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# China in Africa

## Introduction

It gives me great pleasure to end the year on a high note, with a special issue covering recent developments in Sino-African relations. It is a rare opportunity to acquire the expertise and experience of someone as enthusiastic and dedicated as our Guest Editor for this double issue of the newsletter, Ms Sanusha Naidu, from the Centre for Chinese Studies at the

University of Stellenbosch. Ms Naidu spent a great deal of time and effort in gathering and tailoring this collection of wide-ranging articles on China-Africa relations, authored by prominent and renowned academics in the field. These interwoven themes of 'China in Africa' present a colourful tapestry of China's involvement in all facets of Africa's political and so-

cio-economic activities. This contribution will undoubtedly go a long way in furthering the awareness and interest in China's expansion on the continent, and hopefully stimulate further research into the prospects, challenges, and implications on the subject.

Kirstin Hilary Kilian, AISA

## Editorial

By Guest Editor, Sanusha Naidu

2006 has been designated the 'Year of Africa' by the Chinese government. So far this has meant three high level visits to the continent by China's Executive and the hosting of the Third Ministerial Meeting and the First Heads of State Summit of the Forum on China-Africa Co-operation in Beijing in November. With the trade volume between China and Africa expected to reach US\$50 billion by the end of 2006, it is clear that China's deepening political and economic footprint into Africa cannot and should not be dismissed. This is because, on the one hand, China is viewed as a remarkable opportunity for the continent whereas, on the other hand, it is greeted with much trepidation.

Powered by intense dichotomies that place China's engagements in Africa in an 'either or'

context, it is not difficult to see how China's increased demand for resources in Africa is perpetuating the rhetoric of a new, second or the 21<sup>st</sup> Scramble for Africa. But what is the real nature of China's engagements in Africa? Can it be easily interpreted as nothing more than an extractive relationship? What about the developmental impact it brings to African economies? And what should be Africa's role in harnessing this engagement so that it does not fall into the trap of an exploitative relationship. These are some of the questions that have occupied the mind of analysts and commentators in light of China's rise. More succinctly they raise a critical inquiry around the implications (whether positive or negative) that China poses for Africa achieving sustainable development – a challenge that the Ethiopian Prime Minister Meles Zenawi eloquently captured at the 2006 FOCAC Summit in Beijing:

"Our main challenge now is not fighting colonialism, but fighting poverty and backwardness and achieving economic independence".

Therefore, this special issue of the *Inside AISA* newsletter provides some perspectives on China's footprint into Africa as well as looks at where the rules of engagement converge or depart between China and Africa. Dr Ian Taylor's article provides a concise overview of how relations between the continent and Beijing have been garnered historically and what the impetus was which propelled them to their current level of engagement. This leads into Dr He Wenping's article, which outlines the current nature of relations that she sees as "moving into a rapid era of development". While both Taylor and Wenping allude to the burgeoning commercial ties between China and Africa, the two articles by Drs Wenran Jiang and Ron Sandrey provide

a more in-depth analysis of these trade relations. Dr Jiang examines this from these level of China's booming energy relations with the continent, while Dr Sandrey takes a closer look at the numbers and this emerging trade pattern. This is followed by Lucy Corkin's focus on China's emerging multinational corporations. To conclude, Ambassador David Shinn's arti-

cle highlights an important but often neglected area of China's medical assistance to Africa.

It is hoped that this brief compendium of articles will contribute to and inform the debate on the impact of China in Africa. Moreover, this collection of articles is also intended to stimulate thinking around China's engagements in Africa, which are not compromised

by futile dichotomies and misleading comparisons. Clearly, with China-Africa relations remaining embedded for a long time, the critical point is whether Africa has developed a strategy in its engagements with China.

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# China's African Policy in Historical Perspective: From Neglect to Dynamic Interaction

By Dr Ian Taylor

Contemporary links between China and Africa trace their roots to two things: the crisis in China's international relations after the Tiananmen Square incident in June 1989, and the huge expansion of Chinese trade with Africa.<sup>1</sup> Prior to this period, although Beijing always denies it, Africa's importance in China's foreign policy declined massively during the 1980s, as China's Socialist Modernisation project called for massive foreign investment and technology, which was deemed unavailable from Africa. In stark contrast to China's position in the 1960s and 1970s, exhortations and propaganda grounded in Maoist foundations disappeared, for Deng Xiaoping's post-1978 policies demanded economic investment and a non-conflictual approach to international politics. As a result, non-ideological relations with the United States, Western Europe and Japan, based on expanding trade links and co-operation, took a priority in China's foreign policy formulation.

Though remaining generally friendly to Africa, China was preoccupied with economic matters. Africa's failure to develop its economies in a manner deemed efficient and to open up to the international market militated against Chinese policy aims. And China was never shy, as the 1980s progressed in lecturing to visiting African leaders the need to shape up. It is often forgotten that in 1985 Beijing roundly turned on Africa and criticised "errors in policy-making".<sup>2</sup> The increasing extraneous role the continent played in global ge-politics also resulted in a halt to closer Chinese involvement. Essentially, Beijing not only viewed Africa as largely immaterial in its quest for modernisation, but also saw that the rationale behind its support for anti-Soviet elements (i.e. liberation movements) on the continent was no longer valid. Though the

Chinese maintained (and in some years increased) their general level of trade, commerce between Africa and China remained unremarkable and subject to high degrees of fluctuation. Indeed, immediately prior to Tiananmen, China's exports to the continent took a 61% dip. At the same time, this lack of attention towards Africa by China and the effects of the modernisation drive, saw aid from Beijing towards Africa decline and stagnate. It was only really if and when an African country switched to or from recognising Taiwan that Beijing's energies were enervated.<sup>3</sup>

After Tiananmen Square however, China "rediscovered" Africa.<sup>4</sup> The events surrounding Tiananmen Square resulted in a severe crisis in China's relations with the West, and the depth of Western condemnation caught the Chinese leadership by surprise. Until then, China's human rights record had been basically ignored by the West. Suddenly, foreign – that is Western – criticism of China's human rights abuses became a major issue. In contrast, whilst Tiananmen Square ended China's 'honeymoon' relationship with the West, Africa's reaction was far more muted, if not supportive. As one commentator noted, "the events of June 1989 ... did not affect the PRC's relations with the Third World as it did with the Western world ... What changed (was) the PRC's attitude towards the Third World countries, which ... turned from one of benign neglect to one of renewed emphasis".<sup>5</sup> As a result, the developing world was re-elevated in Chinese thinking to become a 'cornerstone' of Beijing's foreign policy. The 1970s rhetoric of China and Africa being "all-weather friends" was dusted off and deployed with vigour. According to a pro-Beijing newspaper in Hong Kong:

*In the past, China's relations with Western countries have been overheated, giving a cold-shoulder to the Third World countries*

*and old friends (meaning Africa). Judging from the events in this turmoil, it seems that at a critical moment it was still those ... old friends who gave China the necessary sympathy and support. Therefore from now on China will put more efforts in ... developing relations with these old friends.*<sup>6</sup>

The ability to "put more efforts in" to cultivating closer ties with Africa was eased by the response of African elites in 1989. Such reactions and their motives by African leaders might be summarised by three essential points. Firstly, the self-interest expressed by African elites under threat from democratisation projects (linked surreptitiously in their eyes to the human rights crusade). Secondly, the solidarity and resentment shown towards perceived "neo-imperialist" interference in the affairs of a fellow developing country. Thirdly, there was a pragmatic understanding that overt criticism of Beijing could/would mean an end to Chinese developmental aid and assistance. Many African governments view the emphasis by the West on human rights as a pretext to undermine "development" and interfere in chosen paths to modernisation.<sup>7</sup>

For its part, (temporarily) isolated by the West, China became introspective for a period and saw all foreign criticism of its domestic policies as interference and a violation of its national sovereignty. As a result, China embarked on a concerted campaign to widen its contacts in the developing world in an attempt to counter this criticism. Hence between June 1989 and June 1992, the then Chinese Foreign Minister Qian Qichen toured fourteen African countries on what were to become annual visits to the continent, whilst numerous African dignitaries visited China at the invitation of the Beijing government. This has continued. Chinese aid in the post-Tiananmen era increased dramatically as Beijing scrambled to win over allies and sympathetic associates.

Such a policy was a quick and comparatively cheap way by which Beijing could reward those countries that had stood by China during the 1989 crisis as well as cementing relations for the future.

But of equal importance is the commercial impulse, which has been increasing at an exponential rate. China is now Africa's third most important trading partner, behind the United States and France but ahead of the United Kingdom. Indeed, the burgeoning of Sino-African trade links is unprecedented and is becoming *the* main topic of interest *vis-à-vis* Africa's international relations. The figures speak for themselves. In 1999, the value of China's trade with Africa was \$2 billion; by 2004, this had grown to \$29.6 billion and in 2005, reached \$39.7 billion.<sup>8</sup> A senior economist at the Chinese Ministry of Commerce predicts that trade volumes between China and Africa will top the \$100 billion mark in the next five years.<sup>9</sup> This is driven by a desire to obtain sources of raw materials and energy for China's ongoing economic growth and new export markets. Of particular interest to the West is China's growing expansion into Africa's oil markets, but it should be pointed out that although oil is a major and obvious source of Chinese interest in Africa, it is far from being the only one.<sup>10</sup> China is actively seeking resources of every kind; copper, bauxite, uranium, aluminium, manganese, iron ore etc. are all objectives for acquisition by Beijing. In addition, Chinese textiles and clothing companies are investing heavily in Africa, whilst China is also becoming increas-

ingly politically engaged with the continent.

Of course, what is interesting about China's links with Africa within a historical context is that the intensity of ties has always depended upon Chinese needs rather than any coherent African agency. It is a fact that whilst China has an African policy, Africa has no China policy, whether at a continental level or even at a national foreign policy level. Interviews conducted by the author across the continent, with a variety of African policymakers and diplomats, indicate that African states have very little idea how to deal with Beijing. Most see it as a blessing in terms of increased trade, but have no real plan as to how to maximise this for Africa's long-term development. And resentment against China is growing, as evidenced by the anti-Chinese riots in Zambia and the bomb attack against Chinese oil interests in Nigeria.

China's Africa policy has been cyclical and driven by Beijing's own interests. This is not surprising, obviously. But the history of this interaction, where Africa is dumped if and when China no longer needs it, should at least caution the more unbridled enthusiasts of the new interaction. A bit of historical perspective, as well as critical reflection, is needed.

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*Development or Another False Start?* Boulder (Lynne Rienner, 2005) and *Stuck in Middle GEAR: South Africa's Post-Apartheid Foreign Relations* (Praeger, 2001). He has edited five other books and numerous articles and chapters. Prior to joining St Andrews, he lectured at the University of Botswana.

#### ■ Notes and References

- 1 See Ian Taylor, *China and Africa: Engagement and Compromise*, London: Routledge, 2006.
- 2 *Africa Contemporary Record 1985-1986*, p A75.
- 3 See Ian Taylor 'Africa's Place in the Diplomatic Competition Between Beijing and Taipei', *Issues and Studies*, vol 34, no 3, 1998, pp 126-143; and Ian Taylor 'Taiwan's Foreign Policy and Africa: The Limitations of Dollar Diplomacy', *Journal of Contemporary China*, vol 11, no 30, 2002, pp 125-140.
- 4 See Ian Taylor 'China's Foreign Policy Towards Africa in the 1990s', *Journal of Modern African Studies*, vol 36, no 3, 1998, pp 443-460.
- 5 W Gu, *Politics of Divided Nations: The Case of China and Korea* Westport: Praeger, 1995, p 125.
- 6 *Cheng Ming* (Hong Kong), (in Chinese) 10 October 1989, cited in *Foreign Broadcast Information Service-China (hereafter FBIS-CHI)* 3 October 1989, p 3.
- 7 See Ian Taylor 'The "All-weather Friend" Sino-African Interaction in the Twenty-first Century' in Ian Taylor and Paul Williams (eds.) *Africa in International Politics: External Involvement on the Continent* London: Routledge 2004, pp 83-101.
- 8 *Peoples' Daily* (Beijing), 16 May 2006.
- 9 *China Daily* (Beijing), 13 January 2006.
- 10 See Ian Taylor 'China's Oil Diplomacy in Africa', *International Affairs*, vol 82, no 5, September 2006, pp 937-960.

# China-Africa Relations Moving into an Era of Rapid Development

By Dr He Wenping

A new milestone in the history of China-Africa relations has been created with the First Summit of the Forum on China-Africa Cooperation that took place in Beijing, in the year 2000 and, which has culminated in the Third Ministerial and first Heads of State Conference held in early November 2006.

The year 2006 has been a significant diplomatic calendar in Sino-Africa relations. To date, four major visits from China's top executive have cast China-Africa relations into the media spotlight at home and abroad. The New Year began with the Chinese Foreign Minister Li Zhaoxing touring Cape Verde, Senegal, Mali, Liberia, Nigeria and Libya on

January 11<sup>th</sup>, which coincided with the Chinese government releasing its first White Paper on China's Africa Policy on January 12<sup>th</sup>. This was followed by President Hu Jintao visiting the continent between April 24<sup>th</sup>-29<sup>th</sup>, with stopovers in Morocco, Nigeria and Kenya. The final visit was made by Premier Wen Jiabao between June 17<sup>th</sup>-24<sup>th</sup>, who toured Egypt, Ghana, the Democratic Republic of Congo, Angola, South Africa, Tanzania and Uganda.

These series of high level visits underpin the importance that the Chinese government attaches to its African relations. Moreover, they are indicative of the fact that Sino-Africa relations have moved into an era of rapid development characterised by co-operation, following the establishment

of official bilateral ties for half a century.

The end of the Cold War in the early 1990s saw Africa losing its much-valued geo-political status. In spite of these looming caveats, China has remained committed to developing relations with the continent since it foresaw great value in fostering an across-the-board relationship with Africa by forging closer political, cultural and educational links. This was clearly demonstrated in the 1980s when Beijing began to cement and expand its economic and trade ties with the continent.

#### The Importance of Africa in China's Foreign Policy Agenda

The importance of Africa in China's foreign policy agenda can be best understood in the

following two significant factors:

### **1. Politically, China has always regarded Africa as its most reliable ally in the international struggle**

The development of Sino-African relations has important political meaning for both China and Africa as well as across the developing world.

First, the strengthening of Sino-African relations is beneficial to the unity and co-operation between the developing countries. China's non-aligned foreign policy and its national character of socialism have promised that China will stand firmly and support the countries of the developing world despite what the past held or what the present and the future may bring. Unmistakably, the total strength of the developing world is increasing both in terms of their proportion to international trade and their right to speak on international affairs. China is the largest developing country in the world, and Africa is the continent that has the greatest concentration of developing countries. Therefore the development of Sino-African relations must be seen in this context, where it is Beijing's overriding goal to raise the international status of the developing world, and establish a new international order by promoting South-South co-operation and the common prosperity of these countries. This is significant considering that the current relationship between the North and the South appears tenuous in certain contexts. Thus, uplifting the collective prosperity of developing countries and enabling them to share in the fruits of globalisation have far-reaching implications for world peace and development.

Secondly, Sino-African co-operation is considered important for the strengthening of a multi-polar world order and to promote both China's and Africa's international positions and influences therein. Since China adopted its economic reform path and opened up policy space for engagement, which expedited Beijing's rapid rise of its national economy and comprehensive power, China's international image and position has improved remarkably, while its influence within international affairs has also simultaneously increased.

In this regard, and according to Beijing's view, Africa remains an important player in the global affairs of the current international system. Even though most African countries have suffered from political turbulence and economic recession during the early period of the post-Cold War era, most of these countries are now entering a period of political and economic stability, while their positions in the international setting have also improved. And this is where the synergies between China and Africa overlap.

Clearly, China and Africa share a broad consensus on major international issues. They have traditionally co-operated and co-ordinated with each other on matters that serve their common interests. Both sides have collaborated to promote multilateralism and democracy in international relations and UN reforms towards peace and harmony in the world.

Finally, Sino-African co-operation can realise the accomplishment of the 'One China Policy' and most importantly result in the culmination of the re-unification of China.

### **2. Economically, Sino-African relations can help strengthen China's path to sustainable development.**

Africa's rich deposits of natural resources and potential market advantages have great strategic meaning for China's economic development in the 21<sup>st</sup> century. With China's rapid pace of modernisation and economic reform, China must expand into new overseas markets and secure the supply of raw materials that is, indeed, critical for sustaining its growth trajectory with regard to national development and stability. Following China's accession to the WTO in 2001, the Chinese government has advanced further moves to expand the 'going out' strategy of Chinese enterprises to become globally competitive and enter new markets.

While it may appear that China's intentions in Africa are intrinsically aligned to tendencies of mercantilist nationalism, it should not be ignored that China's current demand for natural resources have created a surge in the global commodity price index which has, to a large extent, seen Africa's economic growth level benefiting from the commodity windfall. Nevertheless, the real thrust of China's contemporary relations with Africa was felt in the Forum on China-Africa Cooperation which promoted a new impulse for future engagements.

### **FOCAC: An New Impulse for Promoting Sino-African Relations**

#### **Background and significance of the Forum**

The emergence of a unilateral world order following the end of the Cold War became an immediate concern for the vast majority of developing countries in the South. The need to establish a new, fair and reasonable international political and economic order, so as to deal with the challenges of economic globalisation and safeguard their legitimate rights and interests, was an overriding objective for the developing world to assert its independent voice in global affairs and extend its relations more broadly to include strategic partners from the South, especially in light of the experience of the Cold War. Seemingly,

then, strengthening and institutionalising relations between China and Africa was considered necessary to reflect the new impulses in the global South. Hence, the birth of the FOCAC in 2000.

From an historical perspective, FOCAC must be seen as a continuum of the spirit of the Bandung Conference held in Indonesia in 1955. China and India were the two main drivers at the Conference, pushing for newly independent states in the developing world not to become mired in the ideological battle of the Cold War. In essence, Bandung was also about the spirit of common prosperity, respect for equality, justice, peace and the overall development of the developing world, based on its independent status. The relevance, today, of the Bandung Conference and what it stood for can be seen as one of the central pillars informing China's foreign policy engagements with the developing world and, indeed, Sino-African relations. And, this has become even more significant since FOCAC has become the platform where discussions on future co-operation and consultation in achieving a non-aligned and multilateral world order, which adequately reflects the developing world, can be held. In fact, the FOCAC Forum is the first of its kind in the history of Sino-African relations and in the 50 years of the People's Republic of China's diplomatic engagements with the continent.

### **The First Forum: Beijing 2000 Ministerial Conference**

In October 2000, the First Forum of China-Africa Cooperation (FOCAC) was held in Beijing. The Forum focused on two major areas i.e. how to promote and establish a just and equitable new international order, and to further strengthen co-operation between China and Africa on economic and social development. This has clearly demonstrated the new character of Sino-African relations in the new era. The Forum reached consensus on a wide range of issues and culminated in the adoption of two important policy documents – *the Beijing Declaration* and *the Programme of Cooperation on Economic and Social Development*. It was also decided at the Beijing Summit that there would be a ministerial conference held every three years, alternatively convened in China and Africa.

During the Forum, the Chinese government offered RMB 10 billion in debt write-off to African countries within the set period of two years. In fact, the Chinese government completed ahead of schedule the greater reduction of African debts. By June 2002, China had signed debt exemption protocols with 31 African nations, cancelling 156 African debts totalling 10,5 billion

RMB. At the same time, China actively urging the international community to honour its debt reduction promises without further delay.

Moreover, the Chinese government committed itself to setting up special foundations respectively, for encouraging Chinese enterprises to invest in Africa, and for engaging in a variety of training initiatives for African professional personnel. Since 1996, China has held training courses for middle- and high-ranking African diplomats annually, and launched annual seminars for African economic and management officials from 1998. China-Africa co-operation in higher and occupational education has also been enhanced. So far, China has offered scholarships to 5 000 students from 51 African countries and about 900 of them are currently studying in China. In addition, China will continue to dispatch training personnel to Africa to give short-term training courses. For example, China's Follow-Up Committee has sent Chinese experts to six African countries for regional training courses on malaria prevention and treatment, maize farming technique and applied solar energy technology, etc. These courses have been aligned to the commitments that the Chinese government made at the 2000 Cooperation Summit.

### The Second Forum: Addis Ababa 2003 Ministerial Conference

The Second FOCAC was held in Addis Ababa, Ethiopia, from 15–16 December 2003. The main task of the second meeting was to review the implementation of the two documents adopted at the First Summit and to explore new ideas and measures to deepen co-operation in key fields such as human resources development, agriculture, infrastructure construction, investment and trade. The meeting concluded with the adoption of the Addis Ababa Action Plan (2004–2006), which reflected consensus by both sides on political issues and other important international issues of common concern. In particular, the Summit concretised ideas around strengthening co-operation in various fields over the next three years. Alongside the Addis Ababa Forum, the China-Africa Business Conference was also held. Representatives from nearly 100 Chinese enterprises discussed business opportunities and linkages with their African counterparts, which culminated in the signing of many contracts of intent to do business.

The major concrete measures that China promised to undertake as part of its commitments at the Forum included the following:

- To grant some African countries tariff-free treatment for their exports to China.
- To expedite increased revenue and alle-

viate poverty by exempting import tariffs for certain commodities of the least developed countries (LDCs) in Africa, so as to facilitate and expand the entry of exports from these countries into the Chinese market. Negotiations to this end already began in 2004.

- To increase assistance and channel more resources into the African Human Resources Development Fund, the Chinese government decided to launch the 2004–2006 China-Africa Inter-Governmental Human Resources Development Plan under the Fund. A 33% increase in the fund will allow China to hold 300 training courses in three years for some 10 000 African professionals in various fields as well as raise the number of scholarships that China offers for African exchange students.
- To boost co-operation in tourism by encouraging more Chinese citizens to travel to Africa. Apart from the original travel destinations of Egypt, South Africa and Morocco, China has decided to grant a further eight African countries the Approved Destination Status. They are: Mauritius, Ethiopia, Tunisia, Zimbabwe, Kenya, Zambia, Tanzania and Seychelles.
- To hold a series of events, including the '2004 China-Africa Youth Carnival', 'Meet in Beijing' – an international art festival focusing on African arts, and the 'Voyage of Chinese Culture to Africa' – with a view to promoting a better understanding between the peoples, especially the younger generations of the two sides.

In addition, the Chinese government also promised to gradually increase development assistance to Africa. In September 2005, when President Hu Jintao attended the Summit on the UN High Level Meeting on Financing for Development, he called for the UN to play a bigger role in the area of development assistance and declared that China would take important measures in such fields as tariff, debt, preferential loans, public health and human resources to help other developing nations, especially African countries to accelerate development. These measures included the following:

- That China would write-off or cancel interest or provide low interest government loans owed to China by poor and heavily indebted countries with whom it had diplomatic relations but failed to repay these loan obligations by the end of 2004. This would be done over a two-year period.
- That China would help developing countries train 30 000 people for various professions over the coming three years.
- That China would pledge US\$10 billion

of concession loans to developing countries over the next three years within the framework of South-South co-operation.

In short, the experience of FOCAC over the last six years has proven to be an important platform and dialogue mechanism for strengthening China-Africa co-operation and solidarity, and safeguarding common interests. At the end of 2006, the third Ministerial Meeting of the Forum, together with the first Sino-African Heads of States Summit, was held in Beijing from 3–5 November. According to China's Premier Wen Jiabao the Summit was intended to focus on "China and Africa reducing ... and remitting debts, economic assistance, personnel training and investment by enterprises."<sup>1</sup>

### The New-Type China-Africa Strategic Partnership

The new impulse in China's strategic partnership with Africa was officially launched by two significant developments in 2006. The first was the release of the White Paper on 'China's African Policy', and the second was the speech that President Hu Jintao delivered at the Nigerian Congress during his April visit. In both, the reference to the concept of "developing a new type of China-Africa strategic partnership" was made. Although not only clearly defined, it however signalled the future course for Sino-African relations.

The central feature of the new partnership is the consolidation of the co-operation in the political, economic, cultural and security fields, as well as in international affairs and emphasising mutual trust and support for each other. But the real thrust of the new relationship is aligned to China affording African countries the respect and the right to choose their independent path of development.

Clearly this is enshrined in the language that China adopts towards Africa, which is non-intrusive and outlines continual support for African countries' efforts to seek renewal through strengthening unity. This is, undoubtedly, illustrated by the common mutual interests and collective international efforts to promote peace and development in Africa.

While strategically aligned to historical relations with the continent, the new type of China-Africa partnership is also about establishing benefits of mutual economic engagement. With China being the largest developing country and Africa comprising the largest concentration of developing countries, it is without doubt that each have a long road to sustainable development.

Despite China's economic progress, it faces new problems such as a severe energy shortage and escalating competition in its domes-

tic market. Given these factors, the Chinese government encourages Chinese firms to invest in Africa in various fields such as trade, agriculture, infrastructure construction, mining and tourism, while offering an increasing amount of assistance to expedite the continent's development trajectory.

To date, China has spent 44,4 billion yuan in assisting African countries with over 800 projects, including textile factories, hydropower stations, stadiums, hospitals and schools. At present, trade between China and Africa is undergoing rapid growth. The bilateral trade volume rose from \$12,11 million in the 1950s to \$10,5 billion in 2000, and \$29,4 billion in 2004 to nearly \$40 billion in 2005, and is expected to reach US\$50 billion in 2006. In recent years China has increased imports from African countries and thus maintained a trade deficit with them, enabling these countries to earn a large amount of foreign exchange.

Moreover Chinese firms have redoubled their efforts to penetrate the African market. To date, direct Chinese investment in Africa has reached \$1,25 billion. Over 800 companies are currently operating in Africa, engaged in trade, manufacturing, natural resource exploitation, transportation, agriculture and agricultural processing. Chinese companies have helped create employment opportunities in

African countries, increase their tax revenues, introduce practical technologies to these countries, enhance the competence of local workers and improve their productivity.

On the cultural front, China and Africa are aiming to become equal partners that jointly promote the prosperity and progress of human civilisation. China and Africa are both origins of human civilisation, boasting brilliant cultural heritages. At its source, African culture has a lot in common with Chinese culture. For example, both value community spirit and the tradition of yielding personal benefits in the interests of the community. Given these common values, China and Africa are expected to further strengthen their cultural linkages with a view to building a harmonious world where different civilisations co-exist in the spirit of tolerance and equality, while also learning from each other.

In a broader sense, cultural exchange is not only limited to exchanging students and teachers, and holding arts performances and exhibitions. Chinese medical teams and other flourishing programmes such as China's training of African workers and the exchange of experiences in pursuing development are also part of the China-Africa cultural exchange.

In the field of security, China and Africa should enhance exchanges and consultation, thus raising the awareness of collective se-

curity in the international community, promoting a new security concept featuring mutual trust, mutual benefit, equality and co-operation and shaping an international environment favourable for common development. Clearly, the future of China-African co-operation also holds significant relevance in non-traditional security field, such as preventing major infectious diseases, including bird flu, and addressing cross-border crimes so they can jointly deal with the challenges posed by globalisation. Hence, the new impulse in China-Africa relations can be felt on many fronts. This multi-dimensional approach to strengthening relations is markedly different from that which Africa has managed with its traditional development partners. With both sides observing that this relationship can only be a win-win situation, the future for China-Africa relations is definitely moving into an era of rapid development.

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#### ■ Note

1 Pan Letian, 'Chinese Premier Hails Sino-African Ties of Cooperation', *Xinhua News* in English, 18 June 2006, [http://news.xinhuanet.com/english/2006-06/18/content\\_4712910.htm](http://news.xinhuanet.com/english/2006-06/18/content_4712910.htm)

# China's Booming Energy Ties with Africa

By Dr Wenran Jiang

With the continuous economic growth at an astonishing annual rate of 10% in the past quarter century, China has transformed its landscape, become one of the largest economic powerhouses on earth, created development opportunities for its trading partners around the world, and in the process, generated huge demands for new sources of energy and other resources. Africa has been left behind in the global quest for industrial modernisation, economic prosperity and political stability. But into Africa – the Chinese are coming. They are coming for trade, investment, joint ventures, and they seem to need all the energy, minerals and other raw materials the continent can supply.

## Traditional ties are still strong but China-Africa relations are changing

Africa's importance to China is reflected by the ongoing Chinese Premier Wen Jiabao's tour of Africa. The seven countries on his itinerary – Egypt, Ghana, DR Congo, Angola, South

Africa, Tanzania and Uganda – have a combined trade volume of over US\$20 billion with China, or 50,6% of total China-Africa trade last year, according to the Chinese Ministry of Commerce. And only two months earlier, Chinese President Hu Jintao visited three other African states, Morocco, Nigeria and Kenya, following his trip to the United States and Saudi Arabia.

Such high-profile visits, a recurring practice of the past few years, have aroused speculations that Beijing may have a new strategic plan regarding Africa, in its pursuit of great power status. After all, top Chinese leaders executed the same extensive tours to Latin American countries since late 2004 when President Hu first visited Brazil, Argentina, Chile and Cuba in the region. But China's ties with African countries can be traced all the way back to the 1950s when one after another newly emerged African states were declared independent. Throughout the 1950s to 1970s, China developed close relations with many of them, primarily based on shared ideological

belief and political identity: anti-colonialism, national independence, economic self-reliance, and third world co-operation. Beijing provided substantial aid and other assistance to struggling African states, in order to show that China was fully on the side of the third world.

But things have changed. China's economic reforms since the late 1970s have gradually moved China away from its radical revolutionary world view of the past. Beijing's open-door policy, mainly designed to attract foreign trade, investment and joint-venture opportunities from Western countries, coupled with China's entry into the World Trade Organization, have moved China much closer to a market economy where profits, not political agendas, drive most of the economic and trade activities. In this process, China's relations with African and other third world countries have also been re-structured from anti-colonial brothers-in-arms to economic and trade partners, based on market principles.

Yes, Beijing continues to pay and train young African diplomats in the Foreign

Ministry's prestigious Foreign Affairs University annually, which it has been doing for many years; China continues to present itself as a member of the third world; and since 1991, every Chinese foreign minister's first visit abroad at the beginning of every New Year has been designated to an African country. Beijing has even named 2006 the "Year of Africa," and it hosted the Sino-African Forum in November 2006. Most of China's foreign aid, totalling 7,5 billion yuan (US\$950 million) last year, reaches more than 50 African countries. In fact, Premier Wen claimed that China has offered Africa more than US\$44 billion in aid over the past 50 years, to finance 900 infrastructure projects. Meanwhile, all signs indicate that China-African relations are entering into a new phase, centred on energy and raw materials.

### Energy as the New Focus

China's relentless pursuit of economic development had turned the country from a petroleum exporter to an importer by 1993, and by the turn of the new century, its dependency on foreign oil has jumped to about 40%. Beijing's new target is to quadruple its economy again by 2020, as it did from the late 1970s to the mid-1990s. To achieve that goal, China must rely more and more on external energy supplies. The middle kingdom is now burning 6,3 million barrels of oil a day. Although still far behind the United States, which consumes some 20 million barrels a day, Chinese consumption is projected to reach a daily level of 10 million barrels within the next two decades or so, according to International Energy Bureau estimates.

So China's quest for energy and other resources has brought China to Africa with high speed. Chinese customs statistics show that from 2001 to 2005, China's trade with Africa increased to 268%, slower only than the growth of China's trade with the Middle East during the same period (367%), but faster than China's trade growth with Latin America trade growth (238%), ASEAN (170%), European Union (184), and North America (163%). In the first quarter of 2006, China's trade with the seven countries on Premier Wen's African list was US\$6,56 billion, a surge of 168,2%. It is not surprising that in such a broader economic context, Africa has turned into a major energy supplier to China in recent years. Back in 2003, both President Hu and Premier Wen visited several oil-producing African states with Chinese energy company executives, and since then China has been involved in increasing number of energy deals on the continent, bearing a number of characteristics.

First, Beijing is willing to enter the "troubled zones" with bold investment and aid packages in exchange for energy. When

Angola ended its 27-year civil war in 2002, few foreign countries were willing to enter the country. China then committed a US\$3 billion oil-backed credit line for rebuilding the country's shattered infrastructure. Beijing also made Angola its largest foreign aid destination. Now, Angola is the second largest oil producer after Nigeria in sub-Saharan Africa, producing 1,4 million barrels per day. And one-third of that goes to China, making up 13% of total Chinese imports. In the first four months of this year, Angola was the second largest supplier of crude to the Chinese market after Saudi Arabia. Similar arrangements have also been made with Nigeria and other countries.

Second, Chinese energy companies are committing large amount of funds and labour for exploration and development rights in resource-rich countries. Sudan is one of the earliest and largest overseas energy projects by China's major energy companies. Chinese operations in Sudan include investment, development, pipeline building, large numbers of Chinese labour deployment, and continuous operations. Today, China has a US\$4 billion investment in the country. The China National Petroleum Corp. (CNPC) has a 40% controlling stake in Greater Nile Petroleum that dominates Sudan's oilfields. Last year, China purchased more than half of Sudan's oil exports. And earlier this year, China National Offshore Oil Corp. (CNOOC) announced that it bought a 45% stake in a Nigerian oil-and-gas field for US\$2,27 billion and also purchased 35% of an exploration licence in the Niger Delta for US\$60 million. Chinese companies made similar investments in Angola and other countries.

Third, Chinese energy multinationals enter into joint ventures with national governments, state-controlled energy companies or individual enterprises for long-term local presence. It appears that the Chinese companies often outbid their competitors in major contracts awarded by governments of African countries because their concerns are not short-term returns but strategic positioning for the future.

Fourth, China's selection of energy co-operation partners does not reflect particular preferences of the United States or other Western countries. Sudan is a case long known in the international community. China and Zimbabwe have also just reached an energy and mining deal worth US\$1,3 billion. In exchange for building three coal-fired thermal power stations, among others, Zimbabwe is likely to repay the Chinese investment with its rich deposit of platinum, gold, coal nickel and diamonds.

### A New Model of Co-operation or a Return to the Past?

In the past few years, the demands from China, India and other developing economies for

more oil and natural gas are major factors, although not the only ones that have led to the increase in world energy prices; Chinese energy companies' extensive activities in Africa, Latin America, the Middle East and Central Asia in search of oil and gas assets have created some anxiety about the world's future supply of energy, with plenty of discussions of a new 'great game' – a term traditionally associated with competition among major world powers for the control of Eur-Asian oil resources since the late 19<sup>th</sup> century.

Today, Africa supplies China with nearly a third of its oil imports. Beijing's extensive engagement and its ascending status in Africa also raise important questions on the nature of China's involvement on the continent, who gets what and how from the rapidly growing China-African ties, and Beijing's long-term objectives in the region. Critics charge that China has pursued mercantilist policies in the region for pure economic benefits without human or environmental concerns. Due to China's support, they argue, the Sudanese government continues its genocide in the Darfur region, and the Mugabe regime can survive and continue its human rights abuses in Zimbabwe.

Officially, Beijing rejected the criticism with two arguments: first, non-interference of domestic affairs, as Premier Wen put it: "We believe that people in different regions and countries, including those in Africa, have their right and ability to handle their own issues;" and second, emphasising that China's involvement in Africa is different from the old or new colonialism of the past, and that an affluent China is now putting money back into the local African economy. As Chinese leaders like to say, it is a win-win situation.

With China rapidly expanding its activities in Africa, international concerns over Chinese behaviour are also deepening, and calls for Beijing to be a more responsible world power are growing stronger. There are also indications that Chinese policy-makers, academics, NGOs and even enterprises are beginning to reflect on China's role in the Africa. Many African countries are benefiting from a 'China boom' but they will be better served when Beijing can take further steps in balancing its economic interests and the welfare of African people, thus proving to the world that China's coming to Africa is indeed different from that of the old colonial powers.

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# The African Merchandise Trading Relationship with China

By Dr Ron Sandrey

The objective of this article is to provide some key salient points on the merchandise trading relationship between the continent of Africa and China. The data is sourced from the commercially obtainable World Trade Atlas source,<sup>1</sup> which is, in turn, obtained from the Chinese Customs figures. It is based on the inclusive December years, 1995 to 2005, which is expressed in US dollars. It should be

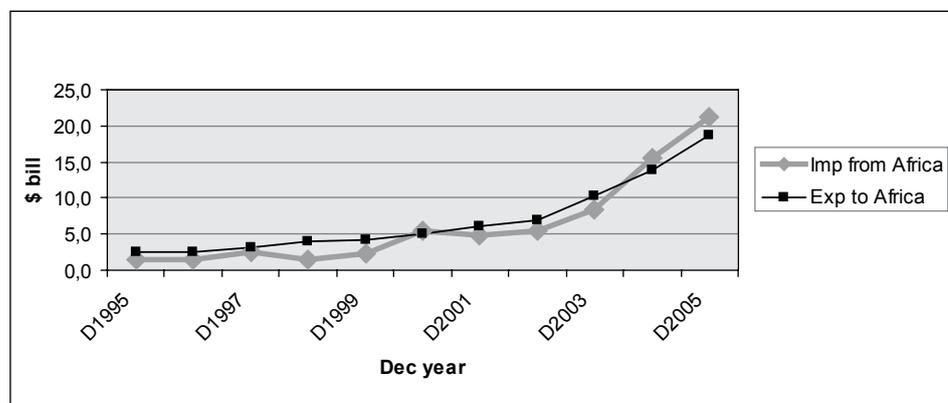
been a dramatic increase over the last three years in both imports and exports. According to the source, Angola tops the list, followed by South Africa, Sudan, Congo (Brazzaville) and Equatorial Guinea. With the exception of South Africa, and to a much lesser extent the Congo (Brazzaville), some of these main suppliers are almost primarily oil exporters.

While Africa has improved its trade with China, it is instructive to put this into perspective by looking at the African market share

Sudan, Congo (Brazzaville) and Equatorial Guinea with South Africa being the excluded source) are almost exclusively trading in oil and these countries have shown increases well above the average for Africa over the last ten years. This average is, of course, biased upwards by the same main oil traders, so therefore the impact is even more pronounced.

Figure 3 shows the comparable information for Chinese exports to Africa. These lines are much more stable, especially those for SADC and COMESA. Therefore, examining Figures 1 and 3 together, one is able to see that the large increase in Chinese exports to Africa from 2003 is entirely consistent with China's increase in global exports, as the percentage share to Africa has remained relatively stable when viewed against the market share. More specifically, the exports to Africa increased from \$7 billion in 2003 to a figure nearly three times that in 2005 (\$18,7 billion), whereas the export market share from China went from 2,3% in 2003 to 2,5% in 2005.

**Figure 1:** Chinese imports from Africa, US\$ bill



Source: World Trade Atlas data, 2005, <http://www.gtis.com/gta>

noted that Chinese imports are assessed according to 'cif' (i.e. cost, insurance and freight) or the costs of landing the goods in China. Thus, Chinese import data may not necessarily reconcile with African export data for this and a number of other reasons.

This article could be read in conjunction with the spreadsheet placed on Tralac's website,<sup>2</sup> which contains:

1. Aggregate data by country between China and Africa for Chinese imports, Chinese exports and the Chinese trade balance;
2. Aggregate Harmonised System (HS) data for both the top 20 imports and the top 20 exports;
3. Data for two of the regional groupings (SADC and COMESA); and
4. Data for all African countries by top 20 imports in China (i.e. African exports) and top 20 exports to that African country (i.e. African imports)

## The Aggregate Data

Figure 1 shows the overall trading relationship since 1995. During 2005, imports from Africa totalled US\$21,1 billion, while exports to Africa were \$18,7 billion. There has

of Chinese imports. Figure 2 shows this for African imports, where the market share rose to 2,5% in 2000 before declining and then peaking at above 3% in the most recent 2005 year. Also shown are the imports from both SADC and COMESA, which do not show the same recent rise and thus suggest the source of the increase is being pushed elsewhere on the continent. Indeed, as discussed further below, Chinese imports of oil are driving much of this expansion. Four of the five main sources of imports from Africa (Angola,

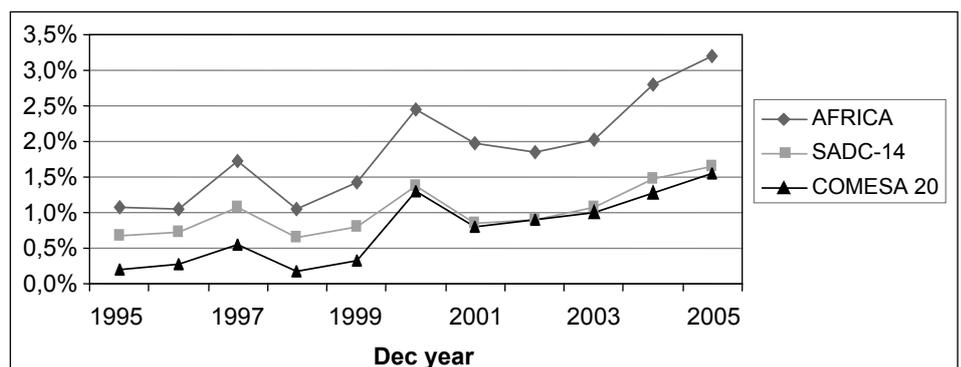
## The Composition of Trade

Figure 4 illustrates that during 2005, some 69,3% of the total African *imports* were oil imports. The other four categories made up another 11,4% of total imports. It is very notable from the country spreadsheets that this pattern continues, where imports are, in most cases, very concentrated, with the first two or three (Harmonised System) HS 4 lines making up a very high percentage (and even all in some cases) of the Chinese import/African export trade.

From Figure 4 the following main points can be gleaned about China's trade patterns in Africa during 2005:

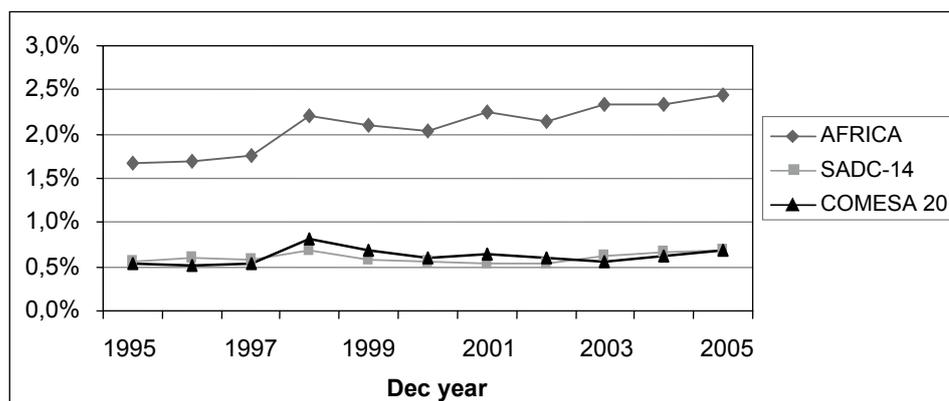
1. Crude oil constituted \$14,6 billion or 30,6% of Chinese global supplies, of which

**Figure 2:** Africa's Share of Chinese Imports



Source: World Trade Atlas data, 2005, <http://www.gtis.com/gta>

**Figure 3: Africa's share of Chinese Exports**



Source: World Trade Atlas data, 2005, <http://www.gtis.com/gta>

- Angola (\$6,6b), Sudan (\$2,6b), Congo (\$2,1b), Equatorial Guinea (\$1,4b) and Libya (\$0,9b) were the main suppliers.
- Iron ore made up \$741m or 4,05% of Chinese global supplies, which almost entirely (\$705m) came from South Africa.
  - Cotton represented \$677m or 21,2% of Chinese global supplies, of which the main African suppliers were Burkina Faso and Benin, followed by Mali, Côte d'Ivoire, Cameroon and Tanzania.
  - Diamonds comprised \$502m or 26,3% of Chinese global supplies and South Africa was effectively the sole supplier.
  - Logs made up \$495m or 15,4% of African global supplies, and the main sources were Gabon and Congo, followed by Equatorial Guinea, Mozambique and Cameroon.

Two commodities are of special interest to Chinese imports from Africa. The first is oil, while the second is cotton. Both generally have different impacts upon development and income distribution within a country. Oil tends to have its revenues highly concentrated in a few (usually international) firms, and as an industry, similarly employs very few highly skilled (and again often expatriate) persons. Cotton production, on the other hand, within the relevant African countries is very much the domain of the smaller and therefore generally poorer farmers, and enhanced returns to this commodity are likely to make a large and direct positive contribution to poverty alleviation in the agricultural sector in particular.

Over the 10 years through to 2005, oil dominated imports into China, as shown in Figure 4. During 2000, these imports jumped sharply, from some \$258 million in 1995 to \$14,6 billion in 2005. These imports represented an average market share of African imports of 18% to 19% in 1995 – 1996 before rising to between 53% and 69% in 2000, to the latest figure of 69% in 2005. By value, the average annual increase was some 40%, whereas by

volume, it was a lesser 30% average annual increase. This leads to examining the average unit price of oil as imported into China, and here the average annual increase was again a lesser 10% annually, despite the jump during 2005. Indeed, had the oil unit price stayed the same during the last 10 years as it was in 1995, the imports from Africa would have been only some 56% of what they were during 2005. This latter figure is influenced by the increasing share of Chinese oil sourced from the African continent; a share that rose from 11% in 1995, through to the low 20% range during the early years of the present millennium decade, before peaking at 30,6% in 2005. Thus, Africa's trading relationship with China on the export side (from Africa as measured by Chinese imports) is dominated by oil to feed the voracious Chinese appetite – an appetite that is in itself a major contributor to rising oil prices globally. Indeed, oil represented the largest import from seven of the top eight import sources for China (Angola, Sudan, Congo, Equatorial Guinea, Libya, Nigeria and Algeria) with oil as a percentage of the individual import shares that ranged from 90,3% from the Congo to 100% from Libya for these seven countries

Before turning to cotton one notes that the second major import, that of iron ore, is mostly from South Africa (\$705 million from a total of \$741 million). Again the increase in value was around double that in volume, as the unit price into China itself doubled over the last two years, after being stable for the period through to 2004. The fourth main import is diamonds, and again this trade is dominated by South Africa with imports of \$502 million from a total of \$511 million. Interestingly, the average price declined by an annual rate of 17% over the period, but one would caution against reading too much into that figure, as the quality of these diamonds may or may not have been consistent enough to make definitive conclusions. Diamonds are, however, the fastest growing of the major import commodities into China,

with an average annual increase of 43%.

Cotton, the third major import by commodity, is itself a fascinating story on the global market. A recent WTO ruling has decreed that the United States is operating support regimes to its producers that are in violation of global trading rules, and that these violations are depressing the price for African exports, a trade fuelled by the voracious Chinese appetite for cotton to manufacture its massive clothing exports, to destinations that increasingly included Africa (as the recent introduction of restrictions against these very imports were imposed by South Africa). Over the 10 year period under examination, the average import price of cotton into China from Africa has steadily declined from \$2,03/kg in 1995 to \$1,27/kg in 2005. To demonstrate the impact of this upon some of the smaller African nations, cotton is the major import from nine African countries (Burkina Faso, Benin, Côte d'Ivoire, Mali, Cameroon, Togo, Uganda, Senegal and Malawi), and has a market share in these imports of a low 63,9% in the case of Cameroon through to 100% (i.e., the only import) from Burkina Faso. In addition, it is also the second major import from some other countries.

### Chinese Exports to Africa

These exports from China are much more diverse, both to the continent and to almost all of the individual destinations. The top-20 exports to Africa at the HS 4 level accounted for only 36% of the total exports during 2005, a long way behind the comparable 93,6% of imports from Africa. This is again reflected in the individual country spreadsheets. The top-20 exports to Africa include one agricultural product (tea), the oddity of 'special items', with the remaining 18 all being the light manufacturing products (in order) of cotton fabrics, motorcycles and mopeds etc., footwear, fabric, telephones and parts, radios, tyres, batteries, embroidered fabric, computers and their parts, light trucks, men's/boy's suits, women's suits, air-condition equipment, t-shirts and vehicle parts.

Overall, the values of these exports to Africa have increased by 20% annually. Of more interest is the average value of these exports, as the reducing unit values of Chinese lightly manufactured consumer goods have been considered to be a factor in containing inflation globally. To assess this possibility, the top 100 HS 4 exports lines to Africa for these average unit values were examined, and some 68 had a complete data series to enable a sensible analysis of the picture for these exports to Africa. Firstly, in 38 of the 68 lines, the unit values had declined in US dollar values. Next, in some 46 of the 68 cases, the unit values had either declined by more into Africa than the global average

or, similarly, the increases into Africa were less than the global average, where those average values had increased over the 10-year period. Thus, either (a) there was a differentiation in the goods being exported to China at this general level, or (b) the Chinese were deliberately engaging in 'pricing to market' for the lower income consumers in Africa. Again, more work is needed to make a definitive statement on these possibilities.

### Trade Reconciliation

On a final note it should be emphasised that this article has been constructed using official Chinese trade data from the Ministry of Customs via the World Trade Atlas. Trade data is notoriously unreliable in many instances, and this is especially so in Africa. One therefore cautions that an examination of African trade data may well show different results. For example, data reconciliation shows that, as expected with South African imports into China, valued at two-and-a-half times the reported exports from South Africa to China, there is little coherence in reconciling the trade flows to China, as measured from South African export data. Some of this is accounted for in transport costs

(iron ore) given that imports are valued at 'cif' and exports at 'fob'. Another large difference is that there are almost no reported exports of platinum and diamonds from South Africa, however these are major imports into China. Nevertheless, much remains unexplained<sup>33</sup> in this regard.

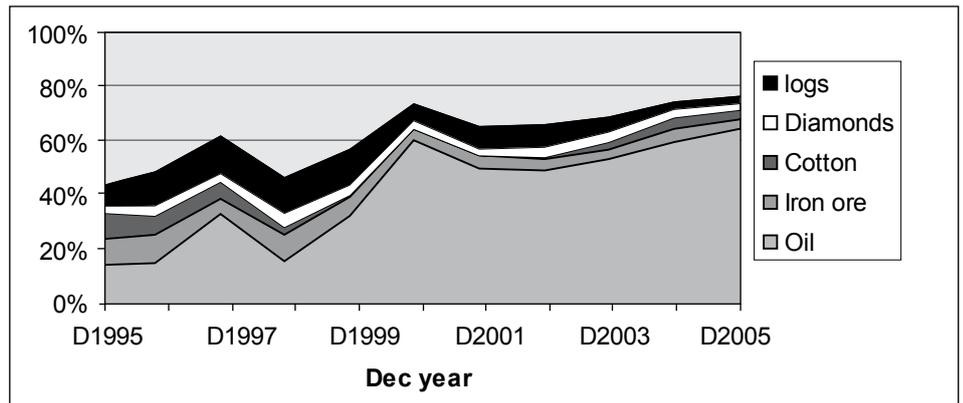
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ter a career as a trade economist in New Zealand's Ministry of Foreign Affairs and Trade.

### Notes and References

- 1 World Trade Atlas source, <http://www.gtis.com/gta>
- 2 [http://www.tralac.org/pdf/20060301\\_china\\_trade.doc](http://www.tralac.org/pdf/20060301_china_trade.doc)
- 3 Ron Sandrey, 'South African Merchandise Trade with China', Tralac Working Paper no 3/2006, March 2006, [http://www.tralac.org/pdf/20060504\\_WP1-06\\_satradchina.pdf](http://www.tralac.org/pdf/20060504_WP1-06_satradchina.pdf)

Figure 4: Chinese Imports from Africa % Share



Source: World Trade Atlas data, 2005, <http://www.gtis.com/gta>

# Chinese Multinational Corporations in Africa

By Lucy Corkin

China's phenomenal growth trajectory since opening up its economy in the late 1970s is not new. The fact that China has sustained an annual growth rate of over 9% for 25 years will, indeed, have far-reaching implications for a global economy formerly dominated by the West. China has a range of accolades documenting its meteoric rise in global economic considerations. Accounting for 4% of the world economy in late 2005, China has foreign trade worth US\$851 billion, the third-largest total in the world.<sup>1</sup> Surpassing Japan as the Asian growth engine, the impressive size and growth of China indisputably makes it a major player in global economics. Less recognised, however, is the rise of China's emerging multinationals.

Significantly, Western multinationals are beginning to learn the dangers of underestimating their emerging Chinese counterparts. This is particularly so as Chinese multinationals make rapid inroads into African markets, especially given the renewed geo-strategic importance for energy security.

What follows below traces the rise of China's emerging multinationals in penetrating the global market; with particular reference to African economies.

### Going Global

Initially, the only existing Chinese international ventures, aside from non-trading state-owned ventures were the ubiquitous Chinese take-aways and restaurants. Until 1985, the only heavyweights which had legal foreign dealings were the state-owned import-export companies, as well as provincial and municipal enterprises, which fell under the auspices of the Commission of Foreign Economic Relations and Trade.

With the influx of Western companies establishing production and assembly plants in China, to take advantage of the low-cost labour and land, local manufacturers benefited from technological diffusion, allowing for the establishment of private Chinese firms in their own right, and whose global aspirations soon became apparent.

In August 1979, China's State Council introduced an act permitting specialised Chinese companies to operate overseas. Prior to this, Chinese companies operating abroad were restricted to projects that provided economic and technical aid with funds provided by the Chinese government. This exposure enabled Chinese companies to gain much sought-after beneficial international mar-

ket experience following the Chinese government's adoption of an open-door policy.

Industries considered economically or militarily strategic were and still are often heavily subsidised. According to a 2005 World Bank study, as of October 2004, approximately 40% of all state-owned enterprises (SOE) were loss-making.<sup>2</sup>

According to the United Nations Conference on Trade and Development (UNCTAD), by the end of 2003, there were 7 400 Chinese enterprises investing in 160 countries internationally. Collectively these enterprises held US\$33,2 billion in contracts – a spectacular increase from the 143 Chinese enterprises worth US\$170 million in 45 countries, recorded in 1985. The intervening 20 years has thus seen a decided change in China's foreign investment strategy.

This began between the period 1985 and 1990, when the Ministry of Foreign Economic Relations and Trade became a legal entity, with sufficient capital to officially encourage overseas expansion. By 1990, there were 620 Chinese enterprises worth US\$860 million in 90 countries, predominantly from metallurgy/minerals, petro-chemicals, electronic/light industry, transportation, finance/insurance, medical and tourism industries. The pioneering companies included China National Metals

and Minerals Import and Export Corporation and China National Chemical Import and Export Corporation (Sinochem). From 1998 onwards, companies were actively encouraged and incentivised to set up foreign operations.

The Chinese government encouraged technological upgrades and propagated what was known as its 'two resources, two markets' approach in the 1990s, thereby encouraging the utilisation of both the domestic and the international markets to strengthen the firms' commercial position. At the 15<sup>th</sup> Party Congress in 1998, a further development ensued with the adoption of the "grasping the large, releasing the small" policy that allowed all but the largest state-owned enterprises or those concerning national security interests to be privatised.

Despite the opening up of the Chinese economy in 1978, the central government has continued to play a critical role in the management of multinationals. By going global, these enterprises enable China to have access to advanced technology, raw materials, foreign exchange and expanded export markets. All of these are essential for maintaining China's economic momentum and seen as crucial to the Chinese Communist Party's national interest. Significantly, of the top 500 Chinese firms in 2000, 28 are owned by collectives and only one is private.<sup>3</sup> As seen in the list

of Chinese companies who have attained a place in the 'Global 500' (see Figure 1) little has changed in the following 6 years.

China's centrally-planned "going global"<sup>4</sup> or "go-out" strategy targeted 28 special economic sectors. The strategy also included increasing access to international markets, competitiveness through global competition, and expanding Chinese exports. According to Li Rongrong of the State Assets Supervisory ;and Administration Commission (SASAC), this body closely supervises the 28 selected economic sectors, in an effort to improve corporate governance, internal controls and risk management. State Administration of Foreign Affairs (SAFE) and State Administration of Tax (SAT) have also introduced incentives, with the latter body raising first tier foreign exchange access from RMB 3 million (US\$380,000) to RMB 10 million (US\$1,26 million).

If a Chinese multinational, state-owned or otherwise, is earmarked as a 'flagship enterprise', it can also expect additional preferential treatment from the Chinese government. SASAC has compiled a list of 166 such companies. Often bids that would be deemed too costly by global competition standards, but considered strategically important by the Chinese government, are pursued by Chinese multinationals, which then receive additional public sector backing.

## Motivation

Chinese corporations are motivated by a number of factors to expand into international markets.<sup>5</sup> These include the following:

### Resources

In spite of China's wealth of natural resources, by global standards and per capita, these resources are thinly spread, especially in terms of energy, forestry and fisheries. Energy, in particular, is required to fuel China's burgeoning economy, yet with China's rapid growth almost doubling domestic oil consumption over the last 10 years, the country's demand has outstripped supply, even though in the 1990s there were signs of the industry reaching near self-sufficiency. As a result, in 2004 China became the second-largest oil importer after the US.<sup>6</sup> It is noteworthy that the largest Chinese multinationals are not only state-owned, but also energy-related.

### Technology

To develop its industries, the Chinese government has made the acquisition of new technologies from the West a priority and actively encourages technology upgrades in multinationals.<sup>7</sup>

### Markets

China is suffering from industrial over-production and market saturation in a variety of sectors, including textiles, footwear, and electronics, which has necessitated the entry into new markets.

In addition, following the opening up of the domestic market, Chinese companies no longer have the market monopoly they once enjoyed and now need to expand into new markets.

### Diversification

Before 1985, SOEs had the exclusive rights to import-export and foreign exchange, maintaining strict sector-dictated mandates. But with the relaxation of these laws, enterprises need to diversify their role in the economy. Hence, expansion into international markets offers this opportunity.

### Strategic Assets

As they become part of the global economy, the necessity for strategic assets, particularly in the energy sector, has arisen. As noted earlier, with the Chinese government offering substantial subsidies and soft loans, many enterprises are able to purchase ailing ventures in strategic locations without the burden of being cost-efficient. This is evident in Africa with regard to energy purchases.

Chinese multinationals discovered that most of these goals could be attained by expanding into new African markets.

**Figure 1: Chinese Firms Among the Fortune 500 (2006)**

Global Rank	Company	Revenues (US\$)
23	Sinopec	98 784,9
32	State Grid	86 984,3
39	China National Petroleum	83 556,5
199	Industrial and Commercial Bank of China	29 167,1
202	China Mobile Communications	28 777,8
217	China Life Insurance	27 389,2
255	Bank of China	23 860,1
259	Hutchinson Whampoa	23 474,8
266	China Southern Power Grid	23 105,0
277	China Construction Bank	22 770,6
279	China Telecommunications	22 735,8
296	Baosteel Group	21 501,4
304	Sinochem	21 089,0
377	Agricultural Bank of China	17 165,6
441	China Railway Engineering	15 293,7
463	COFCO	14 653,8
470	China First Automotive Works	14 510,8
475	Shanghai Automotive	14 365,2
485	China Railway Construction	14 138,9
486	China State Construction	14 122,4

Source: CNNMoney.com, 'Fortune Global 500,2006', <http://money.cnn.com/magazines/fortune/global500/2006/countries/C.html>

## An Africa Focus

Chinese multinational and SOE involvement in Africa is strongly related to China's political interest in the continent. This is especially in view of the considerable assistance and encouragement offered by the Chinese government to Chinese companies, whether state-owned or private, entering the global market. Consequently, in order to understand the rise of Chinese multinationals on the African continent, it is important to take cognisance of the trends in Sino-African relations over the past few decades.

During the 1960s and 1970s Chinese aid focused on infrastructure and development, such as the turn-key Tanzam railway project between Tanzania and Zambia, carried out by the SOE Chinese Civil Engineering Construction Corporation. Following the political turmoil resulting from the death of Mao Zedong in September 1976, the PRC government turned inward throughout the 1980s and into the early 1990s when the economic reforms initiated under the leadership of Deng Xiaoping began to produce results.

Chinese relations with Africa have grown exponentially over the past decade. During the 1990s, Sino-African trade grew by 700%<sup>8</sup> and many high-level visits occurred from 1995. The Forum for China Africa Co-operation was established in 2000, the culmination being the release of China's Africa Policy Paper in January 2006. The Africa Policy Paper reiterated China's declared policy of respect for national sovereignty and non-interference in internal affairs of other states. The paper confirms high-level rhetoric dating back to President Jiang Zemin's declaration in 1996

that the five cornerstones of China's Africa policy are "sincere friendship, equality, unity and co-operation, common development, and looking to the future". This foundation has been re-iterated, affirmed and expanded upon by the current Chinese President, Hu Jintao, who declared that there are six pillars to Sino-African relations. These are: non-interference, African ownership in dealing with problems, mutual trust and co-operation, the increase of economic assistance with limited political conditions, lobbying for the international community to pay more attention to Africa, and the promotion of an international environment more conducive to Africa's development.<sup>9</sup> This policy outline is in contrast to Western donors' conditional assistance and, as might be expected, has been well received by African heads of state. China presents Africa with an alternative to the West as well as being a gateway for Chinese corporates' entry into the African market. In May 2005, there were 674 officially registered Chinese companies active in Africa.<sup>10</sup>

While there has been a general increase in Chinese business in all sectors of Africa's economies, as witnessed by the robust strengthening in trade over the past 10 years (see Figure 2), there are several sectors in which Chinese multinationals have shown a particular interest.

### Telecommunications

An industry traditionally dominated by British Vodafone, France Telecom<sup>11</sup> and South Africa's Vodacom and MTN, African telecommunications have recently seen the arrival of Chinese companies such as state-owned Zhong Xing Telecommunication Equipments Company

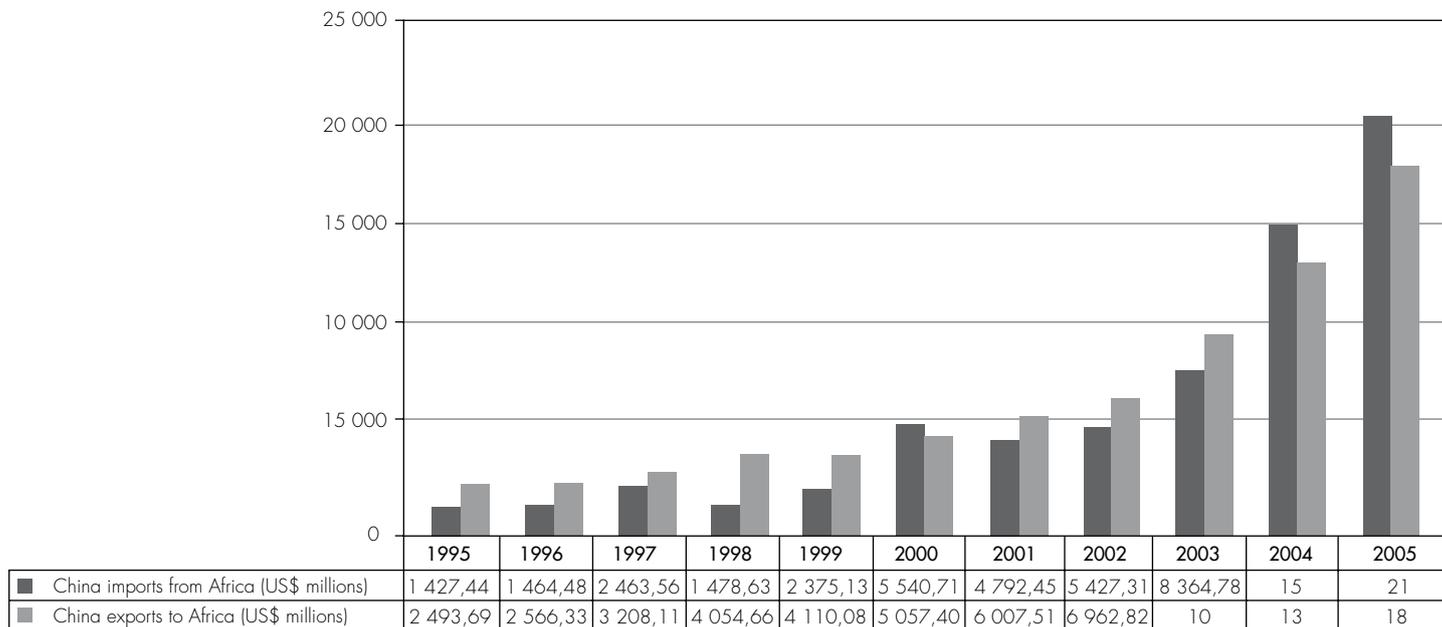
Limited (ZTE) and the private<sup>12</sup> Chinese multinational Huawei.

Huawei has been lauded for introducing telecom products at prices which are affordable to the African consumer. In Kenya, for example, the price of a fixed line has dropped by 65% following Kenya Telecom's procurement of digital equipment made in China.<sup>13</sup> Huawei has since set up an office in Tanzania, and a training centre in Nigeria.

Mundo Startel, the Angolan fixed line telecommunications utility, has signed a framework agreement with ZTE for the purchase of telecommunications equipment worth US \$69 million.<sup>14</sup> ZTE is to put US\$400 million into the Angolan telecommunications industry. This investment will be used for the construction of Angola's telecom network, improvement in military telecommunications system, construction of a mobile phone factory, the creation of a telecommunications institute for the training of Angolan staff, and the establishment of a telecommunications research laboratory. The company's products are also used in 15 other African countries.<sup>15</sup> Although Huawei and ZTE are actually equipment manufacturers, in Africa they have been bidding for telecoms operation tenders. ZTE is part of the consortium that won the tender for Sonitel in Niger,<sup>16</sup> and is also reportedly near to acquiring Zambia's Zamtel.<sup>17</sup> Huawei meanwhile has, in partnership with Canadian Nortel, won a US\$100 million contract as the leading Code Division Multiple Access (CDMA) provider for Nigeria's fixed wireless phone operator, Multilinks.<sup>18</sup>

SOE China Mobile has also tendered a US\$4 million bid for Nasdaq-listed Millicom International, a global mobile operator with

Figure 2: China-Africa Trade (1995–2005)



Source: 'World Atlas Trade Data', *Tralac Analysis*, 2005.

African subsidiaries in Chad, DRC, Ghana, Mauritius, Senegal, Sierra Leone and Tanzania.<sup>19</sup>

### Energy Sector

The energy sector is possibly where Chinese multinationals have left their most high-profile footprint in Africa. Chinese multinationals involved in the energy sector have received particular support from the Chinese government in overseas acquisitions. Especially since China National Offshore Oil Corporation's (CNOOC) failed bid for American Unocal in August 2005, Chinese oil companies have increasingly been on the look-out for African assets.

In January 2006, CNOOC bought a 45% stake in Nigeria's OML 130 oil area, also known as the Akpo field, for US\$2,27 billion from privately owned Nigerian company South Atlantic Petroleum Ltd. In March 2006 the company announced a further purchase of a 35% stake in the Nigeria OPL 229 oil contract to explore oil in Nigeria, for US\$60 million.<sup>20</sup> CNOOC's subsidiary CNOOC Africa Ltd has also signed oil production sharing contracts in Kenya.<sup>21</sup>

In March 2006 Chinese SOE Sinopec and Angolan state-owned Sonangol announced the formation of Sonangol-Sinopec International (SSI). The joint-venture involves the development of a new refinery at Lobito in Angola (Sonaref) requiring a total investment of US\$3 billion. According to reports in May 2006, Sonangol held 45% and Sinopec 55%.<sup>22</sup>

Work on the oil refinery, Angola's second, will begin before the end of 2007 and is estimated to have a total capacity of approximately 240 000 barrels per day; 80% of which will be for the general export market. Through the joint-venture SSI, Sinopec thus acquired the stakes of 27,5%, 40% and 20% in the off-shore blocks 17, 18 and 15 respectively.

China National Petroleum Corporation, (CNPC) has begun operations at two oil blocks in Sudan, with annual output estimated at 10 million metric tons of crude in total, equivalent to 200 820 barrels a day.<sup>23</sup>

### Construction

This is possibly the sector in which China has made the largest inroads, as many Chinese companies have become heavily involved in road and railway rehabilitation in Africa, as well as several other large infrastructural projects. These projects are usually undertaken by Chinese SOEs. Following the "going global" strategy and dove-tailing with the Chinese government's foreign aid programmes to African countries, these projects are often financed by Chinese government loans. Listed below are several examples of this kind of engagement.

In Angola, The China Road and Bridge Corporation (CRBC) is rebuilding a 371km

stretch of road between the capital Luanda and the northern agricultural and mining province of Uige, connecting the Angolan localities of Kifangondo (Luanda), Caxito (Bengo), Uije and Negage (Uije); as well as a 172km stretch of road between the towns of Ondjiva and Huambo. These projects are being financed by a US\$211 million loan from the Chinese government to Angola to assist with post-war reconstruction.<sup>24</sup> CRBC also has permanent representation in Burundi and Rwanda while in the latter the company has been contracted to undertake all major road refurbishments.<sup>25</sup>

In addition, in January 2006 Hong Kong-based China International Fund Ltd, began US\$300 million refurbishment of the Benguela Railway line, which was almost completely destroyed during the civil war. The railway line, on restoration, will run 1 300km from Benguela to Luau, on the border with the DRC. The railway also has a link to Lobito, 700km south of Luanda. This is significant as there is a strong possibility that extensions to Uige and Zambia may be envisaged, providing a direct line of transport from the Zambian copper mines to the Angolan ports.

In May 2006, China National Electronics Import and Export Corp. (CEIEC) won the tender for the renovation and widening of the water distribution network Caxito, Bengo province in Angola. The work, which began in February 2006, will take approximately 18 months to complete at a cost of US\$4 million. An additional US\$3 million is to be used to upgrade the Dande district by the same company. In Tanzania, China Civil Engineering Construction Corporation has been involved in water infrastructure projects in the Shinyanga (2004) and Chalinze (2001) areas, collectively worth nearly US\$90 million.<sup>26</sup>

### Implications for Africa

There are concerns that Chinese companies are contributing to the atrophy of local African industry and economic de-industrialisation.<sup>27</sup> These concerns seem to be arising from other foreign multinationals, since most of the areas in which Chinese corporates have shown an interest, do not involve competition with local African companies, but rather with their foreign counterparts.

In addition, the products and services that Chinese companies offer, especially in terms of telecommunications and construction, are considerably less expensive than those of European or South African corporates. In the construction industry for instance, Chinese companies have been known to undercut the closest bidder by 25%.<sup>28</sup> This allows Africa cheaper access to infrastructure, which is essential for economic growth.

Of concern, however, are the challeng-

es posed by a lack of institutional regulatory frameworks and government capacity to monitor and encourage direct investment in terms of local skills development and technology transfer. Linked to this is also the issue of whether enough is being done to cultivate and harness the development of local companies and/or small and medium enterprises (SMEs).

While many Chinese companies report extensive training facilities for locals,<sup>29</sup> other Chinese companies reportedly import all their labour and equipment needs directly from China, circumventing any kind of technology transfer.<sup>30</sup> This occurs in countries such as Angola, where Chinese companies are relatively new arrivals to the market and the local level of skills is inadequate for their immediate use. It is hoped that once more firmly established in the market, these multinationals will facilitate the training of local workers for employment in their projects and investments.

A further anxiety is the social impact of the influx of Chinese workers and businessmen into Africa. Michael Sata, the opponent to President Levy Mwanawasa in Zambia's September 2006 presidential elections, achieved great popularity for his anti-Chinese rhetoric and campaign promises to expel Chinese nationals living in Zambia.<sup>31</sup> Although unsuccessful in his presidential race, Sata's popularity is indicative of the rising anti-Chinese sentiment in some African countries, where Chinese workers are perceived to be taking jobs away from locals.

### Conclusion

Chinese multinationals' engagement in Africa has the potential to benefit both African countries and Chinese commercial interests. Africa will benefit by receiving cheaper goods and services than it would from traditional market players, as well as the possibility of technology transfer. The advantage for Chinese companies is that they can realise their global aspirations in Africa, having been less successful in the more developed markets of America and Europe.<sup>32</sup> However, there are several issues, discussed above, which will need to be resolved in order for this potential to be realised. If left unaddressed, these issues will cause China's multinationals to have their international reputations needlessly tarnished, and African economies will miss out on much needed infrastructural rejuvenation.

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# Africa, China and Health Care

By Ambassador David H Shinn

Africa faces a growing health care crisis. Maternal mortality in Africa is twice the rate for developing countries. Most Africans die well before the age of 60. Africans comprise about 60% of the world's population living with HIV/AIDS. Some 90% of deaths due to malaria occur in Africa. In 2002, Africa contributed more than 50% of the world's deaths due to infectious and parasitic diseases. In 2004, Africa accounted for 94% of the cases and 99% of deaths due to cholera. The situation concerning the health care system is equally dismal. Africa faces a critical shortage of medical personnel at nearly all levels. Sub-Saharan Africa has about one physician per 40 000 people. Malawi is at the bottom of the list; it has one physician per 100 000 persons. More than 30 African countries have less than one doctor per 10 000 persons. The situation for nurses and midwives is better but still woefully short of needs. Africa's rapidly expanding population and the brain drain of many African doctors and nurses to Europe, North America, Australia, and even the Middle East exacerbates the

problem. Most Africans cannot afford drugs at any cost, but certainly not those protected by intellectual property laws. Weak law enforcement and quality control systems have led to an influx of cheap, fake medicines.<sup>1</sup>

China has a long record of providing medical help to African nations, and Chinese leaders say this co-operation will continue. Premier Wen Jiabao commented at the second ministerial conference of the China-Africa Cooperation Forum in 2003 that China would co-operate vigorously in the prevention and treatment of HIV/AIDS, malaria, tuberculosis, and other infectious diseases. During a visit to Nigeria in 2006, President Hu Jintao said that providing effective medicine for treating malaria was a priority of Chinese assistance. China's Africa Policy statement of January 2006 declared that Beijing would enhance medical personnel and information exchange with Africa, and that it would continue to send medical teams and provide medicine and medical equipment to help African countries improve medical facilities and train medical personnel. China would also increase exchanges and co-operation aimed at the prevention and treatment of

infectious diseases, such as HIV/AIDS and malaria, and help with medical research and the application of traditional medicine.<sup>2</sup>

## Chinese Medical Assistance to Africa

Algeria was the first country on the continent to benefit from a Chinese medical team that arrived in 1963. The initiative quickly spread to other African countries. Chinese medical co-operation continues in Algeria, where more than 2 200 Chinese personnel have worked. The Algerian prime minister commented during the April 2003 visit of Wen Jiabao that the excellent work of Chinese doctors over the years has demonstrated the spirit of unity, mutual help, and friendly co-operation between Algeria and China.<sup>3</sup>

According to statistics from the Chinese ministry of health, it is claimed that nearly 20 000 medical personnel in 47 African countries since 1963 have treated 200 million patients. In 2006 there were more than 900 Chinese medical staff assigned to 94 hospitals and clinics in 34 African countries. China's Gansu Province, for example, has sent 14 medical aid teams to Madagascar since

1975, reportedly treating 12,7 million patients in Madagascar and nearby countries. The team sent to Madagascar in 2004 numbered 30 personnel. By contrast, some 1 550 Chinese doctors have worked in Tanzania since 1964 and reportedly treated 3,3 million people. Over the past four decades, the teams in Tanzania averaged annually 50 000 out-patients and 30 000 in-patients. They conducted more than 130 000 operations, averaging 3 100 annually. It is not clear why there is such a difference in the number of persons treated by the teams in Madagascar as compared to those treated by the larger and longer medical programme in Tanzania.

China only began to send doctors from the Guangxi Zhuang autonomous region to the Comoro Islands in 1996. A Chinese team of 11 members divided its staff among the three islands, which constitute the Comoros. In 2005 the team reportedly treated more than 17 000 patients, conducted almost 3 000 operations, provided emergency treatment to another 400, and trained 59 local doctors and nurses. During a visit to Guangxi in 2003, the president of the Comoros said the region is known throughout the country because of the respect their doctors have earned and the fact that many Comoro students have come to Guangxi to learn traditional Chinese medicine. Some 300 Chinese medical practitioners have worked in hospitals in Cameroon since 1975. According to hospital reports on Chinese aid, the teams have treated more than two million persons. China and Morocco renewed in 1998 their agreement on medical co-operation; 120 Chinese medical personnel were present in 2003. China has sent nine medical teams to Uganda since 1983 and five teams of 65 doctors to Lesotho since 1997.

Chinese teams offer an array of medical specialties in addition to traditional medicine. The most recent team of 27 to arrive in Mauritania included specialists in scanning, orthopaedics, epidemiology, gynaecology, surgery, ophthalmology, water chemistry, bacteriology, and virology. They often serve in rural areas, something that many African doctors do with great reluctance. China received praise in Liberia for its medical teams because they prioritise the transfer of knowledge and technology. They sent specialists and general practitioners, who upgraded and built the professional skills of local health workers. In the case of war-torn Liberia, this is a critical medical need.

Members of Chinese medical teams normally spend about two years in a country. Many doctors have served on more than one team. The health bureaus of individual Chinese provinces co-ordinate the medical co-operation with designated countries. This permits a close personal connection between the African

country and a particular region in China. For example, in addition to the linkages noted earlier, Shandong Province is responsible for Tanzania and the Seychelles, while Hubei Province co-ordinates medical co-operation with Algeria and Lesotho. Shaanxi Province assists Mauritania, Guinea, and Sudan. African support for the programme remains strong. Most African countries pay the medical team's expenses, such as international airfare, staff stipends, and even the cost of some medicine and equipment that is brought by the team. In the case of the poorest countries, China covers the costs of the team's travel and the equipment and medicine that it requires.<sup>4</sup>

China's medical co-operation with Africa over the years has included the construction of hospitals and clinics. Although they were once primarily assistance projects, they appear increasingly to be commercial ventures. China provided a grant of \$2,5 million to Sudan in 2002 for the rehabilitation of its Radiotherapy Hospital. It is not clear whether a \$6 million hospital built by a Chinese company in Kinshasa, Democratic Republic of the Congo, in 2004 was a grant or linked to commercial activity.

Donations of medicine and occasionally medical equipment have become a more important part of China's medical co-operation programme. Recent examples include a donation of almost \$1 million of a Chinese anti-tuberculosis drug and \$50 000 worth of Cotecxin anti-malaria medication to Kenya. China also recently gave \$100 000 worth of medicine to fight malaria, cholera, and meningitis in Togo; \$60 000 worth of various drugs to Burundi; and \$13 000 worth of anti-malaria medicine and bed nets to Tanzania. This is also a clever and low cost way to introduce Chinese-made medications to the African market. Four Chinese companies produce anti-retroviral medication well below the cost of similar drugs manufactured in the West; one of them has already obtained import approval from 13 African countries. Another Chinese company planned to offer Nigeria its anti-malaria drug, Artemedine.

As the Chinese improve their reputation for the manufacture of medicine, Africans further express their interest in joint production efforts on the continent. China has increased to more than 20 the number of active ingredient manufacturers that meet US Food and Drug Administration approval. The US-based PATH Malaria Vaccine Initiative, and the Chinese company Shanghai Wanxing Bio-Pharmaceuticals, announced in 2006 an agreement that supports the development of a paediatric malaria vaccine against *Plasmodium falciparum*, the most deadly strain of malaria. Chinese joint ventures with Western companies have created the ability to transfer manufacturing technology, which has accounted for

much of this improvement. The government of China has a 40% share of an Ethiopian company that produces anti-retroviral drugs free of charge for HIV patients. China is also co-operating with Tanzania in the production of anti-malaria drugs by using herbal extracts.

One of China's biggest pharmaceutical companies, Beijing Holley-Cotec, opened prior to President Hu Jintao's visit to Kenya in April 2006, a drug distribution centre in Nairobi, to serve East and Central Africa. The company entered the African market in 1993 and also has offices in Tanzania, Nigeria, and Uganda. The company subsequently began marketing its newest anti-malaria drug, Duo-Cotecxin, in Uganda. China invested \$180 million in biotechnology between 1996 and 2000 and another \$600 million in the following five years. Although small amounts compared to Western investment, most Chinese biomedicines are generic and may be more appropriately priced for the African market.

China's medical co-operation includes a variety of other activities. The Nigerian minister of health signed in 2001 an agreement that covers co-operation in immunisation, vaccine production and development, malaria control, traditional and alternative medicine development, drug policy control and manufacturing, primary health care and health system reform. During his visit to Nigeria in April 2006, President Hu Jintao signed an agreement to provide a training course for comprehensive malaria prevention and control, and another for training medical staff in Nigeria. So far in 2006, China has invited 130 African officials and experts to study the prevention and control of AIDS. It made a \$500 000 donation in 2006 to Tanzania and Kenya to train nurses and midwives at educational institutions in the two countries. As a follow-up to the China-Africa Cooperation Forum ministerial conference, China hosted a workshop on malaria control and treatment in Nairobi during 2003, in which 14 African countries participated. China has become an increasingly important contributor to UN peacekeeping missions in Africa; medical teams are part of that contribution. China initially sent 43 medical personnel, including 13 female doctors and nurses, to the UN peacekeeping operation in the Democratic Republic of the Congo. It continues to provide medical staff for the mission. The UN peacekeeping mission in Liberia has 35 Chinese medical personnel. China announced plans to send a 60-member medical team to the UN peacekeeping mission in southern Sudan.

### Chinese Traditional Medicine

An estimated 80% of Africans use or depend on herbal medicine. Traditional medicine is popular because traditional healers are ac-

cessible, live within the community they serve, and are inexpensive. University-trained personnel are virtually non-existent in much of rural Africa. The ratio of the traditional healer to the population in sub-Saharan Africa is about one to 500. In the case of trained medical doctors, it is one to 40 000. Even in South Africa, which has the most advanced medical system in sub-Saharan Africa, it is estimated that 30 million of South Africa's 47 million people consult and seek treatment from traditional healers. It should come as no surprise, therefore, that Chinese traditional medicine is highly popular on the continent.<sup>5</sup>

A case study on Chinese traditional medicine in Tanzania revealed that it is the patients' perception of Chinese medicine as having 'rapid effects' that lures them into Chinese clinics. Tanzanian patients believe it is rapidly effective because of the way the Chinese provide the care, the manner in which Chinese drugs are marketed and consumed, and the therapeutic effects of skillfully administered treatment that combines Chinese and Western medicine. Small-scale Chinese entrepreneurs, supported by African laboratory technicians, provide health care in Tanzania. Patients are not required to wait in long que as they do at government health clinics. They appreciate the brevity of the visits and their low costs. As a result, the Tanzanian Ministry of Health and Ministry of Commerce began, in the mid-1990s, issuing licences for private traditional Chinese medicine enterprises.<sup>6</sup>

China has held discussions with a number of African countries concerning co-operation in the field of traditional medicine. South Africa and China agreed to work jointly to develop herbal medicine for AIDS-related illnesses and regulating traditional medicine. Tanzania has also expressed a desire to co-operate with China in ways to use Chinese traditional medicine to treat HIV/AIDS. Ethiopia and China signed a memorandum of understanding whereby both parties would exchange specialists and administrative personnel as well as organise seminars and a symposium on traditional medicine, and conduct joint research for medicinal use. Chinese clinics have become a popular alternative to Western medicine in Kenya. Kenyans have discovered that techniques like acupuncture can be highly effective. China underscored the importance it attaches to traditional medicine at a seminar on the export of traditional Chinese medical products and technologies to Africa. China exports US\$600 million annually of traditional medicine to more than 130 countries. Although Africa accounts for only \$10 million of this total, China believes the export potential is high. Even Western pharmaceutical companies are beginning to explore the uses of traditional medicine. Novartis, the Swiss pharmaceutical company, has launched an international approved therapy for malaria that uses a

derivative of artemisinin, a Chinese traditional medicine.

### Obstacles for Increased Chinese Medical Assistance to Africa

One of the major constraints to sending more Chinese medical teams to Africa concerns funding. China states that its capacity to send large numbers of medical personnel to Africa is limited. Provincial budgets, which have traditionally funded the programme, are stretched by a shrinking tax base since the implementation of rural tax reforms. The health needs of many Chinese are also not being met and government doctors are increasingly called upon to deal with public health issues at home. As the Chinese medical system becomes increasingly privatised, more doctors are less inclined to accept a two-year posting in Africa. Medical bureaus in some wealthy provinces have reportedly been forced to recruit doctors from inland provinces in order to fulfil their overseas medical team obligations.<sup>7</sup>

Chinese Minister of Health, Gao Qiang, recently acknowledged that the ministry's reforms had been generally unsuccessful, noting that four gaps had crippled the health industry. He said that China was not prepared to control the spread of major epidemics, commenting that China had about 4.5 million tuberculosis patients, the second-largest number after India. He added that China's health services were inadequate and lagged behind the country's economic development. The configuration of medical and health resources was unreasonable; the circulation and pricing of medicine and medical equipment were chaotic and too expensive. Finally, he criticised China's health management system as poorly adapted to the country's health needs. He said management responsibility over health resources belonged to different governments, industries and enterprises.<sup>8</sup>

There have also been a number of lesser concerns. Nigeria, for example, accused a number of Chinese and Indian companies of selling counterfeit medicines. Nigerian authorities declared that all drugs imported from China should be subjected to pre-shipment inspection and analysis, and named an independent and reliable Chinese company to conduct the inspections. The UN's top HIV/AIDS official also warned that the quality of China's anti-retroviral medication should be validated by international standards.

Chinese traditional medicine has become so popular that it is occasionally abused. Some Cameroonians who have never had any training in Chinese medicine, claim to be expert in its use. Many Africans think that because traditional medicine is natural, it is also safe. They do not realise that its uncontrolled practice can lead to strong and adverse side effects. There needs to be careful education of the patient and practitioner.

## Conclusion

Dr He Wenping of the Institute of West-Asian and African Studies at the Chinese Academy of Social Sciences recently commented that "the medical team project has been a key part of China's comprehensive diplomacy."<sup>9</sup> By most accounts, China's health care co-operation with Africa has been a success. It is in the interests of the global community to have a healthier Africa and especially a continent that is better equipped to deal with public health pandemics. The current health situation in Africa contributes to conflict and perhaps even extremism and terrorism. The international community should encourage and even assist China in expanding its co-operative medical programmes in Africa.

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