

## Unpacking China's Resource Diplomacy in Africa

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Chinese activity in Africa is increasing at an exponential rate. According to the China-Africa Business Council, China is now Africa's third most important trading partner, behind the United States and France but ahead of the United Kingdom.<sup>1</sup> Indeed, the burgeoning of Sino-African links is unprecedented and is becoming *the* main topic of interest vis-à-vis Africa's international relations.<sup>2</sup> 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>3</sup> A senior economist at the Chinese Ministry of Commerce predicts that trade volume between China and Africa will top the \$100 billion mark in the next five years.<sup>4</sup> Driven by a desire to obtain sources of raw materials and energy for China's ongoing economic growth and for new export markets, Chinese expansion into Africa is more and more attracting the attention of policymakers in the West: 15 pages of a recent Council on Foreign Relations report entitled *More Than Humanitarianism: A Strategic US Approach Towards Africa* was spent assessing the impact of China's increasing role in Africa.<sup>5</sup>

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<sup>1</sup> The visit in January 2006 by Li Zhaoxing, China's foreign minister to Cape Verde, Liberia, Mali, Senegal, Nigeria and Libya, President Hu Jintao's visit to Morocco, Nigeria and Kenya in April and Chinese Premier Wen Jiabao's visit in June to Egypt, Ghana, Congo-Brazzaville, Angola, South Africa, Tanzania and Uganda, indicates the extent to which Africa is now a focus of China.

<sup>2</sup> For broader discussions of Sino-African ties, 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; Chris Alden 'China in Africa', *Survival*, vol. 47, no.3, 2005; Denis Tull 'China's Engagement in Africa: Scope, Significance and Consequences', *Journal of Modern African Studies*, vol. 44, no. 3, 2006. For non-English sources, see Zhang Hongming 'La politique africaine de la Chine', unpublished paper, Centre d'étude d'Afrique noire (CEAN), Bordeaux, 2005; Roland Marchal 'Comment être semblable tout en étant différent? Les relations entre la Chine et l'Afrique' in Roland Marchal (ed.) *Afrique-Asie: Echanges inégaux et globalisation subalterne* Bangkok and Paris: Institut de Recherche sur l'Asie du Sud-Est contemporaine et Les Indes savants, 2005; Roland Marchal 'Chine-Afrique: une histoire ancienne', *Africultures*, no. 66, March 2006; Denis Tull *Die Afrikapolitik der Volksrepublik China* Berlin: Deutsche Institut für Internationale Politik und Sicherheit, 2005; Kirstin Wenk und Jens Wiegmann 'Chinas großer Sprung nach Afrika', *Die Welt* (Berlin) February 3, 2006.

<sup>3</sup> *Peoples' Daily* (Beijing), May 16, 2006.

<sup>4</sup> *China Daily* (Beijing), January 13, 2006.

<sup>5</sup> See Council for Foreign Relations *More Than Humanitarianism: A Strategic U.S. Approach Towards Africa* Washington DC: Council for Foreign Relations, 2005. See also the OECD's detailed

Of particular interest to the West is China's growing expansion into Africa's oil markets. 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. China is actively seeking resources of every kind; copper, bauxite, uranium, aluminium, manganese, iron ore etc are all objectives for acquisition for Beijing.<sup>6</sup> In addition, Chinese textiles and clothing companies are investing heavily in Africa, whilst China is also becoming increasingly politically engaged with the continent. However, it is largely issues surrounding China's oil quest—in Africa and elsewhere—that is provoking particular concern in Western capitals.<sup>7</sup> Furthermore, a look at China's top ten trading partners in Africa reveals that with the exception of South Africa, with its well-developed industrial economy, Beijing's main trade connections in Africa are with oil-producing states:

**Top Ten African Trade Partners with China, 2004 (by imports)<sup>8</sup>**

<i>China's imports from:</i>	<i>Value in million US dollars</i>	<i>Percent of Sino-African trade</i>
Angola	3,422.63	27.4
South Africa	2,567.96	20.6
Sudan	1,678.60	13.4
Congo-Brazzaville	1,224.74	9.8
Equatorial Guinea	787.96	6.3
Gabon	415.39	3.3
Nigeria	372.91	3.0
Algeria	216.11	1.7
Morocco	208.69	1.7
Chad	148.73	1.2
<i>Total</i>	<i>11,043.72</i>	<i>88.4</i>

Consequently, this article seeks to specifically focus in on and explore a key facet of China's interest in Africa's resources—oil. In doing so, some of the main implications for Africa and for the West of China's oil diplomacy are unpacked and discussed. It is argued that Chinese oil diplomacy in Africa has two main goals: in the short-term secure oil supplies to help feed growing domestic demand back in China; and in the long-term position China as a global

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report Andrea Goldstein, Nicolas Pinaud, Helmut Reisen *The Rise of China and India: What's in it for Africa?* Paris: Organisation for Economic Co-operation and Development, 2006.

<sup>6</sup> See Princeton Lyman 'China's Rising Role in Africa', presentation to the US-China Commission July 21, 2005; Simon Roughneen 'Influence Anxiety: China's Role in Africa', *ISN Security Watch*, May 15, 2006; 'China's Empire-builders Sweep up African Riches', *Sunday Times* (London), July 16, 2006.

<sup>7</sup> Interview with senior Western diplomat, Asmara, Eritrea, June 30, 2006. Also correspondence by author with Western diplomats in London and Washington DC

<sup>8</sup> International Monetary Fund *Direction of Trade Statistics* Washington DC: IMF, 2005.

player in the international oil market. Energetically pursuing these aims whilst playing on African leaders' historic suspicion of Western intentions is how Beijing generally engages in its oil diplomacy on the continent.

### **“Non-interference” and Sino-African Diplomacy**

China has long believed African countries to be diplomatically important, a position that dates back to the late 1950s/early 1960s.<sup>9</sup> However, in contemporary times, Chinese interest in Africa was reignited by events surrounding Tiananmen Square in June 1989, when African leaders were quick to rush to support Beijing in the face of intense criticism by the West. This rediscovery of its African friends had followed a decade of neglect of Africa by China as Beijing embarked on its Socialist Modernisation project.<sup>10</sup> However, post-Tiananmen Square China remembered that Africa was a very useful support constituency if and when Beijing was in dispute with other global actors—and also as a site where Beijing could continue to marginalize the Taiwanese.<sup>11</sup>

At the same time, China's renewed interest in Africa coincided with the newfound attention of the West in promoting liberal democracy and human rights. Indeed, as the Cold War came to an end, the so-called Third Wave of Democracy swept across Africa, supported (albeit unevenly) by the developed world.<sup>12</sup> This trend however threatened the entrenched position of incumbent presidents across the continent. As Philip Snow has pointed out, both Chinese and African elites like to posture themselves as having experienced—and continue to face—common enemies, namely imperialism and “neo-imperialism”.<sup>13</sup> This translates into a

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<sup>9</sup> Ian Taylor *China and Africa: Engagement and Compromise* London Routledge, 2006. For older historical overviews, see Alaba Ogunsanwo Alaba *China's Policy in Africa, 1958-1971* Cambridge: Cambridge University Press, 1974; Alan Hutchinson *China's African Revolution* Boulder: Westview, 1976; Philip Snow *The Star Raft: China's Encounter With Africa* London: Weidenfeld and Nicolson, 1988.

<sup>10</sup> Ian Taylor 'China's Foreign Policy Towards Africa in the 1990s', *Journal of Modern African Studies*, vol. 36, no. 3, September 1998, pp. 443-460.

<sup>11</sup> See Ian Taylor 'Taiwan's Foreign Policy and Africa: The Limitations of Dollar Diplomacy', *Journal of Contemporary China*, vol. 11, no. 30, February 2002, pp. 125-140. Senegal's switch to Beijing in late 2005 and Chad's resumption of ties with China as of August 6, 2006 has left Taiwan with diplomatic relations in Africa with only Burkina Faso, Gambia, Malawi, Sao Tome and Principe and Swaziland. Interestingly, Chad 'has largely untapped oil fields [and is] expected to give China access to Chad's natural resources', *Business Day* (Johannesburg), August 8, 2006.

<sup>12</sup> See Michael Bratton and Nicholas van de Walle *Democratic Experiments in Africa. Regime Transition in Comparative Perspective* Cambridge: Cambridge University Press, 1997; Larry Diamond *Developing Democracy: Towards Consolidation* Baltimore: Johns Hopkins, 1999.

<sup>13</sup> Philip Snow 'China and Africa: Consensus and Camouflage', in Thomas Robinson and David Shambaugh (eds.) *Chinese Foreign Policy: Theory and Practice* Oxford: Oxford University Press, 1995, p. 285.

deep suspicion by many African leaders of criticism of their regimes on the grounds of “Western-centric” norms of human rights and liberal democracy, something which is instrumentalised whenever domestic governance records are criticised.<sup>14</sup> China taps into this, asserting that human rights such as ‘economic rights’ and ‘rights of subsistence’ are the main priority of developing nations and take precedence over personal, individual rights as conceptualised in the West.<sup>15</sup> It is a claim shared by many African leaders.<sup>16</sup> He Wenping, director of the African Studies Section at the Chinese Academy of Social Sciences in Beijing, has equally claimed that ‘We [China] don’t believe that human rights should stand above sovereignty... We have a different view on this, and African countries share our view’.<sup>17</sup> The Chinese Ambassador to Eritrea echoes such views, asserting that governments can never have the right to criticise other governments.<sup>18</sup> Importantly, non-interference in state sovereignty and freedom from “hegemony” has been a theme of Chinese foreign policy since the Five Principles of Peaceful Co-existence, formulated in the 1950s as the basis of Beijing’s foreign relations.<sup>19</sup> The Five Principles are re-echoed implicitly throughout China’s current stated Africa policy, released in January 2006.<sup>20</sup>

Consequently, as a Chinese embassy press statement puts it, ‘[China and Africa] support each other in international affairs, especially on major issues such as human rights, safeguard the legitimate rights of developing countries and make efforts to promote the establishment of a new just and rational international political and economic order’.<sup>21</sup> Much of this is tied to the long-held stance by Beijing that it is the *de facto* leader of the developing world. This posture has been cast within the rubric that whilst ‘Africa [is] the continent with the largest number of developing countries’, China is ‘the largest developing country in the

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<sup>14</sup> Interview by author with Frederico Links, journalist with *Insight*, Namibian political magazine, Windhoek, Namibia, August 14, 2006.

<sup>15</sup> Interview by author with Wang Xue Xian, Chinese Ambassador, Stellenbosch, South Africa, February 13, 1998.

<sup>16</sup> Interview by author with Ibrahim Yilla, Director of Asia and Middle East Countries, Ministry of Foreign Affairs, Freetown, Sierra Leone, June 8, 2006.

<sup>17</sup> Quoted in Paul Mooney ‘China’s African Safari’, *YaleGlobal*, January 3, 2005.

<sup>18</sup> Interview by author with Shu Zhan, Chinese Ambassador, Asmara, Eritrea, June 29, 2006.

<sup>19</sup> Interview by author with Acting Head, Political Affairs Section, Chinese Embassy, Windhoek, Namibia, August 13, 2006. These Five Principles are namely, mutual respect for each other’s territorial integrity; non-aggression; non-interference in each other’s internal affairs; equality and mutual benefit; and peaceful coexistence.

<sup>20</sup> See *China’s African Policy* Beijing: Ministry of Foreign Affairs, 2006. I am indebted to Dai Yumin of the Chinese Embassy in Freetown, Sierra Leone, for a copy of this document.

<sup>21</sup> ‘Sino-African Relations’, Embassy of the People’s Republic of China in the Republic of Zimbabwe, 2003.

world'.<sup>22</sup> China's ranking of its own Five Principle of Peaceful Coexistence on an equal footing with the Charter of the African Union—and even the Charter of the United Nations—is an example of the way in which Beijing seeks to court Africa within the broader framework of global politics, whilst at the same time asserting its leadership claims.<sup>23</sup>

Paradoxically, as China increasingly integrates itself into the global economy and starts to tentatively play by essentially Western rules (as exemplified by its membership of the World Trade Organisation), China has sought to strengthen political ties with African countries, exemplified by the establishment of the China-Africa Cooperation Forum (CACF) in 2000. These links however are in part being constructed to be deployed against norms that Beijing views as transgressing Chinese sensibilities, even whilst China engages on a huge expansion of its economic and political engagement globally. This irony reflects the overall tension in Chinese foreign policy of pursuing both engagement and a critical stance towards certain norms that underpin the extant global order. It has led to difficulties for Beijing as it has increasingly been accused of turning a blind eye to autocracy and corruption (a charge that could, admittedly, be levelled at many external actors involved in Africa) in its quest for resources. Because of the exponential increase in China's oil interests in Africa, questions are increasingly being asked about the nature of this engagement, both specifically in Africa and elsewhere.<sup>24</sup>

Importantly, whilst Sino-Africa relations have an historic basis and one built on the principle of “non-interference”, the economic impulse is now arguably dominant.<sup>25</sup> This is not contradictory, as the ideological cover of state sovereignty is utilised by Beijing as part and parcel of its oil diplomacy and in the construction of its diplomatic ties. It is, after all, a motif that is highly attractive to many African leaders.<sup>26</sup> However, China's particular focus on African oil (albeit not to the exclusion of other resources), coupled with its stated

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<sup>22</sup> Quoted in *People's Daily* (Beijing), October 10, 2000.

<sup>23</sup> The *Beijing Declaration of the Forum on China-Africa Cooperation*, released on October 12, 2000 claimed that ‘The purposes and principles of the UN Charter and the Charter of the Organisation of African Unity (OAU), the Five Principles of Peaceful Coexistence and other universally recognised principles governing relations among states must be respected’.

<sup>24</sup> See for example, Yong Deng *China Rising: Power and Motivation in Chinese Foreign Policy* London: Rowman and Littlefield, 2004; Minxin Pei *China's Trapped Transition: The Limits of Developmental Autocracy* Cambridge: Harvard University Press, 2006; James Kynge *China Shakes the World: The Rise of a Hungry Nation* London: Weidenfeld and Nicholson, 2006.

<sup>25</sup> Interview with Martyn Davies, Director, Centre for Chinese Studies, Stellenbosch, South Africa, August 1, 2006.

<sup>26</sup> Interview with Saffie Koroma, National Accountability Group, Freetown, Sierra Leone, June 7, 2006.

disinterest in the internal affairs of other countries, is potentially problematic.<sup>27</sup> Difficulties associated with China's emphasis on state sovereignty are discussed later but at this point the character of the Chinese oil industry and its interests in Africa need to be discussed.

### **China's Oil Industry**

China's oil industry has recently experienced significant restructuring as China's oil needs have become ever more pressing.<sup>28</sup> The Chinese government rationalized most state-owned fuel operations in 1998, placing them under the regulatory oversight of the State Energy Administration. In the oil sector specifically, Beijing established two firms, namely the China National Petroleum Corporation (CNPC) and the China Petrochemical Corporation (Sinopec). In doing so, both CNPC and Sinopec emerged as two vertically integrated oil and petrochemical corporations with interests that stretched across the whole value chain. The new CNPC, which had been mostly involved in exploration of oil and gas fields, production and the upstream aspect of the oil business, emerged to account for 66 per cent of both China's oil and gas output, and 42 per cent of Beijing's refining capacity. Sinopec, which had formerly focused on refining and delivery, made up 23 per cent of oil output, 11 per cent of gas output and 54 per cent of refining capacity.<sup>29</sup> Both of the two groups are now major global players in the world oil industry and both companies are more or less involved in all levels of exploration and production. The China National Offshore Oil Corporation (CNOOC), incorporated in 1982, operates offshore exploration and production.<sup>30</sup>

All three companies continue to be fundamentally state-owned, although the administrative functions of CNPC and Sinopec were divided from the corporations' business management task. The State Petroleum and Chemical Industry Bureau under the State Economic and Trade Commission was established to assume the administration functions of CNPC and Sinopec. Consequently, it is likely that the corporations function in accordance with China's national strategy regarding resources and foreign policy—a policy that is established by the political leadership in Beijing in cooperation with business leaders running state-owned corporations. Indeed, the China Institute for International Studies, a state think

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<sup>27</sup> Interview with Western diplomat, Freetown, Sierra Leone, June 7, 2006.

<sup>28</sup> See Philip Andrews-Speed, Stephen Dow, Zhiguo Gao 'The Ongoing Reforms to China's Government and State Sector: The Case of the Energy Industry', *Journal of Contemporary China*, vol. 9, no. 23, 2000.

<sup>29</sup> Peter Nolan and Jin Zhang *The Challenge of Globalization for Large Chinese Firms* Geneva: UNCTAD, 2002, p. 21

<sup>30</sup> See Amy Myers Jaffe and Steven Lewis 'Beijing's Oil Diplomacy', *Survival*, vol. 44, no. 1, Spring 2002, pp. 115–134.

tank, regularly brings together academics, business leaders, the military and the government to devise strategies for the country, so that ‘Partly on these people’s advice, Beijing has been encouraging representatives of state-controlled companies to secure exploration and supply agreements with states that produce oil, gas, and other resources’.<sup>31</sup>

The strategy chosen is basically to acquire foreign energy resources via long-term contracts as well as purchasing overseas assets in the energy industry. This policy is based on the desire to circumvent an over-reliance on the global oil market through either actually acquiring major stakes in Africa’s oilfields or safeguarding access. Africa is a prime site because ‘China confronts foreign competition. Chinese companies must go places for oil where American and European companies are not present’.<sup>32</sup> Arguably, Chinese companies saw the opportunities in Africa before other actors—who are now expressing anxiety and concern over the scale of China’s activities on the continent.<sup>33</sup> This is compounded by the nature of Chinese corporations. Because China’s oil companies are state-owned, China is able to do this even if it means outbidding competitors in major contracts awarded by African governments and paying over the odds.<sup>34</sup> China takes the long-term view vis-à-vis energy security, rather than the short-term view of private Western companies—a view necessitated by considerations of profits and shareholders.<sup>35</sup> Having said that, China’s quest for oil overseas may have less to do with Beijing’s energy security than other long-term considerations. Even given China’s huge increase in its overseas oil production activities,

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<sup>31</sup> David Zweig and Bi Jianhai ‘China’s Global Hunt for Energy’, *Foreign Affairs*, vol. 84, issue 5, 2005, p. 27.

<sup>32</sup> Chen Fengying of the China Contemporary International Relations Institute in Beijing, quoted in *Washington Post* (Washington) December 22, 2004.

<sup>33</sup> Interview by author with Lucy Corkin, Research Manager, Centre for Chinese Studies, Stellenbosch, South Africa, July 31, 2006.

<sup>34</sup> It is apparent that many Chinese companies pursue this approach. Deng Guoping, general manager of the China Road and Bridge Corporation in Ethiopia stated that he is ‘instructed to slice projected profit margins so thin—about 3%—that losses are inevitable, given perennial cost overruns in Africa. Western businesses, by contrast, typically paid bids with projected profits of 15% and more...“We’re a government company and the Chinese government wants us here building things” he says’, quoted in ‘China Forges Deep Alliances with War-torn Nations in Africa’, *Sudan Tribune* (Paris), March 30, 2005. Dong Wen, the general manager of the Chinese-renovated Bintumani Hotel in Freetown, admitted that business was not good and that she did not understand why her state-owned construction company was involved in the project, given that it did not seem to make money (interview with author, Freetown, Sierra Leone, June 7, 2006).

<sup>35</sup> Xu Mingzheng, general manager of Sierra Leone Guoji Investment and Development Company, suggested that Chinese companies have a longer vision than Western companies and are not constrained by the very high profit returns demanded by Western shareholders. He also asserted that management costs for the West are high in Africa whilst for China they are much lower as Chinese salaries are low. Chinese workers are also prepared to go to places like Africa and put up with the difficulties of working and living in tough conditions. Western workers are, by implication, not. Interview with author, Freetown, Sierra Leone, June 8, 2006.

Beijing's foreign oil diplomacy will almost certainly never be enough to fulfill the country's massively increasing demand. Rather, the recent upsurge in Chinese oil diplomacy may be linked to Chinese strategists at the national level who may well first and foremost be paying attention to the long-term goal of being in charge of oil resources at their source in a strategy to manipulate future prices. This would be not simply as a consumer of oil—although this would be of increasing importance—but also as an emerging producer of note, particularly if and when China's offshore oil discoveries come online.

As part of the immediate strategy, Sinopec and CNPC in particular have been active in buying operating rights overseas. Chinese expansion into oil operations overseas has subsequently become obvious and more and more aggressive, with Chinese oil companies now having a presence in places as diverse as Canada, Peru and Sudan. One way by which this policy has been cemented is to use what China refers to as “special relationships” or its “win-win” China-Africa cooperation policy. Part of this is a somewhat unquestioning stance regarding norms relating to transparency and human rights. That this is problematic for the African continent will be detailed below.

Returning to China's energy milieu, China's exceptionally robust economic growth over the last twenty years has stimulated a huge upsurge in its demand for oil—between 1995 and 2005 China's oil consumption doubled to 6.8 million barrels per day. In 1993, China became a net importer of oil and oil will be the only feasible primary fuel for the foreseeable future that will be in the position to fulfil China's growing needs regarding both transportation and industry.<sup>36</sup> Since it became a net oil importer, China's resource diplomacy and hunt for oil supplies has escalated massively—reflected in Beijing's increased presence in Africa's oil industry. In 2003, China surpassed Japan to become the world's second biggest consumer of petroleum products after the United States. Problematically, in 2004, China's oil consumption grew by 15% whilst its output only rose 2%.<sup>37</sup> Previously, China's consumption in 2004 was a 16% increase over what it was in 2003. The pattern is clear: an exponential increase in China's demand for oil.

Indeed, China is projected to rely on imports for forty-five per cent of its oil use by 2010. This has massive implications for the global oil industry given that the International Energy Agency predicts that by 2030 Chinese oil imports will equal current imports by the United States; China's demand for oil is projected to increase by 130% to 12.8 million barrels

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<sup>36</sup> Sergei Trough *China's Changing Oil Strategy and its Foreign Policy Implications* CNAPS Working Paper, Washington DC: Brookings Institute, 1999.

<sup>37</sup> 'China's Global Hunt for Oil', *BBC News Online*, March 9, 2005.

per day by 2025, according to the US Energy Information Administration. As the Administration puts it, ‘As the source of around 40% of world oil demand growth over the past four years, with year-on-year growth of 1.0 million bbl/d [barrels a day] in 2004, Chinese oil demand is a key factor in world oil markets’.<sup>38</sup> Indeed, if China’s imports of oil rise, as projected, from 4 million barrels a day today to 7 million barrels a day in 2020, to 8 million barrels a day in 2025, and to 11 million barrels a day in 2030, the consequence of such a monumental increase will drastically affect the availability of oil *and* the cost of crude oil. Since around 1995 China has pursued an “outward-looking oil economy”,<sup>39</sup> but, as one analyst puts it, ‘China’s quest for energy security is more than simple economics. It is about China’s overall development strategy; the direction of China’s modernization program [and] what kind of China is emerging as a world power’.<sup>40</sup> This is a fundamental question that Beijing’s policymakers need to address.

### **China’s Oil Safari in Africa**

Africa is seen by both the Chinese government *and* by Chinese companies to be rich in natural resources, particularly in crude oil, non-ferrous metals and fisheries.<sup>41</sup> In contrast to the past heady days of Maoist “solidarity”, China’s economic dealings with most African countries are today based on a cool evaluation of their perceived commercial potential.<sup>42</sup> Indeed, it is China’s rapidly developing oil requirements that have helped propel Sino-African trade in recent years.<sup>43</sup> Beijing also sees Africa as playing a greater role in future world politics: a Chinese commentary asserted that ‘as more African countries improve political stability and make headway in economic growth, the continent’s nations will have more say in international affairs’.<sup>44</sup> Beijing seems to see this as to their advantage as it is repeatedly asserted that China and Africa share ‘identical or similar opinions on many major international affairs as well as common interests’.<sup>45</sup> Indeed, it has become common amongst Chinese policy speeches to emphasise the commonality of experiences that link China and

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<sup>38</sup> Energy Information Administration *China Country Analysis Brief*, [www.eia.doe.gov/emeu/cabs/china.html](http://www.eia.doe.gov/emeu/cabs/china.html)

<sup>39</sup> See Gaye Christoffersen *China’s Intentions for Russian and Central Asian Oil and Gas* Washington DC: National Bureau of Asian Research, 1999.

<sup>40</sup> Wenran Jiang *Fueling the Dragon. China’s Quest for Energy Security and Canada’s Opportunities*, Asia Pacific Foundation of Canada, Vancouver, April 2005, pp. 4-5.

<sup>41</sup> Interview by author with manager, Chinese trading company, Massawa, Eritrea, July 1, 2006.

<sup>42</sup> Ibid.

<sup>43</sup> Interview by author with Shu Zhan, Chinese Ambassador, Asmara, Eritrea, June 29, 2006.

<sup>44</sup> *China Daily* (Beijing) January 9, 1998.

<sup>45</sup> Speech by Minister Shi Guangsheng at the Sino-Africa Forum, quoted in *People’s Daily* (Beijing), October 11, 2000.

Africa together, including perceptions of historical oppression by the West and the similar levels of economic development.<sup>46</sup>

This has been the rhetorical theme for a whole raft of new contracts signed between China and Africa in the oil industry. A brief listing of some of the more recent ones gives a flavour of the extent to which Chinese oil diplomacy is picking up speed in Africa. In 2002 Sinopec signed a contract for \$525 million to develop the Zarzaitine oil field in Algeria. In 2003 CNPC purchased a number of Algerian refineries for \$350 million and signed a deal to explore for oil in two blocks. PetroChina also signed a contract with Algeria's Hydrogen Carbide to jointly develop oilfields and construct a refinery.<sup>47</sup> In 2004 Total Gabon signed a contract with Sinopec under which Gabonese crude oil will be sold to China.<sup>48</sup> In 2005 Angola was given a \$2 billion loan from China in exchange for oil deals (China added another \$1 billion to this loan in March 2006). In the same year, China and Nigeria signed an \$800 million crude oil sale deal between PetroChina and the Nigerian National Petroleum Corporation to supply 30,000 barrels of crude oil per day to China.<sup>49</sup> It was also announced that the Chinese were interested in carrying out exploitation of manganese, oil and gold in the Ivory Coast, where Sinopec already has investments in an oil field off the coast, with 27% of the block.<sup>50</sup> This year (2006) CNOOC agreed to pay \$2.3 billion for a stake in a Nigerian oil and gas field.<sup>51</sup> An offshore exploration deal was signed with Kenya, allowing CNOOC to explore in six blocks covering 44,500 sq miles in the north and south of the country.<sup>52</sup> Beijing also struck a \$4 billion deal for drilling licences in Nigeria<sup>53</sup> whilst Angola's Sonangol announced that Sinopec had taken up a 40 percent stake in the lucrative oil Block 18 after suggesting a \$1.1 billion government "signature bonus" out of a total investment amounting to more than \$1.4 billion.<sup>54</sup> Chinese oil companies were also reported to have signed contracts to begin offshore oil exploration and production with Congo-Brazzaville<sup>55</sup> and have begun oil exploration in northern Namibia and looking into the establishment of an oil

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<sup>46</sup> Interview by author with Shu Zhan, Chinese Ambassador, Asmara, Eritrea, June 29, 2006.

<sup>47</sup> Xu Weizhong 'A Review of Sino-Algerian Relations in Retrospect', *China.org.cn*, February 2, 2004.

<sup>48</sup> 'China Woos Gabon for Oil Deal', *This Day* (Lagos), February 3, 2004.

<sup>49</sup> 'Nigeria to Supply China 30,000 B/D of Crude Oil...Corporation to Make \$800m', *Vanguard* (Lagos), July 12, 2005.

<sup>50</sup> *Reuters* (London) June 20, 2006.

<sup>51</sup> 'NNPC Approves China's \$2.3 Billion Stake in OPL 246', *This Day* (Lagos), April 21, 2006.

<sup>52</sup> 'Kenya Signs Exploration Contract', *The East African Standard* (Nairobi), April 18, 2006.

<sup>53</sup> 'Nigeria-China Relations', *Daily Champion* (Lagos), May 5, 2006.

<sup>54</sup> 'Oil Deals Likely as Angola Turns East', *The Standard* (Beijing), June 21, 2006.

<sup>55</sup> 'Chinese Premier Visits Oil-producing Congo', *Associated Press* (Brazzaville), June 19, 2006.

refinery.<sup>56</sup> Nigeria also announced that it would give the first right of refusal to CNPC on four oil exploration blocks in exchange for a commitment to invest \$4 billion in infrastructure. The deal involves China buying a controlling stake in Nigeria's 110,000 barrel-a-day Kaduna oil refinery and building a railroad and power stations.<sup>57</sup> The year 2006 also saw Zhongyuan Petroleum Company start exploratory drilling in the Gambella basin, western Ethiopia,<sup>58</sup> Chinese oil companies investigate forming upstream joint ventures in Madagascar to exploit newly discovered reserves on the island,<sup>59</sup> and Sinopec and CNPC team up to acquire drilling rights to an oilfield in Sudan for about \$600 million.<sup>60</sup> Clearly, Chinese energy interests in Africa are growing exponentially.

However, questions have been more and more asked about China's tactics and strategies in its quest for resources in Africa.<sup>61</sup> The no-questions-asked policy is indeed coming under greater pressure from observers both external and internal to Africa. And Chinese responses have been getting both more defensive and also, contradictory. Thus for instance on the one hand Wang Yingping of the China Institute of International studies will assert that 'Chinese businesses pay greater attention to protecting the environment when building factories and exploring for Africa's rich reserves in oil, ore and non-ferrous metals'.<sup>62</sup> Yet on the other, an official Chinese publication will quote, without comment, the assertion by Sierra Leone's Ambassador to China that 'The Chinese just come and do it. They don't hold meetings about environmental impact assessments, human rights, bad governance and good governance. I'm not saying it's right, just that Chinese investment is succeeding because they don't set high benchmarks'.<sup>63</sup> This is now a common cause for complaint with Sierra Leone.<sup>64</sup> It is the failure to set high benchmarks, particularly regarding transparency and human rights that China's oil diplomacy in Africa stands accused of—a subject we now turn to.

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<sup>56</sup> 'Oil Reserves in the Pipeline', *New Era* (Windhoek), April 12, 2006.

<sup>57</sup> 'China to Take Over Kaduna Refinery', *Daily Trust* (Abuja) April 27, 2006.

<sup>58</sup> 'Chinese Oil Company Starts Drilling', *The Reporter* (Addis Ababa), March 4, 2006.

<sup>59</sup> 'CNPC, Madagascar Petroleum To Explore Madagascar Oil Field', *Dow Jones* (Hong Kong), February 24, 2006.

<sup>60</sup> 'Sinopec, CNPC to Acquire Sudan Oil Block for \$600 Million, Report Says', *Associated Press* (Hong Kong), November 15, 2005.

<sup>61</sup> See David Shinn 'Africa and China's Global Activism', paper Presented at the National Defense University Pacific Symposium, China's Global Activism: Implications for U.S. Security Interests, National Defense University, Fort Lesley J. McNair, June 20, 2006.

<sup>62</sup> Quoted in *Chinafrica* (Beijing), February 16, 2006, p. 4.

<sup>63</sup> Quoted in *Chinafrica* (Beijing), April 1, 2006, p. 4.

<sup>64</sup> Interview by author with David Jabati, news editor, *Awareness Times*, Freetown, Sierra Leone, June 7, 2006.

### **‘There are No Rogue States’**

Whilst Western public diplomacy has recently focussed in on ‘rogue states’, ‘axes of evil’ and ‘arcs of extremism’, Beijing has a very different take on such matters. According to the Chinese Ambassador to Eritrea, ‘There are no rogue states. China has been labelled this in the past and other governments should not criticise’.<sup>65</sup> Yet within Africa, China has been increasingly criticised. For instance, a South African newspaper noted that ‘China’s no-strings-attached buy-in to major oil producers, such as Angola, will undermine efforts by Western governments to pressure them to open their oil books to public scrutiny’.<sup>66</sup> Two countries in particular stand out as examples where Beijing has intimate dealings, but where standards of good governance (by any criterion) are woefully inadequate: Angola and Sudan.

#### *Angola*

Angola has been described as a country that has moved from “Afro-Stalinism” to “petro-diamond capitalism”, where patronage and corruption reigns supreme.<sup>67</sup> International agencies say as much as \$4 billion in oil revenues—equivalent to 10 percent of GDP—has been lost to graft over the past five years.<sup>68</sup> According to one observer:

Lack of transparency remains the norm for all key financial accounts, such as those used for oil revenues and diamond revenues and those of the National Bank of Angola and the national treasury. Parliament faithfully votes each year to approve a budget in which a substantial portion of the monies received by the Angolan state simply does not appear. The official budget is thus a document which bears no relationship to reality, and in any case it is just not implemented for the most part.<sup>69</sup>

This does not seem to be a problem for Beijing. Indeed, the Chinese have taken advantage of this milieu—and the conflict that this has generated with international creditors.

Currently, Angola is China’s second largest trading partner in Africa.<sup>70</sup> In 2004, bilateral trade totalled \$ 4.9 billion, representing more than a 113 percent increase from 2003. Chinese companies continue to look for secure oil deliveries and Angola, as sub-Saharan Africa’s second largest oil producer, is central to this policy. Thus, during a recent visit by

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<sup>65</sup> Interview by author with Shu Zhan, Chinese Ambassador, Asmara, Eritrea, June 29, 2006.

<sup>66</sup> *Star* (Johannesburg) June 21, 2006.

<sup>67</sup> Tony Hodges *Angola: From Afro-Stalinism to Petro-Diamond Capitalism* Oxford: James Currey, 2001.

<sup>68</sup> *Reuters* (Kigali) March 11, 2004.

<sup>69</sup> Christine Messiant ‘The Eduardo Dos Santos Foundation: Or, How Angola’s Regime is Taking Over Civil Society’, *African Affairs*, no.100, 2001, p. 292.

<sup>70</sup> *China Daily* (Beijing), March 7, 2005.

Vice Premier Zeng Peiyang, a total of nine cooperation agreements with Angola were signed, three of which related to oil. One fixed a long-term supply of oil from Sonangol (the Angolan state oil corporation) to China's Sinopec oil company. Further, it was announced that Sonangol and Sinopec are to jointly evaluate an offshore oil block whilst China and Angola are jointly studying proposals for a new oil refinery in Angola. Sinopec has also engaged in a joint venture with Sonangol, to buy out Shell's interest in one of Angola's offshore blocks (operated by BP Angola) and to be the non-operating partner. Meanwhile, China has ramped up its provision of aid and soft loans. During the visit Zeng Peiyang agreed to provide Angola with more development aid, providing Angola with approximately \$6.3 million in interest free loans.<sup>71</sup>

The elites in Luanda (an oppressive, dictatorial regime by any standards) are deeply appreciative of China's "non-interference" stance. Over the last couple of years, Angola's government, in need of reconstruction funds after the civil war, has been in the midst of negotiating a new loan with the International Monetary Fund (IMF). Because of Luanda's malgovernance, the IMF was determined to include transparency measures to curb corruption and improve economic management. However, as the IMF pressed for agreement, the Angolan government suddenly stopped negotiations. The reason for this was that Luanda had received a counter-offer of a \$2 billion loan from China's export-credit agency, Exim Bank. The deal came with an interest rate repayment of 1.5% over 17 years and was tied to an agreement to at first supply 10,000 barrels per day of crude oil, to increase later to 40,000 barrels per day, as well as the award of substantial construction contracts. This provoked consternation within Angola's nascent indigenous business sector as, as Angolan economist José Cerqueira put it, 'There is a condition in the loan that 30% will be subcontracted to Angolan firms, but that still leaves 70% which will not. Angolan businessmen are very worried about this, because they don't get the business, and the construction sector is one in which Angolans hope they can find work'.<sup>72</sup> Thus the real cost of the loan is higher than that suggested by the published rates as non-Chinese suppliers are excluded, which will negatively affect the prices of goods and services imports. To be fair though, the real cost should still be below the rates at which Angola was previously borrowing from other sources. But perhaps more critically, none of the IMF's conditionalities regarding corruption or graft were included in the loan's details, enabling Luanda to overcome the refusal by Western

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<sup>71</sup> 'China, Angola Sign 9 Cooperation Agreements', *afrol News* (Luanda), 7 March 7, 2006.

<sup>72</sup> Quoted in 'Angola: Cautious Optimism for 2005', United Nations Office for the Coordination of Humanitarian Affairs, New York, 14 January 2005.

donors to bankroll a Donor's Conference until Angola had reached agreement with the IMF and concluded a Poverty Reduction Strategy Paper.

Responding to the news, the Angolan Embassy in London stated that the deal 'cannot be matched on the current international financial market, which imposes conditions on developing countries that are nearly always unbearable and sometimes even politically unacceptable'. Indeed, 'It is a well known fact that many developed countries make the support and aid they give conditional on the recurrent issue of transparency'. 'In the case of the agreement recently signed with the Chinese bank, no humiliating conditions were imposed on Angola. The agreement therefore greatly surpasses the contractual framework imposed on the Angolan government by European and traditional markets and opens up a practical means of sustained and mutually advantageous cooperation with one of the world economies with the highest growth rate'.<sup>73</sup> The Angolan Ambassador in China later called Beijing 'a true friend of Africa' and crowed that 'Africa can [now] develop by its own effort with China's help...without any political conditions'.<sup>74</sup> In other words, the regime in Luanda was flagging up its great satisfaction that an alternative source of resources had been identified, one that did not demand the "humiliating conditions" associated with IMF loans.

However, Douglas Steinberg, Angola country director for the humanitarian NGO, CARE noted that 'When I hear of this big Chinese loan [I think] it distorts the whole process and gives a lot more flexibility for Angola not to comply with the conditions for other deals...It allows the government to escape...transparency'.<sup>75</sup> Global Witness also commented that 'The long-standing concerns about the lack of fiscal transparency and accountability [by the Angolan government] also extend to the reconstruction process. There has to date been no public scrutiny of either specific reconstruction projects, nor of the procurement process managed by the National Reconstruction Office, including projects selected under the terms of the \$2 billion credit line extended to Angola by China'.<sup>76</sup> The big danger is that China's rapidly developing relationship with Angola allows the elites in Luanda to continue to be corrupt and ignore governance norms—all in the name of "non-interference" in domestic affairs—a discourse that China assiduously promotes. And critics of the West's "imperialist" insistence on conditionalities are now faced with an uncomfortable dilemma—get rid of

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<sup>73</sup> Embassy of Angola, 'Angola-China: An Example of South-South Cooperation', March 26, 2004.

<sup>74</sup> *Xinhua* (Beijing), January 24, 2006.

<sup>75</sup> 'Angola: Oil-backed Loan Will Finance Recovery Projects', *Integrated Regional Information Networks* (Luanda), February 21, 2005.

<sup>76</sup> *Ibid.*

intrusive stipulations emanating from the developed world and the alternative is invariably China's no-strings-attached deals:

In the past international organisations such as the World Bank have been criticised for making loans to countries in need conditional upon non-negotiable demands. Now the situation is reversed, with China granting unconditional, instant credits that encourage white elephant projects, without concern for financial transparency.<sup>77</sup>

Yet on the other hand, China *is* investing much-needed resources into Angola's infrastructure and is widely seen as the "saviours" of the country in terms of recovery and post-conflict development.<sup>78</sup> The Eximbank loan will rehabilitate roads and railways, especially in Benguela, which is essential to Angola's mineral exports. Angola has a desperate need for financing to carry an extensive programme of infrastructure investments as a precondition to the reintegration of the country, urgently required in order to kick-start the economy, especially in the agricultural sector. Alternative sources of funding have been stymied by Paris Club rules; not so China's. Indeed, the Chinese loans are planned to help rehabilitate the three main rail lines in the country as well as finance the construction of a new airport in Benguela province.<sup>79</sup> In the absence of funding from elsewhere, the Chinese finances are a welcome injection into Angola, despite concern over the lack of conditionalities regarding governance issues.

### *Sudan*

Another example of China's involvement in an oil-rich nation which has attracted controversy is Sudan. China is now Sudan's largest investor, with an investment estimated at \$4 billion. Apart from the governance and human rights issues in Khartoum, Beijing's weapons exporting policy and its involvement in Sudan's long-running civil war has been particularly criticised. It should be noted that China is the only major arms exporting power that has not entered into any multilateral agreement setting out principles, such as respect for human rights, to guide arms export licensing decisions. Instead, Chinese actors have pursued a policy that is entirely based on narrow economic interests and have been keen to supply the Sudanese government with fighter aircraft and an assortment of weaponry. Apart from the profits accrued from these arms sales, the policy helps consolidate and protect Chinese shares

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<sup>77</sup> Jean-Christophe Servant 'China's Trade Safari in Africa', *Le Monde Diplomatique*, May 2005, p. 6.

<sup>78</sup> Interview by author with Lucy Corkin, Research Manager, Centre for Chinese Studies, Stellenbosch, South Africa, July 31, 2006.

<sup>79</sup> See African Development Bank/OECD *African Economic Outlook 2005-06: Angola* Paris: OECD, 2006.

in the exploitation of Sudan's oil reserves. Reports say that the Sudan air force is equipped with \$100 million worth of Shenyang fighter planes, including a dozen supersonic F-7 jets.<sup>80</sup>

The motivation for such supplies is simple. The state-owned Chinese company CNPC owns the largest share (i.e. forty per cent) in Sudan's largest oil venture, the Greater Nile Petroleum Operating Company. CNPC's equity oil from the project is around 150,000 barrels a day. The Sino-Sudanese oilfield project covers 50,000 square miles in the southern non-Muslim region of the country and is expected to produce 15 million tons of crude oil annually. With proven reserves of 220 million tons, the project is amongst the largest China has undertaken overseas. Problematically, during the civil war Sudanese government forces, armed with Chinese weapons, used CNPC facilities as a base from which to attack and dislodge southerners in the vicinity of the new oil fields. Certainly, Khartoum used hard currency generated by Chinese investment in oilfields to finance its ethnic cleansing of non-Muslim insurgents and civilians in the southern part of the country. Consequently, China has been strongly criticised by various non-governmental organisations, with Amnesty International stating in June 2006 that 'China has transferred military, security and police equipment to armed forces and law enforcement agencies in countries where these arms are used for persistent and systematic violations of human rights'.<sup>81</sup> China, for its part, deployed its "alternative" reading of human rights to block United Nations action in the country. For instance, the Chinese ambassador to Sudan, Deng Shao Zin, openly stated that Beijing was 'opposed to any intervention by the United Nations in the internal affairs of Sudan under the pretext of human rights violations'.<sup>82</sup>

Thus whilst during the late 1980s/early 1990s, Western oil companies were forced to scale down operations in Sudan due to human rights violations and the civil war, China stepped in to displace Western corporations.<sup>83</sup> Consequently, CNPC has been a partner in a consortium developing oil production in Sudan since the mid-1990s and CNPC's construction wing helped build the 930-mile pipeline to the Red Sea and built an oil refinery close to Khartoum. The Petroleum Engineering Construction Group is at present constructing a \$215 million export tanker terminal at Port Sudan as well as a pipeline from the oilfields to the port.

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<sup>80</sup> 'Sudan Gets Chinese Jets', July 13, 2000, [www.worldnetdaily.com](http://www.worldnetdaily.com)

<sup>81</sup> Amnesty International *People's Republic of China: Sustaining Conflict and Human Rights Abuses: The Flow of Arms Accelerates* New York: Amnesty International, 2006.

<sup>82</sup> 'Chinese Investment Spurs Civil War in Sudan', *CNSNews.com*, September 3, 1999.

<sup>83</sup> As did Indian companies, it should be noted.

It should be said that Beijing has welcomed the recent peace agreement signed in early 2005 between the north and south and China has committed around 200 troops for UNMIS, the UN mission to oversee the cease-fire. Given that oil agreements signed by Khartoum will be respected, this is no surprise. As has been mentioned, Beijing has used its position at the United Nations to head off Western pressure on Khartoum—lately over human rights abuses in Darfur. In mitigation, China maintains that it is working hard to encourage the Sudanese government to resolve the conflict. But United Nations investigators have found most of the small arms in the conflict in Darfur are Chinese manufactured, despite an arms ban within the region. Amnesty International has reported that China provided hundreds of military trucks to Sudan in 2004 at the height of the three-year-old Darfur conflict and that the Sudanese army and the Janjaweed militia had used these vehicles for travel and for transporting people for execution. China in turn rejects such charges on the grounds that other countries similarly export arms and equipment.<sup>84</sup> As Chinese Deputy Foreign Minister Zhou Wenzhong was quoted as saying, ‘Business is business. We try to separate politics from business...I think the internal situation in the Sudan is an internal affair’.<sup>85</sup>

### **Problematising China’s Approach**

Any analysis of China’s oil diplomacy in Africa needs to be balanced and avoid the hyperbole that has characterised some accounts.<sup>86</sup> In the short-term, China’s trade and investment with Africa is of assistance to the development of the continent if for no other reason than that investment is not really forthcoming otherwise. China’s investment in Africa’s crumbling infrastructure *is* needed and is welcomed by most. Throughout Africa Chinese companies are occupied in building hospitals, dams, government offices and stadiums and the refurbishment of facilities abandoned by Western companies.<sup>87</sup> In addition, China’s demand for energy resources has inflated prices, bringing a windfall to African states’ income. Partly as a result of China’s interest—particularly in oil—in Africa, the continent’s growth rate has increased, touching 4.5% in 2004. Of course, what African

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<sup>84</sup> Ibid.

<sup>85</sup> Quoted in *New York Times* (New York), August 22, 2005.

<sup>86</sup> For examples, see ‘China Covets African Oil and Trade’, *Jane’s Intelligence Review* (London), October 12, 2004; ‘Yet Another Great Game’, *Newsweek* (New York), December 20, 2004; Peter Brookes and Ji Hye Shin ‘China’s Influence in Africa: Implications for the United States’, *The Backgrounder, Heritage Foundation* no. 1916, February 22, 2006; ‘Africa’s China Card’, *Foreign Policy*, April 11, 2006.

<sup>87</sup> Interview by author with Moses Pakote, Deputy Director, Investor Services, Namibia Investment Centre, Ministry of Trade and Industry, Windhoek, Namibia, August 11, 2006.

leaders do with this sudden influx of receipts is the key. Indeed, the big question is how do governments engage with this phenomenon and utilise the increased engagement by China to benefit the ordinary people and promote development in an environment of elite depredation and a lack of capacity?<sup>88</sup> Here, China's stance of "non-interference" and a studied disinterest in where the money goes is not particularly helpful. But certainly in the short-term China's increased engagement with Africa is beneficial in the sense that it is providing investment where little was previously forthcoming. Development may be stimulated by such activities and the Chinese provide what may be seen as a low-cost developmental solution to many African nations.

But it is when one looks at the long-term trajectory that concerns mount. Firstly, a reliance upon oil and other commodities is deeply problematic for African nations wishing to avoid the typical resource curses that tend to accompany an over-dependence on one particular commodity and/or move beyond being suppliers of primary products. 'One risk is that the commodity boom might give rise to a sense of complacency, which might prevent governments from undertaking the necessary measures to make growth sustainable in the medium term (i.e. investment in human capital and infrastructure, institutional reform, etc.)'.<sup>89</sup> Over-reliance on commodities such as oil threatens to make African nations even more vulnerable to negative price shocks. Furthermore, if receipts accrue from oil exports to China there is a very real temptation by the local elites not to diversify their economies. As mentioned earlier, this is a problem not specific to Chinese involvement. But the type of increased commodity exports and rising investment inflows into Africa stimulated by China's commodity demands have a tendency to fuel currency overvaluation, which undermines the competitive edge of export-oriented manufacturing sectors. This potential danger may be worsened by Beijing's propensity to keep downstream and processing activities within China whilst only generally importing pure raw materials.<sup>90</sup> In this sense, a huge increase in Chinese interest in Africa's oil threatens to only deepen Africa's dependency.

Of equal concern however, is China's relatively casual stance towards the liberal norms of human rights and democracy. In China's defence it might be averred that the strategies adopted by an incoming power, seeking to grab opportunities wherever it can, and those of an established power, looking to protect its investments in an unstable environment,

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<sup>88</sup> Interview with Christopher Parsons, Ministry of Trade and Industry, Freetown, Sierra Leone, June 8, 2006.

<sup>89</sup> Deutsche Bank Research 'China's Commodity Hunger: Implications for Africa and Latin America', June 13, 2006, p. 12.

<sup>90</sup> Ibid.

are intrinsically different and account for some of China's actions. But the key question is how long is it going to take for Beijing to move from one stance to the other? Beijing's current attitude regarding its supply of weapons to regimes such as Sudan is that it is an internal matter for that sovereign state and that weaponry strengthens the state, thereby stabilising the political environment in which to do business. But most observers view such transfers as profoundly destabilising, particularly as African governments and armies are rarely in full control of the weapons they receive, as well as the more general point that providing arms to oppressive regimes is inherently anti-developmental. For how long China can maintain its position predicated on "non-interference" is a crucial question, particularly as China becomes more and more integrated into the global order and the responsibilities that come with this.<sup>91</sup>

Indeed, the current position of Beijing's critically undermines China's objectives to be implicitly seen as the leader of a developing world coalition or one that is qualitatively different from the "traditional exploiters" of Africa, i.e. the West.<sup>92</sup> This contradiction was most graphically illustrated in April 2006 when on the very same day as the Dutch government were suspending nearly \$150 million in aid to Kenya because of longstanding concerns over corruption,<sup>93</sup> China was busy securing an important oil exploration agreement with that same country.<sup>94</sup> A telling illustration of the difference in approaches between the West and China vis-à-vis malgovernance on the continent.

Currently, Beijing does not seem to realise that corruption and political instability sabotages the long-term possibilities of sustained Sino-African economic links and also helps maintain the situation where Africa remains at the bottom of the global hierarchy, plagued by dictators and human rights abusers. Whilst a certain type of African leader is deeply appreciative of such a friend, it is doubtful that the average African shares the same sentiments.<sup>95</sup> Problematically, as a Kenyan report put it, 'China has an Africa policy. Africa doesn't have a China policy, only a Beijing-controlled forum in which Mandarins figure out

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<sup>91</sup> Interview by author with Henning Melber, Namibian political economist, Windhoek, Namibia, August 14, 2006.

<sup>92</sup> China likes to play this card if and when criticised for its no-questions-asked policy. For instance, Chinese Foreign Ministry spokesman Qin Gang, in denying that China ignores human rights considerations, lashed out at Western journalists, asserting that 'We [China] will not repeat the record of the then Western colonists who bloodily plundered and violated human rights. China is a responsible country', quoted by *Agence France Presse* (Beijing), April 26, 2006.

<sup>93</sup> 'Dutch Halt Kenya Aid Over Graft', *BBC News Online*, April 29, 2006.

<sup>94</sup> 'China's Hu Boosts Kenyan Business', *BBC News Online*, April 28, 2006.

<sup>95</sup> Interview by author with Henning Melber, Namibian political economist, Windhoek, Namibia, August 14, 2006.

which country to take a sweet shot at. China talks of mutual trust...The danger is that China will politely rip off Africa, just as the West did' (*The Nation* (Nairobi) June 12, 2006).

It would be all too easy to shrug off China's perceived amorality as simply fitting with ongoing external interaction with Africa—and at one level this would be true. After all, French policy towards the continent has never been guided by liberty, equality and fraternity and other Western actors in Africa do not exactly possess exemplary records. Washington's relations with oil-rich nations such as Saudi Arabia are equally not guided by concerns over democracy.<sup>96</sup> Business is business so, in this sense, criticism of China's oil diplomacy in Africa is somewhat hypocritical.<sup>97</sup> However, this is not the whole story. There is arguably a growing consensus among the more serious governments in Africa of where they wish the continent to be heading. An example of this being expressed would be the New Partnership for Africa's Development (NEPAD), which has been enthusiastically pushed by a select number of countries in Africa, as well as by the G-8, as a means to stimulate what has been termed the "African Renaissance".<sup>98</sup> NEPAD has succeeded in placing the question of Africa's development onto the international table and claims to be a political and economic programme aimed at promoting democracy, stability, good governance, human rights, and economic development on the continent. Despite its faults, NEPAD is at least Africa-owned and has a certain degree of buy-in. Yet, 'While in some countries China's involvement appears benign, in others its approach undercuts efforts by the African Union (AU) and Western partners to make government and business more transparent and accountable'.<sup>99</sup> Indeed, a key objection against China's oil diplomacy is that it threatens to re-introduce practices that NEPAD (and the African Union for that matter) are ostensibly seeking to move away from—even though China protests that it fully supports NEPAD.<sup>100</sup> As one South African newspaper put it:

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<sup>96</sup> As one overview on Sino-African ties puts it, 'Good governance is a prerequisite for the higher-order investments in Africa that Africans consider essential, such as beneficiation of natural resources and diversification of economic interests. It is important that Chinese and US economic activities do not implicitly or unconsciously undermine good governance, but also that Africa was not subjected to different rules than the US and others applied to different regions notably the Middle East', 'Africa-China-US Dialogue', report of the first meeting of the Trilateral Dialogue, Tswalu Kalahari Reserve, South Africa, August 4-6, 2006, Brenthurst Discussion Papers 6/2006, p. 3.

<sup>97</sup> Interview by author with Robin Sherborne, editor of *Insight*, Namibian political magazine, Namibia, Windhoek, August 14, 2006.

<sup>98</sup> See Ian Taylor *NEPAD: Towards Africa's Development or Another False Start?* Boulder, Colorado: Lynne Rienner, 2005.

<sup>99</sup> *Africa Research Bulletin*, February 16-March 15, 2006, p. 16855.

<sup>100</sup> See for instance Liu Guijin 'China-Africa Relations: Equality, Cooperation and Mutual Development', speech to the Institute of Security Studies, Pretoria, South Africa, November 9, 2004.

Chinese aid is likely to subsidise profligate and/or dictatorial governments as it is to advance the welfare of ordinary Africans. These developments threaten a project of particular importance to President Thabo Mbeki, and through him, to South Africa. One of the objectives of the New Partnership for Africa's Development (NEPAD) of which Mbeki is a co-architect is to promote corruption-free, good governance in Africa, for its own sake as well as a means of securing sustained developmental assistance...Aid that fails to advance democratic government, no matter whence it comes, is counterproductive.<sup>101</sup>

Thus, criticism of Chinese diplomacy in Africa cannot be waved away as simply hypocritical sour grapes from the West; there is real concern *within* Africa of Chinese activities.<sup>102</sup> And China is not immune from accusations of exploitation either. After all, a car bomb attack in April 2006 near an oil refinery in Nigeria's Delta region was specifically aimed as a warning against Chinese expansion in the region, with the Movement for the Emancipation of the Niger Delta stating that "We wish to warn the Chinese government and its oil companies to steer well clear of the Niger Delta. The Chinese government by investing in stolen crude places its citizens in our line of fire".<sup>103</sup> Indeed, there is growing evidence that African citizens' resentment against the Chinese, perceived to receive special favours and protection by host governments, is developing.<sup>104</sup> It would be a foolish government in Beijing that thinks that cosyng up to African leaders regardless of their legitimacy can expect no backlash from frustrated and excluded locals. Policies have consequences.

Equally of note is China's stance towards sovereignty, which may well come back to haunt China in the long-term. It is true that at the moment the notion of sovereignty provides a useful common ground between China and regimes such as Angola and Sudan in facilitating co-operation on oil matters. Yet at the same time it is a potentially awkward doctrine for a very large and powerful state such as China to espouse in its dealings with relatively poor and weak states. After all, what are the implications for China's stance on non-interference in domestic affairs if a "sovereign" African state chooses to expropriate resources and materials owned by a Chinese corporation? Or if a Chinese corporation is punished for environmental damage or mistreating local employees?

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<sup>101</sup> *The Star* (Johannesburg), July 4, 2006.

<sup>102</sup> See 'Beijing Woos Africa's Contemptibles', *Business Day* (Johannesburg), July 18, 2006 for a flavour of this concern.

<sup>103</sup> 'Car Blast Near Nigeria Oil Port', *BBC News Online*, April 30, 2006.

<sup>104</sup> Interview by author with Robin Sherborne, editor of *Insight*, Namibian political magazine, Namibia, Windhoek, August 14, 2006. Note that in July 2006 miners working for the Zambian copper producer Chambishi Mining destroyed property in a protest. During this protest, according to miners and Zambian police, Chinese managers opened fire, wounding five workers.

This potential problem may be illustrated with reference to a non-oil producing state, such as Eritrea, where the government is intensely sensitive to any notion that its sovereignty is being encroached upon.<sup>105</sup> One might think that such a state would be a natural ally of Beijing's.<sup>106</sup> Yet in fact dealing with such an entity is highly problematic as even the Chinese think that the government is untrustworthy and prone to act in unpredictable ways.<sup>107</sup> Despite the untapped mineral riches of Eritrea, whose future possibilities seemingly drives Chinese interest in the country, there is a real issue whether or not Beijing can sustain the relationship as the ability to effectively work in such a state is compromised by its "sovereignty" i.e. erratic policy decisions made with little or no regard for external opinion.<sup>108</sup> And because of this, China has no real influence over Asmara.<sup>109</sup> Although there are reports of possible oil fields off of the coast of Eritrea and the country is reported to have natural gas reserves of some considerable scope,<sup>110</sup> the Chinese have not been as active as in other parts of Africa, although diplomatic sources are adamant that that is why China is in Eritrea.<sup>111</sup> Ironically, the relatively strong attributes of the Eritrean state possibly preclude this. In other words, and this is quite intriguing, whilst China emphasises the notion of state sovereignty, this is most enthusiastically applied to countries where the empirical properties of the state are lacking. Where there does exist a "real" state—and one with opinions and willing to act upon them—China is a lot more circumspect in its dealings—hence the more complicated relationship with South Africa.<sup>112</sup> If or when Eritrea strikes oil, it will be very interesting to see if China becomes involved.<sup>113</sup>

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<sup>105</sup> Interview by author with Western journalist, Asmara, Eritrea, July 6, 2006. Due to the regular expulsion of journalists from Eritrea, the name of the source is withheld.

<sup>106</sup> Interview by author with Shu Zhan, Chinese Ambassador, Asmara, Eritrea, June 29, 2006.

<sup>107</sup> Interview with senior Western diplomat, Asmara, Eritrea, June 30, 2006.

<sup>108</sup> Interview with Western diplomat, Asmara, Eritrea, June 29, 2006. China's current economic relationship with Asmara is largely based on construction and water borehole drilling.

<sup>109</sup> Interview by author with Western journalist, Asmara, Eritrea, July 6, 2006. See also Kidane Mengisteab and Okbazghi Yohannes *Anatomy of an African Tragedy: Political, Economic and Foreign Policy Crisis in Post-Independence Eritrea* Lawrenceville: Red Sea Press, 2005.

<sup>110</sup> Interview by author with Stan Rogers, Nevsun Resources, Asmara, Eritrea, July 5, 2006. The Bisha mine project, to go into production in 2008, is predicted to produce \$1 billion worth of copper, zinc and gold over the next ten years.

<sup>111</sup> Interview with Western diplomats, Asmara, Eritrea, June 29 and June 30, 2006.

<sup>112</sup> Although the more developed economy of South Africa is a major factor, it is undoubtedly the fact that South Africa's relatively strong state makes Pretoria a far more resilient partner to negotiate with and to do business with than other states elsewhere on the continent.

<sup>113</sup> Pakistan's Oil and Gas Development Limited, the largest petroleum exploration and production company in Pakistan, is reported to wish to establish an office in Eritrea shortly to cooperate in hydrocarbon exploration and assist develop Asmara's oil and gas sector—interview with Western diplomat, Asmara, Eritrea, June 29, 2006.

In a number of oil-rich states in which China is dealing with—and emphasising the importance of state sovereignty—the state is actually relatively weak on the ground where the oil is being exploited. Nigeria’s Niger Delta is a classic example of this, where the “sovereign” government of Nigeria has largely lost control of parts of the oil producing areas. Here, Western companies cut deals with local militias to protect their assets. Can China emulate their actions whilst at the same time preaching the importance of state sovereignty and non-interference? In addition, by closely engaging with oppressive regimes and turning a blind eye to abuses, China is in danger of being associated in the local populations’ eyes with subjugation and exploitation, which may come back to trouble Beijing if there is ever a regime change in such countries.

China’s emphasis on state sovereignty in its oil diplomacy in Africa is also thorny because Chinese companies are not dealing with the type of sovereign states typically understood by external policymakers—not least in Beijing. In many parts of Africa, including oil-rich territories, China is actually engaging with what have been termed “quasi-states”.<sup>114</sup> These are spaces that possess juridical statehood but have only a tenuous empirical claim to such status, lacking the institutional features of the Weberian state, including the ability (or even inclination) to meet the socio-economic needs of the citizenry. Understanding how the state in Africa really functions and its attributes has critical implications for China’s initiatives on the continent and in particular, its assertion of the importance of state sovereignty. Certainly, power in Africa must be understood in terms of the systemic exercise of patronage as a fundamental operating framework for politics. Whilst this is frequently exercised through institutions, in spite of the façade of the modern state power in many African polities is intensely personalized and presidentialist in nature; it is neither exercised on behalf of the broad public good nor in promoting development, and is characterized by alarming levels of corruption.<sup>115</sup> Enjoying equal sovereignty with other states at the international level, these formations lack most legal and administrative institutions that maintain a state and instead are intensely patrimonial.<sup>116</sup> In such an environment, emphasising state sovereignty cannot work in the long-term as a means to secure access to resources in an arena where the state is decayed and quasi in nature. Furthermore, the

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<sup>114</sup> Robert Jackson *Quasi-States: Sovereignty, International Relations, and the Third World* Cambridge: Cambridge University Press, 1990.

<sup>115</sup> Ian Taylor ‘Blind Spots in Analyzing Africa’s Place in World Politics’, *Global Governance*, vol. 10, no. 4, October-December 2004, pp. 411-417.

<sup>116</sup> Robert Jackson ‘Quasi-States, Dual Regimes, and Neoclassical Theory: International Jurisprudence and the Third World’, *International Organization*, vol. 41, 1987, p. 528.

implications are that if the elites in charge of such states are willing to sacrifice objectives such as development in order to stay in power at all costs, and an external benefactor emerges which, by its actions, supports such a milieu—if not bolsters it. China’s expansion into Africa may be highly problematic.

These problems are compounded when one combines the nature of many African states with what is known as the “Resource Curse”. Indeed, China’s interest in African oil is potentially problematic, not simply because of the nature of China’s overtures to Africa, but because of the broader character of the oil industry and the way it has tended to undermine democracy and accountability in the developing world, particularly in Africa.<sup>117</sup> Thomas Friedman has noted that regimes that benefit from oil receipts are not controlled by a need to generate revenues through taxation and are thus more easily tempted to sideline calls for accountability from or even participation in government. This lack of accountability and the misuse of resource revenues often leads to a struggle for access to the source of wealth, dramatically increasing political instability. At the same time, Friedman avers, receipts from oil prices, particularly if these prices spike, create windfalls, which governments often expend on patronage, repression of opposition groups, and increased internal security. Concurrently, resource-rich governments have very little incentive to diversify and promote development outside of the resource sector.<sup>118</sup>

Similarly, Leonard and Straus argue that enclave economies in Africa (economies that export extractive products concentrated in relatively small geographic areas) are particularly problematic. Revenue generation is physically confined to small locales, with the prime markets for the products being external (the international market). This makes ‘the general economic health of areas outside the enclave quite secondary, if not irrelevant. In enclave economies, then, elites gain little from any deep, growing, economic prosperity of the masses of the population’.<sup>119</sup> Thus whilst individuals who have gained access to rents from such enclaves may benefit handsomely, the system fundamentally fails to promote economic

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<sup>117</sup> This is why in African countries currently prospecting for oil or where oil deposits are suspected—such as Sierra Leone—debate about the costs and benefits of any finds has become politically important—interview by author with Sanusi Deen, National Chairman Sierra Leone Indigenous Business Association, Freetown, Sierra Leone, June 7, 2006. In Uganda, which has recently discovered oil, this debate is now raging—see ‘With Leaders Like Ours, We Need Oil Wealth Like a Hole in the Head’, *East African* (Nairobi), July 10, 2006; ‘Oil and Democracy’, *The Monitor* (Kampala) July 12, 2006; ‘Oil Discovery is a Blessing’, *The Monitor* (Kampala) July 12, 2006.

<sup>118</sup> Thomas L. Friedman, ‘The First Law of Petropolitics’, *Foreign Policy*, May/June 2006, pp. 31–32.

<sup>119</sup> David Leonard and Scott Straus *Africa’s Stalled Development: International Causes and Cures* Boulder: Lynne Rienner, 2003, p. 13.

growth and development.<sup>120</sup> Indeed, in extreme cases, the idea that resources should be channelled towards the nebulous concept of “national development” is, in the main, not on the agenda of many elites in Africa as wealth generation and survival does not depend on productive development, but is dependent upon control over select areas of the country where the resources are, or by the manipulation of the market for personal reasons of power and profit.<sup>121</sup> Elite survival can be based on the capture and control of relatively limited geographic areas, as Africa’s “resource wars” attest. Ultimately, ‘enclave economies do not need functioning states or infrastructure to generate revenues for elites’.<sup>122</sup> And in such circumstances, affluence and underdevelopment can go hand in hand.<sup>123</sup> This is a general problem that *all* actors interacting with Africa’s resource-rich states must consider and manage. And in this regard, Western companies have been no better than others, in spite of their much longer engagement.<sup>124</sup> However, it is the specific nature of China’s interface with those resource-rich African countries that is potentially particularly problematic.

### **Concluding Remarks**

Ultimately, Chinese foreign policy in Africa and elsewhere is, like all other countries’ foreign policies, self-serving and based on economic and strategic considerations.<sup>125</sup> On this Beijing is no different. As Zweig and Bi note, ‘China has a right to pursue energy sources through market strategies...[the West] must recognize that it would be irresponsible for China’s leaders not to increase the country’s energy supply’.<sup>126</sup> And it should be noted that Chinese expansion into Africa is a natural extension of China’s opening up to the world and its pursuit

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<sup>120</sup> Douglas Yates *The Rentier State in Africa: Oil, Rent Dependency and Neocolonialism in the Republic of Gabon* Trenton: Africa World Press, 1996.

<sup>121</sup> See Catholic Relief Services *Bottom of the Barrel: Africa’s Oil Boom and the Poor* [www.catholicrelief.org/get\\_involved/advocacy/policy\\_and\\_strategic\\_issues/oil\\_report\\_full.pdf](http://www.catholicrelief.org/get_involved/advocacy/policy_and_strategic_issues/oil_report_full.pdf)

<sup>122</sup> Leonard and Straus, 2003, op. cit., p. 16. For a detailed case study, see Geoffrey Wood ‘Business and Politics in a Criminal State: The Case of Equatorial Guinea’, *African Affairs*, vol. 103, no. 413, 2004.

<sup>123</sup> Richard Joseph ‘Affluence and Underdevelopment: The Nigerian Experience’, *Journal of Modern African Studies*, vol. 16, no. 2, 1984.

<sup>124</sup> See for example, Clive Wright ‘Ethics in the Petrochemical Industry’, *Business Ethics: A European Review*, vol. 6, no. 1, 1997; G. Chandler ‘Oil Companies and Human Rights’, *Business Ethics, A European Review*, vol. 7, No. 2, April 1998; Esther Cesarz, J. Stephen Morrison, and Jennifer Cooke *Alienation and Militancy in Nigeria’s Niger Delta* Washington DC: Center for Strategic and International Studies, 2003; Afeikhen Jerome, Senyo Adjibolosoo and Dipo Busari ‘Addressing Oil Related Corruption in Africa. Is the Push for Transparency Enough?’, *Review of Human Factor Studies*, vol. 11, no. 1, 2005.

<sup>125</sup> Guang Lei ‘Realpolitik Nationalism: International Sources of Chinese Nationalism’, *Modern China*, vol. 31, no. 4, 2005, pp. 487-514.

<sup>126</sup> Zweig and Bi, 2005, op. cit., p. 30.

of capitalism—policies that have been assiduously encouraged by all Western countries, some of whom now decry the results of this openness when China practices is seen to be expanding into Africa.<sup>127</sup>

But, it must be cautioned that currently, Beijing is an actor in Africa that does provide a discourse that effectively legitimises human rights abuses and undemocratic practices under the guise of state sovereignty and “non-interference”. Chinese analysts openly admit this, noting that ‘Common sense about human rights and sovereignty is only one of the common values shared by China and Africa...There is no doubt that China’s success in Africa has partly benefited from it’.<sup>128</sup> Whilst one might argue that other actors’ policies in Africa support the same ends, or that the West is in no position to criticise anyone on Africa, Beijing’s spirited defence of elite sovereignty certainly jars against the growing international consensus that political leaders cannot escape justice for violations against an emerging, if fragile, global norm—as Charles Taylor has most recently found out. Yet by promoting such views, China *is* undermining emergent international regimes, despite Jeffrey Sachs’ recent assertion that Beijing’s reluctance to “interfere” was ‘an asset, not a liability’.<sup>129</sup> This stance not only destabilizes nascent global values (which China would possibly dismiss as “neo-colonial” or “interference”) but it also jars against the current pan-continental recovery plan of Africa itself, namely NEPAD—an accusation that China is particularly vulnerable and sensitive to.

So what is to be done? A Heritage Foundation report recently asserted that ‘The U.S. should coordinate with other donors to counter China’s influence by linking economic incentives, diplomatic support, and other desirables to progress in economic liberalization, political freedom, and enhanced transparency and accountability’.<sup>130</sup> However, this is unlikely on two accounts. Firstly, given the growing preponderance of China’s economic clout and its own no-questions-asked diplomatic support for African elites, it is unlikely that African leaders (particularly the ones in charge of oil-rich nations currently being courted by Beijing) will be easily wooed away by promises of aid when that aid is tied to conditionalities such as good governance and democracy. Secondly, and this is more profound, the Heritage Foundation assumes that most elites in the continent have a genuine interest in liberalization,

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<sup>127</sup> Interview by author with Shu Zhan, Chinese Ambassador, Asmara, Eritrea, June 29, 2006.

<sup>128</sup> He Wenping of the Chinese Academy of Social Sciences in Beijing, quoted in Servant, 2005, op. cit., p. 7.

<sup>129</sup> Quoted in ‘China’s Presence a Boon to Africa- UN Adviser’, *Reuters* (Beijing) August 15, 2006.

<sup>130</sup> Brett Schaefer *America’s Growing Reliance on African Energy Resources*, *Heritage Foundation Backgrounder*, no. 1944, June 20, 2006, pp. 8-9.

political freedom, transparency and accountability. This is a rather misplaced belief, one might aver.

The key for policymakers—both Western and in those African countries that genuinely do seek a brighter future for the continent—is to become skilled at cooperating with China when it abides by governance norms and on matters of mutual concern. Encouraging Chinese involvement in UN peacekeeping operations in Africa, financial backing for the nascent African Union, and the mitigation of environmental damage are relatively straightforward areas of collaboration. But, if and when China does not abide by broad governance standards, it is important for significant African leaders themselves to take a lead and point out the disjuncture between Chinese activities and the norms expected and promoted by African initiatives such as NEPAD.<sup>131</sup> China is adept at waving away Western criticism as jealous hypocrisy and has a history of ignoring Western concern over its human rights record, indicating an indisposition to conform to Western demands. It would be much harder for Beijing to do this if it was African leaders who were holding China to account with regard to transparency and human rights. In particular, the inherent ultimately unsustainable strategy of courting dictators in key resource-rich African states needs to be emphasised. Only by Africa's more serious governments pursuing such a tack—by no means easy or without problems—can China's oil safari be changed from the amorality of “business is business” into something more tangible and positive for Africa and its peoples. It is surely axiomatic that in the long-term (which is ultimately the focus of China's Africa policy, albeit unstated), a stable and prosperous Africa is in Beijing's interest. Given that China's presence in Africa is here to stay, engagement with Beijing over such issues is the only feasible strategy to take. The next Sino-African summit in Beijing in November 2006 would be a good starting point for this dialogue to begin in earnest.

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<sup>131</sup> As one report puts it, China's oil diplomacy ‘may unpick the strategy carefully knitted between the West and key African players for economic liberalisation accompanied by “good governance”, leading to stability’, *Africa Research Bulletin*, December 16, 2005-January 15, 2006, p. 16785.