

# Competing hegemons? Chinese versus American geo-economic strategies in Africa

Pádraig R. Carmody<sup>a,\*</sup>, Francis Y. Owusu<sup>b</sup>

<sup>a</sup> *Department of Geography, St. Patrick's College, Dublin City University, Drumcondra, Dublin, Ireland*

<sup>b</sup> *Department of Community & Regional Planning, Iowa State University, Ames, IA, USA*

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## Abstract

For the first time since the era of the slave trade, African trade is arguably re-orienting from the “Global North” to the “Global East.” Chinese investment and trade with Africa is rising quickly. At the same time, the U.S. has increased its strategic engagement with Africa very significantly since the terrorist attacks of 2001. As a consequence of this, the continent has moved centre stage in global oil and security politics. This paper investigates the nature of Chinese and American investment and trade in Africa; the ways in which these governments view the continent, and explores the economic and political impacts of enhanced geo-economic competition between the West and the East there. It finds that current trends are reworking the colonial trade structure, strengthening authoritarian states, and fuelling conflict. However, there are also progressive dimensions to the current conjuncture which could be built on with more robust international coordination and action.

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When elephants fight, the grass gets trampled (African proverb).

## Introduction: Africa's rise or decline? Commodities and terrorism

Increased competition for scarce resources led to a revival of geopolitics in the 2000s (Klare, 2005). In part, this has been driven by the economic rise of China. For the first time since the

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\* Corresponding author. Tel.: +353 1 884 2159; fax: +353 1 884 2294.

E-mail address: [padraig.carmody@spd.dcu.ie](mailto:padraig.carmody@spd.dcu.ie) (P.R. Carmody).

era of the slave trade, African trade, arguably, is re-orienting from the “Global North” to the “Global East” (Clapham, 2005). Due largely to Chinese and American oil investment, and Chinese demand for minerals, Africa registered 5.2% economic growth in 2005, its fastest rate ever (Pan, 2006).

From tourism in Sierra Leone, to bike factories in Ghana and oil refineries in Sudan, Chinese investment in Africa is rising. Since 2000, Chinese trade with Africa has more than tripled (French, 2005). Whereas China only accounted for 7% of African imports in 2003, imports from Africa grew an astounding 87% in 2004 alone (Financial Times, 2006; United States Department of Commerce, 2005). More than 60% of African timber exports are now destined for East Asia, and 25% of China’s oil supplies now come from the Gulf of Guinea (Melville & Owen, 2005; Servant, 2005). China launched Nigeria’s first space satellite, and by the end of 2005, China overtook Britain as Africa’s third largest trading partner (Hilsum, 2005; Wilson III, 2005).

At the same time, US engagement with Africa has increased significantly, especially since the September 11th terrorist attacks. For instance, US trade with Africa increased by 37% in 2004 (United States Department of Commerce, 2005), and the amount of oil coming from West Africa to the US now exceeds that from Saudi Arabia. The US now trades more with Africa than with the Russia and the former Eastern bloc combined (African Development Bank, 2003). In sum, Chinese and American trade and investment strategies have moved Africa to the centre stage in global oil and security politics. What does the enhanced geo-economic competition between the West and the East portend for the continent? Will this new “Scramble for Africa” strengthen authoritarian states, and fuel direct conflict, or open up space for alternative policy paradigms?

This paper investigates the implications of Chinese and American investment and trade strategies for Africa. It begins by exploring recent Chinese interest and involvement on the continent. It then moves to describe the Chinese geo-economic strategy for the continent, and the advantages it brings to resource competition with the US. The economic and political impacts of Chinese investment and trade with Africa are then explored. The paper then examines the impacts of increased American oil investment on the continent and stepped up security assistance, with which this is associated. It concludes by examining progressive alternatives requiring more robust international cooperation.

## **Resource colonialist and “anti-imperialist”? Chinese interests and involvement in Africa**

China’s desire to become a global economic powerhouse and a counterweight to U.S. hegemony in the international system is now clear. The expansion of the Chinese economy currently accounts for 25% of all global economic growth (Ellis, 2005) and by some estimates, at purchasing power parity, the Chinese economy will be as big as the US in 2015 (The Economist, 2006a). This phenomenal economic growth has increased the country’s demand for resources, especially oil. In 2003, China surpassed Japan as the world’s second largest oil consumer, and it now accounts for 40% of total global growth in oil demand (The US Energy Information Administration, cited in Pan, 2006). China’s demand for oil increases by 1% for every percentage increase in its gross domestic product, versus 0.4% for the Organization for Economic Co-operation and Development (OECD) countries, whose economies are heavily biased towards services (Dumas & Choylevam, 2006). The search for resources to fuel the

country's phenomenal economic growth and the need to find markets for its products requires a global geopolitical strategy and the formation of new alliances.

Whereas the U.S. can, to some extent, rely on its market power, combined with securitization of the market (Obi, 2005) as an aspirant hegemon, China must use other strategies. While China can outbid India in aid-for-oil deals in Africa, it has identified the United States as “a major threat to its energy security” (Erica Strecker Downs, quoted in Beri, 2005:387). How does Africa rank in the Chinese state's geopolitical code through which it assesses the importance of external places and entities (Kraxberger, 2005)? What types of policies are the Chinese pursuing in Africa?

Although China has become a major player in terms of foreign direct investment (FDI) in Africa, the region is not the major destination Chinese global investment. For instance, in 2004, Latin America, Asia and Europe accounted for 94% of Chinese FDI flows. In 2003, 77% of all Chinese foreign investment outside Asia went to Latin America (Ellis, 2005). However, because of the relatively small amount Africa receives of global FDI, Chinese investment has a much bigger “footprint” than the suggested by the proportions.<sup>1</sup>

China's demand for industrial resources is huge, but Africa has the potential to substantially meet this demand, as it is three times larger than China and rich in resources (Carroll, 2006a). The annual rate of growth for Chinese consumption of copper is 17%, 15% for zinc and 20% for nickel (Ellis, 2005). China is now the world's largest consumer of copper, the price of which rose from \$1319 per tonne in 2001 to \$8800 in 2006 (The Economist, 2005, 2006b). It is no wonder that Chinese companies have invested \$170m in the copper industry in Zambia (Lyman, 2005); re-opening the Chambishi mine which closed in 1988 and employing 2000 people (Carroll, 2006a). While the neoliberal policies promoted by the Western-controlled international financial institutions (IFIs) compounded the continent's economic problems (see Mkandawire, 2005), Chinese investment is partially, and unevenly, reversing their deflationary bias. This comes with a harsh labor regime, however. For example, workers in the Chinese-owned Collum mine in Zambia never get a day off (Dixon, 2006).

### China's geo-economic strategy for Africa

“States” are comprised of sets of practices and social relations, rather than unified actors. Nonetheless, developmental state's policies, such as China, are marked by coherence, given the over-riding goal of economic growth and structural transformation (Önis, 1991). Unlike different branches of the United States government involved in relief, energy procurement or defense, which view Africa largely as a site of humanitarian intervention, resource extraction, and security threat, respectively, the Chinese state appears to “look” at Africa as a strategic-economic space. This geopolitical code reflects the challenges of economic transformation for China, versus international system maintenance for the U.S.

While more focused empirical studies of sectors, firms, countries and regimes are needed in order to shed light on the complexity, specificity and experimental nature of Chinese involvement on the continent, the following emergent elements of China's geo-economic strategy in Africa can be identified: (1) to ensure access to critical natural resources, particularly oil and natural gas, to maintain the country's economic growth, (2) to recycle its massive foreign exchange (forex) reserves into profitable investments overseas, (3) associated with both of these; to facilitate the development of Chinese multinational corporations, (4) to find markets

<sup>1</sup> The total FDI inflow to Africa was \$18bn in 2004, which represented only 3% of global FDI flow.

for the products of Chinese industry, (5) to develop African agriculture to provide non-food agriculturals to supply Chinese industry and consumers, and also food products for China's burgeoning cities, and (6) to source knowledge workers in Africa to support Chinese economic transformation.<sup>2</sup> Different African countries have different resource geographies, from oil to beaches, and macro-economic stability, and they consequently play different roles in the emerging division of labor with China. Nonetheless there is a coherence between the different elements of economic engagement; not driven by a coherent plan, but by structural imperatives. Export-oriented industrialization in China has generated a forex reserve, some of which must be recycled overseas, for example.

There are also geopolitical elements to China's Africa strategy, although these are increasingly subordinate to geo-economics. However, geopolitics and economics come together in the Chinese idea of "asymmetric power" projection, where China uses its economic competitive advantages against the US, without direct conflict – its "peaceful rise" (Ramo, 2004).

The seeking out of assured sources of supply is part of China's strategy to transform itself into a global power. Particularly, since 9/11 and with war in the Middle East, China has diversified its oil supplies (Pan, 2006; Servant, 2005). For instance, China is constructing vertically integrated supply networks for critical commodities, particularly oil (Ellis, 2005); to "lock up barrels" at source for the Chinese market, through the state-owned Chinese National Petroleum Company (CNPC) and other companies. This below world market price oil is then used to fuel China's export-oriented industrialization (Downs, 2004 cited in Alden, 2005a).

Africa is seen as profitable place for investments to recycle China's forex reserves. Weak demand in Africa can be countered by China, both on-shore and off-shore, through tourism, for example. Since China liberalized external tourism in 2003, eight African countries have been officially designated tourist destinations to reward friendly African governments (Alden, 2005a; Mark, 2006). The Chinese have invested \$200m in a resort complex in Sierra Leone, designed for their tourists (PBS News Hour, 2005), for example. As explained by the manager of the Bintumani hotel in Sierra Leone, run by the state-owned Chinese Beijing Urban Construction Group, "high risk brings high return" (Hilsum, 2005). There is less competition in Africa than in Europe or the US in terms of investment, and Chinese companies can reduce their risks by keeping overheads low. For example, all imports for the refurbishment of the Bintumani came from China.

Current Chinese aid is concentrated in the productive sectors of physical infrastructure, industry and agriculture. When President Zeming visited Nigeria he concluded deals on Chinese assistance in developing the country's light weapons industry, oil refinery construction, power plants, and possible Chinese rehabilitation of the rail system in deals totalling up to US \$7bn (African Oil Policy Initiative Group, 2001; Lyman, 2005). China is also involved in rail, road and fibre optic cable construction in Angola (Mark, 2006). In many ways, therefore, China's aid and investment in Africa is reminiscent of earlier colonial investments to ensure access to raw materials.

According to China's Vice-Minister of Foreign Affairs, Li Zhaoxing, China would make "agriculture a key area of co-operation [with Africa] in coming years" (quoted in Muekalia, 2004:10). However, this is not necessarily to do with altruism, as industrialization and urbanization in China have meant that the area devoted to arable cultivation in China is dropping by 1.4% a year (Muekalia, 2004). For instance, the roads for the 2 million cars sold in China in 2003 meant paving over an area equal to 100,000 football fields (Brown, 2004).

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<sup>2</sup> We thank Dick Peet for suggesting the need to elaborate the elements of this strategy.

In Zimbabwe, the Chinese are taking over land (re)appropriated from “white” farmers and growing the crops they need on them. Tobacco is now shipped directly to China as payment in kind for loans to state-run companies (Hilsum, 2006). In Zambia, Chinese-run farms supply the capital city, Lusaka, with its vegetables. Chinese investment in African agriculture is occurring at the time when U.S. and World Bank aid to agriculture in Africa fell – it dropped by 90% in the 1990s – in favor of health and education (Whitman, 2006).

### A benevolent hegemon? Chinese “soft power”<sup>3</sup> in Africa

When President Zeming visited Africa in 1996, he put forward five guiding principles for Chinese-African relations: “sincere friendship, equality, solidarity and cooperation, common development and being oriented to the future” (Ministry of Foreign Affairs of the People’s Republic of China, 2002). This rhetoric resonates on the continent given China’s history of “disinterested” cooperation, and lingering suspicion of former colonial powers, and by association of the United States.

Current Chinese engagement with Africa builds on previous foundations. China had substantial pre-existing political capital in Africa, with 62% of China’s overseas development assistance (ODA) going to Africa from 1956 to 1987 (Taylor, 1998). This aid was largely the result of a previous round of global geopolitical competition with the Soviet Union for influence in the region (Meredith, 2005). While, with the end of the Cold War in the 1990s, Western aid to Africa was dramatically cut back (Donini, 1995), the Chinese assiduously courted the continent, largely for diplomatic reasons (Payne & Veney, 1998; Yu, 1988). After the collapse of the Soviet bloc, China expressed the hope that the “vast number of Third World countries [will] surely unite with and stand behind China like numerous ‘ants’ keeping the ‘elephant’ from harms way” (Chinafrica quoted in Taylor, 1998:459).

China also has had significant goodwill in Africa, dating back to the anti-apartheid struggle. When the Rhodesian government unilaterally declared independence from Britain in 1965, the Chinese took on the high profile project of building the TanZam (Tanzania–Zambia) railroad (Clapham, 1996). Since 1963, 15,000 Chinese doctors working in 47 African countries have treated 180 million cases of HIV/AIDS, among other diseases (Mark, 2006). The Chinese have also set aside a special fund to support investment and joint ventures by their companies in Africa, and accept payment in kind to reduce financial burdens and help increase exports to China. China also cancelled \$10bn worth of bilateral African debt ahead of the Group of Eight major industrial countries (Melville & Owen, 2005). More importantly, Chinese involvement in Africa has steered away from “white elephants” and is often based on appropriate technology that is more suited to African factor endowments. An example of such projects is the Friendship Textile Mill in Dar es Salaam, Tanzania (James, 2002). Compared to a joint venture with the French firm Sodefra in Mwanza, this Chinese-built mill used twice as much labor per tonne produced, and only 40% of the capital, while producing more cheaply (Coulson, 1982).

According to the China’s Liang Guixan (2005) Minister Counsellor, the “Chinese model” of development that is currently on offer is based on “sophisticated technology appropriate to African countries’ low cost and expertise in poverty alleviation and SMME [small, micro and medium-sized enterprise] development”. It has eschewed outright privatisation and other elements of the “Washington Consensus” (Stiglitz, 1998 cited in Adésinà, 2006). The Chinese

<sup>3</sup> Soft power is a somewhat Gramscian conception of power, based on attraction, affinity, persuasion and emulation (Nye, 2002).

African Human Resources Development Fund pays for 10,000 Africans annually to train in Beijing (Servant, 2005). However, in addition to being an act of goodwill, these knowledge workers are expected contribute to China's economic transformation (Thompson, 2004).

The Beijing Programme for China–Africa Cooperation in Economic and Social Development noted that “globalisation currently presents more challenges and risks than opportunities to the vast number of developing countries and therefore express their determination to strengthen the existing cooperation between China and African countries in all fields” (South African Department of Foreign Affairs, 2000). It also talks about the “unjust and inequitable world order” implying that China and Africa should position themselves towards the “establishment of the new world order which will advance their needs and interests” (Muekalia, 2004). Chinese and African leaders at a 2003 trade summit agreed to build political and economic ties to counter western dominance and improve the position of poor countries (Efande, 2003). This is seen to be a way of deflecting U.S. “hegemonism.” Moreover, China's own experience of dependence makes it possible for them to make reference to things like structural imbalances in trade relations. This represents a revival of the philosophy of Third Worldism, with China playing the lead role; but this time with the material resources to back it up.

A Chinese official in Africa argued that “economic rights” are the main priority of developing nations and take precedence over personal, individual rights as conceptualised in the West (cited in Taylor, 1998). Indeed, the view among some senior Chinese officials is that “multi-party politics fuels social turmoil, ethnic conflicts and civil wars” (Beijing Review, quoted in Taylor, 1998:453). China also sees the human rights discourse as a tool of Western neo-imperialism (Taylor, 2004). This is a particularly attractive philosophy for incumbent African political élites, and is helped by its plausibility.

The idealist wing of the neoconservative movement in the US, believes that democracy can be spread by force. Paul Wolfowitz, currently head of the World Bank, who is associated with this belief has argued that democracy promotion and U.S. interests coincide (Kiely, 2005).<sup>4</sup> A U.S. State Department official put it more bluntly in relation to democracy promotion: the U.S. has a need to “clothe ... security concerns in moralistic language .... The democracy agenda, in short, is a kind of legitimacy cover for our more basic strategic objectives” (quoted in Hearn, 2000:817)

Because of state involvement, Chinese companies are better positioned to make short-term losses for long-term gains. For instance, the representative of China's state-owned construction company in Ethiopia revealed that he was instructed to bid low on tenders, without regard to profit, and China's largest telecoms manufacturer gifted equipment to Telkom Kenya (Lyman, 2005). However, China is merely “following a very traditional path established by Europe, Japan and the United States: offering poor countries comprehensive and exploitative trade deals combined with aid” (Pan, 2006). Chinese companies have other competitive advantages too in that they are often willing to pay bribes and under-the-counter signing bonuses (Catholic Relief Services, 2003). While this was standard practice in the past, Western companies are now more open to reputational risk and are under pressure to sign up to the Extractive Industries Transparency Initiative, promoted by Tony Blair, and the “Publish What You Pay” campaign supported by George Soros. Corruption scandals involving Western oil companies in Africa nonetheless continue too (Leigh, 2005).

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<sup>4</sup> On becoming World Bank President, Wolfowitz declared corruption “the greatest evil since communism” and blocked loans to several “wayward” African states. While commendable, this further alienates African élites, increasing China's attractiveness as an alternative source of finance (The Economist, 2006c).

## Free trade imperialism or south–south cooperation? The economic impacts of China

In some policy circles in the U.S., the rise of China and a new questioning of “free” trade are linked. A study for the US Army War College on Chinese influence in Latin America argues that “in previous decades, dependence on Western capital was a key vehicle for forcing Latin American nations to accept neoliberal economic policies and free trade, limiting the degree to which they could buy social peace with state institutions and government largesse” (Ellis, 2005:29–30). However, China is now seen to be creating a “neoimperialistic dynamic in the hemisphere” and by displacing domestic manufacturers through imports possibly deepening class disparities and corruption. This represents a shift towards “realist,” structuralist, and away from normative neoclassical economics in some US policy circles. In relation to Latin America, Chinese officials have told their counterparts to let manufacturing industry die and concentrate on primary commodity exports (Harvey, 2005). The ability to introduce counter-vailing anti-dumping measures is circumscribed by many countries’ desire to grant China “market economy” status under World Trade Organization (WTO) agreements, in order to maintain their access to the Chinese market. However, Latin American countries have also been successful in negotiating voluntary export restraints with China, enabling them to enjoy a continuing trade surplus – again showing China’s long-term concern with resource supply, rather than short-term market expansion. The same sorts of competitive displacement pressures are at play in Africa as in Latin America, although with per capita incomes 90% lower, the results are even more devastating there.

Creating industrial employment is central to improved security prospects in Africa (Rotberg, 2005), and to democracy promotion. The development of an autonomous civil society, with its own material base in the labor movement and private sector in the “West” have historically held the state accountable, although the exact meaning and content of African “democracy” is context specific and subject to negotiation (Bradley, 2005).

Africa has recently been hit with a Chinese “Textile tsunami” (Asia News, 2004). The number of companies registered in Botswana doubled over the last few years; many of them were Chinese (import) trading companies (Botha, 2004). Out of every 100 t-shirts imported to South Africa, 80 are from China (Lyman, 2005). This has resulted in a “double whammy” as African industry is undermined by Chinese import competition, while the phasing out of the Multi-Fibre Agreement in 2005, meant the value of preferences under the US African Growth and Opportunity Act (AGOA) were undermined for the continent (Lyman, 2005). Textile and clothing exports account for 99.14% of Lesotho’s export earnings (Adaba, 2005), however, more than 10 clothing factories closed there in 2005, throwing 10,000 people out of work. South Africa’s clothing exports to the US fell from \$26m in the first quarter of 2004 to \$12m for the first quarter of 2005, with 30,000 people losing their jobs (Asia News, 2004). In the Muslim Kano and Kaduna areas of Nigeria, imports have devastated the local textile and consumer goods industries (Lyman, 2005). The Nigerian textile and clothing workers union estimates 350,000 direct job losses as a result of Chinese import competition and 1.5 million indirectly over the last 5 years (Mark, 2006). While African trade unionists estimate that 250,000 jobs in the textile and clothing industries have been lost due to Chinese import penetration, roughly the same number as created by AGOA (Gibbon, 2003; Mark, 2006).

The reorientation of trade from manufactures to oil is evidenced by the fact that Angola and Chad surpassed Lesotho in 2004 as exporters to the U.S. (United States Department of Commerce, 2005). The increased emphasis on oil and mineral extraction is resulting in a relative technological downgrading of Africa’s economies (Economist Intelligence Unit, 2002).

The imposition of temporary restrictions on Chinese textiles entering the US and EU markets is currently providing some respite, as Chinese textile manufacturers are again investing in Africa, in the short-term, as a way around this (Pan, 2006). For example, all the textile factories which had closed in Lesotho have now been reopened (IRIN, 2006a). However under the WTO, the ability to use “safeguard actions” to provide relief from import surges will largely expire in 2008, and completely end in 2013 (Gibbon & Ponte, 2005).

The Chinese have noted that “the fundamental reason for the increase in Chinese textile and clothing imports [into Africa] is the high demand for Chinese goods” (Guixan, 2005). However critics of Chinese policy in Africa argue that it represents a new neo-colonialism, disguised as South–South cooperation. As Moletsi Mbeki, argues, “we sell them raw materials and they sell us manufactured goods with a predictable result – an unfavourable trade balance against South Africa” (quoted in Servant, 2005).

South Africa accounts for more than 20% of total Chinese trade with Africa, – indicating a more than doubling over a 6-year period (People’s Daily Online, 2004). China and South Africa are negotiating a free trade deal, and the Chinese have expressed support for the New Partnership for African Development (NEPAD) and South Africa’s regional integration efforts (China Daily, 2004). This may seem paradoxical, as does the fact that China sends election observers to Africa (Financial Times, 2006), but the fact is that both the Chinese and South Africans privilege regional economic integration over the governance procedures of NEPAD.<sup>5</sup>

The solution put forward to the Chinese competitive threat by Trevor Manuel, South Africa’s Minister for Finance, is for South African industry to identify new niche markets and improve its competitiveness to gain access to the Chinese market (Guixan, 2005). The President of South Africa’s economic advisor also sees China and India consuming many South African produced services (Creamer, 2005). However, in 2005 the Chinese, ostensibly in order to ease the pressure on African countries, introduced export tariffs on 148 lines of textile and clothing and prohibited additional investment domestically in 28 categories of textile investment (Guixan, 2005). This was probably in response to threatened “safeguard measures” in Africa and elsewhere, and also to prevent over-heating of the domestic economy. They also lowered the import tariffs on textiles entering China to 11.4% on the basis of WTO commitments, and at South African urging, abolished tariffs on 190 goods imported from 25 African countries (Bartholomew, 2005). This was part of an effort to expand and balance bilateral trade, while “optimising” [a neo-colonial] trade structure (China Daily, 2006). However, China also warned the South Africans that “unfair and discriminative restrictions” would never be accepted by China (Lyman, 2005).

China’s WTO entry has thereby served to lock in global market access for its export-oriented industrialization. Thus, while there may be some potential for “pro-poor” employment growth in South Africa, in the export-oriented fruit and vegetable subsectors in particular (Jenkins & Edwards, 2005), the growth of China may further exacerbate income inequality there, reinforcing the previous capital intensive growth path. As Neva Seidman Makgetla, an economist for the Congress of South African Trade Unions, argues, “There’s no question that for upper classes it’s a boon...the problem is any lower-class South African’s would rather have a job” (quoted in Timberg, 2006). Only 13% of “black” South Africans are currently employed in

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<sup>5</sup> This is evidenced by their mutual support of Zimbabwean President Mugabe (Taylor, 2005). The Chinese reportedly sent jamming equipment to the Zimbabwean government to prevent independent radio stations from broadcasting during the 2005 election (Mark, 2006).

the formal sector of the economy compared to 34% in 1970 (Terreblanche, 2002), although there was some employment growth in 2005/6, mostly in agriculture (IRIN, 2006b).

Chinese business networks were important in the industrial transformation of Mauritius, but in the absence of substantial Chinese migration and supportive policy environments, such networks have had a negligible impact elsewhere in Africa (Bräutigam, 2003). However, because some Chinese manufacturing investment is also taking place to serve local markets, this could change. In Ghana, the price of an imported mountain bike from China fell from \$67 to \$25 over a 2-year period (The Economist, 2003). While domestic profit margin on Chinese bike production is very thin, or even negative in some cases, the margin in Africa is about 10% (Kynge, 2006). Indeed the Chinese company *Lifan* can sell bikes in Nigeria for 6000 *renminbi* – double what it gets for them in China. Moreover, Ghana has now overtaken China in per capita consumption of bikes (ITDP, 2005), and a Chinese company has started production there.

For the United Nations Conference on Trade and Development (UNCTAD), Chinese bicycle investment is an example of a matured industry being off-shored to create locational advantages: “Once abroad, Chinese TNCs [transnational corporations] begin to acquire advantages related to “transnationality” – confidence in, and knowledge of, operating in a foreign environment” (UNCTAD, 2003). As at 2005, there were 647 Chinese state-owned enterprises operating in Africa (Wilson III, 2005). Thus, Chinese investment in Africa can be seen as part of the “go global” policy to turn Chinese companies into TNCs and to create a paradigm of globalization favorable to China.

### **Leviathans unbound? The impacts of Chinese involvement on African state restructuring**

Whereas the neoliberal model promoted by the US seeks to embed, constrain, legitimate, enable and empower African states along different dimensions, the Chinese merely seek to enable and empower them (see Carmody, 2007). This is attractive to African state élites; particularly those subject to Western sanctions. Meanwhile Chinese companies benefit from the lack of competition from Western rivals in these countries (Mark, 2006). As the Sudanese Minister of Energy and Mining explained, “the Chinese are very nice. They don’t have anything to do with politics or problems. Things move smoothly, successfully” (quoted in Mark, 2006).

Some argue that African states are attracted to Chinese investment because they can offer a “complete package” of state oil and infrastructure that the Americans cannot. According to Princeton Lyman, Sudan is a good illustration of African leaders’ attraction to such a package: China supplies “money, technical expertise, and the influence in such bodies as the UN Security Council to protect the host country from international sanctions” (Bartholomew, 2005). Thirteen of the 15 most important foreign companies operating in Sudan are Chinese (Servant, 2005), and Chinese companies are reported to buy 75% of Sudan’s ivory (Care for the Wild International cited in Bond, 2006). Despite conflict in Darfur and the East of the country, FDI into Sudan rose 40% in 2005 (Bolin, 2006). In return, Sudan supplies China with about 7% of its oil imports (Sudan Tribune, 2004: see Fig. 1). However, Sudan’s importance is broader given its potential as a base for Chinese oil operations in the rest of Africa (Ho, 2004). Sudan is now the third biggest producer of oil in Africa after Nigeria and Angola (EIA, 2006), and its continued oil exports will be facilitated by a Chinese-built hydro-electric dam that will double the country’s electricity generating capacity (Crilly, 2005).

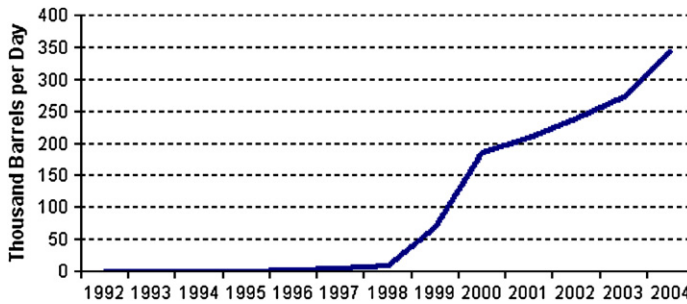


Fig. 1. Sudanese crude oil production, 1992–2004. Reproduced with permission of the United States' Energy Information Administration®.

Sixty percent of Sudanese oil goes to China, and the oil refinery in Sudan was the first one the Chinese built outside China. Debt service payments for it have priority over all others, such as to the World Bank and the IMF. Chinese companies have also built three small-arms factories in Khartoum and sold weapons to the regime. Supplying the Sudanese government with jet fighters allows it to protect the oil fields in the South, where the Chinese have substantial interests (Taylor, 2004). Indeed, during the (North–South) civil war, government troops used the CNPC facility to launch attacks and dislodge southerners in the vicinity of the new oil fields.

China also sees Africa as a growth market for arms exports, and uses this to prop up client regimes. For instance, despite Zimbabwe's economic meltdown, China sold 12 supersonic fighter jets to the Zimbabwean government in late 2004 and more again in 2006. China also shipped US \$1bn worth of arms to *both* Ethiopia and Eritrea during the 1998–2000 war (Muekalia, 2004). However, the U.S. also provides support to autocratic regimes in Pakistan, Saudi Arabia, Egypt and Ethiopia (Pan, 2006).

A Chinese official at the Ministry of Trade also noted in relation to human rights in Sudan that “we import from every source we can get oil from” or in the words of the deputy foreign minister “business is business” (quoted in French, 2004). China's new African policy specifically states that it will increase its assistance to African nations with “no political strings attached” (China Daily, 2006). Such a position has led to assertions that China has no values, only interests (Kim, cited in Taylor, 2004).

In an era of globalized capital markets there are costs to such an approach, however. While the absence of a formal, independent civil society and free press in China frees companies from reputational risk domestically, the flotation of the CNPC on the New York Stock exchange had to be withdrawn and refashioned because of negative publicity over what the proceeds might be used to do in Sudan. After this *déba*cle, China refused to veto Sudan being sent to the International Criminal Court over its actions in Darfur (Crilly, 2005).

In Zimbabwe, the links between the ruling ZANU and China were forged during the liberation struggle (Lyman, 2005). At a 2003 trade summit, as part of his “Look East” strategy, Robert Mugabe urged African countries to turn their back on the West and focus on relations with China, which “respected African countries.” When Mugabe visited Beijing, the Chinese premier said he hoped that Zimbabwe would offer “conveniences” to Chinese companies (Xinhua News Agency, 2005). According to a Zimbabwean official source complaints by some Chinese businessmen that local traders were hurting their business were part of the reason

for the abominable Operation *Murambatsvina* or “Drive Out Trash” in 2005. President Mugabe is reported to have “pledged to protect the Chinese shop owners after the [Vice President Comrade “Spillblood” Mujuru] informed him of their problems” (Bartholomew, 2005:2). This operation to destroy the informal economy left 700,000 people living in unplanned settlements homeless. Meanwhile, the Chinese now own 70% of Zimbabwe’s electricity generation capacity, with stakes in Hwange and Kariba power plants. In addition, it is now illegal to say “zhing zhong” (poor quality Chinese goods) in Zimbabwe and university students are to learn Mandarin (Carroll, 2006a).

In sum, whereas the US likes to portray Zimbabwe and Sudan as failed states, their authority has been strengthened by Chinese involvement. However, by supporting repressive governments, Beijing may undermine the political stability required for long-term economic links (Taylor, 2004).

The Chinese are also rekindling relations with other highly corrupt former leftist regimes, such as Angola. In Angola, the IMF estimates \$1 to 5 billion dollars of oil revenue goes missing every year (Luft, 2003), while half of Angolan children continue to be malnourished (O’Connor, 2004). Yet China’s Eximbank provided the country a \$2bn line of credit to rebuild its infrastructure as part of an oil deal (Servant, 2005). China’s state-owned oil companies and British Petroleum have a joint venture in the country and Angola is now China’s largest supplier of oil (Lyman, 2005; *The Economist*, 2006d).

Some of the Chinese loan to Angola reportedly went to fund “propaganda” for the government’s re-election campaign. However, Chinese pressure apparently forced the resignation of Mendes de Campos Van Dunem as secretary to the Angolan council of ministers; so the Chinese do insist on some accountability. The loan agreement allows Angolan businesses to bid on subcontracts for 30% of projects, but the remaining 70% go directly to Chinese companies, perhaps employing Chinese labor (Alden, 2005b). Such tightly “tied debt” deals may undermine Western debt cancellation to the continent (Phillips, 2006).

The rise of China and a booming global economy, which have led to higher oil prices, have given some African governments more bargaining power with Western countries and IFIs (Moore, 2005). An example of this is the recent changes to the Chadian Petroleum law to allow greater government discretion over oil revenue expenditure (World Bank, 2005, December 30), leading to the suspension of World Bank loans: quickly followed by Chad recognising Beijing over Taipei. Thus, the structural power which Western countries have been able to indirectly exercise over African governments through the IFIs is being undermined by their oil dependence: another example of Western “hegemony unravelling” (Arrighi, 2005).<sup>6</sup> The Chinese, however, will have to import 60% of their energy making them especially dependent on oil suppliers’ goodwill.

Whereas the initial response of African states to September 11th was “bandwagoning” with the United States, “balancing;” using China as a counterweight, is now an increasingly attractive strategy (Krahman, 2005). Even those countries that do not have valuable economic resources have gained power from China’s increased presence in Africa. When the European Union and other donors suspended aid to the Central African Republic, demanding that the government restore constitutional order, “Beijing stepped in, bankrolling the entire civil service” (Mailer, 2005). Access to Chadian oil fields may be most efficiently conducted through the Central African Republic’s border region. The Ethiopian government, which has been criticized

<sup>6</sup> Jessica Einhorn (2006), a former Managing Director of the World Bank, has depicted it as a dying institution.

because of election irregularities and shootings of demonstrators, recently called China its “most reliable [trading] partner” (Council on Foreign Relations, 2005:39).

Even autocrats in countries where Western oil companies are dominant, such as President Obiang in Equatorial Guinea have called China their most important “development partner” (quoted in *Financial Times*, 2006:15).<sup>7</sup> Oil revenues have strengthened the authoritarian rule of President Obiang, who has been in power for over 25 years. In this, the poor benefit little, if at all, with the Equatoguinean government spending 1.2% of its budget on health from 1997 to 2002. Meanwhile “grey” market and criminal activity have proliferated under the ruling family (Wood, 2004). Equatorial Guinea has effectively resisted IMF advice/intrusion since 1995. Thus, oil may reinforce rentier states<sup>8</sup> and political monocultures. Rather than being outlier “rogue states,” countries such as Zimbabwe and Sudan fit into a broader trend of authoritarian strengthening across the continent.

The Chinese also pay little attention to the environmental impacts of their investments. As explained by an African diplomat “they just come and do it. We don’t start to hold meetings about environmental impact assessments and human rights and bad governance and good governance” (Sahr Johnny, Sierra Leone’s ambassador to China, quoted in *PBS News Hour*, 2005). Western corporations are also substantial polluters, however, with Shell recently fined \$1.5bn for pollution of the Niger delta (Carroll, 2006b). Thus, Chinese practices in Africa represent “business as usual,” rather than a radical break with the past (Klare & Volman, 2006).

### **From indirect rule and apathetic hegemony to panopticism? American interests and involvement in Africa**

For much of the 1990s, the United States favored a policy of benign neglect towards Africa, with a reliance on the IFIs for market opening and to provide its corporations access to resources. This changed with September 11th, and war in the Middle East, which boosted the imperative of diversifying oil supplies (Klare, 2005). It takes only 2 weeks for oil from West Africa to reach the East coast of the US, versus 6 weeks from the Middle East and West African oil does not pass through the “choke points” of the Suez Canal or Sumed pipeline.

The imperative of securitizing African oil supplies against potential terrorist disruption also now looms large, with the US deploying a panoptican strategy to see into terrorist networks using satellite technology and forensic accounting (Gill, 2003). More recently the limits of the panopticism led the U.S. to establish a military base in Djibouti. The main aim on the continent is to guard against resentment at foreign troop presence, however; to make the American military footprint so small that it is not noticeable (Hirsch & Bartholet, 2006); a strategy that has recently backfired in Somalia (see Brigaldino, 2006). Rather new military programs have been set up with oil rich allies such as Angola and Nigeria, who receive free arms under the Pentagon’s Excess Defense Articles Program (Klare & Volman, 2006). The increased military assistance to governments on the continent is barely noted in the US media (Barnes, 2005), which tends to present American involvement in Africa as more benign and developmental than that of China.

According to some scholars, the U.S. cannot effectively exploit oil deposits in a context of very weak political and economic institutions as it may provoke violence and unrest, calling

<sup>7</sup> The three largest players in Equatorial Guinea in oil are American: ExxonMobil, Amerada Hess and Marathon Oil.

<sup>8</sup> On Nigeria, see Omeje (2005).

forth repression (Terry Karl, quoted in *African Oil Policy Initiative Group*, 2001:12). However, American oil investment is strengthening authoritarian states such as Déby's Chad, where the constitution was altered in 2006 to allow him to run for a "third" term (Gary & Reisch, 2005). The *Collège du Contrôle* was meant to exercise oversight over Chadian oil revenue for priority poverty alleviation expenditure, but the President has placed his brother-in-law on it, and interfered with the selection of civil society members.

Oil exploitation in Africa does not always translate into economic growth. A study by Auty (1997 cited in Gary & Reisch, 2005:5) found that "from 1970 to 1993, resource-poor countries grew four times more rapidly than resource-rich countries — despite the fact that they had half of the savings. The greater the dependence on oil and mineral resources the worse the performance was." Poverty is increasing in Chad, despite oil revenue, some of which has been used for arms purchases, and (geopolitically infused) conflict is spilling over from Sudan (The Economist, 2006e).

While Manuel Castells (1996) conceived of much of Africa as a "black hole of informational capitalism," structurally excluded from global accumulation, African territory is now being reconfigured as a "space between" inclusion and exclusion, reflective of the broader dialectics of globalization. As James Ferguson (2006) notes, global investment does not flow but "hops," linking the oil rich enclave of Cabinda in Angola with centres of Western capital, for example, to the exclusion of other parts of the country. Rents generated from enclaves let governments by-pass their populations, and militate against the construction of tax or social contracts; a key source of state accountability (Centre for the Future State, 2005; Leonard & Strauss, 2003).

Western policy-makers and shapers undertake two different types of cognitive mapping of globalization and governance in Africa. One type is the local/continental "resource map." As oil executive and subsequently US Vice President Dick Cheney put it: "you've got to go where the oil is. I don't think about it [political volatility] very much" (quoted in Bruno & Vallette, 2001). This cognitive map echoes the French colonial distinction between useful (*utile*) and not useful Africa (*l'Afrique inutile*). On the other hand Robert Cooper, EU foreign policy advisor, talks of "pre-modern" states which must be "contained" (Cooper, 2003) or Thomas Barnett of the US Naval War College writes of "gap states" where poverty and insecurity reign (cited in Barnes, 2005). The connection between the maps of poor national governance and conflict, and resource extraction is often not made.

In keeping with previous US policy, and in Mackindrian fashion, Jendayi Frazer, US Assistant Secretary of State for Africa identifies South Africa, Nigeria, Kenya and Ethiopia as "keys" to the different regions of the sub-continent (quoted in Hills, 2006). Some of these "anchor" or "gateway" states for US influence overlap with ones which China has the greatest military cooperation with, particularly Ethiopia and Nigeria (Klare & Volman, 2006). However, Sudan and Zimbabwe are also anchor states for China on the continent, covering different resources and regions. South Africa and Zimbabwe between them contain 90% of the world's chrome reserves, and a recent US \$1.3bn energy deal between China and Zimbabwe exchanges chrome for energy investment (BBC News, 2006).

According to Lyman (2005), both the United States and Europe could still win influence on the continent by opening their markets to African agricultural products. However, agriculture may not provide the same rents as oil and natural resource extraction to élites. Eliminating agricultural "dumping" by developed countries would have only a marginal impact on Africa's development prospects (Lockwood, 2005). Indeed, partial reductions in agricultural subsidies will damage the continent, in the short-term, by making food imports more expensive (Giblin & Matthews, 2005).

Poor market access to the EU or US is also not the problem. Even before the European Union's "Everything But Arms" initiative, about 97% of Africa's exports to Europe entered with a 1% tariff or less on them (Lockwood, 2005). The problems that hinder exports are on the "supply side," including the inability to export due to poor skills, organizational systems and infrastructure, and Africa's over-dependence on unprocessed primary commodities, such as tea and coffee, whose value tends to fall through time. African economies need to diversify away from these commodities into more skill intensive and higher value added manufactured exports.

While World Bank studies are confident that "Africa Can Compete!" in manufacturing (Biggs, Miller, Otto, & Tyler, 1996), other studies for the United Nations Industrial Development Organization have found that even if Africans worked for free in the sector, African manufacturing would still not be competitive with China, largely because of poor transportation infrastructure, and the added costs that implies (Harris, 2003).<sup>9</sup> For Africa's least developed, landlocked countries transport and insurance costs for exports are over 30% of their value (Goldstein, 2006). Chinese infrastructural investment assumes acute significance in this context. Gibbon and Ponte (2005) argue that any real improvement of Africa's position in global value chains will have to rely in the first instance on FDI and then on the resuscitation of African state capacities. The question is, how might these objectives be achieved?

## Conclusion

Globalization will create "an even wider gap between regional winners and losers than exists today. Its evolution will be rocky, marked by chronic volatility and a widening economic divide...deepening economic stagnation, political instability, and cultural alienation. It will foster political, ethnic, ideological and religious extremism; along with the violence that often accompanies it" (CIA, 2000).

Elements of the US state are aware of the dangers that neoliberal globalization poses to national security. However, the current focus is on trying to coercively contain its contradictions (Gill, 2003) — a strategy which is failing, as evidenced by the proliferation of guerrilla groups, such as the Movement for the Emancipation of the Niger Delta in Nigeria, and their increasing ability to disrupt oil supplies. Nigeria's oil exports to the US declined from 842,000 barrels per day (bpd) in 2001 to 567,000 bpd in 2002 (Widdershover, 2003), fostering reliance on other West African producers, such as Angola which according to some estimates supplies the US with nearly 9% of its oil (Sidaway, 2003).

There is debate among U.S. officials over the effects of China's advances into Africa in general, and oil exploitation in particular. One group is particularly concerned about China "locking up barrels at source" and constricting global oil supply (Bartholomew, 2005). Others minimise the threat, arguing the Chinese presence in Africa is insufficient to work contrary to American interests (Wilson III, 2005). According to this latter view, China's engagement in Africa should be seen as an opportunity for the United States and the international community because China maintains friendly relations with most African nations, particularly nations that the U.S. has limited contact or diplomatic leverage over, such as Libya and Sudan.

The US Council on Foreign Relations (2005:24) treads a middle ground arguing that, "to compete more effectively with China, the United States must provide more encouragement

<sup>9</sup> There are of course many exceptions to this generalization (see Gibbon, 2002).

and support to well-performing African states, develop innovative means for U.S. companies to compete, give high-level attention to Africa and engage China on those practices that conflict with U.S. interests.” Lyman (2005) also argues for win–win situations in Africa and insists that it will not be possible to limit Chinese influence.

America is a somewhat more normative power (Manners, 2002) than China, with a developed civil society exerting pressure for conformity with (civil and political) human rights norms (however see also Mandel, 2004). Nonetheless, it operates on the basis of *realpolitik*. Increasingly close cooperation between Khartoum and Western intelligence agencies in the “war-on-terror” may be blocking war crimes prosecutions in Darfur, for example (Africa Confidential, 2006).

There is already evidence of U.S. interest in cooperating with China in relation to Africa, with Jendayi Frazer recently visiting China. However, if China wishes to promote peace in Africa, it will have to curb its own arms industry (Alden, 2005b) and it might also sign up to a code of conduct along the lines of NEPAD and the EU. Enhanced international cooperation will be needed to deliver on the promises of improved governance and economic transformation of NEPAD.

The Chinese case shows the necessity of the state for structural transformation. Much of Africa is currently locked in a vicious circle of weak state capacity for economic transformation, and lagging capital inflows and outward leakage, with up to 40% of the continent’s private wealth held overseas (Mkandawire, 2005). There is a need to create “developmental democracies” in Africa (Mkandawire & Soludo, 1999). The question is how the international community might create incentives for this to happen.

There are a variety of dimensions to the construction of this type of state in Africa. The recent commodity boom does open up the possibility of using extra tax revenues for pro-poor initiatives (Southern African Regional Poverty Network, 2005), as in South Africa (Hirsch, 2005). However, this will not result in structural transformation of economies, by itself, but rather “new changes in sameness” in Africa’s external dependence (Obi, 2005).

While neoliberalism seeks to apply the law of supply and demand to society, this is dysfunctional as people are not commodities. Rather a social logic must be infused into the global market. For example, popular participation and the implementation of basic or minimum income guarantees, perhaps funded by taxes on airplane travel globally could be useful components in building a social contract.<sup>10</sup>

While Africa has experienced many of the “negative flows” of globalization such as competitive displacement of manufacturing through trade, massive capital flight<sup>11</sup> and debt, it has had very few, to date, of the “positive flows” of FDI in manufacturing or information and communication technology.<sup>12</sup> Economic and political transformation could be facilitated by the deepening of a transregional product cycle, as in the case of bicycles discussed earlier, particularly as China moves out of labor-intensive assembly operation in the next 10–20 years. Gibbon and Ponte (2005:203) conclude that “as China itself becomes more economically mature, the prospects for Africa to build on [its manufacturing] experience are reasonably promising.” BMW South Africa, which produces all the world’s three series range, has shipped millions of dollars of components to its Chinese affiliate (Matshego, 2004),<sup>13</sup> and a major study for the

<sup>10</sup> The French government have already introduced this “solidarity tax” to fund primary health care interventions.

<sup>11</sup> In fact, the continent is a net creditor to the rest of the world (Boyce & Ndikumana, 2001).

<sup>12</sup> Although this is changing with the profusion of mobile phones: over 82 million on the continent at last count and fibre optic cables ringing the continent which have allowed for call centres to be set up in South Africa and Ghana. In South Africa over 80,000 people are now employed in this industry (Brenner, 2006).

<sup>13</sup> South African conglomerates have also invested in beer and zinc production in China.

World Bank found that Asian investments in apparel, food processing and other subsectors was “propelling African trade into cutting-edge multinational corporate networks” (Broadman, 2007:2). Manufacturing growth could be greatly facilitated through increased aid investment in the development of African (trans)national systems of innovation (see Muchie, Gammeltoft, & Lundvall, 2003).

While Mathew Lockwood advocates for “negative tariffs” or import subsidies for African manufactures into the developed countries, this may be difficult to sell politically given the global extension of the law of value.<sup>14</sup> An alternative approach is offered by Craig and Porter (2006) who argue that the range of concessions which the Chinese government offers to its businesses to set up in areas of Africa, or elsewhere, that it considers strategic, could be adopted by other donors and extended to encompass poverty reduction objectives.

There may also be potential in areas which are substantially still non-market. Internationally, government procurement in the developed world, from paper to police uniforms, from African manufacturers, for example, may have an important catalytic role to play. Such an incentive would create competition and deliver efficiency, and thereby be compatible, in the medium term, with the law of value.

While the revival of economic growth which this has brought to the continent is potentially progressive in its impacts, to date it has largely been confined to enclaves, and upper classes/state élites. Also, while the international community has played a vital role in ending wars in Liberia, Sierra Leone and the Democratic Republic of Congo, among others, oil investment has fuelled local conflict and made many states less accountable to their populations.

A key challenge is to shift African states from authoritarian/patrimonial to developmental mode. Perhaps this is not seen to be in the interests of either the US or China, as these states would then keep their own resources, rather than placing them on the international market. Given the general underdevelopment of the continent, Africa is the only region of the world where net oil output is predicted by the U.S. government to grow substantially faster than consumption – by 91 compared to 35%, respectively, from 2001 to 2025 (Klare, 2005). However, there is a price to be paid by the international community for the current set up. For the moment it is a price they are willing to (let other people) pay.

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<sup>14</sup> “In general terms, the law of value suggests that more time will be spent on producing commodities whose market price is above their price of production” (Jessop, 2002:17). It is being used by us in a double sense, in also referring to the dominance of the ideology of consumer sovereignty and the “right” to source the cheapest and best commodities from anywhere in the world. Our approach would stand the “Singapore issues” in the WTO on their head and rather than forcing developing countries to open up government procurement to foreign companies, would allow their companies access to “government markets” in the developed world.

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