

# 2006 Forum on China—Africa Co-operation: A View From Africa

Sanusha Naidu and Hannah Edinger<sup>1</sup>

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*I expect that all of Africa will look at China's great transformation, that we'll see the co-operation that is going on now between Africa and China and identify new means by which we can support each other.*

President Ellen Johnson-Sirleaf of Liberia, 2006, Beijing

## Introduction

The year 2006, which was declared the 'Year of Africa' by the Chinese government, marked the 50<sup>th</sup> anniversary of the inauguration of diplomatic ties between China and Africa. During the last half-century, Sino–African relations have deepened significantly. Whereas there were clear political divergences between China and Africa based on ideological loyalties during the Cold War, the era that followed its end was characterised by economic pragmatism on both sides. Members of China's executive made three high-level visits to the continent in the first half of 2006. Their purpose was not only to reaffirm diplomatic ties with old friends, but also to explore new commercial opportunities in Africa's extractive industries and to seek co-operation in the areas of trade, investment and tourism. Diplomatic tours to Africa from China appear to have become annual events, which demonstrates the strategic importance accorded the continent by Beijing's foreign policy. In January 2006 the first formal White Paper outlining China's Africa strategy was released.

However, the most important event as regards relations between China and Africa to take place in 2006 was the Third Ministerial Conference on the Forum on China–Africa Co-operation (FOCAC), which incorporated a Heads of State Summit, held between 3–5 November in Beijing. Beforehand both sides had anticipated that the Forum would further strengthen mutual political and economic interests in the spirit of peace, harmony, and a common desire to foster development and South–South co-operation. Unlike the past two Forums (held in 2000 and 2003) which were Ministerial meetings, the 2006 FOCAC included the first Summit of Heads of State. This presented African leaders and (to a lesser extent) China's authorities with an exceptional opportunity to discuss the relationship between two powers that are unequally matched politically and economically.

FOCAC 2006 was one of the largest gatherings of its kind ever to be held. Representatives of 48 countries and 1 500 businessmen and entrepreneurs attended. At the Forum, China's burgeoning relationship with, and engagement in, Africa was the subject of much debate between those skeptical of the advantages offered and those who embraced them. On the one hand, the proponents, including African leaders like the Liberian president, Johnson-Sirleaf, saw the China–Africa Forum as providing Africa with a means to address the continent's development challenges alternative to its long-standing dependence on Western countries and institutions. This view was supported by the Ethiopian Prime Minister, Meles Zenawi, who commented: 'Our main challenge now is not fighting colonialism, but fighting poverty and backwardness and achieving economic independence'. It is not difficult to see why many of Africa's leaders were inspired by the 'Beijing Consensus' model of development, which had succeeded without following the prescriptions of the 'Washington Consensus'. As Dianna Cammack notes:<sup>2</sup>

Three decades of economic growth have resulted from China becoming a 'developmental state', with a strong state apparatus that has established its own pragmatic policies, 'shaping [a] national consensus of modernisation', ensuring stability, learning the lessons of others (e.g., the role of the market), setting its own sequencing and priorities, and following a gradual approach to reform.

The opponents of co-operation between China and Africa were less optimistic. They were convinced that FOCAC 2006 would prove to be nothing but a meeting staged on a grandiose scale, at which China would determine the rules of engagement. Many suspected that African leaders would be seduced by China's political and economic largesse into giving away their 'crown jewels', that is their countries' own richest resources. Much of this criticism stems from the way in which China's deepening involvement in the continent disturbs Africa's relationship with its traditional development partners, and interferes with their interests in the continent.

A week after FOCAC 2006 was held, the German Chancellor told participants attending a conference on urban development in Germany: 'We Europeans should not leave the commitment to Africa to the People's Republic of China'. She added, 'We must take a stand in Africa', and 'European policy toward Africa should not be based on "charity arguments", as ... in the past but on our "stalwart interests"'.<sup>3</sup>

There are some genuine concerns that underlie evaluation of Africa's efforts to advance its development by making agreements with China. There are many issues raised by Africa's relationship with the East Asian giant. In particular, the continent's leaders should consider the impact that increased concessional loans and grants from China will have on Africa's debt burden overall, and ask themselves to what extent the investments made by China in Africa are benefiting their own people.

On the other hand, China's heightened interaction with African countries cannot be dismissed. Those with mixed feelings may be reassured by evidence that the consolidation of Sino–African relations agreed at the Forum is not based on short-term benefits for China. Instead FOCAC 2006 showed that the Chinese view the continent as a strategic partner and have long-term ambitions to build on this relationship.

The purpose of this article is to offer a balanced African perspective on FOCAC 2006 by answering one simple question: Was Africa the real winner at FOCAC 2006?

### Trade and investment

The exponential increase in Sino–African trade and investment, especially since the turn of the century, has made China a major player in Africa's economic development. While Africa's share of China's total global trade is 2.3%, imports to Africa from China constitute about 10% of the continent's total trade,<sup>4</sup> making the relationship markedly asymmetrical. Since the establishment of FOCAC in 2000, bilateral trade flows between China and the African continent have soared to approximately \$40 billion in 2005, an eightfold increase from the \$5 billion recorded in 1995. This made China Africa's third-largest trading partner, after the EU and the US. Within the same period Chinese imports from Africa rose by 1 380%. In 2005 Africa's top 10 exporting countries to China were those rich in natural resources: Angola, South Africa, Sudan, Congo, Equatorial Guinea, Libya, Nigeria, Algeria and Gabon. During that time the 10 products most commonly imported by China from Africa were crude oil, iron ore, cotton, diamonds, logs, returns and repairs, platinum, cobalt, manganese and refined copper. This demonstrates that China's economic boom (and its need for raw materials) is the reason for its interest in Africa's extractive sector. Chinese exports to Africa are mainly value added products that include cotton, woven and embroidered fabrics, motorcycles and mopeds, footwear, telephonic parts and radios, tyres, batteries, fabric, TVs and TV parts.

By the end of 2005 about 800 ventures funded by the Chinese had invested a total of \$1.3 billion in Africa, mostly in the fields of energy and natural resources, and ranging from infrastructural to ICT projects. Increased Chinese FDI to Africa (among other investment destinations) has been spurred by China's 'going global' strategy, which was introduced in 2000. According to the *2006 World Investment Report*, FDI inflows to Africa in 2005 reached a historic high of \$31 billion, as compared with \$17 billion in 2004. These investments were mainly 'in the mining sector, and in particular in the oil gas and gas sector'.<sup>5</sup> While the report notes that this impressive increase of FDI into the continent represents a growth rate of 78%, which is 'primarily the consequence of a boom in the global commodity market',<sup>6</sup> it is clear that it is China's greater involvement in Africa's natural resource sector, based on its growing demand for raw materials, that

prompted the increased FDI inflows to Africa in 2005.

Oil is the primary motivator for China's investments in the continent, whether these ventures take the form of exploration rights or construction projects. This comes as no surprise, as Africa supplies one-third of China's crude oil needs. Some of the major investment deals concluded between China and Africa since the 1990s have involved the China National Petroleum Corporation (CNPC), Sinopec, Petrochina and CNOOC. These companies have obtained exploration rights or bought stakes in oil and gas fields in countries like Sudan, Mauritania, Nigeria, Angola, Libya and Chad. Angola, for instance, has now overtaken Saudi Arabia as China's biggest single provider of oil. Production has probably been boosted by the \$3 billion oil backed loan from China, which sees Sinopec increase its oil exploration capacities through a joint venture with the Angolan state-owned company, Sonangol. Since 2003 Chinese oil companies have been prospecting in Algeria, Niger, Chad, Tunisia and Mali. In 2004 Sinopec signed a contract with three onshore oilfields in Gabon. Again, in 2006 CNOOC expanded its energy supplies in Equatorial Guinea, and bought a \$2.3 billion stake in one of Nigeria's oil fields. Sinopec is also involved in the construction of an oil pipeline in Sudan.<sup>7</sup>

But Africa's oil is not China's only interest. Other raw materials such as coal, chrome, copper, ferrochrome, gold, iron ore, platinum, uranium and tantalum are of increasing interest to China, and are the chief reason for its investment in countries like the Democratic Republic of Congo (DRC), Ethiopia, Niger, South Africa, Sudan, Tanzania, Zambia and Zimbabwe. Beijing has recently signed a \$3 billion iron ore deal, which includes the construction of a railway line and a container port, with Gabon. According to a recent report in *The Economist*, China's investment footprint in Africa has led to a dramatic redirection of exports for some countries.<sup>8</sup> 'China now takes over 70% of [Sudan's] exports, compared with 10% or so in 1995...Burkina Faso sends a third of its exports, almost all of which are cotton, to China, compared with virtually nothing in the mid-1990s'.<sup>9</sup>

In 2006 China's trade with the continent reached \$55.5 billion; that figure is expected to be \$100 billion by 2010. In 2004 China accounted for \$900 million of the \$15 billion of FDI in the continent, but the following year the amount invested by China doubled, to \$1.18 billion, according to official reports. It was announced at the FOCAC Summit in November last year that the total committed investments in Africa until the end of 2006 amounted to \$6.27 billion. Despite the discrepancy in the official figures and the difficulty of quantifying China's trade and investment volumes with the African continent accurately, they nevertheless show that China's trade and investment in Africa is growing rapidly. It will almost certainly continue to do so in the future, when one considers that China's foreign exchange reserve has reached \$1 trillion. (This undoubtedly made possible the commitments towards Africa undertaken by Beijing at FOCAC 2006.)

## The 2006 FOCAC outcomes

Since the inception of the Forum in 2000 and the Addis Abba meeting in 2003, FOCAC has strengthened Sino–African relations considerably. Over the last six years China has not only augmented its presence in Africa as an important trade and investment partner, but has also become a large-scale benefactor by involving itself in humanitarian and development aid. Beijing has forgiven the debts owed to it by at least 30 African countries, to the value of about \$1.3 billion (10.9 billion yuan). It has provided training to more than 10 000 African personnel in both the civilian and security sectors. It has also granted zero tariff ratings for 190 products exported to Beijing from Sub-Saharan economies. Further, China has contributed several hundred peacekeepers to operations in the DRC and Liberia, and has also supported the AU's peacekeeping mission in Sudan.

Under the auspices of the African Humanitarian Resource Development Fund (AHRDF), which was established after the first Forum in 2000, the People's Republic of China (PRC) government has offered about 1 200 scholarships per annum to enable Africans to study in China, dispatched some 16 000 doctors to work in rural areas between 2000–2005, and deployed 700 teachers to work in rural schools across Africa. More recently, through a Memorandum of Understanding signed with the New Partnership for Africa's Development (Nepad) Secretariat, the Chinese government has made a \$500 million donation to support the Secretariat's 'nursing and midwives graduate training programme in five universities in Kenya and Tanzania'<sup>10</sup>

The commitments made at FOCAC 2006 build upon the interventions described above. The Beijing Summit concluded with the signing of 16 commercial agreements between China and Africa, to the value of \$1.9 billion. These covered co-operation in the natural resource, infrastructure, finance, technology and communications sectors. Surprisingly, no agreements concerning the oil and gas sectors were made. The largest contract signed was with Egypt, for the construction of an aluminium smelter worth \$938 million by China's state-owned CITIC conglomerate.<sup>11</sup> Other ventures included:<sup>12</sup>

- a \$60 million deal with Sudan to develop its textile industry;
- a \$300 million arrangement with Nigeria to upgrade its road infrastructure;
- a \$200 million copper mining agreement deal with Zambia;
- two contracts with Ghana, one to develop a telephone network, and the other to involve the Sino Hydro Corporation in the construction of a 400MW dam worth \$600 million; and
- further agreements with Kenya and South Africa.

In addition, the multi-billion dollar development package offered by China included the following undertakings:<sup>13</sup>

- to double its 2006 aid contributions to the continent by 2009;
- to provide \$3 billion in preferential loans and \$2 billion in preferential buyer's credits to Africa over the next three years;
- to set up a China–Africa development fund of \$5 billion to encourage Chinese companies to invest in Africa, and provide them with support;
- to cancel debt on all the interest-free government loans that matured at the end of 2005 and were owed by those heavily indebted poor countries and least developed countries in Africa that have diplomatic relations with China;
- to further open up the Chinese market to products from the least developed countries in Africa who have diplomatic relations with China, by increasing from 190 to over 440 the number of items receiving zero-tariff treatment when exported to China; and
- to build a conference centre for the African Union (AU) to assist the efforts of African countries to unify, collaborate and integrate.

Furthermore, to complement China's existing commitments under the AHRDF, President Hu Jintao promised that over the next three years funding would be provided to:<sup>14</sup>

- train 15 000 African professionals;
- send 100 senior agricultural experts from China to Africa;
- set up 10 specialised agricultural technology demonstration centres in Africa;
- build 30 hospitals in Africa;
- provide a RMB300 million grant for supplies of artemisinin and the construction of 30 malaria prevention and treatment centres in Africa;
- dispatch 300 Chinese youth volunteers to Africa;
- build 100 rural schools on the continent; and
- increase the number of Chinese government scholarships to African students from 2 000 annually to 4 000 per year by 2009.

Co-operation in the tourism sector was strengthened when China Southern Airlines announced that it will be setting up a regular commercial flight between Beijing and an undisclosed African destination. The airline also confirmed that it will start operating a flight from Beijing via Dubai to Lagos, Nigeria, from December 2006. This has been seen as a sign that Africa has been given approved destination status, which bodes well for a massive increase in tourists from China to Africa.

The Chinese administration also demonstrated its awareness of the negative image many of its corporations are earning in Africa with regard to environmental malpractice. To address this, the Chinese government has undertaken to step up its co-operation in capacity building; the prevention and control of water pollution and desertification; the maintenance of bio-diversity; the development of an environmental protection industry; and support for demonstration projects. It has pledged to train more environmental protection

administrators and experts at home, to be deployed to African countries. Moreover, Premier Wen Jiabao assured the African entrepreneurs attending the Summit that projects carried out under the auspices of Chinese firms will be conducted in an 'open, fair, just and transparent' manner, a reference to what has been another contentious issue in China's engagement with Africa—that Chinese businesses are perceived as playing by a different set of rules, which are not always transparent. The most important aspect of these undertakings is that the government in Beijing acknowledges the need to assuage the concerns of China's business partners in Africa.

President Hu's concluding remarks during the closing ceremony summed up the spirit of the Forum: 'Heads of States that participated in the Summit have laid the concrete foundation for a new podium of strategic co-operation and partnership between Africa and China'.<sup>15</sup>

### **Forging a new strategic partnership?**

FOCAC 2006 appeared to be a resounding success. Politically it would seem that a broad consensus was reached at the Summit. Economically, Africa's leaders probably gained more than they had anticipated or asked for, given the generosity of the pledges made by the Chinese administration. The Summit ended with the adoption of the 2006 Declaration, which called for a 'new type of strategic partnership' between Africa and China. This partnership would be based on<sup>16</sup>

the shared desire of independent choice of China and Africa [which] serves our common interests, and will help enhance solidarity, mutual support and assistance and unity of the developing countries and contribute to durable peace and harmonious development in the world.

So what does the future hold for this 'new strategic partnership'? The Chinese government has indicated clearly the direction in which it wishes relations between itself and Africa to go. For African governments the Summit means that the continent's development landscape has been broadened to include an important global partner that will treat Africa as an equal. While critics would be quick to point out that rhetoric is not always borne out by practice, Africa's leaders seem not to share these doubts. China's engagement affords them the respect and equal status that they find lacking in their relationships with their traditional development partners.

But one should not overlook the caveats. A primary concern is whether the next FOCAC Summit to be held in Egypt in 2009 will sustain and expand upon the gains for Africa made in 2006. Now that China has become a 'second generation donor', its government also has to consider how its relationship with Africa may affect its political legitimacy domestically. Beijing faces a looming crisis over pension and healthcare, and widening income inequality at home. It will have to justify to its 'electorate' why it is choosing to support Africa's

development initiatives rather than building a viable social safety net for China's economically and socially marginalised citizens. This point was recently made by the governor of the People's Bank of China, Zhou Xiaochuan, when he noted that China has the financial resources to tackle the problems at home.<sup>17</sup>

Such public recognition of China's growing social development needs is an indicator that Africa cannot rely on China to solve the former's problems, as China itself has acknowledged. African leaders should therefore find a more pragmatic way of harnessing the continent's new era of partnership with Beijing, so that the increases in trade with China, in investment by Chinese firms and in revenues from oil receipts are used effectively to address the continent's internal challenges. This can be done by diversifying each country's economic base and developing the appropriate skills and technology in the domestic work force. In President Thabo Mbeki's speech to the Summit, he said:<sup>18</sup> 'It is necessary that we lock in investments in addressing supply side constraints, diversification and beneficiation of the resources derived from African countries through encouraging joint ventures between Africa and China'.

By the same token, the new strategic partnership should also seek ways in which Africa can contribute to China's development. This was a glaring omission at FOCAC 2006, where the Chinese leaders referred constantly to China's role in supporting Africa and its development trajectory, but did not expect an equivalent response from African leaders. This point was not missed by the African delegates. Thabo Mbeki raised it in his address: 'Africa is also committed to China's development, and this is evident through the supply of raw materials, other products and technology transfer'.<sup>19</sup>

### **Conclusion: In whose interests?**

Whether Africa will derive any real benefits from FOCAC 2006 can be determined only by time. It is important that African governments and continental institutions set up the appropriate mechanisms and instruments to evaluate the actual gains that accrue from the promises made at FOCAC. It is for African governments to ensure that these gains and the new relationship between China and Africa are translated into viable development practices on the ground. They should also ask the Chinese awkward questions if they feel that African citizens are not benefiting from promised interventions, or that these development projects are not having the desired results. On a superficial level it is very easy to believe the emergence of a complementary development partner will solve Africa's problems. But if Prime Minister Zenawi's words ('Our main challenge now is... fighting poverty and backwardness and achieving economic independence') are to be taken with proper seriousness, the onus rests on African leaders to push the development agenda forward. This can be done if Africa optimises its elevated geopolitical status, and integrates its relationship with China with achieving Nepad's objectives. Leverage is only good and effective if applied to a common development purpose. As President Mbeki noted in his speech:<sup>20</sup>

A winning partnership is surely one in which we encourage sustainable trade and investment while promoting a better life for all within sustainable human settlements. Peace and friendship will surely flourish when we empower and uplift the poorest of the poor from hunger and unemployment, disease, homelessness, illiteracy and environmental degradation.

Whether this 'winning partnership' is successful can only be measured at the next FOCAC Summit in 2009.

## Endnotes

<sup>1</sup> SANUSHA NAIDU is a research fellow, and HANNAH EDINGER a researcher at the Centre for Chinese Studies, based at Stellenbosch University.

<sup>2</sup> Cammack D, 'China and the politics of development in Africa', Overseas Development Institute, 76, November 2006.

<sup>3</sup> Godoy J, 'China Swaggers into Europe's backyard', Asia Times Online, 17 November 2006, [http://www.atimes.com/atimes/China\\_Business/HK17Cb03.html](http://www.atimes.com/atimes/China_Business/HK17Cb03.html).

<sup>4</sup> 'Never too late to Scramble', *The Economist* (Print Edition), 26 October 2006.

<sup>5</sup> 'FDI from Developing and Transition Economies: Implications for Development', *World Investment Report 2006*. Switzerland: United Nations Conference on Trade and Development (UNCTAD), pp. 40–41.

<sup>6</sup> *Ibid*, p. 41.

<sup>7</sup> Trinh T & S Voss, 'China's Commodity Hunger: Implications for Africa and Latin America', *Deutsche Bank Report*, 13 June 2006.

<sup>8</sup> *The Economist*, *op cit*.

<sup>9</sup> *Ibid*.

<sup>10</sup> Umunna, I, 'Africa Goes East', *Africa Today*, Vol. 12, 12, December 2006, p 15.

<sup>11</sup> See 'China, Africa sign deals worth 1.9 bln usd', *Forbes*, 5 November 2006, <http://www.forbes.com/markets/feeds/afx/2006/11/05/afx3146124.html>.

<sup>12</sup> *Ibid*.

<sup>13</sup> President Hu Jintao's speech at the opening ceremony of the 2006 Beijing Summit of FOCAC, 4 November 2006, [http://english.focacsummit.org/2006-11/04/content\\_4978.htm](http://english.focacsummit.org/2006-11/04/content_4978.htm).

<sup>14</sup> *Ibid*.

<sup>15</sup> See 'Africa-China Summit Concludes', *Shaebia*, 5 November 2006, [http://www.shaebia.org/artman/publish/article\\_4727.html](http://www.shaebia.org/artman/publish/article_4727.html).

<sup>16</sup> Declaration of the Beijing Summit of the Forum on China-Africa Co-operation, November 2006, <http://www.focac.org/eng/zxxx/t280370.htm>.

<sup>17</sup> See McGregor R, 'Beijing urged to overhaul welfare system', *Financial Times*, 21 November 2006.

<sup>18</sup> President Thabo Mbeki's speech to the 2006 FOCAC Summit.

See <http://www.dfa.gov.za/docs/speeches/2006/mbek1105.htm>.

<sup>19</sup> *Ibid*.

<sup>20</sup> *Ibid*.