's trade and investment with/in selected African partners

5.1 Introduction to Sino-African Trade relations

5.1.1 Statistic overview

Africa and Asia have become more and more integrated. According to the statistic of IMF, about 25% of exports of SSA go to Asia, which is twice as much as a decade ago. China and India continue making substantial investments in SSA. These two Asian countries account together for about 10% of both SSA's exports and imports. (IMF 2007a, p.20). When it comes to Sino-African trade relations, it has enormously expanded. (see Figure 2) (Ibid., p.42) The China-Africa trade volume grew over 400% from 1989 to 1997. (IMF 2003, n.p.) Only in the first ten months of 2005, Chinese-African trade jumped by 39% to \$32.17 billion. (N.N. *BBC News*, January 6, 2006) China has then replaced the UK and become Africa's third most important trading partner in 2005, just after the US and France. (Smith 2006, n.p.) Although Chinese-African trade is growing very fast recently, it represents only 40% of the US-African trade volume. (Tull 2006, p.464) US together with European countries still account for 2½ times the export shares of Asia. (IMF 2007a, p.1) And European countries, such as UK and France, and North American countries, namely the US and Canada, are still the main foreign investors in SSA, accounting for 68% and 22 % of the Foreign Direct Investment (FDI) stock, respectively. (Braodman et al. 2007, p.93) But it is still worthy of attention that between 1990 and 2005, the EU15's share of the SSA's exports decreased from 60.3% to 37.3%, while China's share increased from 0.6% to 12.8%. (See Figure 3) (IMF 2007a, pp.1)

The increasing Sino-Africa trade volumes are illustrated by the growing import and export relations between the two continents. In the past 15 years, China has gradually become one of the major importers of SSA. (ibid, p.39) In 1990, China played almost no role in the destination of SSA's export. Till 2000, the number reached about \$5

billion. And in 2005, the latest year for which data are available in IMF research, SSA exports to China already amounted to \$19 billion. (see Figure 4) (ibid) China has 40% shares of Africa's total exports to Asia in 2007. (Broadman et al. 2007, p.79) The share of SSA raw materials to China increased to one-fourth and the share of fuels increase to one-sixth in 2005. According to the IMF research, this increase came from a reduction in the EU15 share. (IMF 2007a, p.42) When analyzing African trade patterns, it could be found that oil and other commodities are still Africa's main export items. (Ibid., pp.1; Goldstein et al. 2006, p.41) Oil accounts for 62% of total African exports to China. In 2005, Angola supplies 50% of Africa's oil exports to China, followed by Sudan with 19%, the Democratic Republic of Congo with 16%, Equatorial Guinea with 10%, and Nigeria with 4%.(see Figure 5) (Broadman et al. 2007, p.82) Therefore, a large proportion of Chinese FDI has also currently gone to oil-rich African countries. (ibid, p.97)

Meanwhile, China's export to SSA is also increasing, from \$3.5 billion in 2000 to over \$13 billion in 2005. (IMF 2007a, p.39) Since China has turned itself step by step into a major exporter of manufactures in recent years, almost all Chinese export items to Africa are manufactured goods, such as industrial products, electrical equipment and machinery, textile and household utensils. (ibid.; van de Looy 2006, p.14) However, due to China's low labor costs, Chinese exports could undermine local African production. Take textiles in South Africa for example. Currently, 86% of South Africa's clothing imports come from China. Not only Africa's domestic market, but also exports of African textiles have been strongly affected by Chinese rapid increase exports of textiles. (van de Looy 2006, p.23) Exports of South Africa's textiles to the US dropped from \$26 million in the first quarter of 2004 to \$12 million in 2005. (Lyman 2005, n.p.) In order to improve the situation that cheap Chinese goods has flooded in African domestic market, with which African local products could hardly compete, Wen Jianbao agreed to redress these imbalances during his visit to Morocco in April 2006. (Meidan 2006, p.82)

Besides, China also sells weapons to African countries, such as light arms factories in Sudan, Zimbabwe and Mali, where China is allowed to export diverse low-quality commodities. These commodities include weapons and military supplies like helicopters (to Mali, Angola, and Ghana), light artillery, trucks and uniforms. (Ibid., pp.84) Through this arms sales, better bilateral relationships could be developed, which enhances China's access to African oil and natural resources. (van de Looy 2006, p.25)

With the development of economic and diplomatic relations with African countries, China is developing its own trade policy towards African partners. Chinese instruments for promoting better relations especially with oil-rich African states are going to be discussed below.

5.1.2 Chinese instruments for promoting better relations especially with oil-producing African countries

As an emerging creditor, Chinese assistance on African countries could be generally described in the form of project assistance and export credits. (IMF 2007b, p.6) Since the first large-scale conference on Sino-African trade held in Beijing in 2000, the former Chinese president Jiang Zemin has stated that the Sino-African Forum was set for the purpose of “the construction of an international political and economic order and [to] explore new Sino-African cooperation.” (Muekalia 2004, p.8) In this conference, two key documents were produced. One was the Beijing Declaration and the other was the Programme for China-Africa Co-operation in Economic and Social Development. The latter one described Chinese investments in Africa, financial cooperation between China and the African Development Bank Group, debt relief and cancellation, agricultural cooperation, natural resources and energy, education and multilateral cooperation. (ibid, pp.8) Although debt relief at that time was not fully accepted by Chinese government, three years later, during the second China-Africa Cooperation Forum in 2003, China has cancelled the bilateral debt of 31 African countries totaling some \$1.27 billion. (Banerjee 2007, n.p.) Also around 44% of China’s overall assistance to developing countries, which amounted to \$1.8 billion, was given to Africa. (N.N., *Business Day*, October 1, 2004) This amount compared with the volumes disbursed by major Western nations still lags behind. Take Germany for example. Only Germany’s bilateral assistance to SSA in the same year was \$1.34 billion. (Tull 2006, p.463) However, in comparison with China’s GDP per capita in 2002, which was only \$911, this amount was already quite large. (Ibid.) These diplomatic and economic incentives could help China lock up African oil supplies. (Ibid., pp.469)

CNOOC Chairman and CEO Fu Chengyu has mentioned, “[i]t is actually not easy for us to find project. The oil market already has more than 100 years of history and all of the food projects are already taken. As a newcomer, it is obviously not easy to do well.”(Luo, *21st century business Herald*, Dem. 29, 2004) Support from Chinese government is therefore essential. China’s financial support to the NOCs is mainly

through the Export-Import Bank of China (China Eximbank), the world's third largest export credit agency. Its principal mandate is to "implement state policies in industries foreign trade and economy, finance and foreign affairs."(China Eximbank Annual Report 2004, p.13) Chinese financial support from China Eximbank includes three forms. First, it extends lines of credit to China's NOCs which are intended to fund overseas exploration and development. Second, it provides financing for specific acquisitions overseas and made such financing easier for China's NOCs to access. Third, it indirectly supports the foreign acquisitions of China's NOCs through investment in infrastructure in host countries. (Evans & Downs 2006, n.p.) State financial support has indeed helped China's NOCs establish good relations with some African states, like Angolan government. However, this kind of oil-for infrastructure deals has not won China's NOCs attractive exploration and production assets everywhere in Africa. It will be more concretely discussed in the case of Nigeria in Chapter 5.3. (Downs 2007, p.54)

Since oil and other commodities are Africa's main export items, and China is eager to quest for steady and diverse oil supplies for its energy security, trade between the two regions seems to be able to create "win-win" situation. For example, the problem of China's energy shortage could partly be solved. And African countries could benefit from Chinese promise made during the FOCAC summit by Hu Jintao that Chinese market will be further opened to Africa by increasing the number of tariff-free exports products from 190 in 2003 to 440 by 2007 and three to five trade and economic cooperation zones will be established in Africa. (Meidan 2006, p.82; Müller 2006, p.91) And China has also committed Africa to increase aids and debt relief as well as to build infrastructure in Africa in order to have closer and more stable relations with them. Agreements in Uganda for economic and technical cooperation, energy and infrastructure, mining, textiles, oil exploration and tourism were typical examples. (N.N., *Agence France-Presse*, June 25, 2006) Similar agreements were made in Tanzania on technical and economic cooperation, provision of anti-malaria drugs and construction of rural elementary schools and institutes for agricultural development and medical projects. (ibid) Also in South Africa, China has agreed to restrict the exploration of its textiles, so that local industries in South Africa could be protected. The two sides have signed agreements for peaceful nuclear cooperation as well. And a deal with the South African's petroleum giant was made to explore the possibility of turning coal into oil. (ibid) The new established institutions, such as the FOCAC in

2000 and Chinese-African Chamber of Commerce in 2005, also show Chinese attempt on promotion of bilateral economic interaction. Chinese efforts are not in vain. By 2005, China had already signed bilateral trade and investment agreements with 75% African countries. (Tull 2006, p.464)

In short, dispensing soft loans and credit lines, development assistance, gifts and other incentives, arms deliveries as well as diplomatic backing are all the instruments China has used to promote its relation with oil-producing states and to get privileged access as well as opportunities for Chinese companies. (Grimmett 2004, p.27; Taylor 2004, pp.94-97) It could be said that oil interests have strongly connected with bilateral relations between China and African states. (Tull 2006, p.469) Thereinafter, three cases will be analyzed for having a clear picture of the Sino-African trade situation under special consideration of energy commodities, especially petroleum.

5.2 The case of Sudan

5.2.1. Short introduction of Sudan

Sudan is the largest country in Africa. It has however never developed a clear identity for its own. In the contrary, Sudan suffers from the civil war for a long time. The historical differences between North, primarily Muslims of Arab descent, and South, mostly black Africans of Christian or traditional African religions, religious and cultural persecution, poor economic conditions, as well as misguided social and economic programs are all the factors that caused the conflict. (Domke 1997, n.p.)

Sudan's economy has been negatively influenced by the civil wars, which ended first in 1972, but broke out again in 1983. In January 2005, the final North/South Comprehensive Peace Agreement (CPA) was signed in. (CIA 2008, n.p.) CPA incorporated the former rebel group, the Sudanese People's Liberation Army/Movement (SPLA/M)⁵ into a Government of National Unity (GNU). However the implementation of the CPA has been impeded by the lack of good faith and the absence of political will on the part of the ruling National Congress Party (NCP) and the lack of capacity of the SPLA/M, aggravated by the July 2005 death of its late Chairman, Dr. John Garang, as well as the absence of consistent international pressure. (International Crisis Group, n.d., n.p.) Deliberate obstruction of the CPA implementation by the NCP, particularly

⁵ SPLA should not be confused with the Sudan Liberation Movement/ Army (SLM/A). The latter is one of the main rebel groups operating in western Sudan in Dafur crisis. And SPLA operating in Southern Sudan fought against Sudanese governance in the second Sudanese civil war from 1983 to 2005. Now it has turned into political party. See, *the Times*, August 2, 2005, on the website: <http://www.timesonline.co.uk/tol/comment/obituaries/article550465.ece>

the areas of Abyei, oil revenue sharing and the demarcation of the north-south border, are putting the hard-fought peace at risk. (ibid.)

Besides, another separate conflict broke out in the western region of Darfur in 2003. (CIA 2008, n.p.) The two main rebel groups, the Sudan Liberation Movement/ Army (SLM/A) and the Justice and Equality Movement, took up arms to fight against the region's political and economic marginalization. (International Crisis Group 2008, p.25) Sudan's government in Khartoum used both regular forces and Arab Janjaweed militia to undertake a policy of ethnic cleansing towards the civilian population of African tribes. (ibid.) The attacks by the government forces and allied militias led to the deaths of over 200,000 Darfurians and the displacement of over 2 million. (International Crisis Group, n.d., n.p.) The conflict has even gradually become a regional problem. Darfur crisis has resulted in Sudanese incursions into the Central African Republic and has also brought instability to eastern Chad. (CIA 2008, n.p.) In May 2006, the Darfur Peace Agreement (DPA) was signed, but it was too limited in scope and signatories. It led to more conflict and factionalism, rather than the peace. (International Crisis Group 2008, p.26) July 31 2007 the UNSC authorized the UN-AU Mission in Darfur (UNAMID) to support implementation of the 2006 DPA. (ibid, p.27) The Sudanese government, however, continues to obstruct the deployment of UNAMID. In late January and early February 2008, the security situation on both sides of the Chad-Sudan border worsened. (ibid, pp.27) It resulted in thousands more displaced civilians. (ibid. p.28) The security situation in Sudan is still unrest.

Before the petroleum discoveries in the south-central region of Sudan and their export in 1999, Sudan was facing economic crisis. Sudan has an agricultural economy, employing 80% of the workforce, holding considerable potential for irrigated production. (Encyclopedia of Nations, n.d., n.p.) Droughts have led to famines; civil war has led to the virtual collapse of the economy. In 1993, the World Bank suspended financing of 15 development projects and the IMF suspended Sudan's voting rights in the organization, first because of Sudan's failure to service its international debt, and second because of Sudan's poor human rights record. In 2003, Sudan became the world's largest debtor to the IMF, with arrears of over \$1 billion. Sudan's total foreign debt even exceeded \$24 billion. (ibid) Thanks to the increases in oil production in Sudan, high oil prices and large inflows of FDI as well as Sudan's implementation of macroeconomic reforms required by the IMF, Sudan started to experience its economy boom. Its GDP growth registered over 10% in 2006 and 2007. (CIA 2008, n.p.) Sudan's main oil partners are China, India and Malaysia. (European Commission 2007a, n.p.)

Even if Sudan began exporting crude oil in 1999, agricultural production still plays important role in Sudan's economy, not only because it employs 80% of the work force but also because it contributes a third of GDP. Regardless of rapid rises in average per capita income, much of Sudan's population is estimated to live at or below the poverty line for years. The Darfur conflict and the lack of basic infrastructure in large areas, as well as reliance by much of the population on subsistence agriculture are all factors resulting in the poverty. (CIA 2008, n.p.)

5.2.2 The cause for international sanctions on Sudan

Sudan's involvement with terrorism caused a series of sanctions imposed by the UNSC from 1996 to 2001. It is proved that the National Islamic Front, the strict Islamist party that governs much of Sudan, has provided sanctuary to terrorists, including Osama bin Laden, and has let terrorist groups plan and carry out operations from Sudan. (Bhattacharji 2005, n.p.) The UNSC requires all states to reduce the number of Sudanese diplomatic personnel on their territory and to restrict the entry or transit of Sudanese government officials. A ban against air traffic in and out of Sudan was also decided, but it has never been implemented. (N.N. *People's Daily*, Sep. 6, 2001)

In November 1997, the US first imposed economic and trade sanctions on Sudan through Executive Order 13067 for Sudan's "support for international terrorism, ongoing efforts to destabilize neighboring governments, and the prevalence of human rights violations, including slavery and the denial of religious freedom." The original bill was meant to terminate all commercial activities between the two countries; however, this did not come to fruition. (Kim n.d., n.p.) According to former Secretary of State Madeleine Albright, the sanctions were intended to "deprive the regime in Khartoum of the financial and material benefits of US trade and investment, including investment in Sudan's petroleum sector." (EIA 2004, n.p.) The sanctions were broadened in February 2000 by the Clinton administration. Since then the US citizens and companies are prohibited to conduct business with the Greater Nile Petroleum Operating Company (GNPOC), an international consortium of petroleum companies extracting oil from Sudan. (Ibid.) Based on international press and several UN reports, the US designated Sudanese government's joint oil venture a "sanctioned entity." In October 2002, the Sudan Peace Act was signed into law by President Bush. In this Act, stiff sanctions was outlined, ranging from a downgrading of diplomatic relations to a UN arms embargo, which could have been imposed if the Sudanese government negotiated in bad faith with rebel forces, primarily the SPLA. (Ibid.)

In June 2004, Kofi Annan, the former UN Secretary-General, announced that possible action against the Sudanese government could be taken for alleged human rights violations in the western Darfur region of Sudan. (ibid.) In 2005, the UNSC passed the resolution 1591 proposed by the US to sanction Sudan again. (Zha 2006, p.64) And in May 2007, the US President George W. Bush announced new sanctions against Sudan for the continuing violence in Darfur conflict. (N.N. *BBC News*, May 29, 2007) In the new sanctions, 31 companies and three Sudanese (two are high-ranking government officials and the other one is rebel leader) are prevented from doing business in the US or with the US companies. The US Treasury Department also acted after Bush's announcement to sanction 30 Sudanese companies owned or controlled by the government of Sudan, including several involved in oil exploration, and one company which has violated the arms embargo in Darfur. (Koch, *CNN*, May 29, 2007) Under the pressure of the US announcement, EU began to discuss the necessity of new sanctions against Sudan. The EU has in fact already imposed an arms embargo on the whole of the territory of Sudan in 1994 (Council Decision 94/165/CFSP). Due to the ongoing civil war in Sudan, the EU later decided in 2004 to strengthen the arms embargo with Common Position 2004/31/CFSP and Council Regulation (EC) No 131/2004. (Wezeman 2007, p.3) In 2005, the new Common Position 2005/411/CFSP has been implemented to create a new legal instrument in accordance with UNSCR 1591/2005. After that, Council Regulation (EC) No 131/2004 was amended by Council Regulation (EC) No 838/2005. (Stockholm International Peace Research Institute 2007, n.p.)

A series of sanctions against Sudan could have negative impacts on Sudan's economy. But Sudan has not sunk into a total isolated situation for its relations with China.

5.2.3. Chinese investment in Sudan

In Goodman's opinion, China's relationship with Sudan displays the intensity of China's quest for energy security and its willingness to do business wherever it must to lock up oil. (Goodman 2004, n.p.) In 1995, China first imported oil from Sudan. Since then, CNPC began to explore oil deposits there. (Malaquias 2005, p.207) In 1996, most Western oil companies pulled out of Sudan due to legal, shareholder and US government pressures. (International Crisis Group 2008, p.23) After that China becomes the largest foreign investor in Sudan's nascent oil production. (Johnson 2003, pp.162-164) The GNPOC joint venture is the largest overseas oil investment of Chinese CNPC,

which owns a 40% stake in the oil industry. (Zha 2006, pp.59; International Crisis Group 2008, p.23) It is estimated that already \$5 billion has been invested in it, including the acquisition of exploration and drilling licenses, the construction of pipelines, refineries and other essential infrastructure. (Tull 2006, p.470) Sudan accounts for over 50% of China's oil production abroad. And China has become Sudan's most important oil producer, exporter, and importer. (Servant 2005, n.p.)

For a long time, Western states are Africa's most important trade partners. Their sanctions therefore greatly shocked African states' economy. That is why the US, the UN and the EU have tried to exert pressure upon Sudan by sanctions. Indeed, it is very inconvenient for Sudanese companies that they cannot use US dollars during the international trade because of the US sanctions imposed in 1997. And international sanctions against Sudan should have thrown Sudan into international isolation. Its impact is however for Sudanese government not as unendurable as was expected by international society. This is because China adopted a free-riding strategy, so that it could position itself as an alternative partner of "pariah states" (Alden 2005,p.155) Under pressure mostly from human rights groups, European and Canadian companies divested themselves of their stakes by the year 2003. (Steinhilber 2006, p.11) The incremental withdrawal of Western oil companies offers China a chance to move in Sudan to fill the gap that the western countries had left. (Malaquias 2005, p.207) Since then most of these oil stakes have been in the hands of Chinese companies, and these companies are trying to further develop Sudan into a base for their sub-Saharan business. (Steinhilber 2006, p.11) China supplies arms to Sudan and buys more than half of Sudan's oil. Besides, China has spent millions of dollars investing in Sudan's oil infrastructure. The impact of international sanction measures is therefore weakened. (N.N. *BBC News*, May 29, 2007)

Sudan's relation with China could be described as a lucrative partnership, for China delivers billions of dollars in investment, oil revenue and weapons, as well as diplomatic protection. Because of oil interests, China showed its firm support to Sudan by frustrating Westerns effort in the UNSC when the US and other Western states tried to take action against Sudan for Khartoum's genocidal campaign in the Darfur provinces. (Tull 2006, p.470) China's UN ambassador, Wang Guangya, used the massacres in Darfur as a pretext for threatening to veto the resolution, before finally abstaining. The US-proposed resolution had been significantly watered down in advance and then passed. This incident clearly indicates the strength of the ties linking the governments in Beijing and Khartoum. (Servant 2005, n.p.; Hilsum 2005a, p.422)

Chinese diplomatic experts are of the opinion that oil interests indeed played a role in Beijing's actions at the UN. (Goodman 2004, n.p.) China's steadfast diplomatic support also got reward in the peace agreement between Khartoum and the rebels of the SPLA of January 2005. In this agreement, Sudan government would respect oil leases sold during the war, which rewards Chinese, Malaysian, and Indian companies that made wartime agreements with Khartoum. (Berrigan 2005, n.p.)

It could be said that both China and Sudan governments benefit from their relationship. Because of Sudan's oil supply, China could diversify its oil resources, which is necessary for China's energy security. This has been proved again in the words of Chinese Ministry of Foreign Affairs spokesman Liu Jianchao, "China needs Africa." (Gill, Huang & Morrison 2007, p.9) And thanks to Chinese investment and financial assistance, Sudan has a reliable economic partner who does not question its domestic political situation. China's position on the UNSC protected Sudan from serious sanctions by the West. For its oil interests, China has supported the Sudanese government not only financially but also politically. Any related ethical issue is not Chinese focus. It is energy security that overrides other concerns. (Malaquias 2005, p.208; Jiang 2003, p.116)

However, Chinese standpoint changes gradually. Chinese government believed that its partnership with Khartoum was sufficient to secure its operations in Sudan. But in 2006 and 2007, Chinese-run oil fields in Sudan were attacked by Darfur rebel groups. (N.N., *International Herald Tribune*, Dem. 11, 2007) It shows that Chinese energy security in Sudan is indeed in danger, if the unstable situation in Darfur could not be settled. This shift could be observed as Chinese President Hu Jintao publicly urged the Sudanese government to find solution to the Darfur crisis and improve the humanitarian situation in China-Africa summit. (N.N., *People's Daily*, Nov. 3, 2006)

5.3 The case of Nigeria

Petroleum in Nigeria was discovered in 1956 at Oloibiri in the Niger Delta. (MBendi 2005, n.p.) Today, Nigeria is the largest oil producer in Africa and the eleventh largest oil producer worldwide. It is also a major oil supplier to both Western Europe and the US. (Hanson 2008, n.p.) Oil produced by Nigeria is known as "sweet crude" for its light, low sulfur grade and also for its high gasoline content as well as relatively cheap processing outlay. (Taylor 2007, p.12) Because of an established presence of Western oil companies in Nigeria, China had for a long time been excluded from Nigeria's oil

industry. China is changing this situation through “a mix of canny Chinese diplomacy and sweetener development deals.”(Ibid.) And this attempt is responded by Nigeria as well. Dr. Ngozi Okonjo-Iweala, Nigerian former finance minister, put it neatly, “China is a giant market with giant needs, and we can fulfill them.”(Walt, *CNN Money.com*, Feb. 8, 2006, n.p.)

Diplomatic relations between China and Nigeria were established in 1971. The bilateral trade and interaction began already in 1960. (Uldeala 2002, n.p.) Nigeria is Africa’s largest oil producer, which produces 125 mt oil in 2005. Many production agreements were reached together by China and Nigeria. An \$ 800 million crude oil sale to supply 30,000 barrels of crude oil per day to China was signed by PetroChina and Nigerian National Petroleum Corporation in July 2005. (N.N., *China Daily*, July 10, 2005) CNOOC made an agreement with Nigeria in January 2006 as well. According to the agreement, CNOOC pays \$2.3 billion for a stake in a Nigerian oil and gas field. After that Beijing’s government also came to an agreement with Nigeria that China invests \$4 billion in Nigerian infrastructure in order that CNPC could get the first right of refusal on four oil exploration blocks in Nigeria. (Goujon, *Agence France-Presse*, May 19, 2006) Besides, China and Nigeria signed development agreements, which grant Abuja⁶ export credit worth \$500 million for infrastructure development. (N.N., *International Business Times*, April 26, 2006) And China agreed to repair the Kaduna Refining and Petrochemicals Company. Moreover, China promised to undertake other investments projects, like building a hydropower plant in the Mambila, Plateau State. CNOOC has taken over the commitments of a contractor of a deepwater bloc as well. (Taylor 2007, p.12)

The bilateral relation between China and Nigeria in the oil sector is however facing some challenges. According to director General of the Bureau of Public Enterprises Irene Chigbue, the plan of Nigerian Government to get CNOOC to manage the Kaduna refinery, which produces 110,000 barrels per day, “has run into problems because CNOOC has yet to detail its takeover plans.”(N.N, *African oil & Gas Monitor*, March 13, 2007, p.11) Chigbue said that the Kaduna refinery arrangement was tied to oil block allocation as a result of the peculiar nature of the refinery, which requires substantial investment. But no appreciable progress had been made since the allocation took place, which stresses that the Chinese company being considered for the negotiated sale had not yet fulfilled its part of the deal. (ibid.)

⁶ Abuja is the capital city of Nigeria. Here is referred to Nigerian government.

From Chinese NOC's viewpoint, not only Chinese should take the blame for the failure. For example, the four oil blocks, in which CNPC got the right of first refusal, are of very low quality, which resulted in the relinquishment of CNPC after it has done some seismic work. CNPC's plan to invest in the Kaduna refinery has also failed, as the Nigerian government sold a 51% stake in the refinery to Bluestar Oil, a company run by cronies of former Nigerian President Olusegun Obasanjo, just before he left office. (Downs 2007, p.54) In Taylor's opinion, "such a situation is one of threatens to Sino-Nigerian relations, as Abuja is desperate to offload its former public enterprises to competent management." (Taylor 2007, p.12) Furthermore, an arrangement under which CNOOC would also receive the right of first refusal on several Nigerian oil blocks, in exchange for China Eximbank lending \$2.5 billion for a railroad in Western Nigeria, could also not materialize due to disagreements between CNOOC and Abuja over the amount of interest each would pay on the loan. (Winning, *Dow Jones International News*, Nov. 2, 2006)

Another challenge is the security situation surrounding the oil industry in the Niger Delta. Ndubisi Obiorah noted,

"The Nigerian government is increasingly turning to China for weapons to deal with the worsening insurgency in the oil-rich Niger Delta. The Nigerian Air Force purchased 14 Chinese-made versions of the upgraded MiG21 jet fighter; the navy has ordered patrol boats to secure the swamps and creeks of the Niger Delta." (Bello 2007, n.p.)

It is therefore not surprisingly that Nigerian militants from the Movement for the Emancipation of the Niger Delta (MEDN) have warned Chinese companies to "steer well clear" of the Niger Delta or risk attacks. (N.N. *BBC News*, April 30, 2006) MEDN also claimed that a car bomb near the port town of Warri was a "warning against Chinese expansion in the region" and that "the Chinese government, by investing in stolen crude, places its citizens in our line of fire." (ibid.; Kang 2007, p.40; Amosu 2007, n.p.) These challenges heavily influence China's oil interests in Nigeria.

5.4 The case of Angola

Angola is Africa's second- largest oil producer. Its economy is highly dependent on the oil sector, which accounts for over 40% of GDP and almost 90% of the government's revenues. (Pan 2007, n.p.) In 2004, Angola has already exported 117 million barrels to China. Compared with the previous year, this export volume has

increased 60%. (Mwega 2006, p.4) According to the World Bank, Angola accounted for half of China's oil imports from Africa in 2005. (Pan 2007, n.p.) And it became China's second largest oil supplier in 2006. According to China's Ministry of Commerce, Saudi Arabia with a total of 23.87 mt was China's largest crude oil exporter in 2006. It was followed by Angola with 23.45 mt of crude oil exported to China. (Ministry of Commerce of the People's Republic of China 2007, n.p.) Meanwhile, Angola also became China's second largest trading partner in Africa. The bilateral trade accounted for US \$4.9 billion in 2004, which has increased more than 113% from 2003. (N.N., *Afrol News*, March 7, 2005)

In 2002, Angola's government and rebels finally laid down arms. (Kurlantzick 2006, p.1) Angola is in the process of recovering from a thirty-year civil war. In order to get a new loan for the reconstruction funds after its civil war, Angola was in the negotiation process with the IMF in 2004. In consideration of Angola's corruption and bad governance, the IMF insisted on including the transparency measures to curb corruption and improve economic management. (Taylor 2006, p.90) The IMF decided to convince the Angolan government to adopt provisions to decrease graft and ensure that oil revenues went to social programs. It seemed at first to Angolan ministers acceptable that IMF loans is linked with intensive monitoring. (Kurlantzick 2006, p.1) Therefore, by the beginning of 2005, IMF officials believed the financing agreement with Angola could be reached very soon. The Angolan government however suddenly stopped negotiating with the IMF. (Ibid.) This was because China's export-credit agency, Eximbank, gave Angolan government a counter-offer of a \$2 billion loan with only 1.5% interest rate and a much better payback period of 17 years. (Servant 2005, n.p.; Taylor 2006, p.90) More appealingly, China's offer included none of the IMF's conditionalities about corruption or graft. (Taylor 2006, p.90) In comparison with cheaper loans with certain conditions like demand on reforms and transparency from large international institutions such as World Bank and the IMF, the Angolan government favors the commercial loans backed by oil more. (ibid., pp.90)

In addition to the \$2 billion loan in 2005, another \$1 billion from China for securing the oil deals was agreed in March 2006. China's Sinopec then used this credit line to acquire stakes in three Angolan oil exploration blocks with the total reserves of 3.2 billion barrels of oil. Sinopec, due to the joint venture with Angola's state national oil company (Sonangol Sinopec International), gained stakes of 27.5%, 40%, and 20% in these offshore blocks. After the deals come on stream, Sinopec expects to get oil

production of 100,000 barrels a day. (N.N., *Agence France-Presse*, June 13, 2006)
Angola exports 25% of its oil to China in 2005. (Servant 2005, n.p.)

Besides the oil deals, Chinese loan also funds projects to rebuild roads, railways and technical institutes in Angola. The reconstruction of the 1,300 kilometer railway between the west coast city of Benguela and the mineral-rich area on eastern border with Democratic Republic Congo is a typical example.(N.N., *Agence France-Presse*, June 22, 2006) In order to rebuild the road destroyed in Angola's civil war, China has offered a \$211 million credit to finance this project in first stage. And the private Chinese company Roads and Bridges Corporation is going to be carried out this project over the next two years. (N.N., *Agence France-Presse*, August 30, 2004)

The Chinese funded projects in Angola are however often criticized by the international society both for the lack of public scrutiny of specific reconstruction projects and for the procurement process. According to Global Witness, Chinese loan, which should initially be intended for the reconstruction of the country, is nevertheless being used for other purposes, such as for government propaganda in the 2006 elections. Global Witness had reported that such problems resulted in the unwillingness of Angolan government to be more transparent about its oil revenues. (van de Looy 2006, p.19)

Some other criticisms come from Angola's local firms. They fear that they may not get the work in the reconstruction process, even though the country has laws stipulate that locals must get at least 30% of the work. (Cartillier, *Agence France-Presse*, July 24, 2006) This fear is not baseless. Tens of thousands of Chinese workers have come to Angola for the purpose of working for Chinese companies. (Ash, *BBC News*, Dem. 4, 2007) China's such massive transfer of personnel has no positive effect on African job markets, nor on the building of local capacities as well as the transfer of technologies. (Alden 2005, n.p.)

After discussing the three case studies, it could already be observed that Chinese way of doing business differs much from the Europeans. That is the reason why so many criticisms against Chinese approach are raised. Therefore, how these two kinds of strategies compete with each other and how the African countries response to them, are the main focuses in next Chapter.

6. The potential competition between China and European countries

6.1 Development of relations between Europe and Africa

6.1.1. Overview of development of EU-Africa relations

As mentioned in Chapter 5, even if Asia has become more important to SSA, the EU and the US are still Africa's largest trading partners. (IMF 2007a, pp.39) But the relation between Europe and Africa has modified overtime with the changes in the geopolitical climate and the emergence of independence movements on the African continent, as well as advances in European integration. (Kotsopoulos 2007, n.p.) After the colonial era, Africa tries hard to get rid of the European invasion. Africa would on longer like to be such a place where "rival European nations eager to expand their mercantile interests, to compete with one another strategically on a global checkerboard and to impose their values, religious or otherwise." (French 2006, p.127) Therefore, the African countries were in the beginning reluctant to have tight relations with their former colonizers. (McClelland 1975, pp.112-117)

Nevertheless, the ties between African and European countries actually remain very close. The European Economic Community (EEC) reached arrangements with former colonies. Through those arrangements, the EEC granted preferential market access, and also guaranteed substantial financial aid. The Yaoundé Convention was a typical example. (World Trade Organization 2007, pp.183) In 1963, eighteen associated francophone African states and Madagascar attended the convention in Yaoundé with representatives of the EEC, including the European Coal and Steel Community. They signed the First Yaoundé Convention ran from 1964 till 1969. (ibid; Tóth 2007, p.112) This convention was followed by Yaoundé Two which ended in 1975. (Dorman, n.d., n.p.) According to the Conventions, the Yaoundé countries were allowed to export the small amount of industrial goods they manufactured, usually duty free, into the Community but with much less preference for exports of agricultural products. (Ibid.) Since the Yaoundé system was dominated mainly by French interests, the accession of Great Britain to the EEC in 1973 necessitated the reform of the European-African overture. In 1975, the Yaoundé system was replaced by the Lomé Convention. (Tóth 2007, p.113) During the Lomé process, some new elements relating to Euro-African cooperation were brought into, for instance the two export-establishing systems called Stabex and Sysmin⁷, and the question of food security. (Ibid., p.112) The Lomé Convention could be seen as an ambitious attempt at engineering a progressive

⁷ This system is based mainly on a system of tariff preferences which give those countries access to the European market and special funds which maintain price stability in agricultural products and mining products. See Mouradian 1998, n.p.

agreement between North and South. (Mouradian 1998, n.p.) Although it was Europe's wish to guarantee its own regular supplies of raw materials, and to maintain its privileged position in its overseas markets that reached the Lomé Convention, the Convention was also partly derived from a sense of EU's responsibility arising out of its colonial past. (ibid.)

The Lomé Convention was in force until 2000, and due to the pressure of the World Trade Organization (WTO), and also that of the US, it was then replaced by the Cotonou Agreement in the same year. (Tóth 2007, p.113) The signatory parties decided on the one hand to discontinue the system of Stabex and Sysmin, and on the other hand to extend their cooperation to political issues. (ibid, pp.113) This change also showed that the leaders in both Africa and Europe had been aware that a paradigm shift was necessary for the challenges they face in the 21st century. (Ibid., p.114) Africa's value has been significantly growing since the 1990s, and the international great powers, such as the US, China and Russia, make more efforts to develop the African continent. The leaders of Europe would also not like to be left out of the game. (Ibid.; Zhang 2007, p.12) EU-Africa relations therefore entered into a new phase. At a summit in Cairo in 2000, the leaders of the EU and African states agreed to launch a Euro-African dialogue for establishing a new basis for cooperation. (Tóth 2007, p.114) In the Cairo Declaration Section 4, it is reaffirmed that the African-European summit would be held each year to harmonize their policies, including the issue of security. (ibid.)

After 2000, African security issues are frequently included on the European agenda. (ibid, pp.112) The foundation of the African Union (AU) in 2000-2001 enabled the EU to treat the AU as an equal partner. The EU mainly offers the AU financial support, which is administrated through the European Development Fund. Besides, African Peace Facility (APF) was established by the Council of Ministers of the EU and African, Caribbean and Pacific Group of States in 2003. The APF allocated €250 million⁸ for three years and supports only African-owned projects. (Ibid., p.115) In order to promote peace and security in Africa, the EU, according to the brand-new European Africa strategy, also promised to support Africa's conflict prevention, management and resolution, as well as post-conflict reconstruction and peace-building. (European Union database 2005, p.4) For the aim of maintaining peace and security in Africa, the EU, like the IMF and other international institutions, therefore offers

⁸ According to European Union Database 2004, €200 million are set for peacekeeping operations, €35 million for capacity building, €12 million for contingencies, €2 million for evaluations and €1 million for audits.

development aid on condition that political transparency and good governance in African countries must be improved. (Meidan 2006, p.87)

These requirements also apply to African revenue from oil and gas trade. In 2004, 12% of EU's oil consumption came from the North Africa. (European Commission and the Secretary-General/ High Representative 2006, p.6) And the EU is of the opinion that increasing dependence on imports from unstable regions and suppliers presents a serious risk. (Ibid., p.1) In order to decrease the risk, the EU has to assist African governments to implement their transparency standards. (The Africa-Europe Energy Forum 2007, p.2) Besides, the EU hopes that the African convention against corruption and the Extractive Industries Transparency Initiative (EITI) rules, which aim to strengthen governance by improving transparency and accountability in the extractives sector, could be implemented effectively. (EITI, n.d., n.p.) And anti-corruption standards also need to be enforced and observed by EU governments and the private sector as well. (Ibid.)

The attempt of the EU for improving the stability and security in Africa is very clear. But this effort does not necessarily create better relationship with the African countries. In the following section, the challenges on the EU-Africa partnership are going to be discussed.

6.1.2. Challenges on the EU-Africa partnership

The new established framework of the EU-Africa partnership confronts already challenges. First of all, in European viewpoints, the only way to achieve a permanent peace and to secure the energy supply is to foster the integration in Africa. This opinion is not only based on EU's own integration experience, but also related to the immature European Common Foreign and Security Policy, which results in the EU's unwillingness of taking further direct military responsibility in maintaining peace in Africa. (Zhang 2007, p.13) The establishment of the AU is seen by the EU as an historical opportunity to 53 African members. Nevertheless, most African countries do not yet meet the principles of democracy, good governance, human rights and rule of law, on which the AU were founded. And from an economical aspect, the cost of African integration seems to be too expensive for most African states in the short term. (Tóth 2007, pp.115)

Second, because of the colonial relations with the Europe in the past, Africa is very cautious with the European motives in its present dealing with the African continent. Questions and doubts arise, such as “have European countries shaken the imperialist

leanings that manifested themselves as far back as colonialism and as recently as the Cold War?” “Does the EU, for example, want to increase its profile on the continent simply to counter the influence of China and the US in the ‘new scramble for Africa’?” (Motsi 2007, n.p.)

The doubt of too strong historical ties of patronizing conquest between Europe and Africa could be seen more clearly when the role of France in the domestic policies of Francophone Africa is analyzed. Take the actions of the French Operation Unicorn peacekeeping force in the Ivory Coast for examples. French interests represent 33% of foreign investments in the Ivory Coast and 30% of its GDP. The actions of the French Operation Unicorn peacekeeping force in the Ivory Coast then faced the problem of France’s dual role as both mediator and participant. (Ibid.) Warning was published as early as January 2003 at the African Social Forum in Addis Ababa:

“If France continues to act in this imperialist fashion, it risks increased military involvement across the continent over the next few years... In the light of the Rwandan genocide of 1994, the Congo-Brazzaville civil war of 1997 and current conflicts in the Central African Republic and Ivory Coast, French-speaking African states must urgently re-evaluate their relations with the former colonial power.”(Diop, *Le Monde Diplomatique*, April 2005)

Thirdly, the EU offers development aid to African states with political strings in order to transform Africa into a securer and more democratic continent, while the Chinese financial support comes usually without conditions, except for Taiwan issue. (Motsi 2007, n.p.; Heberer & Senz 2007, p.44; Bello 2007, n.p.) Europe focuses mainly on peace and security issues, recently particularly on terrorism and migration, while China cares more about business, which accords with African concern with the trade and economic issues, especially the debt cancellation. (Motsi 2007, n.p.; Zhang 2007, p.12)

An “expectations-capability gap” could be observed in the EU-Africa ties, which means that the European demands clash with a lack of African capability or willingness to meet them, and vice versa. (Kotsopoulos 2007, n.p.) These different emphases laid by European and African countries provide China a chance to offer better deals, which could more easily touch the hearts of the African states. The competition between China and the EU in terms of their different approaches towards Africa emerges inevitably.

6.2 The impact of Chinese investment in Africa on African states

6.2.1. Reasons behind the growing Sino-Africa economic cooperation from Chinese perspectives

There are several reasons that could answer the question why Africa becomes more and more important for China and why the trend of greater Chinese involvement in Africa could be established.

First of all, China's hunger for energy commodities forces China to develop closer relations with African states, especially with the oil-rich countries. Nine of China's most important African trading partners are resource-rich countries, which even included Chad, an emerging oil producer but once also one of the few African countries that recognize Taiwan. (Tull 2006, p.465) It seems that China's thirst for oil is so important that even the "One China principle" could sometimes be disregarded. (van de Looy 2006, p.15) However, it does not mean that China always makes a concession on this point. Chad had in 2006 broken off diplomatic relations with Taiwan and established diplomatic relations with China. This shift could also imply China's insistence on "One China principle."

Chinese government has a clear policy in support of African commercial ventures, abundant financing and tax benefits for Chinese firms operating abroad and robust diplomacy toward African. (De Lorenzo 2007, p.2) This distinguishes China's involvement in Africa from other nations. In addition to Chinese governmental efforts, Chinese companies' pursuit of Africa's market plays even a more crucial role. By 2004, around 700 Chinese companies were operating in 49 African countries. (Hilsum 2005b, n.p.) Compared with Western companies, Chinese firms are relatively less risk-averse. China often puts its effort "on what may be called niche markets."(Tull 2006, p.469) Wherever the industrialized nations had withdrawn, the Chinese marched in at the double. (Gu 2006, p.59) Since Chinese businesses appear to regard the unstable and difficult political and economic environment in many African states as an economic opportunity due to the limited competition (Tull 2006, p.469; Scholvin 2007, p.3), they are therefore willing to take the risks, which brings Chinese firms "huge profits from rate of return on foreign direct investment."(United Nations Office on Drug and Crime 2005, p.78) Moreover, Chinese businesses focus mostly on special sectors such as infrastructure (roads, railways dams, power plants etc.). Many of these projects are however not commercial. Some of them are financed through Chinese aid, and some are far from profitable because the costs are set below market rates. This strategy makes

short-term commercial profits impossible, though, this enables China to gain good impression and political influence in those African states. (Tull 2006, p.468) And it creates long-term profits for commercially or strategically more attractive businesses in other sectors, such as oil and mining concessions. (Ibid.; Gill & Reilly 2007, p.38)

Second, since the Tiananmen event, China has realized and experienced the importance of African support in the international society. (Meidan 2006, p.90) Over the past decade, without African nations' support, China could not have defeated human rights proposals against it 11 times at the UN. (Li 2007, p.75) Particularly in multilateral organizations with "one country-one vote" arrangements, the diplomatic support from African governments is for China valuable to defend its interests at international level. (Tull 2006, p.467; Müller 2006, p.92) China has once stated that China regards Africa "as a partner to coordinate its positions with...in the process of international economic rules formulation and multilateral trade negotiations." (Alden, 2005, p.153) According to Meidan's viewpoint, it not necessarily means that China wants to promote a new system, but it is indeed "fostering its ties with a potentially important bloc." (Meidan 2006, p.90) Jiang Zemin has mentioned in his speech at the opening ceremony of FOCAC 2006, that "China is the largest developing country in the world and Africa is the continent with the largest number of developing countries" (Jiang 2006, n.p.) With the permanent seat in the UNSC, China positions itself as "a mentor of African countries." Chinese support for fairer global trade and Africa's various reform-oriented institutions like the New Partnership of Africa's Development (NEPAD) and the AU are good examples. (Tull 2006, p.462) Based on this position, the quasi-nature convergence of interests between the two sides could be easily achieved. (Ibid.)

Thirdly, as mentioned in Chapter 3, from the late 1980s until the early 1990s, curbing Taiwanese independence was the predominant focus of Sino-African relations. Strong relationship with Africa played an important role in responding to Taiwan's so-called "flexible diplomacy," and in opposing Taiwan's drive for "one China, one Taiwan." (Tubilewicz 2002, pp.791-810) At that time, Chinese scholars believed that China's main interest in Latin America and Africa was to prevent the Taiwan authorities from making trouble by taking advantage of the small countries there. (Yan 1997, pp.114; Gill & Reilly 2007, p.38) However, as time goes by, the national strength of the China continues growing and the diplomatic sway of Taiwan decreased. (He 2007, pp.24) After Taiwan's diplomatic relations with Malawi was broke off in the beginning of 2008, at present only four African countries, namely, Burkina Faso, Sao Tome and Principe, Swaziland, and Gambia maintain official relations with Taiwan. Even if China

has already got the upper hand in the diplomatic competition with Taiwan, it still continues inviting those African countries with diplomatic relations with Taipei to attend FOCAC. (N.N. *BBC Chinese.com*, Oct. 20, 2006) And China's diplomatic conquest of the African continent again shows China's rising political influence and success. (Meidan 2006, p.90)

Fourthly, from Chinese standpoint, it is worth to point out that not only China but also African states benefit from the growing economic cooperation. Chinese energy investment in Africa is often accompanied by aid for infrastructure, which makes Africa more attractive to foreign investment. (Li 2007, p.78) Take the investment in Sudan for example. Chinese companies have been involved in the oil production industry for about a decade. China indeed imports a notable percentage of Sudan's total oil exports. (ibid.) Chinese companies, in the meanwhile, also help Sudan to "establish a complete and viable oil export industry from exploration, production and refining to sales of crude oil, gasoline and petrochemical products." (N.N., *Oilnews online*, 2002) Such mutual benefit could also be represented in the areas of fair trade and debt reduction. China plans to further open its own markets to Africa by lifting tariffs on some items that are exported by African countries which are least developed and have diplomatic relations with China. (N.N., *Xinhua News Agency*, Jan. 30, 2007) In addition, at the Summit of the FOCAC in 2006, up to 156 debts totaling \$1.4 billion from 31 poor and heavily-indebted African countries have been reduced and/or exempted by China. (He 2007, p.37) Such debt reduction does benefit African countries.

Moreover, Western countries have largely refused to offer technical assistance and cooperation in science and technology with Africa. But it is a rapidly expanding part of Sino-African relations. Take a communications satellite- Nig-Sat I for example. In this collaboration between China and Nigeria, China has provided much of the technology necessary for launch, on-orbit service and even the training of Nigerian command and control operators. (N.N., *Xinhua News Agency*, May 14, 2007) Another example is that Chinese oil expert and engineer Wang Qiming of Daqin has been sent to Sudan to share African engineers with new technology that assists with the best-use practices of exhausted oil fields. (N.N., *China Petroleum Daily*, June 26, 2007)

In China's viewpoints, this "win-win" situation is the best reward for both sides. Chinese increasing presence in Africa should therefore bring positive influence to the continent.

6.2.2 Reaction of African countries toward Chinese growing investment in Africa

Impact of Chinese growing investment on African countries

When it comes to the impact of China's growing involvement on the African continent, the discussions could be divided into three different groups of African countries: democratizing/transition countries, mineral-rich countries and post-conflict states.(Tull 2006, p.473)

For those democratizing/transition countries, China, unlike other major donors, did not seriously attempt to make any constructive contribution to support transition to democracy in Africa. It is not democracy but the so-called dogma of non-interference that matters in Beijing's foreign policy. Chinese defense of sovereignty benefits usually unsavory regimes, but undermines the efforts at political liberalization. Revenues from trade (and taxes) and Chinese development assistance as well as other means of support help Africa's autocrats to control domestic demands for democracy and the respect for human rights. For African state leaders, it is attractive to have close relations with Chinese, although the ordinary Africans could not benefit much from it. (Tull 2006, p.474; Wang 2007, p.237)

For those mineral-rich countries, China has no economic incentive to focus on the issues like fiscal transparency and accountability, which are usually emphasized by the Western countries. Based on the dogma of non-interference, China tends to "win the political favor of sovereignty-conscious governments, such as Angola."(Tull 2006, p.474) Even if the humanitarian tragedy in Darfur caused international sanctions against Sudan, China is still reluctant to exchange its own economic interests for the domestic issue in Sudan. (Ibid.) Since China thirsts for the energy commodities, governments of those mineral-rich countries consider themselves to have more bargaining counters in the negotiation with Chinese companies than with western ones. (Liu 2007, p.45) The cooperation between China and those mineral-rich countries is therefore further pushed.

For post-conflicts states, China, on the one hand, gradually involves more in UN peacekeeping in those states, in which only a small number of Western industrialized states are politically willing to participate in peacekeeping. At present, 1300 military personnel from China are in Africa on UN missions. (Wang 2007, p.237) On the other hand, China, in the meanwhile, pursues strategies which may not necessarily contribute to solution but prolongation of violent conflicts. One example is China's controversial role in the UN Mission in Liberia. Although China takes part in UN Mission in Liberia, for China's own economic interests, China still imported almost half of Liberia's timber

in 2000. This provided President Charles Taylor with enough wherewithal to maintain in power. Until July 2003, China and France, both two important buyers of Liberian timber, finally agreed in the UN to sanction against Liberia's timber exports. The decreasing revenues from timber exports and the efforts of rebel groups eventually forced Taylor to leave Liberia in August 2003, when the peace process finally began. (Tull 2006, p.475)

Positive reaction of African countries towards Chinese increasing presence

Since China, like Africa, had once suffered from the ill-effects of the colonial era, it highlights the ideas of equality and respect for sovereignty. Chinese dogma of noninterference and Chinese financial support without conditions are very welcomed by many African states. (Li 2007, p.75; Yuan 2006, p.9) In an interview in Khartoum, Sudan's capital, Energy and Mining Minister Awad Ahmed Jaz praised his Chinese partners for sticking to trade issues. "The Chinese are very nice...They don't have anything to do with any politics or problems. Things move smoothly, successfully. They are very hard workers looking for business, not politics." (Goodman 2004, n.p.) The Angolan Embassy in London also asserted,

"it is a well known fact that many developed countries make the support and aid they give conditional on the recurrent issue of transparency, a demand that is imposed as a principle only on weaker countries that need international support precisely in order to be able to ensure domestic stability and good governance... In the case of the agreement recently signed with the Chinese bank, no humiliating conditions were imposed on Angola. The agreement therefore greatly surpasses the contractual framework imposed on the Angolan government by European and traditional markets and opens up a practical means of sustained and mutually advantageous cooperation with one of the world economies with the highest growth rate."(N.N., press release of Embassy of Angola, March 26, 2004)

Those African elites and intellectuals thus tend to see the emergent South-South relations as an opportunity for African states to get rid of the new-colonial ties to the West. (Goldstein et al. 2006, pp.41) Some African scholars believe that Chinese investment could help African economies to achieve long-term growth through the principle of mutual benefit. (Davies & Corkin 2006, p.10) They believe that China's

involvement could likely make jump-start change on the continent, which is a welcome, even if unintended, result of China's quest to secure global energy resources. This is because Chinese companies built the roads and schools, and these infrastructures help African countries secure other loans and investment opportunities, and contribute a better atmosphere of development that may some day change the continent. (Pan 2007, n.p.; Bello 2007, n.p.) Such contribution is what the EU has had difficulty to match. (Berger 2007, n.p.) As one analysis has indicated,

“Unlike Belgium, which built roads solely for the extracting of resources in the Democratic Republic of Congo, China is constructing or improving roads that are suitable not only for the transport of resources but which citizens can also use to travel.”(Marks 2007, p.34)

Besides, Chinese growing economic development is also been seen as an appealing economic model for Africa to follow. (Liu 2007, pp. 46) Some elites in Nigeria, Ethiopia, and Angola, even the African Development Bank's President have declared that Africa can learn a lot from China. (Sautman 2007, p.10)

Negative reaction of African states towards Chinese investment in Africa

China's growing demand for resources has indeed become the new driving force for economic development in Africa. (Chen 2007, p.2) However, Chinese-African trade based mostly on Beijing's economic interests in Africa, which does not much differ from Western-African trade patterns. (Goldstein et al. 2006, pp.32) This implies that the rapidly emerging economic exchanges between Africa and China will not necessarily “fundamentally alter Africa's asymmetrical integration into global markets, nor will they reduce Africa's dependence on a few price-volatile primary goods that count for 73% of its overall export revenues.”(Tull 2006, p.471) It is estimated that without Beijing's imports of oil and other raw materials, African trade with China would have a huge deficit. (Taylor 2004, p.98)

Besides, local industries, businesses and aspects of the labor market are confronted with competition of an unprecedented scale. (Berger 2007, n.p.; Guèye 2007, p.238) Most African producers could not compete with Chinese companies because of the low costs and prices of Chinese productions, even in Africa's domestic markets. (Liu 2007, p.45) As mentioned in Chapter 5.1, cheap Chinese products have flooded in African

domestic market, such as Nigeria. It undermines the local African country's commercial operations. (Taylor 2007, p.11; Amosu 2007, n.p.) And as discussed in the case study of Angola in Chapter 5.4, China insists on the use of mostly Chinese labor, regardless of the fact that African labor is abundant and desperate for opportunities to acquire new skills. (Amosu 2007, n.p.) For that reason, Africa could not expect economic boom through Chinese investment, even though the economic activities of Chinese entrepreneurs could have a positive contribution to African local development. (Bräutigam 2003, pp.447-467)

One thing that should not be neglected is that China's foreign trade policy originally does not found on "altruistic motives." (Mbeki, *Sunday Times*, Oct. 24, 2004) Therefore, in the field of labor-intensive and export-oriented manufacturing such as textile and clothing, Chinese and African businesses could not be cooperators but economic contenders for investments and markets. (Jenkins & Edwards 2004, n.p.) African exports to China are by and large limited to capital-intensive commodities. This imbalance results in creation of jobs in China, but at the same time, "imports from China have undermined job market in Africa."(Tull 2006, p.472) A question is inevitably raised: will a win-win situation really be created, when Chinese-African interaction is going to be further enhanced?

When South Africa trade union persuaded the Pretoria government to protect its own textile industries from the threat of cheap Chinese textile imports, Chinese official reaction was to note that "any move by the South African government to restrict textile imports from China would violate the WTO free trade agreement."(N.N., *Integrated Regional Information Network*, June 29, 2005) This shows clearly that China's interests still "supersede vague discourses on South-South solidarity."(Tull 2006, p.473) Many Africans are therefore under the impression that Chinese are pursuing their own interests in Africa, but not primarily engaged for the continent's development. (Guèye 2007, p.241)

China's response to African criticisms

In response to these criticisms, China explained its strategy from an economic perspective. First, it is more efficient and convenient for Chinese entrepreneurs to recruit skilled workers in China than to train local workers, because the former are usually more familiar with the technologies and face little obstacles in communication with management. Second, Chinese laborers abroad are more compliant to the

demanding labor practices which Chinese managers insist on. They are also already accustomed to working longer hours, even during local holidays and on weekends. (N.N., *Southern Weekly*, July 26, 2007) Thirdly, employing African workers forces China to get involved into local laws to a higher degree, which is a disadvantage to efficiency. (Li 2007, p.81)

For local Africans, these statements sound more like excuses than convictive reasons. The success of Chinese goods in African markets still indicates the suffering of domestic industries, especially textile industries. But these cheap goods indeed benefit African consumers. Such domestic conflicts toward Chinese presence in Africa could be observed in the domestic debate in African countries, such as Senegal, where Chinese traders upset Dakar rivals. (N.N., *Taipei Times*, Aug.7, 2004) Four traders' groups in Senegal's capital called a protest for August 23, 2004, and tried to push for an import ban for the unfair competition. They accused Chinese of selling goods of poor quality. Dame Ndiaye, president of one of the four traders' associations, said that "the Chinese bring no added value and do not really create jobs."(ibid.) Compared with the standpoint of traders' associations, Momar Seyni Mbengue, a former Senegalese ambassador to Beijing and the president of the Senegal-China friendship committee, is of the opinion that Chinese traders sell cheap goods and give work to Senegalese. This viewpoint is supported by the Senegal consumers' association Ascosen. Ascosen mentioned,

"Since the arrival of Chinese shopkeepers, the price of basic goods has been cut to a third or a fifth [of what it used to be] ...As a result many goorgorlu [ordinary Senegalese] have begun to be able to afford goods. Now electrical household foods are within the reach of every budget."(ibid.)

The dispute in Senegal could reflect the complicated viewpoints toward the growing presence of Chinese in Africa. Solving the conflict between Chinese and African traders is difficult, but not impossible. It needs consultation between the governments of both sides. And, China's willingness to export technologies to Africa could also help local industries to raise the quantity and quality of their production, which makes the products much competitive. (Li 2007, p.82)

After separately reviewing the EU-Africa relations and Sino-Africa relations, the potential competition between Chinese and European approaches towards Africa could probably be seen. Thereinafter, this competition will be analyzed more precisely.

6.3 Competition between Chinese way of investment and European strategy

The Chinese leadership considers Africa as a strategic vacuum that gradually becomes a favored destination of Beijing's foreign ministers. (Gu 2006, p.57) This reflects both symbolic and real gestures of China's respect for Africa. Even if the influence of Western powers remains strong in Africa, China has shown its clear intention and potential to compete with the Western power. Africa is regarded by many Western countries, especially the EU, as "their spheres of influence." This could be felt from the colonial legacy and their geo-strategic influence during the Cold War to their transnational corporations in Africa. From Western viewpoints, China is an "external player" in African continent. (Berger 2006, pp.115-127; Lyman 2006, pp.129-138) From African's viewpoints, the presence of Chinese is still welcomed, even through Chinese way of doing business on the African continent, especially for securing its energy supplies, often causes criticisms in the international society. It is not only because Sino-African trade indeed benefits Africans to some extent, but also because it offers Africa a possibility to make choose between two different approaches. For quite a long time Africa suffered from its marginal position in global politics. Such possibility of making choice nowadays is especially valuable to Africans. All three different standpoints of China, Europe and Africa make the competition between Chinese and European approaches more complicated. Such clash is going to be analyzed in the following.

6.3.1 Chinese approach differs from Western pattern

In order to build closer relations with African countries, China has realized that it needs to avoid the mistakes the "American imperialists" and the "European colonialists" made. (Gu 2006, p.60) China is therefore driving a message of the so-called "win-win situation" in the increasing Sino-African cooperation. Chinese government tries to make an impression on African countries that China is not only an appealing alternative partner to the West, but also a better choice for Africa. (Tull 2006, p.466; Chen 2007, p.1) This is because Chinese approach differs from Western pattern in many aspects.

First, China's insistence on the dogma of national sovereignty impressed African governments. (Hofmann et al. 2007, pp.78) China's donor policy has no political conditions, except for the Taiwan clause, attached to its development assistance. (Ibid., p.86; Tull 2006, p.466) Since many African regimes have suffered from the political and economic shake during the western reforms, which on occasion resulted in bad consequence, like outbreak of violent conflict, Chinese aids are thus more attractive to them. (Tull 2006, p.467; Heberer & Senz 2007, p.44) In Beijing's view, these failures of Western-driven economic reforms offer China a better opportunity to carry out China's policy towards African on the continent. As BBC Monitoring Newsletter reported the opinion of Remin Ribao, the official newspaper of the Communist Party:

Owing to the general failure in the West's political and economic behavior in Africa, African nations, which were only suspicious at first, are now negating Western-style democracy and have reinitiated 'Afro-Asianism' and proposed 'going towards the Orient.' This has opened up new opportunities for further enriching the content and elevating the quality of China-Africa cooperation. (N.N. BBC Monitoring Newsletter, Jan. 8, 2004)⁹

Second, Chinese aid benefits African government more directly than the policies of Western donors, who focus usually first on the reduction of poverty. Unlike other donors, China prefers to provide loans to Africa, rather than grants. And the aid is almost always disbursed bilaterally and directly to recipient governments. This implies that China can use these loans as leverage over recipient nations, which could to some extend better secure Chinese oil interests there. (Kurlantzick 2006, p.3) Besides, China is willing to fund infrastructure projects, which the World Bank and most bilateral donors stopped funding decades ago. (Ibid.) Compared with the Western donors, Chinese accept without difficulty to finance grandiose and prestigious buildings, such as presidential palaces, football stadiums, which are for African leaders' own political reasons more appealing and beneficial. (Tull 2006, p.467) Despite of criticisms of many EU leaders that China is suspected of actually taking sides with the most destabilizing or repressing African governments (Cabestan 2006, p.34), Chinese approach is still welcomed by many African regimes.

6.3.2 Criticisms of bad consequence resulted from Chinese approach

⁹ The title and the name of the author of this article could not be found.

Lyman, adjunct senior fellow for Africa studies at the Council on Foreign Relations, once said China's interest in Africa has both positive and negative effects. "It's good for the continent because it brings in a new actor who's willing to invest, but it's bad for Africa if it turns countries away from the hard work of political and economic reform." (Pan 2007, n.p.) That is the reason why Chinese ways of investment often faces strongly criticisms made by Western actors. Phillip Maystadt, the European Investment Bank's president, bemoaned the budding relevance of Chinese creditors. He warned that competition between China and Western banks, including the World Bank, would undermine Western development efforts. (Parker & Beattie, *The Financial Times*, Nov. 29, 2006) On the one hand, Chinese (construction) firms have lower costs. They can easily outbid western competitor and win the contracts for projects. (van de Looy 2006, p.26; Bello 2007, n.p.; Guèye 2007, p.241) On the other hand, Chinese way of doing business is described by international observers as "paying bribes and attaching no conditions", which undermines local efforts to improve the transparency and good governance. (van de Looy 2006, p.26) As Hilary Benn, Britain's secretary for international development, warned that the "Chinese unconditional aid and cheap loans to African governments risks driving back into debt countries that have only just benefited from debt relief, and undermines efforts to create democratic and accountable administrations." (McGreal, *The Guardian*, Feb. 8, 2007) And also the human rights policy of the OECD states is influenced. (Hofmann et al. 2007, p.86) In Chad and Kenya, Chinese aid has helped the governments avoid IMF and World Bank criticism of their failure to implement a comprehensive anti-corruption strategy. (Kurlantzick 2006, p.5) Similar situation happened in Angola. As discussed in the case of Angola, the negative influence resulted from China's way of doing business is also pointed out by Global Witness,

"The long-standing concerns about the lack of fiscal transparency and accountability [by the Angolan government] also extend to the reconstruction process. There has to date been no public scrutiny of either specific reconstruction projects, nor of the procurement process managed by the National Reconstruction Office, including projects selected under the terms of the \$2 billion credit line extended to Angola by China" (N.N., *Integrated Regional Information Network*, Feb. 21, 2005)

Taylor is of the opinion that such rapidly developing relationship between China and Angola will not end the corruption of the elite in Angolan government, which is the result of Chinese discourse of “non-interference” in domestic affairs. (Taylor 2006, p.91) Douglas Steinberg, outgoing director of the Angolan programme of the humanitarian NGO Care, also noted,

“My reaction when I hear of this big Chinese loan is that it distorts the whole process and gives a lot more flexibility for Angola not to comply with the conditions of other deals, such as an agreement with the International Monetary Fund...It allows the government to escape transparency.”(ibid.)

In Zimbabwe, Chinese backing has allowed governments to resist pressure from democratic African states to open a dialogue with the Zimbabwean opposition. (Kurlantzick 2006, p.5) And the Darfur crisis in Sudan is another example for the Western frustration resulted from China’s insistence. The US and its Western allies have accused the China, one of the five permanent members of the UNSC, of failing to use its influence in Sudan to help end what many have called genocide. (Nwazota 2006, n.p.; N.N. *Der Spiegel* 2007, p.141; Scholvin 2007, p.3) Western countries therefore hope China play a more responsible role in international system. The US, officially committed to fostering good governance and has created the Millennium Challenge Corporation, which rewards well-governed poor nations, is beginning to lose patience with Chinese economic policy. (Kurlantzick 2006, p.4; Servant 2005, n.p.) The speech of the previous US Deputy Secretary of State Robert Zoellick in September 2005 indicated the situation that the West is frustrated by Chinese free-riding on the system. The US has to urge China to become a responsible stakeholder in that system. (Zoellick 2005, n.p.)

6.3.3 Chinese response to criticisms

In response to those international criticisms of China’s principle of noninterference, China believes it is not China but the AU that is qualified to judge the domestic affairs of African countries. China did not ignore humanitarian disasters. China does also make suggestions on issues of governance and intra-state affairs in diplomatic discussions with African countries. (Li 2007, p.76) But, since China respects the sovereignty of nations and recognizes its limits in solving such crisis, Chinese suggestion in comparison with Western interventions is much friendlier. (Ibid.) From China’s

perspective, such position also has positive effect when it deals with the crisis happened in Africa. Take the Darfur crisis for example.

Beijing, like other western countries, is interested in encouraging peace and stability in Sudan in order to create a more receptive environment for its burgeoning economic activities. (Kang 2007, p.39) But China prefers another approach which differs from the western one. (Shichor 2007, p.6) According to China's viewpoints, the Darfur issue is an issue related to development, which is also mentioned in the United Nations Environment Programme (UNEP) 2007 report. The UNEP is the opinion that "Environmental degradation, as well as regional climate instability and change, are major underlying causes of food insecurity and conflict in Darfur."(UNEP 2007, p.329) China therefore deems that external intervention could only complicate the Darfur issue and sanction would only cause more trouble in the region. (Shichor 2007, p.7; Li 2007, pp.76) That is the reason why China consistently opposed economic sanctions on Sudan (N.N., *Reuters*, May 31, 2007) China's aid aims at the root cause of conflict there, namely, poverty. China has already given \$10 million in humanitarian aid and promised to offer more. (Su, *China Daily*, July 27, 2007) Besides, the Darfur issue is related to nation building and conflicts between different Sudanese people, it needs more time to undergo this process. (Li 2007, p.77) Therefore, China is of the opinion that it is influence not interference that should be used. China has used its close relations with Sudan to persuade the Sudanese government to cooperate with the UN. (N.N., *Chutian Metropolis Daily*, July 8, 2007) From China's standpoints, China has tried to reduce the suffering of Sudanese people with a solution which could be accepted by all parties. And Chinese efforts also gain Sudanese government's trust. (Li 2007, p.77) Also Andrew Natsios, the US Special Envoy for Sudan, commended China for its subtle behind-the-scenes diplomacy toward Sudan, which is seen as a useful complement to the blunt, highly-visible approach taken by the US. (N.N., *CQ Transcriptions*, April 11, 2007) Chinese foreign policy officials and analysts also believe that the US, which usually plays the "bad cop," needs China to assume the role of "good cop," for progress made in negotiation with countries such as Sudan, Iran and North Korea. (Downs 2007, p.61) It is the negotiation based on equality that persuaded Sudanese government to accept the "hybrid peacekeeping force" in Darfur. (Shao, *Xinhau News Agency*, July 15, 2007)

6.3.4 Evaluation of the both approaches

When analyzing Chinese arguments and European standpoints, it could be found that each airs his own view. The reaction of African states has then significant importance at the competition. From African aspects, most criticisms against Beijing's politics in Africa, could in fact equally apply to Western policies towards Africa in the past. (Tull 2006, p.476) China's effort to acquire access to oil assets in Africa is not much different with the western pattern, such as the Britain, France and the US. In order to secure access to African oil, all the major Western powers have used all means and influence they have, including economic incentives, diplomacy, and the provision of arms and military equipment. (Klare& Volman 2006, p.304) The difference is on the point that the most western states have agreed today that governance is vital to development. (Kurlantzick 2006, p.4) And they take a more normative and reform-oriented way to have relations with Africa in the recent years.

Indeed, China is only looking after its own legitimate interests. (Hofmann et al. 2007, p.80) But Chinese respect for the independence of African states does touch many African countries' hearts (ibid.), especially when African countries become aware that promotion of democracy, human rights and prevention of conflicts stand on their way to join the Western world system. As Gal Luft, a specialist in energy security and the executive director of Institute for the Analysis of Global Security, has pointed out,

“The Chinese are much more prone to do business in a way that today Europeans and Americans do not accept - paying bribes and bonuses under the table. I think that it will be much easier for [some African] countries to work with Chinese companies, rather than American and European companies, which are becoming more and more restricted by the publish what you pay initiative and others calling for better transparency.” (Servant 2005, n.p.)

But such attractiveness of Chinese approach is also declining as time goes by. On the one hand, Chinese officials have been aware that its principle of nonintervention and its way of doing business may result in potential pitfalls. This is because the instability in Africa could threaten Chinese interests as well. (Kurlantzick 2006, p.6) For instance, it has been mentioned in Chapter 5.3 that militants in the Niger Delta have warned Chinese companies from operating there. Similar situation also happened in Sudan. Beijing started to realize that adhering to a formal policy of noninterference and putting it into consistent practice is very difficult. (Gill, Huang& Morrison 2007, p.12) On the

other hand, this approach may not so appealing for some African countries as before. The promotion of institutionalization of norms from the NEPAD could be seen as a good example for the awareness of the long-term benefits of good government and human rights in Africa. (Meidan 2006, p.87) That is the reason why it is time for China to improve its African policy.

In addition to clash, some common concerns from both approaches start to show up. Although it is barely addressed, there were calls from Chinese side for the peaceful resolution of conflicts and reconstruction in post-conflict countries at the FOCAC summit. And it actually tallies with the interests of the Western community, including the EU (Hofmann et al. 2007, p.87), whose strategy towards African could be described with one sentence made by the European Commission. That is to say, “without good governance and peace and security, no lasting progress is possible.” (European Commission 2007b, n.p.) Based on this thought, the aids offered by the EU always come with certain conditions of political or economic reforms, such as Structural Adjustments Programmes in the 1980s, and democratic reforms in the 1990s. The EU hopes through those reforms the African continent could transform itself into a more stable and transparent situation. (Tull 2006, p.466) This standpoint was reaffirmed in the joint EU-China statement issued in September 2006. (Cabestan 2006, 34)

Although the European approach indeed creates long-term benefits, the short-term suffering of transformation is however the risk they must take into consideration. Some African regimes do not have the ability to deal with the political and economic shake during the reforms, those bad consequences, like outbreak of violent conflict, could not improve the stability but terribly shake it. (Tull 2006, p.467) Therefore, for African states that finally have alternatives after the classic dependency relationship with Europe and the US has been broken (Hofmann et al. 2007, p.88), both Chinese approach and European strategy towards Africa need to be revised.

7. Conclusion

From geographical viewpoints, the relation building between China and Africa was in the past due to the long distance much more difficult than the relations between Europe and Africa. But this difficulty did not stop Chinese effort to build commercial relations with the African continent in the ancient time. With the development of traffic and communication technology, distance is no longer a serious obstacle. Because of the discovery of the energy commodities in Africa, especially crude oil, Africa gradually gets rid of the image of “dark continent.” As an alternative source of energy and raw materials to the volatile Middle East (Kotsopoulos 2007, n.p.), Africa could finally have the potential for being an active actor, instead of a silent checker on the international political checkerboard. Both western countries and China are interested in building further and closer relations with African states. There may be lots of reasons behind, but the quest for energy commodities is one of the most influential motives. This could also be seen at the development of China-Africa relations. The analysis in Chapter 4 clearly shows that for getting more energy commodities to sustain its economic boom, much of the accumulated stock of Chinese FDI is concentrated in extractive sectors, such as oil and mining. Relations with Africa’s resource-rich countries, which are able to “provide an ample percentage of China’s requirements,” develop especially fast. (Tull 2006, p.465) This causes international attention.

To analyze the Chinese-African trade boom, it could be found that both Chinese import and export with Africa has been growing. But this immense growth in trade and investment between the two regions is asymmetric. China exports low-price goods like textiles and clothing, electronic devices and machines, which benefits African customers. But the local African economy with relatively low competitiveness suffers from it. As mentioned in the case of Angola, some domestic suppliers and retailers had no other choice but to close down, since they could not compete with the Chinese. And Chinese companies offer jobs not to local African labors, but to Chinese laborers who are brought in Africa where the rate of unemployment is already high. (van de Looy 2006, p.26; Amosu 2007, n.p.)

Another evidence for the asymmetric relations between China and Africa is that Chinese import is mainly concentrating upon natural resources in Africa. This concentration has alarmed the multinationals that have traditionally exploited the continent's resources. (French, *New York Times*, Aug. 9, 2004) In response to such international alarm, China acknowledges that China's NOCs indeed involves more and more in the Africa, but China's oil companies are still relatively small players in Africa. While CNPC dominates the oil sector in Sudan, China's NOCs currently are minor actors among the foreign investors in Africa's largest reserve holder, including Libya, Nigeria, Algeria and Angola. In addition to a handful of projects in Sudan (Heglig and Unity fields), Nigeria (Akpo field) and Angola (Greater Plutonio fields), many of the African assets held by China's NOCs were in fact relinquished by the international oil companies. (Downs 2007, pp.43) The consulting firm Wood Mackenzie pointed out that China's NOCs' commercial value of the oil investments is only 8% of the combined commercial value of the international oil companies' investment in African oil and 3% of all companies invested in African oil. (Ibid., p.44) When it comes to the production and investment value, China's NOCs trail the international oil companies, which lag far behind the major African NOCs. And since the main purpose of Chinese transnational oil enterprises in Africa is to maximize their profits, Chinese transnational oil enterprises not necessarily sell processed oil back to China, but back to the country of origin or another country wishing to purchase it. In 1999, the Sudan project undertaken by CNPC began producing oil yearly with a crude production figure over 2 mt. However, only 266,000 tons were imported by China. (Zha 2006, p.56) For that reason, China believes that the oil produce by China's NOCs in Africa and elsewhere in fact expands rather than contracts global supplies. (Downs 2007, p.62)

Nevertheless, Chinese response could not ease the criticisms. Although the main conflict point is exploitation of resources, especially energy commodities, criticisms focus equally, or even more, on the negative impact on human rights and good governance resulted from Chinese way of doing business. Beijing offers an alternative to the supposed consensus built around governance and development policies. (Roughneen 2006, n.p.) And the Western complain that it gives China an "unfair" advantage in competing for the continent's resources. (ibid.) For example, the EU, the IMF, and other international institutions offer development aid usually on condition that political transparency and good governance in African countries must be improved; however, based on the dogma of non-interference, Chinese aid has, in addition to Taiwan clause, no other strings attached. For some African countries, Chinese aids offer

a solution to get rid of economic stagnation resulted from “international ostracism.” (Meidan 2006, p.87) That is the point of China’s strategy towards Africa which is strongly criticized. Take the Darfur crisis for example. China has been accused of protecting Khartoum in the UNSC, filling Khartoum’s coffer with oil revenues, and selling arms which are used by Sudanese government forces indiscriminately against the Darfur rebels as well as civilians. (Goodman, *Washington Post*, Dem. 23, 2004) Under the international pressure, China has been facing a dilemma between international justice and overseas interests. China would not like to directly conflict with the western countries, nor hold a very clear position against the Sudanese government. Its abstaining in the vote at the UN became a reluctant but necessary choice. (Zhang 2005., n.p.)

Recently, many international criticisms on China’s attitude towards Darfur issues arise again just before 2008 the Beijing Olympic Games. It shows another time the international intention to force China to play a much more active and responsible role in the African continent and to become a “responsible stakeholder” in the world. These international pressure exerted on China is not totally in vain. When reviewing China’s policy on Sudan, a slight shift could already be observed. Step by step, China plays a more active role in finding solution to Darfur crisis. In summer 2004, Zhou Wenzhong, China’s then-deputy minister of foreign affairs, had still tried to justify Beijing’s hands-off approach to Darfur based on the principle of noninterference. He often remarked at that time, “[b]usiness is business. We try to separate business from politics. Secondly, I think the internal situation in Sudan is an internal affair, and we are not in a position to impose on them.”(French, *New York Times*, Aug.8, 2004) But China has gradually been aware that it is in fact not easy to separate business from politics. As mentioned in the case of Sudan in Chapter 5.2, the unstable situation in Sudan has also harmed Chinese oil interest there. Even if CNPC entered Sudan and tried to restrict itself to a purely commercial role, both the company and the Chinese government, however, discovered that CNPC’s activities in Sudan are still considered as facilitating the regime’s policies of ethnic killing. (Batruch 2003, p.13) At the same time, the pressure from a variety of international actors, such as the encouragement of the US and the upset over the situation in Sudan of many other African countries, has facilitated the shift of Chinese government’s principle of noninterference. (Jakobson 2007, pp.14-18) China’s slight shift is affirmed by some countries. For example, the British Foreign Secretary David Miliband said that Beijing’s recent diplomatic overtures to help end fighting in war-torn Darfur were a significant contribution. (Pomfret, *Reuters*, Feb. 25, 2008) But from the perspective of human rights, this slight change is obviously not enough. As long as the

genocide in Darfur, which is funded by Chinese oil purchases, still continues, China could hardly escape from the image that its business-oriented way has direct and negative impacts on African continent. As a responsible international player, China should therefore seriously make self-examination of its African policy, and moderate it in an appropriate degree as soon as possible.

Even if China's involvement in African continent is strongly criticized, it is somehow attractive to many African regimes. A big difference between Chinese way and the European way consists in the different standpoints. China due to its urgent request for energy commodities regards Africa as an opportunity, while Europe has long regarded the continent as a burden. (Berger 2007, n.p.; Hilsum 2005a, p.424) It is inevitable that the two different strategies conflict with each other on the continent. Although China's business-first approach is undermining EU efforts to boost sustainability and governance standards, China's investments could to some extent benefit African economies, especially benefit the rulers in power. China's arguments defending its approaches are from its own standpoints reasonable, but paradoxical. Through the analyses in this paper, the bad influence on African local economy and the negative impact on African future development are the bad consequences resulted from Chinese way of doing business. The so-called "win-win situation" will not necessarily occur. Compared with that the European approach could bring the stability in the long term, but many African countries are afraid of the short-term suffering during the reforms and transformation. Since none of the approaches alone could competently solve the rising issues on the African continent (Berger 2007, n.p.), the African states face a difficult choice. And it makes the oil scramble in African continent so complex that a solution accepted by all parties is difficult to be reached.

Nowadays, conditions may already be favorable for finding solution collectively. On the side of China, it is gradually aware of the fact that focusing only on trade relations and government support can not help African states' sustainable development, especially if African governments remain ineffective and unwilling to reform. And this hurts Chinese interests as well, which can motivate Chinese government to revise its policy. On the side of the EU, in order to let the European approach be accepted by more African states, it must seriously reconsider the possibility of revising its trade relations with Africa, which includes its own agricultural subsidies. However, it needs to be repeatedly emphasized that it is those African populace who has little power to change the situation that suffers most from the oil scramble. From the perspective of

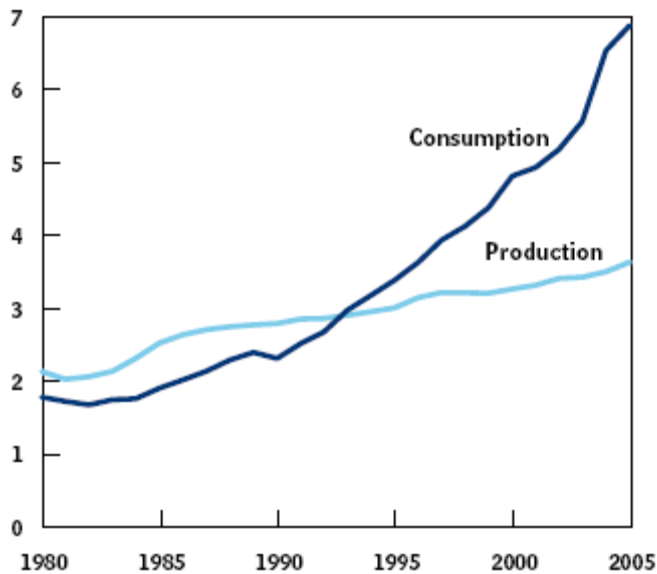
protection of human rights, a revised solution is urgently required. In order to reach a possible solution, the European-Chinese coordination in development cooperation with Africa, as suggested by the strategy paper of European Commission, should be more intensified. Africa ought to become an important focus for the EU's comprehensive strategic partnership with China. (Solana 2007, n.p.) It is welcomed, in the author's viewpoints, to see that the EU has been aware of the necessity of working with China more closely on Africa. Through the cooperation between China and the EU, China's growing presence in Africa could be able to become a positive influence on growth, poverty reduction and regional stability in Africa. (Fues et al. 2007, p.4)

In addition to the efforts made by the EU and China, African countries and their regional organizations also need to take their own responsibility for the sustainable development and political progress on their continent. That is to say, not only the EU together with China need to confer with each other for a more cooperative strategy for Africa, but African states themselves also need to define the continent's interest more coherently and clearly. Then, African states as a whole could have the power in shaping the continent's future. Since this scramble is resulted from multilateral relations, the solution should be made collectively. Hopefully, effective networks for development agreements with understanding, trust and rapprochement among China, the EU and Africa in the future could turn such complicated scrambles in Africa into a positive and profitable motive force for the continent's development.

Appendices

Figure 1

Petroleum Consumption and Domestic Oil Production in China, 1980-2005
(Millions of barrels a day)

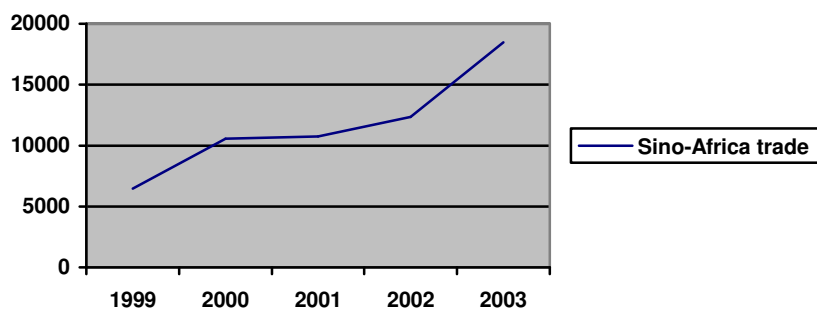


Source: Congressional Budget Office based on data from the Department of Energy, Energy Information Administration, "China," EIA Country analysis Briefs (August 2005)

Note: Data for 2005 are preliminary.

Figure 2

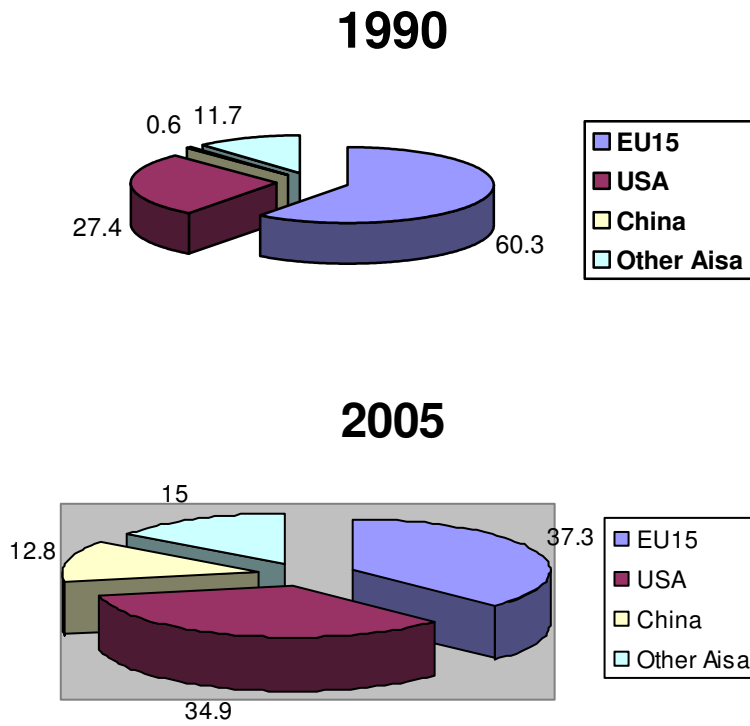
Sino-African trade, 1999-2003 (million US\$)



Source: China statistical Yearbook 2005, found in van de Looy 2006, p.13; the figure made by the Author

Figure 3

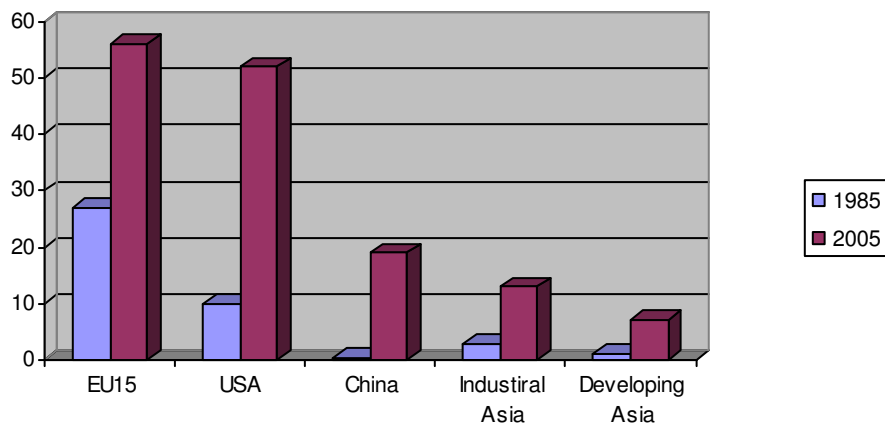
Destination Shares of Sub-Saharan African Exports, 1990 and 2005 (percentage)



Source: UN Comtrade: IMF staff calculations, cited in IMF 2007a, p.41

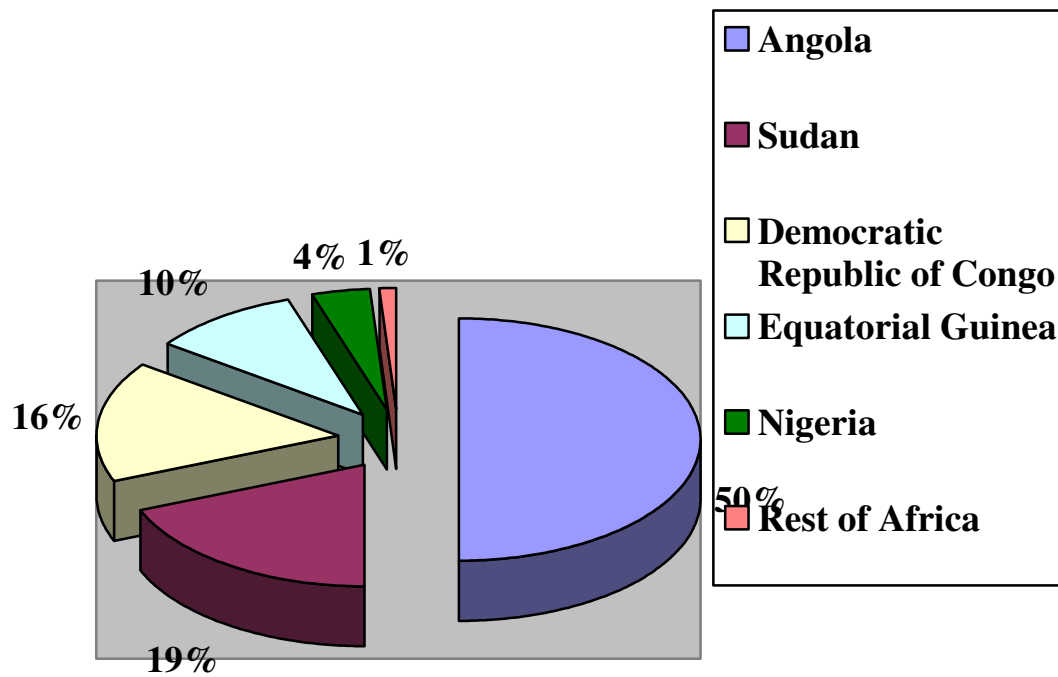
Figure 4

Total Merchandise Exports of Sub-Saharan African by Destination, 1985 and 2005 (Billion US\$)



Source: UN Comtrade, cited in IMF 2007a, p.39

Figure 5
Share of Chinese Crude Oil Imports from Africa, by Country of Origin in 2005



Source: Broadman et al. 2007, p.82, Figure made by Author

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