

# Rethinking China's Engagement in Africa

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**Abstract:** China has become a proactive actor in international affairs and actively tries to pursue its strategies to become a global player and to satisfy growing domestic demand for raw materials and energy. In this endeavour Beijing had to realise that many markets have been occupied by established international players from Europe and the United States. At last year's FOCAC Summit China has demonstrated its diplomatic capabilities, how far and with what determination it is willing to go. In order to avoid major policy collisions, make possible future cooperation and maintain fair competition, established international players are well advised to rethink their view of China's engagement. This involves considering the difficulties China has encountered in terms of market access, lack of expertise in many fields and the negative image as a rising geostrategic power.

**Keywords:** China, Africa, FOCAC, energy strategy, energy security, development, global market integration

During the run-up to the last Forum on China-Africa Cooperation's Beijing Summit in November 2006, China has been widely criticised for disregarding governance, human rights and environmental standards in its approach to African countries. Such criticism should not be underrated. Especially the industrialised nations realised that the way how China behaved on the continent was undercutting their developmental efforts. However, China successfully carried out the Beijing summit and not only surprised observers by the extent of the event and the assertion of its soft power. China has made big concessions in aid and committed to capacity building, while maintaining its strategies. In terms of strategy and active measures the motives need closer scrutiny according to their usefulness and coordination. Strategically, its African engagement is not only a necessity for China in order to sustain its domestic development and rising demand for energy and raw materials. It is also necessary to analyse how China seeks to secure unprocessed energy resources in the long run, make companies global players and occupy the spaces left behind by old powers and regional players. In the following, the recent FOCAC summit and its results shall be put into perspective of the practical necessities and constraints China is confronted with, without reducing its efforts to merely a geostrategic gambit. These constraints usually come from an amalgamation of national political interests and the protection of global markets as well as practical standards in overseas development cooperation and environmental protection which have been evolving with long civil processes in the West. Since China has irreversibly become a proactive player in international affairs, another look at China's engagement in Africa is apposite. Instead of simply criticising China and seeking dialogue on problematic matters, so the argument goes, it is necessary to find ways of accommodating China's engagement and approach in dealing with issues. Based on such preconditions it will be possible to find dialogue on common engagement in issues of global governance.

## 1. Developments since 1999

The Forum of China-African cooperation is comprised of 49 countries, including China. African states who are not participating are Burkina Faso, Swaziland, Malawi, Gambia, Sao Tome and Principe. The initiative was taken in 1999 upon a suggestion of some African states. Former Chinese President Zhang Zemin proposed to the Organisation of African Unity (now African Union) the creation of multilateral South-South mechanisms for cooperation, consultation and dialogue. China set up a Conference Preparatory Committee with the Foreign Ministry and Ministry of Foreign Trade and Cooperation in charge. Including the recent summit, three ministerial conferences have been held since the forum's launch in 2000, in Beijing (7-9 October 2000), Addis Ababa (15-16 December 2003) and Beijing 3-6 November 2006).

Dialogue and cooperation within the forum have undeniably improved since its set-up. During the first summit in Beijing mainly two themes had been put forward. Firstly, the building of an international and political and economic order, that safeguards the interests of developing countries. Secondly, the furtherance of Sino-African cooperation in trade and the economy was discussed. During the second meeting in Addis Ababa, China reiterated its stance that assistance of political relations between China and Africa were free of conditions. A common action plan for the period 2004-06 was adopted.<sup>1</sup> The points in this plan involve a wide range of issues. In the field of *common political and security issues* cooperation was to be considered through high-level exchange and dialogue. In fact, during the recent year President Hu Jintao and Prime Minister Wen Jiabao engaged in extensive travelling and high-level visits to the continent, including to countries such as Egypt, Ghana, the Republic of Congo, Angola, South Africa, Tanzania, Uganda, Morocco, Nigeria and Kenya.<sup>2</sup> China's participation in peace-keeping operations was welcomed. With regard to *cooperation in international affairs*, once again the emphasis was laid on principles of national sovereignty and

1 Forum on China-Africa Cooperation-Addis Ababa Action Plan 2004-2006 (FOCAC 2003), <http://www.fmprc.gov.cn/zflt/eng/zyzl/hywj/t157710.htm> (16/11/2006).

2 See Xinhua, Chinese premier returns home after visiting 7 African nations, 25.06.2006. ([http://news.xinhuanet.com/english/2006-06/25/content\\_4745569.htm](http://news.xinhuanet.com/english/2006-06/25/content_4745569.htm)), China Daily Hu's Asia-Africa Tour to Bolster Relations, 24.04.2006. (<http://www.china.org.cn/english/international/166615.htm>).

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national integrity, non-interference in internal affairs, peaceful settlement of disputes, coexistence and the right to development. Mutual benefit was to be gained through the mutual support in safeguarding common interests. Such statements earned much critique. On the one hand, the meetings were criticised as being »wine and dine talk-shops«, where leaders issue tautological documents, while at the same time the accompanying delegations sign business deals. The most outspoken critics reportedly accused China of a neo-colonialism, which was first and foremost driven by interest in Africa's natural resources. In October 2006, President of World Bank Wolfowitz, of all people, reminded China of the mistakes, that had been done with regard to Africa in the past. China should not ignore human rights and environmental standards, as has been done by the U.S. and Europe.<sup>3</sup> Especially, development aid was directed at China's own interests. On the other hand, some critiques found fault with the signal being sent by the present type of South-South relations. However, the perceptions are ambivalent. Indeed, the relations between China and African countries resemble – so the argument – a Cold War mentality, which has nothing to do with the necessities in dealing with globalisation to begin with. Chinese officials have repeatedly denied this.<sup>4</sup> Yet, more and more organisations and development agencies have noticed the benefit coming from China's way of economic interaction with countries of the South. A study drafted by the OECD Development Centre called *The Rise of China and India: What's in it for Africa?* highlighted the positive effects of China's economic engagement in Africa.<sup>5</sup> There are, so the document, complementary effects between China's and India's economic growth and African economies. Africa benefited from rising costs of raw materials and low wage competition. However, if governments do not use the increased income for cross-funding into non-traditional economic sectors other than export of raw material, in the long term economic costs might outweigh short-term benefits. Then, without a certain degree of good governance, the financial blessings will not pave the way for sustainability in political or economic development. Similarly, a World Bank report states that exports from Africa to Asia have tripled during the last five years.<sup>6</sup> At the same time, China's direct investment amounted to \$US1.18 billion by mid-2006. The study emphasises that investments are going beyond oil, raw materials and commodities – the dominant African trade assets over years. African countries are competitive in labour-intensive production and therefore have the potential to export non-traditional goods and services to China. World Bank Vice President Gobind Nankani stated that Chinese trade and investment is a major opportunity for African countries with investments spreading into sectors such as infrastructure, con-

struction, textiles and power. Such investments have earned China criticism, especially where Chinese construction firms are involved and local economies are being left behind.<sup>7</sup>

A third point on the FOCAC 2004-06 Action Plan was most interestingly the forum's *support of the New Partnership for Africa's Development (NEPAD) and the African Union (AU)*. According to this statement China recognises the developmental priorities outlined by NEPAD's Strategic Framework Document from October 2001. Under the framework of FOCAC China shall »take concrete measures to strengthen cooperation with African countries, African regional and sub-regional organizations in priority sectors identified under the NEPAD, such as infrastructure development, prevention and treatment of communicable and infectious diseases (HIV/AIDS, malaria and tuberculosis, etc.), human resources development and agriculture.«<sup>8</sup> In July 2006 Director of the NEPAD Secretariat Firmino Mucavale traveled to Beijing to sign a memorandum of understanding with the Chinese Follow-Up Committee of FOCAC. China has also contributed US\$500,000 worth of project-funding to NEPAD. In fact, if China could be bound to support NEPAD's endeavours for sustainable development, two birds could be killed with one stone. On the one hand, it would help to strengthen reasonable forces on the continent and an indigenous African initiative and proactivity in promoting good governance, human rights and sustainable local ownership. On the other hand, it would take wind out of China's critic's sails and bind China into common international efforts and engagement including the G8. Already at the Ninth EU-China Summit in Helsinki on September 9, 2006, common support of NEPAD in order to achieve the MDGs was agreed upon. The EU welcomed the FOCAC's engagement in that matter.<sup>9</sup>

Finally, the Action Plan involved the development of infrastructure, granting zero-tariff treatment to some commodities of African LDCs for access to the Chinese market, opening up natural resources and energy development, human resources development and educational cooperation, as well as cooperation in medical care and public health. Especially the latter has earned China a clean image during the past four decades. Since the 1960s China has sent up to 16,000 medical doctors (»angels in white«) to the continent.

## 2. The 2006 Summit and thereafter

The third China-Africa Summit was held 3-6 November 2006 in Beijing. It was hailed as a success for Beijing's initiative in bringing forward its Africa strategy. For about a week the capital's daily life was exceptionally dominated by the summit. While high rank meetings were held, the hotel lobbies became market places where investment and trade deals were sealed and licenses of all kinds organised. The well-organised event was met with full appreciation on the side of the Afri-

3 Although almost all references to neo-colonialism have been made by Chinese print-media and African leaders, in denying such a state of affairs. See Ni Yanshuo Strategic Partners, in Beijing Review, No. 27 (2006), Who are the »neo-colonialists« in Africa?, People's Daily Online, 26.06.2006, [http://english.people.com.cn/200606/26/eng20060626\\_277401.html](http://english.people.com.cn/200606/26/eng20060626_277401.html) (17.11.2006), »Neo-colonialism« fallacy aims to sow discord in Sino-Africa cooperation, People's Daily, 30.10.2006, [http://english.people.com.cn/200610/30/eng20061030\\_316577.html](http://english.people.com.cn/200610/30/eng20061030_316577.html) (17.11.2006).

4 Li Xiaoxing Banner of diplomacy stressed, in China Daily, 23.08.2005.

5 Goldstein, Andrea, Pinaud, Nicolas, Chen Xiaobao (2006) *The Rise of China and India: What's in it for Africa?* OECD Development Centre Studies.

6 Broadman, Harry G. (2006) *Africa's Silk Road: China's and India's new economic frontier*, World Bank.

7 Mr. Gobind Nankani's Interview with Chinese Journalists, November 3, Beijing, 2006.

8 Forum on China-Africa Cooperation-Addis Ababa Action Plan 2004-2006 (FOCAC 2003), Point 3.2.1.

9 Joint Statement, Ninth EU-China Summit, Helsinki 26 September 2006, Point 15.

can visitors. All in all, a high number of targets were set, deals made and there were even surprises. Although the event gives reason to rethink engagement and cooperation with China, it neither provided new insights nor did it contain any new breakthroughs.

Quite belatedly, one day before the meeting President Hu Jintao publicly stated that the conflict in Darfur had reached a critical stage and led Sudanese President Omar Hassan al-Bashir to step up diplomacy and strengthen dialogue with all sides to find an appropriate solution.<sup>10</sup> In terms of aid volume, China's Overseas Development Assistance (ODA) on the continent shall almost be doubled by 2009.<sup>11</sup> The overall aid will be raised to US\$1 billion. An US\$5 billion of loans are being forecasted<sup>12</sup> and the trade target for 2010 is at \$100 billion. An US\$5 billion China-Africa Development Fund will be set up to attract Chinese companies to invest on the continent. The action plan being adopted at the summit highlights China's priority in environmental protection und sustainable development on the continent and the need to turn advantages in energy and resources into development in other sectors.<sup>13</sup> Whether such statement is simply a tactical reaction to rising critique during the run-up of the summit, or whether there has been a major shift in policy remains to be seen. China has decided on building 30 hospitals and providing an approx. US\$37.5 million grant for anti-malaria measures including 20 malaria prevention and treatment centres. About 100 rural schools shall be build and the number of scholarships to China will increase to 4,000 by the year 2009. Over the next three years about 15,000 professionals shall be trained and 100 agricultural experts sent to Africa. Additionally, academic personnel shall be trained.

The action plan also adds various topics onto the political agenda. Beijing first of all underlined its support for multi-lateral set-ups, integration and indigenous solutions on the continent by donating a conference centre to the African Union (AU). The participants agreed on fighting terrorism within the UN framework and on cooperation in nuclear non-proliferation. Additionally, the security agenda focuses on Chinese efforts in anti-landmine operations and assistance in the combat against illicit trade of small weapons. With regard to soft security issues training will be provided for the dealing with natural disasters, refugees and displaced persons, illegal migration, transnational crimes and drug smuggling.

Almost all of the previous points are more than what even the EU could wish for in its own cooperative endeavours with China on a practical basis in the development agenda, not to mention a detailed discussion of the issues involved. At the same time the EU has sought to change direction and tried to avoid collisions in development policy through active dialogue on Africa. Already at the EU-China Helsinki Summit a »structured« dialogue on Africa was put into the Joint Statement, which was far less than what the Europeans had hoped

for. China blocked any advance on the topic. In its recent China Strategy Paper called *Closer Partners, growing responsibilities*, the EU encouraged more transparency in the improvement of energy security, especially in Africa.<sup>14</sup> Additionally, effective international coordination of international development, particularly in Africa, should be achieved. Dialogue on the matter should provide for transparency on activities and priorities on both sides. Finally, the document states that special attention should be given to the support of regional efforts in improving governance. The strategy clearly represents a needed shift from ongoing strategies in assisting China's own development towards an engagement of China as a proactive international player.<sup>15</sup> Such a shift is more than necessary and needs to be supported by a rethinking about China's role in the world and the ways how development policy in the regions can be pursued in the future.

In fact, European and U.S. governments as well as NGOs have recently found themselves increasingly sidelined by Sino-African rapprochement. Worries increased over a clash of interests and collisions of policies especially in development cooperation. Generally speaking, while being a developing country itself,<sup>16</sup> China has turned into a proactive global actor within a relatively short time. Although the previous figures and results of the FOCAC 2006 Summit cannot go uncommented, Beijing has seemingly stunned its critics.

The main points of critique were concerned with the donation of string-free aid while disregarding standards of good governance in many countries inside and outside the African continent. In detail, this involved alignments with some of Africa's most »inefficient« leaders, a foreign policy and diplomacy which is solely aimed at securing access to natural resources and fossil fuels (in order to sustain China's own development) and a lack of sustainable development support (due to Chinese companies on the ground being involved in infrastructure projects). Whether such concern can be upheld after generous donations have been granted and extensive support has been promised during the FOCAC Beijing Summit, remains to be seen. China has combined its soft power diplomacy with visible measures for a sustainable development initiative. Thus, the question is whether there needs to be a rethinking of China's proactive engagement and what it could mean in the long run. This involves the question of how Western countries can become proactive themselves in that matter and accept China's engagement as a fact rather than solely trying to push the country's leadership into the direction of putatively reasonable grounds. Perhaps this would make the relevant dialogue to be held and the resulting cooperation more effective.

All in all, the picture has to be drawn differently in the way how China is being located in international affairs. This task involves new conceptual challenges, including ways to find out what kind of actor it actually could be in international affairs – an undertaking China has not made easy so far, because

10 Herald Tribune, China's Hu discusses Darfur crisis with Sudanese President, 2 November 2006.

11 Xinhua, Address by Hu Jintao at the Opening Ceremony of the Beijing Summit of the Forum on China-Africa Cooperation, 4.11.2006.

12 In detail: US\$ 3 billion of preferential loans and US\$2 billion of preferential buyer's loans.

13 Xinhua, Action plan adopted at China-Africa summit, mapping cooperation course, 05. November 2006.

14 EU Commission Communication, EU-China: Closer Partners, growing responsibilities, 24.10.2006, COM 631.

15 Berger, Bert (2006) China's engagement in Africa: Can the EU sit back? In South African Journal of International Affairs, Vol.13. No.2.

16 According to World Bank figures 150 Million people still earn less than US\$1 billion per day. With economic growth income inequality has risen to 41 percent (Gini Index).

it has not yet offered transparent and accountable policies beyond principles. However, China is irreversibly a factor in international affairs which needs to be dealt with in every respect. China is also an actor with an own rationale, strategies and outlook and cannot wait until others come to grips with it. The extent and content of the FOCAC meeting has shown how far China is willing to go. Although the summit has neither shown any new trends nor was it a framework for new breakthroughs, with extent and success in terms of diplomacy and display of China's commitment, it has sent a signal to the rest of the world. Yet, China has also shown that it is listening and had an open ear for constructive alternatives and general concerns. Therefore, better knowledge about China's motives and strategies is necessary, insofar as this is possible.

### 3. Clear motives – ambivalent strategies

China's foreign policy has been widely discussed in recent years. While Beijing had its own way to promote its foreign policy principles and reassert its peaceful intentions, the rest of the world swung between various perceptions, including pragmatic concern, the threatening nature or admiration of China's rise. With regard to the summit, China has offered exemplary help. One of the central questions is, however, why the altruism that has been put on display – albeit win-win-based, it sounds too good to be true. The reason lies in a combination of factors that let China's foreign policy appear ambivalent. This ambivalence might have several reasons. On the one hand, domestic social and economic development were highlighted and their significance for international affairs stressed, while asserting China's peaceful intent during this process. On the other hand, it has been increasingly possible, though not conclusively, to interpret China's arising global strategies in approach and practice. What does this mean in detail?

Firstly, in face of lacking transparency and accountability in foreign policies, China's motives and intentions remain dubious. White papers and foreign and security policy principles have usually obfuscated any clear view on China's strategies. During the past years concepts such as »peaceful rise« (2002)<sup>17</sup> or its successor principle of »peaceful development road« (2005)<sup>18</sup> had been brought forward in order to assure the international public of China's value-based foreign and security policy. Both concepts were mainly focused on China's domestic development and the conciliation of modern China and its tradition as well as the need to develop without disrupting the entire international environment. Whereas the first one explicitly focused on the international dimension of China's development, the latter is an attempt to highlight the domestic dimension and challenges. The central thread is that China will try to meet its internal challenges by itself and to rise without territorial expansion or challenging other powers. Beyond these principles China seeks to find win-win situations and has increasingly approved of multilateral ar-

rangements or at least found them useful to maintain its international interests. This also involves a peaceful environment – regionally and globally. Especially with regard to Africa, China has sought to support the AU and NEPAD. Similar to the G8, China has pledged to strengthen Africa's own peace-support capacities. The PLA has been involved in operations across Africa since 2003, including a unit of engineers to the UN's MONUC mission (Republic of Congo) as well as units in UNMIL (Liberia) and UNMIS (Sudan). According to the Xinhua news-agency, by the beginning of November 2006 there were a total of 1,273 Chinese UN peacekeepers on the continent.<sup>19</sup>

However, China's policy statements and principles often had the opposite effect to what was originally intended. The fact of a rising China and the probability of its failure often fuelled the image of a threatening global parvenu. This leads to the second point about what is actually happening on the ground and what China's strategic considerations might be.

A Chinese principle, which has been under discussion since former President Jiang Zemin was in office, is the »Period of Strategic Opportunities« (*zhanlüè jīyù qī*). The idea was first announced during the 16<sup>th</sup> National Congress of the Communist Party on November 8, 2002, when Jiang outlined how to accomplish the main goals of a prosperous society. The concept was reiterated by Hu Jintao at the 10<sup>th</sup> National People's Congress in March 2003. Today it seems to be less of a strategy but a widely used motto inside China. It depicts an important period of 20 years wherein China has the chance to develop and occupy the global position it is, due to its size, history and civilisation, entitled to. Especially in the post Cold War World, with complexity (not order) dominating international affairs, and the U.S. being preoccupied with long-term struggles and damages to its image in the post September 11<sup>th</sup> world and problems coming from long-standing commitments and alignments, China was provided with a wide scope of action. During this period China shall seek cooperation with other players, strengthen its economic muscle and avoid policy collisions, especially with the United States.<sup>20</sup> Instead, the relations among powers are becoming increasingly complex. Diplomatic means are to include all kinds of capabilities such as soft power, in addition to conventional economic and military means.<sup>21</sup> This strategic opportunity also involves a rebuilding of partnerships with African governments. In doing so, it might exploit its competitive advantages in terms of trade and investment and therewith enter into diplomatic conflict with still influential former colonial powers.<sup>22</sup> These collisions might finally take place, less in terms of influence but in terms of development policies.

The analysis of China's long-term strategic outlook needs to adopt a differentiated approach. On the one hand, China is actively involved in a wide range of activities within most regions including Africa, in order to support and guarantee

17 The concept was authored by Zheng Bijian, Director of the China Reform-Forum.

18 Chinese State Council Information Office (2005) China's Peaceful Development Road – White Paper, 22 December 2005.

19 Xinhua, Chinese Blue Helmets play active role in Africa, 28. October 2006. According to the report China has participated in 12 peace-keeping operations on the continent with a total of 3,000 personnel.

20 Wang Jisi (2004) Machtfaktor China, in Internationale Politik, No. 1, p. 60.

21 Suettinger, Robert (2004) China's Foreign Policy Leadership: Testing Time, in China Leadership Monitor, No. 9.

22 IISS Strategic Comments (2005) China's Scramble for Africa, Vol. 11, No. 2.

its ongoing development and industrialisation. On the other hand, China's long-term strategy might not be targeted at its domestic affairs alone but at initiatives to become a global player in its own respect. This would be important in order to sustain its international position in economic terms across all crucial sectors.

These two endeavours are not entirely separable and the efforts are connected in their practical realisation. However, in the future this field needs more attention in research in order to increase knowledge about how China is pursuing its policies, especially with regard to the interplay between state and quasi-private sector in its foreign transactions.<sup>23</sup> This involves the role of state-owned and partly state-owned enterprises in the construction and upstream sector. Besides, the roles of Chinese Ministries remain more than unclear. On the one hand, the Ministry of Commerce (MOFCOM) is responsible for external development policies, which seem to be inseparable from trade policies. On the other hand, decisions of the Ministry of Foreign Affairs (MOFA) often seem to be overruled by the MOFCOM and its role is reduced to diplomacy and creating a favourable international climate. This disparity is also due to the strong inner-party position of Minister of Commerce Bo Xilai.

This interrelation is important, not only because it shows what China's is doing on the ground, but it is also an indicator for the problems it is confronted with as a latecomer in global markets. On the one hand, the analysis of this circumstance will allow clearer long-term strategies and restraints, which might force Beijing's to act as it acts. On the other hand, it is still necessary to make out how China is pursuing its strategies on the ground, maintain a critical stance and at the same time elaborate possibilities how to accommodate its approach to international affairs. This is especially relevant in fields such as global governance and development, because for China, long-term economic interest also means interest in stable and secure environments. The view that in the short term China would do all that is needed to satisfy its rising domestic demand of raw materials, alone is not a sufficient approach to interpret its global endeavours. The following factors determine China's actions and strategies.

First of all, China's domestic demand is of course one of the reasons for its global quest for raw materials and fossil fuels. On the one hand, China's primary energy generation depends up to 70 percent on coal which is largely supplied by domestic production. On the other hand, the growing demand for oil has brought with it several problems. The dense oil market, with a limited number of global actors dominating the main oil fields and high prices if buying refined oil from global markets, created the need to find new sources for crude oil. The dependence on potential conflict areas such as the Middle East created a need to minimise risks and diversify. China's oil imports still heavily rely on the Middle Eastern region. However, a shift towards other regions has already taken place. Angola's crude oil exports (2.12 million tons) surpassing Saudi Arabia's (1.98 million) as China's main single source of crude

oil during the first two month of 2006.<sup>24</sup> About 50-60 percent of China's oil resources come from the Middle East (mainly Iran and Saudi Arabia), whereas the African continent, including Angola, Sudan, Algeria, Congo, Nigeria and Equatorial Guinea, accounts for about 30 percent.<sup>25</sup> Especially the region around the Gulf of Guinea shows that this diversification is not going without problems. Whereas ethnic strife is becoming a threat to Chinese investment in Nigeria, some observers regard the Sub-Saharan region as the »New Gulf« with similar conflict potential and great likelihood for rivalry between the U.S. and China. All in all one can say that Africa is only the fourth best option for China after Central Asia, South East Asia and the Middle East.

Secondly, China has often been accused of dealing with governments which have been abandoned by international donors and investment due to poor governance and lacking human rights standards. One of the most prominent cases is its engagement in Sudan. In fact, so the argument, China had to engage with countries whose energy markets have not uninterruptedly been occupied by multinationals since colonial times. In Sudan, for instance, Chevron had given up its concessions in the Talih Oil fields in 1990 after the National Islamic Front's coup. China needs to engage such countries because most of the other markets have been split by dominant global energy companies and due to increasing protection of national control over energy sources.

The reaction is, thirdly, to win over friendly governments and position its own companies on a global scale. The FOCAC summit can partly be regarded as a charm offensive and soft power tool to propitiate African leaders with attractive investment, low priced commodities and string-free trade. China needs trust in order to gain concessions for excavating raw materials or equity shares in local or global companies. Already China's Eleventh Five-Year Plan 2006-2011 states that qualified enterprises shall go global and invest abroad in accordance with common international practices. So far, this was easier said than done.

China does not have any other choice but to invest in foreign companies. The reason is not only to satisfy the rising domestic demand but also to get access to cheaper sources, which are closer to its shores, in order to save time and costs on transportation. Especially the latter has led to the fact that Chinese companies have started to export oil to Europe and the U.S. Due to high transport cost and complicated work processes (e.g. Venezuela) Chinese companies sometimes unwillingly became multinationals in selling oil to third countries. In 2005 China's export of crude oil amounted to 6.7 million tons and 14 million in refined products. China has become the sixth biggest oil producer with a share of 4.6 percent of the total oil production.<sup>26</sup> These figures combined with take-over strategies might bind China's companies into international markets and they will inevitably become global players, who are forced to play by the rules of the game. However, China's

24 China Daily, Sinopec deepens oil interests in Angola, 13. June 2006.

25 Other natural resources are platinum (Zimbabwe), copper (Zambia), tropical timber (Congo, Brazzaville), iron ore (South Africa).

26 BP Statistical Review of World Energy 2006, Quantifying Energy, p. 20.

23 Such interrelation is not astonishing in a (post-)socialist country. However, it appears that the relationship is being used strategically on both sides.

takeover bids or attempts at stakeholderhood did not turn out to be easy.

The Chinese oil firm China National Offshore Oil Corporation Ltd. (CNOOC) has made bids for shares of foreign companies with varying success. The company is by 71 percent state-owned. In 2002 Royal Dutch/Shell has acquired a 20 percent equity stake in an initial public stock offering. However, CNOOC is being considered a state-owned enterprise and its operations are being met with suspicion because of the possibility of Chinese influence in oil producing countries and regions. In 2005 CNOOC'S US\$18.5 billion equity bid to Unocal failed because of political considerations as well as a populist reflex on the side of U.S. decision-makers. Especially arguments about U.S. security dominated the debate, notwithstanding that with 339 billion (November 2006) of treasury bonds, China is the second biggest owner of the U.S. government's debt after Japan. However, the Unocal bid fit into the picture of China's overseas strategy. About 70 percent of Unocal's oil reserves are in Asia, namely in Central Asia and Kazakhstan. It would have given China access to energy resources within its immediate proximity.

The Chinese company's advance to acquire stakes in the Central Asian market and in Kazakhstan in particular can be seen in a similar light. Both, Russia and Kazakhstan were opposed to Chinese investment. Russia fears any competition in the Central Asian and CIS markets, because its own economic growth and international strategic strength rely on production, transport (pipelines) and sales of oil. The China National Petroleum Corporation's (CNPC) attempt at purchasing Canadian-owned Petrokaz was dismissed in 2005. Russia's main oil company Lukoil had filed a lawsuit against the deal. Kazakhstan also opposed the deal, which would have given China access to Central Asian upstream markets.<sup>27</sup> The reason was that its main strategic asset was not supposed to pass into foreign hands.<sup>28</sup> This would leave China with expensive energy from Russian mid- and downstream. Only in late 2006, China managed to acquire the valuable asset of Kasakh Oil firms on financial markets via its CITIC Group and is now able to develop upstream opportunities.

Against this context, China's advancements in Africa seem more than rational – with a view at the efforts and costs China is taking into account, including the development sector and its soft power approach at summits such as the FOCAC meetings. China has also demonstrated that it is determined to go this way, without being contained in its international approach by either the U.S or Europe, on whatever grounds. Therefore, the ways how China behaves in international affairs and pursues its interest realisation need to be accommodated and its engagement on the African continent be put into a different light.

27 Kazakhstan opposed the \$4.18 billion takeover of the Canadian listed PetroKazakhstan. In reaction to the bid the Kazakh Senate offhandedly passed a bill, which provides the government with the right to veto the sale of foreign-held stakes in oil firms.

28 Blank, Stephen (2005) China, Kazakh Energy, and Russia: An Unlikely Ménage à trois, in *China Eurasia Forum Quarterly*, Vol. 3, No. 3, p. 105.

#### 4. Incorporating China, facilitating its approach

Among observers, there seems to be a great degree of insecurity about where China is going in the short and long term and what its strategies might be. In contemporary affairs, there virtually seems to be a nervousness, since no step that China makes goes uncommented and put into one or the other light. Many of its international advances became politicised in the West and tested against ethical, practical or structural benchmarks. Such an attitude towards China, which is at this stage only catching up in both its domestic and international development, is sending the wrong signals. This also includes the critique of active measures in that endeavour such as FOCAC. Inside China, such attitude becomes increasingly perceived as a containment strategy, which does not allow win-win situations. In the long run it might even turn out to be difficult to get China to the table, especially if it should abandon its foreign policy principles such as mutual benefits and cooperation.

In order to create a starting point for dialogue and cooperation beyond suspicion and lecture, it is necessary to make peace with China as a factor in international affairs, its approach to diplomatic and trade relations and its increasing relevance in global markets while realising its domestic and global interest. With regard to African policy such rethinking poses many new challenges. China is the first Asian player, whose policy-makers seemingly believe in the economic development path<sup>29</sup> and that is big enough to have a global impact. China is attractive to many African leaders. It provides a model for developing countries in that it manages to overcome the restrictions of a global market economy without doing so at the expense of its members. Instead they are the prime beneficiaries of China's approach.<sup>30</sup> On occasions such as the FOCAC Summit China can promote its foreign policy and rapid access to markets. This has been done without political strings and with great provisions of direct aid and concessionary loans.

For Western policy-makers it is now the time to accept that China's free market approach might benefit African economies. This fact has increased the willingness on the side of African states to go the »Asian Way«. Whether this approach is suitable to states on the continent and whether they can sustain this development out of their own strength or not remains to be seen. The least what can be done is to cooperate with China in monitoring good governance and social development, capacity building and the coordination of ODA. This in particular concerns the investment of income from export and concessions into sustainable solutions. Such cooperation can ideally take place within the framework of NEPAD in order to gain locally owned solutions.

29 It remains to be seen whether the building of harmonious society is a pragmatic concept, upon which social issues are being addressed, or if it constitutes a return to public ideology.

30 See: African summit a diplomatic triumph for Beijing, *Financial Times*, 3. November 2006.