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**China in Africa:  
Plunder or Investment? A comparative study of  
Chinese engagement in Central African States**

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**2013**

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**China in Africa:  
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## **ABSTRACT**

Chinese engagement with Africa has been a favoured topic for academic studies in recent years with most focus being on what is the Chinese strategy for engagement with the continent. This paper takes the outcome of this research with a specific focus on three countries to determine if there really is a Chinese strategy for Africa and, if so, what conclusions can be drawn, which can then help form the basis of an African strategy for engaging with China.

Through a review of academic papers and current events this paper sees a change in the nature of Chinese engagement with the continent, as African governance structures stabilise and mature. The paper concludes that the only real strategy for Chinese engagement with Africa is one of making the best possible economic return. African countries need to be aware of this and ensure that they engage with China on this basis and not, which may have occurred in the past, treat engagement with China on a similar basis as Western countries. Much of Western engagement with Sub Saharan Africa is in the form of aid projects, which don't abide by the hardnosed economic realities that China brings. By engaging with China on this basis, African governments should be able to take greater advantage of the significant resources China is willing to bring to the continent.

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## **INTRODUCTION**

While the continent of Africa is widely agreed to be the home of human civilisation, its modern history is one dominated by the influence and actions of external actors. In general, the outcome of this external influence has been perceived as external actors taking advantage of the natural gifts bestowed on Africa and leaving the native population none the better. While the original colonial era where the great European powers dominated the continent for various purposes has now passed, the popular belief is that much of Africa is now being colonised in a more surreptitious manner by China. The simple statistics show a remarkable rise in Chinese engagement with the continent. Trade with Africa rose from \$5bn in 1995 to \$166bn last year making the continent now China's largest trading partner.<sup>1</sup>

The widespread perception from the West, and also significant elements within the African continent, is that China is swamping the continent with people, influence and money in order to gain privileged access to the vast quantity of natural resources that are required to feed the Chinese economic machine.<sup>2</sup> However, as is so often the case, this perception may not be reality and instead an impression created by those suspicious of Chinese intentions and also those that are potential rivals for China. As a Chinese businessman in Uganda stated when asked to comment about criticism of China: "If you can't compete with us, you find an excuse. It's like two children fighting, and the losing one crying to his parents about funny tricks".<sup>3</sup>

Those suspicious of Chinese intentions point to the numerous exclusive and secretive deals China has signed with resource rich African countries. These agreements are often signed with dictatorial and allegedly corrupt regimes, ignoring international ethical trading norms. Almost always in these agreements China

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<sup>1</sup> *The Economist*, 'More than Minerals – China's trade with Africa keeps growing: fears of neo-colonialism are overdone', 23 March 2013. <http://www.economist.com/news/middle-east-and-africa/21574012-chinese-trade-africa-keeps-growing-fears-neocolonialism-are-overdone-more> (Accessed 29 March 2013)

<sup>2</sup> Chris Alden, *China in Africa* (London: Zed Books Ltd, 2007) p 5. See also Johansein Ladislaus Rutaihawa 'Empirical Analysis of China-Africa Economic and Trade Cooperation for Good or Bad: A Case of Tanzania' *International Journal of Academic Research in Business and Social Sciences*, Vol.1 No.3 October 2011 pp 419-435.

<sup>3</sup> Xan Rice, "China's Economic Invasion of Africa". *The Guardian*, 6 February 2011. <http://www.guardian.co.uk/world/2011/feb/06/chinas-economic-invasion-of-africa> (Accessed 4 April 2013)

provides help to build the necessary infrastructure in order to get these resources back to its homeland. This construction is done using Chinese labour and knowledge, which then returns to China, leaving the African nation no more advanced for all this investment and holding no ability to maintain this newly acquired infrastructure.

Those with a more positive slant point to additional, effectively charitable, investment from China with major projects such as parliament buildings and major stadia built through Chinese investment.<sup>4</sup> In addition, many Chinese companies maintain a more long-term presence in the host countries and employ thousands of Africans across the continent.<sup>5</sup> The reality of course is that Chinese engagement lies somewhere between the two – it isn't a rapacious colonial power that will disappear as soon as the wells run dry but nor is its engagement in the continent a charitable enterprise.

Much has been written in recent years about China's strategy for Africa but there are many flaws with the overarching thesis of such a strategy existing, the most obvious being that Africa cannot, and should not, be treated as a single entity.<sup>6</sup> The fact that China hasn't updated its 'Strategy for Africa' since 2006 suggests that it too has realised it cannot treat the continent as a single entity. It is a continent of fifty-four countries spanning a vast tract of the earth with widely diverse people, widely diverse resources, widely diverse requirements and widely diverse strategies. The underlying thesis of those who write about China having an African strategy is that China is up to something underhand.<sup>7</sup> While, from a Western perspective, China is intrinsically

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<sup>4</sup> For example on just one trip to Africa in 2009 the then President Hu Jintao opened a 60,000 seat stadium in Tanzania, a hospital, bridge and presidential palace in Mali and a large bridge in Senegal. These were all built with Chinese money by Chinese companies. See *BBC News* 'China's Hu grants aid to Tanzania' 15 Feb 2009 <http://news.bbc.co.uk/1/hi/world/asia-pacific/7891418.stm> (Accessed 4 April 2013).

<sup>5</sup> For a comprehensive list of Chinese companies investing in Africa, which are focused in the manufacturing sector, see David E Brown, *Hidden Dragon, Crouching Lion: How China's Advance in Africa is Underestimated and Africa's Potential Underappreciated*, U.S. Army Strategic Studies Institute, U.S. Army War College (Carlisle Barracks, PA. USA, September 2012).

<sup>6</sup> China does actually publish its strategy for Africa although this hasn't been updated since 2006. The strategy can be found on the official Ministry of Foreign Affairs website: <http://www.fmprc.gov.cn/eng/zxxx/t230615.htm> (Accessed 12 April 2013).

<sup>7</sup> For instance as William Gumede states "China needs...Africa's raw materials to keep on growing at a fast rate in order to keep the millions of impoverished Chinese on board. China also needs to export its products to African markets, feed its hungry with food from Africa and benefit from jobless growth in Africa" William Gumede, *Challenges Facing South Africa-China Relations*, Foreign Policy Centre <http://fpc.org.uk/fsblob/1465.pdf> (Accessed 9 April 2013).

secretive in its international political activity, this does not necessarily mean it is conducting some vast conspiracy.

The purpose of this paper is to provide an analysis of three African countries that have had different experiences in their engagement with China and determine their relative successes to see if there can be any lessons for the continent. The paper will begin with a review of Chinese engagement across Africa before moving onto the individual studies of Tanzania, Zambia and Uganda before concluding with a comparison of the three experiences and determining what lessons, if any, can be drawn. The three countries chosen have had a variety of experiences with China, some positive and some negative and have been engaged with Beijing for a varying amount of time with Zambia and Tanzania having (relatively) longstanding relationships with Beijing, while Uganda has only very recently begun to be a recipient of Chinese investment.

## **CHINESE ENGAGEMENT IN AFRICA**

Chinese involvement in the African continent is not by any means a recent phenomenon. Chinese labourers were imported into South Africa well over a hundred years ago in order to solve a labour shortage in the mines.<sup>8</sup> Real engagement on a political level though began with the establishment of official ties with Egypt in 1956 and since that time has fluctuated in accordance with Chinese interest in international politics. Real engagement with the continent took off in the 1960s, although this was not for the economic reasons that dominates modern day relations but instead with the battle between the People's Republic of China and the Republic of China (Taiwan) for official recognition in the UN as the 'real China' and Africa, with its large bloc vote, held the key to achieving this goal. China did have a strategy for Africa at this stage, which was to portray itself as a brother developing state, which understood the economic and political struggles facing the continent. Chairman Mao elucidated this in his development of the 'Three Worlds Policy'.<sup>9</sup> African states themselves understood the Chinese position as they saw the economic struggles China faced in the 1960s first hand when they visited the country. This strategy clearly worked as, ultimately, it was the votes of their new African friends that helped Beijing win the vote in the General Assembly that gave the PRC the seat at the Security Council in 1971.

Through the 1970s and 1980s China's interest in the continent waned, mainly due to China focusing on bigger issues at home and abroad. There was the odd exception such as the TanZam railroad project but in essence Africa had fulfilled its utility in providing votes at the UN and at that time held little else of interest for China.<sup>10</sup> The gradual decline in the state of repair of the TanZam railroad was in many ways indicative of the wider relationship between China and Africa as the relationship remained stable but neither side was really making an effort as they all focused on internal problems. China was going through the particular challenges and

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<sup>8</sup> Rice op cit.

<sup>9</sup> See Alden op cit. pp32-33.

<sup>10</sup> The Tanzam railway completed in 1975 was, at the time, the largest ever aid project funded by a single nation. Sarah Raine, *China's Africa Challenges* (International Institute for Strategic Studies London: Routledge, 2009) pp56-57.

problems of the Cultural Revolution while many African countries were still battling for independence.

China did continue to provide support and inspiration for a number of the independence movements that rose up during this period.<sup>11</sup> Africa was not as affected as other areas of the world by the proxy battles fought under the auspices of the Cold War but it still felt the impact.<sup>12</sup> China provided an alternative option for the independence movements who looked to the teachings of Mao for inspiration instead of the more traditional Marxist-Leninist theories. The event that changed this came in 1993 when China shifted from being a net oil exporter to being an importer.<sup>13</sup> The Chinese economic miracle was in full flow and the economy needed more and more raw materials to feed the growth, which was vital to sustain the ever-growing population. While the Middle East was a major source of oil this was an area of stiff competition with the West, which had close relationships with the major oil producers of the region, so China had to look for alternative sources for a secure supply. Africa was just beginning to realise its potential of being a major supplier of oil and natural resources and was being relatively ignored by the major Western economies and was therefore an obvious target for China.<sup>14</sup>

China built its relationship on referring regularly to its own revolutionary struggle promoting empathy with the various movements across Africa.<sup>15</sup> Beijing also placed a strong emphasis on the ‘us against them’ in reference to the West. In addition, China appeared to have fewer qualms about dealing with some of the more authoritarian regimes on the continent. The vast majority of China’s engagement with

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<sup>11</sup> See Alden op cit p10.

<sup>12</sup> Because it wasn’t a priority region for either of the main protagonists in the Cold War, China saw an opportunity to promote its ideology in the region as an alternative. *ibid* pp16-17.

<sup>13</sup> Raine op cit p53

<sup>14</sup> China now receives one third of its oil imports from Africa, despite the region only having 10% of discovered global oil reserves. See Terence McNamee, *Africa in Their Words* (Brenthurst Foundation: Johannesburg, 2012) p8

<sup>15</sup> As discussed by Himuvi Mbingeneeko ‘*Africa China relations: a Pan-Africanist Perspective*’ p209 in ‘Sustaining the new wave of Pan-Africanism – Papers resulting from a workshop at the University of Namibia’ (National Youth Council of Namibia: Windhoek, 2011).

<http://www.bankie.info/content2/Sustaininging.pdf#page=215> (Accessed 15 February 2013)

Africa at this time was done on a secretive bilateral basis – creating suspicion in the West, which was used to conducting international aid diplomacy in public.<sup>16</sup>

China also put significant emphasis on diplomatic missions to the continent with all of the senior Chinese leadership making regular trips to the continent, often taking in numerous countries and signing trade and aid deals at each stop. These visits were reciprocated with a steady stream of African leaders being hosted in Beijing. The Chinese President has now for many years made a trip to Africa as his first trip of the year and indeed the new President Xi Jinping has incorporated a trip to the continent as part of his inaugural overseas visit.<sup>17</sup>

In recent years though China has moved to embrace a multilateral approach as well as persisting with the bilateral efforts. This is epitomised by the creation of the Forum on China Africa Cooperation (FOCAC), a group that has allowed China to engage with all of Africa more efficiently.<sup>18</sup> China has also proven to be particularly adept at using the UN General Assembly to promote its relations across Africa. These multilateral approaches for China are a sensible move as trying to maintain a productive bilateral diplomatic relationship with all of the African countries is just not possible. While China will of course maintain individual relationships with the key countries on the continent, the creation of FOCAC has allowed it to maintain good links with those that are not currently a priority but could become so in the future. A prime example of this has been Uganda, which provided little of interest for China until its recent discovery of significant oil reserves.

The first meeting of FOCAC occurred in 2000 under the leadership of Jiang Zemin and was held in Beijing. Since then the conferences have occurred every three years alternating between China and Africa, with increasing levels of importance and splendour.<sup>19</sup> The conferences have been huge set piece events that have generally served as a platform for China to announce its priorities for Africa and to make major

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<sup>16</sup> For an excellent review of recent Chinese quiet diplomacy see Bill Emmott, *Rivals - How the power struggle between China, India and Japan will shape our next decade* (London: Penguin Books, 2008) pp48-86.

<sup>17</sup> See Dr Sven Grimm 'The Forum on China-Africa Cooperation (FOCAC) – Political Rationale and functioning'. (Stellenbosch, South Africa: Centre for Chinese Studies, University of Stellenbosch, May 2012) p4. He states that "since the late 1990s the Chinese foreign minister has made it a tradition to start his year with travels to African countries"

<sup>18</sup> For a good analysis of the reasoning behind the creation of FOCAC see Grimm op cit.

<sup>19</sup> Alden op cit p2.

policy announcements centred on aid and low cost loans for the continent. Very little comes back in return from the African participants, which is consistent with the problem of what is labelled as a bilateral summit but one side has over fifty different views, none of which are powerful enough to go against the wishes of China.<sup>20</sup> There is also no real coordination from the African side to create a common view prior to engaging with China.<sup>21</sup> Instead China is able to take advantage of the effective competition between the African countries for its attention and largesse.

Despite the series of announcements about aid and development loans, China's relationship with Africa can be primarily categorised as a business relationship. China is not averse to big set piece 'gifts' having recently funded the \$200m cost of the new African Union (AU) headquarters in Addis Ababa as a gift to the AU.<sup>22</sup> It is however very clever in subtly blending its policies by not separating aid and investment as is common in the West. One of its more recent initiatives was that of special economic investment zones, which were announced at the 2006 FOCAC summit when China pledged the creation of between three and five trade and economic zones. The first of these was around the Chambisi copper region in Zambia. While the creation of the other zones was initially hesitant there are now six zones including, two in Nigeria and then one each in Mauritius, Ethiopia and Egypt.<sup>23</sup> The aim of these zones was to move the economic relationship between China and Africa onto a more mature footing with China encouraging a range of Chinese industries to invest in these regions on favourable terms. This more mature relationship was also shown by the announcement that came out of the 2012 FOCAC summit when China announced a \$20bn line of credit for African countries.<sup>24</sup> This was labelled in the

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<sup>20</sup> See Mbingeneeko op cit. He argues, "Africa must adopt a common position with regards to its relations with China. Such common position will force Africa to develop a set of expectations when negotiating with China" p219.

<sup>21</sup> This is the main thrust of Grimm op cit.

<sup>22</sup> Apparently even the furnishings in the building were paid for by China. See *BBC News*, 'African Union opens Chinese funded HQ in Ethiopia' 28 Jan 2012 <http://www.bbc.co.uk/news/world-africa-16770932> (Accessed 11 March 2013)

<sup>23</sup> For a discussion on these zones see Deborah Brautigam "African Shenzhen: China's special economic zones in Africa" *Journal of Modern African Studies* Vol.49, No.1 2011 p.28.

<sup>24</sup> One interesting element of this announcement was that China also announced a billion dollars worth of credits for Chinese financial institutions to support Small and Medium sized Enterprises showing a renewed emphasis on entrepreneurs. See Brown op cit p.44.

Western press as aid for Africa but a closer study shows it to be a much more hardnosed business proposition than traditional aid.<sup>25</sup>

However, it is not all smooth running for China in its relationship with the continent and it is frequently criticised for its activities. Many commentators on the region have identified a number of common themes, which of course vary in their validity.<sup>26</sup> It is worth tackling some of the major complaints at this point as they have been applied to all of the countries that this paper studies.

A major complaint has been that in all of its infrastructure projects China brings in its own labour and materials from China and, upon completion of the project, the labour returns to China.<sup>27</sup> This means there is no improvement in the capability of the local workforce and also no knowledge left behind when renovations and maintenance are required. Studies into this accusation suggest that while initially it might have been rooted in fact, as China found the local workforce incapable of undertaking large construction projects, this is no longer the case in most places. A second accusation is that Chinese companies have a very relaxed attitude to what the West calls ‘corporate social responsibility’, which includes how Chinese companies treat workers and the wider environment.<sup>28</sup> This accusation is partly true but is also a result of the West judging Chinese behaviour by its own standards; in reality Chinese companies are doing nothing in Africa that they would not do in their homeland. Other criticisms include: widespread use of bribery and corruption to gain contracts; China suppressing the growth of indigenous African companies by subsidising Chinese companies to move into the region; and also China building unnecessary major projects (stadia, parliament buildings, presidential palaces etc) and leaving behind poor quality infrastructure projects that rapidly fall into disrepair.<sup>29</sup>

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<sup>25</sup> Deborah Brautigam, ‘China’s Pledge of 20bn to Africa “Aid or Not”’ 19 March 2013. <http://www.chinaafricarealstory.com/> (Accessed 21 March 2013)

<sup>26</sup> The most common criticism is that any direct loan or investment comes with conditions that include guaranteeing Chinese companies exclusive access to the work available. See David Keohane ‘China draws Tanzania into its embrace’ *Financial Times* 23 Sept 2011. <http://blogs.ft.com/beyond-brics/2011/09/23/china-draws-tanzania-into-its-african-embrace/> Accessed 21 March 2013

<sup>27</sup> McNamee op cit p7.

<sup>28</sup> See the Human Rights Watch report: “‘You’ll be fired if you refuse’: Labor abuses in Zambia’s Chinese state-owned Copper Mines’. 3 November 2011. Originally quoted in McNamee op cit p9.

<sup>29</sup> These criticisms are summarised well here: *The Economist*, “Trying to pull together – Africans are asking whether China is making their lunch or eating it”. 20 April 2011 <http://www.economist.com/node/18586448> (Accessed 3 February 2013)

Another frequent criticism of Chinese investment is targeted at the willingness to invest in countries that are seen as the most corrupt. There is of course a clear link between the most corrupt nations of the world and the poorest countries of the world, hence those most in need of investment. The route the West has taken has been to target governance improvements before aid and investment is forthcoming, while China is less demanding. The dilemma that exists though is that the only way these countries can get themselves out of poverty is through investment and utilisation of whatever natural resources the country holds. Chinese investment may be partially diverted to support the corrupt regimes but the money also goes towards the employment of local people. The evidence in recent years suggests that as the population become better educated and employed then they are more likely to become engaged in the political process and hold their leadership to account, thus providing a beneficial spiral.

While it is always possible to find examples that back up these criticisms, most serious analysis of the track record of Chinese behaviour in the region concludes that China is a force for positive development across the continent. It is worthwhile taking a closer look at its engagement in three different countries now to determine what positive behaviours can be identified and to see how other countries engaging with China can encourage these trends. The fundamental aspect to understand is the mindset of China when the country is creating policy for Africa, which will then help the African leadership to react appropriately.

## **CHINA IN TANZANIA**

Tanzania is often cited by China as one of its most important ‘partners’ in Africa, being a source of raw materials and also an important trading conduit.<sup>30</sup> The importance of Tanzania for China was shown in March this year (2013) when Dar Es Salaam hosted the visit of the new Chinese President Xi Jinping, who signed a number of bilateral agreements with Tanzania on the start of a three country tour of Africa – part of his first overseas trip as President.<sup>31</sup> The very fact that Africa was on the first overseas itinerary for the President symbolised the importance that Africa holds in Beijing. The agreements signed with the Tanzanian President Kikwete included Chinese engagement in major infrastructure projects such as improvements to hospitals and ports and the building of a Chinese cultural centre in Tanzania, the latter of which will support both the resident Chinese population and also hopefully serve to soften some of the tensions between the Tanzanian population and the increasing number of Chinese immigrants.<sup>32</sup>

Tanzania has significant natural resources and has traditionally been a home for the mining of precious minerals. The country is the third largest producer of gold in Africa and has a wide range of other rare earth metals all of which are in significant demand in China to support its vast manufacturing sector.<sup>33</sup> Additionally, in recent years there have been significant gas field discoveries in Tanzanian territorial waters. Joint finds with Mozambique have been estimated as large enough to meet global demand for gas for a whole year and further exploration is continuing.<sup>34</sup>

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<sup>30</sup> Bob Wekesa, “Why Tanzania is China’s foremost ally in Africa” *The Citizen (Tanzania)*, 13 June 2012 <http://www.thecitizen.co.tz/editorial-analysis/20-analysis-opinions/23150-why-tanzania-is-chinas-foremost-ally-in-africa.html> (Accessed 21 February 2013).

<sup>31</sup> *The Economist*, “More than Minerals – China’s trade with Africa keeps growing: fears of neo-colonialism are overdone”, 23 March 2013. <http://www.economist.com/news/middle-east-and-africa/21574012-chinese-trade-africa-keeps-growing-fears-neocolonialism-are-overdone-more> (Accessed 21 February 2013)

<sup>32</sup> ‘China’s Xi jets into Tanzania on start of Africa tour’, *Daily Telegraph*, 25 March 2013 <http://www.telegraph.co.uk/news/worldnews/asia/china/9951605/Chinas-Xi-jets-into-Tanzania-on-start-of-Africa-tour.html> (Accessed 27 March 2013)

<sup>33</sup> For a list of the mineral deposits discovered in Tanzania see the Tanzanian Government website resource here: <http://www.tanzania.go.tz/mining.html#Mineral%20Resources%20Endowments> (Accessed 11 January 2013)

<sup>34</sup> The gas finds have been described as the largest in the world found for over a decade. See Eduard Gismatullin ‘Poorest Nations Host Biggest Gas Finds in Sign of Deals: Energy’, *Bloomberg News*, 16

China has long been engaged in Tanzania but this interest has rapidly accelerated with the gas finds. As covered previously, Tanzania was a recipient of one of China's biggest ever foreign infrastructure projects when it constructed the railway leading from the Zambian copper belt to Dar Es Salaam to ease the export of Zambian copper to China. Tanzania benefited a little by improving its own infrastructure and receiving transit fees, but these really didn't make much difference to its own economic outlook.

In the absence of a strong economic relationship, Tanzania did have a very strong political relationship with China dating from independence in 1964. The first President of Tanzania, Julius Nyerere, was a strong admirer of China under Chairman Mao.<sup>35</sup> This was at a time when China was something of an international outcast and hence was appreciative of the recognition given by one of the first postcolonial African states. The assistance provided in return by China came from large numbers of Chinese military advisers who helped Nyerere keep control as well as direct economic assistance, which helped to support what was one of the poorest states on the continent.<sup>36</sup> For many years China has been praised in African states for providing economic aid with less ties than Western donors and also focused on what the domestic government states are priority areas as opposed to Western aid, which is often targeted at areas where the West believes assistance should be provided. This was particularly the case in Tanzania, which has always been a major recipient of Chinese aid, often being the primary recipient in Africa of Chinese donations.<sup>37</sup> This assistance was focused on the textile and agricultural sectors, which supported what Tanzania had publicly stated were priority areas for the economy.<sup>38</sup>

Other advantages of Chinese assistance include lower amounts of bureaucracy, which in turn means the aid arrives faster and with lower transaction costs. In

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January 2012. <http://www.bloomberg.com/news/2012-01-16/poorest-nations-host-biggest-gas-finds-in-sign-of-deals-energy.html> (Accessed 22 March 2013)

<sup>35</sup> Rutaihawa op cit. p.424.

<sup>36</sup> Kendall D Gott and Michael G Brooks, *Security Assistance U.S. and International Historical Perspectives - Proceedings of the Combat Studies Institute Military History Symposium* (Fort Leavenworth, KS: Combat Studies Institute Press,2006) pp274-5.

<sup>37</sup> HPB Moshi and JM Mtui, *Scoping Studies on China-Africa Economic Relations: The Case of Tanzania*, March 2008 [http://www.aercafrica.org/documents/asian\\_drivers\\_working\\_papers/Tanzania-China.pdf](http://www.aercafrica.org/documents/asian_drivers_working_papers/Tanzania-China.pdf) p.13(Accessed 13 March 2013)

<sup>38</sup> Jerome Alan Cohen, *The Dynamics of China's Foreign Relations*, (Harvard MA: Harvard University Press, 1970) p81.

addition, although perhaps of more questionable assistance given their track record at home, Beijing also provided a number of agricultural advisers to Nyere in support of the implementation of his disastrous Ujamaa policy, which encouraged collectivised farming. Nyere much admired the Chinese experience, which he saw on his official visit to China in 1965 and “on his return he did not hide his admiration...his positive impressions opened up a close collaboration between the two countries”.<sup>39</sup> In return for all this assistance Tanzania became one of the most prominent lobbyists in support of China at the UN, convincing a number of other African states to support Beijing’s efforts to gain the UN seat for China.

The longevity of the relationship between China and Tanzania suggests that the relationship is grounded in more than just economic realities. This impression is reinforced by the fact that the relationship between the two countries originated before Tanzania was seen as a potential source of major energy supplies. However, the recent discovery of gas has the potential to change the foundations of this relationship with Tanzania having to be careful to avoid falling foul of the resource curse.<sup>40</sup>

The signs are that China will be quick to build on its longstanding friendship in taking advantage of the gas reserves. Towards the end of 2012 Tanzania signed a loan agreement of just over a billion dollars to build a 230km gas pipeline linking one of the major gas fields to Dar Es Salaam from where it can be exported.<sup>41</sup> The money was sourced from the \$20 billion fund that was announced at the 2012 FOCAC summit only two months prior to the contract. It is easy to draw the conclusion that China had this project in mind when it announced the creation of the fund. As is often the way with Chinese relations in the region – the pipeline deal was signed at the same time as a number of other agreements including funding for the building of a new Ministry of Foreign Affairs for Tanzania, an agreement on agricultural

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<sup>39</sup> Goran Hyden, *Beyond Ujamaa in Tanzania: Underdevelopment and an uncaptured peasantry*, (Berkeley, California: University of California Press, 1980) p.100

<sup>40</sup> The resource curse is the term applied to states where the finding of significant natural resources has actually led to a fall in the quality of living as opposed to the benefits people expect. For instance Nigeria has seen a decline in average incomes by a third since oil was found in the country despite it delivering \$340bn of revenues. Ben Shepherd, *Oil in Uganda – International Lessons for Success* (London: Royal Institute for International Affairs, 2013) p.29.

<sup>41</sup> Dr Ross Anthony, *China’s role in the East African oil and gas sector: a new model of engagement?* Policy Briefing, Centre for Chinese Studies, Stellenbosch University, August 2012.

cooperation and also an MoU between the Tanzanian Government and a Chinese company that specialises in the maintenance and running of cargo ports.<sup>42</sup>

Tanzania has yet to sign any kind of exclusive supply agreement for its gas (at least publicly) but by supporting the pipeline and also helping to improve and manage the port China is well placed to achieve this goal. The question though needs to be asked whether this is a bad thing. As long as Tanzania is getting a fair price for the product, it has a guaranteed market as well as receiving significant assistance in developing the infrastructure necessary for export, which may not have been forthcoming through other means. As the Tanzanian President himself stated “Africa needs a market for its products. Africa needs technology for its development. China is ready to provide all that. What is wrong with that?”<sup>43</sup>

However, it has not all been smooth sailing in the economic relationship between the two countries, with Tanzania last year suspending licenses granted to the Chinese oil exploration company China Sonangol following claims that these licenses were awarded outside of normal procedure. These were granted just after a Chinese company in the same conglomerate had signed a \$300m deal to upgrade Tanzania’s main airport and invested in the national airline.<sup>44</sup> The investment has not yet materialised according to reports suggesting there is a close link between oil licenses and infrastructure development.<sup>45</sup> It does though show that Tanzania is willing to take on Chinese companies if they aren’t happy with how business is being done.

One must though be wary of overstating Chinese involvement in Tanzania, as there are plenty of other international actors engaged. Taking the gas pipeline as an example, while China is heavily engaged in the downstream distribution of the product it has absolutely no engagement in the actual extraction of the gas. Norwegian

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<sup>42</sup> ‘Tanzania: Govt secures \$1.2bn loan from China’ *Tanzania Daily News* 7 Sept 2012 <http://allafrica.com/stories/201209070175.html> (Accessed 12 March 2013).

<sup>43</sup> Wekesa op cit.

<sup>44</sup> Beibei Yin, ‘Chinese investment in Tanzania bears bitter fruit’, *The Guardian*, 2 March 2012, <http://www.guardian.co.uk/global-development/2012/mar/02/chinese-investment-tanzania-airport-eviction> (Accessed 12 March 2013)

<sup>45</sup> China Sonangol is often cited as one of the most ethically questionable Chinese companies investing in Africa. See Brown op cit. p.48.

and British companies are doing the extraction, a significant investment that gets much less negative publicity.<sup>46</sup>

In conclusion to this very brief study on Chinese engagement in Tanzania one can see some significant trends that are promising both for the country and for the wider continent. The relationship with China has been positive for a number of years and is as often stated by both sides as an “all weather relationship”.<sup>47</sup> When Tanzania began developing its resources it had the advantage of having an existing relationship with the Chinese government, meaning it had multifaceted engagement with the country as opposed to one just focused on economic interests, whether that be with the public or private sectors. Tanzania has also shown a willingness to stand up to China by suspending the engagement of Chinese companies when there has been evidence of wrongdoing. Tanzania has also been proactive throughout the last fifty years in seeking Chinese investment and support in areas where it wants support as opposed to allowing China to dictate the terms of its engagement, hence Chinese engagement in Tanzanian agricultural development for instance. There is much more for Tanzania to do but by showing a willingness to make it a two-way relationship the foundations are there for both sides to profit.<sup>48</sup>

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<sup>46</sup> Anthony op cit.

<sup>47</sup> Remarks by President Xi Jinping During his visit to Tanzania in March 2013. See ‘China’s Xi tells Africa he seeks relationship of equals’ *Reuters*, March 25, 2013. <http://www.reuters.com/article/2013/03/25/us-china-africa-idUSBRE92O0D220130325> (Accessed 26 March 2013)

<sup>48</sup> As argued by Rutaihawa op cit. p.431. His conclusions, which make a number of good recommendations including asking the government to make sure “the partnership with China is for a win-win situation. Tanzania has natural resources that need to be developed and exploited for the benefit of both parties”.

## CHINA IN ZAMBIA

Zambia is another country that has a relatively lengthy relationship with China compared to some of its African compatriots. Like Tanzania these relations have been fairly stable and positive but in recent years this friendship has been severely tested in the face of growing opposition to the behaviour of the Chinese companies who dominate the extraction of copper in the country.<sup>49</sup>

From its independence in 1964 Zambia has remained a strong supporter of the Chinese communist government with the first President of the country, Kenneth Kaunda, making one of the few official state visits that China received during the peak of the Cultural Revolution at the end of the 1960s<sup>50</sup>. The relationship was cemented between the two countries when Mao reacted positively to the direct request from Kaunda to help finance the proposed railroad from the Zambian copper mines through Tanzania to the port at Dar Es Salaam. This allowed Zambia to export its copper without being reliant on the product passing through apartheid Rhodesian territory. Chinese support for the railway only came about when the World Bank rejected an application by Zambia and Tanganyika for a loan to finance the project, as the Bank believed the money could be more beneficially spent in other areas. This shows the different attitude China took to investment and aid in Africa from the Western dominated World Bank.

In a precursor of future Chinese supported infrastructure projects on the continent, China brought in large quantities of Chinese labourers to build the railroad. The image of hard working and simple living labourers made a strong impression on both the Zambian government and general populace and helped to reinforce Kaunda's promotion of the Maoist way of life.<sup>51</sup>

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<sup>49</sup> See Lee Robinson and Alice Sindzingre, *China's Ambiguous Impacts on Commodity-Dependent Countries: The Example of Sub Saharan Africa (with a Focus on Zambia)*. (Paris: Universite Paris Ouest, 2012)

<sup>50</sup> David Shinn and Joshua Eisenman, *China and Africa: A Century of Engagement*, (Philadelphia: University of Pennsylvania Press, 2012) p.324.

<sup>51</sup> Alden op cit. p.73.

As with the Chinese relationship with Tanzania there was very little between the two countries in the 1970s and 80s as both Zambia and China focused on internal affairs. Zambia did though join Tanzania in supporting Beijing in its efforts to gain the China seat in the United Nations. Zambia itself was reasonably prosperous until the mid-70s when a rapid decline in the global price of copper severely damaged the economy, which was almost solely reliant on exporting the metal.<sup>52</sup> This had allowed Zambia to support the various revolutionary movements in the region but, as the economy declined, so did the pre-eminent regional position that Zambia held. Kaunda became the target of significant unrest and left office after the first free elections in 1991. The economy continued to struggle as the new President Chiluba began the process of dismantling the command economy. As this process gathered momentum it coincided with the rejuvenation of Chinese interest in the region.

One of the major moves that Zambia made in the 1990s was re-privatising the mines, which had been nationalised under Kaunda. China was encouraged to invest in the country under preferential terms compared to other foreign nations, perhaps due to the longstanding relationship between the two countries. China was also more willing to invest in a country that was anything but a safe investment in the eyes of Western companies. In 1998 this encouragement from Zambia bore fruition with the \$20m acquisition of a derelict copper mine in Chambisi by the China Non-Ferrous Metal Mining Group – a state owned mining company. The company then invested over \$100m in renovating the mine and restarting production.<sup>53</sup> China also invested heavily in the textile and agricultural sectors in Zambia through a combination of soft loans and the establishment of joint ventures with existing Zambian companies as well as providing technical expertise in both sectors to improve efficiency.<sup>54</sup>

By 2006 China had invested over \$300m in the country, employing more than 10,000 Zambians on the back of 160 Chinese companies investing in the country.<sup>55</sup>

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<sup>52</sup> Robinson and Sindzingre op.cit.

<sup>53</sup> The process of investment is described in Shen Hu and Han Wei, 'China's harsh squeeze in Zambia's copper belt' *Caixin online*. 11 October 2011. <http://english.caixin.com/2011-11-10/100324752.html> (Accessed 11 February 2013).

<sup>54</sup> Arshad Dudhia and Musa Dudhia, "Silk Road or Dragon Path? The Impact of Chinese Investment in Zambia", *African Legal Network Insight*, September 2012. <http://www.africalegalnetwork.com/wp-content/uploads/2012/10/The-Impact-of-Chinese-Investment-in-Zambia-Arshad-Dudhia-Musa-Dudhia-Co-ALN-Insight-September-2012.pdf> (Accessed 11 February 2013)

<sup>55</sup> Raine op cit. p.138.

However, all was not running smoothly as there was growing internal opposition in Zambia to both the working practices of the Chinese companies and about the number of Chinese immigrants working in the country. The importance of Zambia to China was shown by the significant efforts that China undertook in the latter half of the last decade to try and change the perception of the Zambian people to China. This included the cancellation of over \$200m of debt as well as increasing investment in the country – by 2008 China was responsible for a quarter of the \$4bn foreign investment in the country.<sup>56</sup> In addition, China had listened to some of the criticism of its policies in the country and had invested in value adding infrastructure with the building of a \$220m copper smelting facility, which moved Zambia further up the value chain in the use of raw materials.<sup>57</sup> China should also be praised for its long-term commitment to the market. When copper prices slumped in 2009 most Western mining companies present in Zambia withdrew, threatening the financial stability of Zambia. China responded by increasing its investment and taking over the mines abandoned by the withdrawal of the West thus protecting thousands of Zambian jobs and keeping the economy solvent.<sup>58</sup>

Despite this investment there continued to be a groundswell of opinion amongst the Zambian population opposing the increasing Chinese presence and this was seized upon by the political opposition who campaigned in the 2006 General Election on an anti-Chinese platform. The Presidential candidate Michael Sata had even gone as far as making contact with Taiwan and proposed switching Zambian allegiance to Taiwan should he win the election, in return for funding from Taipei.<sup>59</sup> China reacted to this threat and provided significant funding for the incumbent President Levy Mwanawasa. The incumbent comfortably won the election but in areas of high Chinese presence around the copper mines it was noticeable that there was a very high anti-Chinese vote.<sup>60</sup> The same result was seen in 2008 when there

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<sup>56</sup> *ibid* p.139.

<sup>57</sup> See Robinson and Sindzingre *op cit.* p.58.

<sup>58</sup> Kristin Palitza, 'Why Zambia's elections will be all about China' *Time Magazine* 19 Sept 2011.

<sup>59</sup> Sata allegedly received \$30m in loans from Taipei which he was under pressure to repay after he chose to maintain diplomatic relations with Beijing following his election win in 2012. See '\$30m Taiwan loan squeezes Sata', *Lusaka Times*, 14 March 2011.

<http://www.lusakatimes.com/2011/03/14/30m-taiwan-loan-squeezes-sata/> (Accessed 19 December 2012)

<sup>60</sup> Padraig Carmody, *The New Scramble for Africa*, (Cambridge: Polity Press, 2011) pp87-88.

was another Presidential election following the death of Mwanawasa and Sata was defeated by Rupiah Banda, again heavily backed by the Chinese.

Further placing strain on the relationship there were a series of incidents from 2005-6 onwards including an explosion at a Chinese owned explosives firm which killed fifty workers and also striking protestors at a Chinese owned Zambian mine being shot, allegedly by a combination of the police and mine owners.<sup>61</sup> The same mine had persistent and highly publicised troubles between the workers and the owners including in 2012 when a Chinese supervisor at the mine was killed by the workers during a pay dispute.<sup>62</sup> To counter this tension China continued to invest including making the Chambisi region a special economic zones designed to encourage increased investment in the country. The highlight of this series of investments was an announcement at the turn of the decade of a multi billion dollar investment by Zhonghui Mining Group to open new mines in the south of Zambia.<sup>63</sup>

Zambia continued to be in a state of political upheaval until the 2011 Presidential election when once again Michael Sata stood on an anti-Chinese platform. However, as the campaign continued and he looked more likely to win, he toned down his anti-Chinese rhetoric. When he was declared the winner he went back on some of his more extreme policies include seizing control of foreign owned investments, but he continued to call for improvement in working conditions for Zambian workers in Chinese owned mines.<sup>64</sup> In one of his earliest speeches as President to an audience of 100 Chinese businessmen he reassured them of his commitment to friendship with China using the favoured Chinese phrase of the two countries being 'all weather friends'.<sup>65</sup>

From looking at the role of China in Zambia over this period there is a noticeable difference between China's role in Zambia and Tanzania. The main reason for this appears to be that the Chinese presence became a political issue in Zambian

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<sup>61</sup> Palitza op.cit.

<sup>62</sup> "Zambian miners kill Chinese supervisor and injure another in pay dispute" *The Guardian* 5 August 2012. <http://www.guardian.co.uk/world/2012/aug/05/zambian-miners-kill-chinese-supervisor> (Accessed 11 March 2013)

<sup>63</sup> Raine op cit. p.140.

<sup>64</sup> Andrew Bowman, 'Zambia: troubled coal mine loses licence' *Financial Times* 20 Feb 2013. <http://blogs.ft.com/beyond-brics/2013/02/20/zambia-chinese-mining-licences-revoked/> (Accessed 21 Feb 2013)

<sup>65</sup> Hu and Wei op cit.

general elections. This meant that China became involved in the political process through financial backing and outright threats to withdraw the massive investments they have in the country. This was an understandable move by China, which wanted to protect its strategic investment including the people, money and access to the vital resources Zambia provided.

Zambia was in a difficult position having become over-reliant on Chinese investment, which now makes it difficult for any serious political leader to threaten Chinese interests. The toning down of President Sata's anti-Chinese rhetoric from nationalising Chinese investments to just asking for better working conditions is indicative of this dilemma. China is reacting sensibly to this situation and is taking action to improve working conditions and trying to improve the perception of the Chinese within the general population. Zambia has also shown a willingness to take positive action against Chinese companies, notably removing the licence for the troubled Chinese owned Collum coalmine and taking over the running itself in response to a number of safety violations.<sup>66</sup> This is a positive step towards a more mutually beneficial and balanced relationship. Sata has also signalled his desire to improve Zambian capabilities to take on skills and reduce reliance on China to develop their natural resources as he stated "If we can do it ourselves, there is no need for foreigners".<sup>67</sup> These are promising intentions but it will be tough to put into action.

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<sup>66</sup> Bowman op cit.

<sup>67</sup> Hu and Wei op cit.

## **CHINA IN UGANDA**

Relations between China and Uganda do not have as long a history as the other two countries covered. Uganda had the potential for one of the most productive and profitable relationships with Asian countries of all of Africa if it had not been for the intervention of Idi Amin. In 1972 Amin, in the height of his eccentric and catastrophic leadership announced the expulsion of all Asians from Uganda.<sup>68</sup> At that time Asians controlled about 90% of all Uganda's businesses and their expulsion created predictable chaos in the Ugandan economy.<sup>69</sup> While most of those expelled were of Indian origin (who had been moved into the territory by the British at the turn of the century to help build the Ugandan railway) it meant that Uganda was not an obvious choice for China when it was looking to build links in Africa. Uganda was further hampered by the brutality of the Amin government and the civil war, which led to his ousting.

The seizing of power by Yoweri Museveni in 1986 has provided Uganda with stability with the President now in his 27<sup>th</sup> year of power. This stability, despite the ongoing problems with separatist and insurgent groups such as the Lord's Resistance Army, has allowed Asians to return to the country, with China in the lead. This return has brought some much needed entrepreneurial spirit to Uganda with the economy showing a commensurate rise following years of Uganda being one of the poorest countries in Africa.<sup>70</sup> This was despite the significant quantities of natural resources in the country, specifically copper and cobalt, which will now be reinforced by the significant quantities of gas and oil recently discovered. The challenge for Uganda will be to use these resources sensibly for the long-term benefit of the economy.<sup>71</sup>

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<sup>68</sup> Holger Bernt Hansen, 'Uganda in the 1970s: A Decade of Paradoxes and Ambiguities', *Journal Of East African Studies* Vol 7 Issue 1 Feb 2013. pp83-103.

<sup>69</sup> Gabriel Gatehouse, 'Uganda feels China's African involvement', *BBC News* 7 August 2012 <http://www.bbc.co.uk/news/business-19162061> (Accessed 11 January 2013)

<sup>70</sup> The impact of Chinese entrepreneurship across the continent is covered well in the following Greg Mills, 'Africa and China: between debunking and disaggregation' of *Fuelling the Dragon – Natural Resources and China's Development* .ed by Greg Mills (Johannesburg: The Brenthurst Foundation, 2012).

<sup>71</sup> For a comprehensive analysis of the problems facing Uganda see Shepherd op cit.

While there is not the history of Chinese engagement in the country, the rise in recent years has been extremely rapid from a position in 2005 when Chinese interests in the country were reportedly limited to a restaurant and a hotel.<sup>72</sup> Just five years later China was the second biggest investor in the country after the UK and in the last two years China has been alternating as the leading foreign investor in the country with the UK.<sup>73</sup> The estimates suggest that China has now invested over half a billion dollars in Uganda and is responsible for employing nearly 30,000 Ugandans.<sup>74</sup> China has already shown an interest in Uganda's natural resources with a \$100m investment in restarting a disused copper mine in Western Uganda, which was abandoned in the political turmoil of the 1980s.<sup>75</sup>

The difference in this investment when compared with that invested in Zambia comes in the breadth and style of Chinese investment. While natural resources remain a focus, the investment has been placed across the economy, but it is possible to trace all the investment back to making it easier for China to get its hands on natural resources. As well as investing in the more obvious infrastructure areas such as improving the Ugandan road network, where investment has come in the form of a public private partnership between Chinese companies and the Ugandan government, other areas have also benefited from Chinese investment.<sup>76</sup> For instance, China's major telecommunications company Huawei has undertaken a massive project to improve the broadband internet capability of the country through the installation of a fibre optic network. The same company is also investing heavily in the mobile phone network for the country, although it has also been the subject of investigations and criticism from the government. For instance, Huawei has been accused by the

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<sup>72</sup> American Embassy Kampala (2010-02-17) '*Chinese engagement in Uganda*'. Wikileaks. Wikileaks Cable 10KAMPALA77. Retrieved 13 February 2013.

<sup>73</sup> In 2011 China was the largest foreign investor Gatehouse op.cit. but in 2012 the UK regained its position as the largest investor see Patrick Jaramogi 'Chinese investments in Uganda now at sh1.5 trillion' *New Vision Newspaper* (Uganda) 18 Feb 2013. <http://www.newvision.co.ug/news/639947-chinese-investments-in-uganda-now-at-sh1-5-trillion.html> (Accessed 23 February 2013)

<sup>74</sup> *ibid.*

<sup>75</sup> 'Chinese firm to invest \$100m in Uganda copper mine', *Reuters* 30 April 2012. <http://www.reuters.com/article/2012/02/23/china-press-idUSL4E8DM9QS20120223> (Accessed 11 January 2013)

<sup>76</sup> Aloisious Kasoma, 'Museveni invites Chinese to invest in Uganda', *The Independent* (Uganda) 22 November 2012 <http://independent.co.ug/news/news/6884-museveni-invites-chinese-to-invest-in-uganda> (Accessed 11 February 2013).

Ugandan government of installing an overpriced and poor quality product.<sup>77</sup> The alternative view is that China is once again investing in a market which other countries have ignored, so the country faces a choice between no investment or investment on Chinese terms.

The real challenge for Uganda though will come with how they proceed with the development of their recent oil discoveries. Uganda has the benefit of having seen the mistakes and successes of its neighbouring states so has had the chance to mature its own thoughts on how it should seek investment for the development of the resources. In addition, the type of oil that has been discovered means that development of the oil fields themselves will take some time, meaning Uganda does not have to rush into decisions.<sup>78</sup>

The early signs from Uganda are promising. with a different approach being undertaken from other oil projects in the region. Chinese investment in other countries is generally done in conjunction with the host government, giving China direct access to the government and perhaps also, in some cases, an unhealthy hold over that government. For example, the threat to withdraw investment in Zambia quite clearly has had an impact on both the outcome of elections and also the policies of the party in power. In Uganda, however, the government appears to have been smarter in awarding exploration rights to a conglomerate of three companies Tullow Oil from the UK, Total from France and the Chinese state owned CNOOC.<sup>79</sup> This means that Uganda will gain the benefit of Chinese investment but cannot be held hostage to threats of withdrawal as there will be other companies ready to take on their share. The fact that the companies concerned have agreed to this is probably helped by the sheer size of the oil find, which makes it an extremely attractive investment. It does though mean that this could be a model for other countries looking to benefit from Chinese money without the problems associated with potential political interference.

The other smart move from the Ugandan government was to insist that as part of the deal to award the exploration licences, the three companies would collaborate

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<sup>77</sup> Ryan Huang , 'Uganda orders probe into Huawei's fiber project', 3 October 2012, <http://www.zdnet.com/cn/uganda-orders-probe-into-huaweis-fiber-project-7000005168/> (Accessed 17 March 2013)

<sup>78</sup> The oil is especially waxy which makes it more difficult to refine. See Shepherd op cit. p3.

<sup>79</sup> Gatehouse op cit.

in the construction of a refinery in Uganda.<sup>80</sup> This was done with the aim of selling the oil both within Uganda and to neighbouring countries as opposed to it all going away from Africa.<sup>81</sup> This shows real intent from the government that it is determined that Uganda will benefit beyond just receiving the revenues of selling the raw materials. The acceptance by the Chinese company of investing in the refinery and partnering with Western companies shows that they are willing to consider these options as opposed to just getting their hands on natural resources via the cheapest possible route. This suggests that China is looking at its relationship with Uganda as a mature economic relationship; the same as it would do with any trading partner in the West. It remains early days for Uganda in its experiences with China but the signs are promising and there are some lessons for other African countries to learn.

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<sup>80</sup> The refinery will cost at least \$1.5bn to construct and will be jointly funded by the three companies. Anthony op cit p.2.

<sup>81</sup> ibid p3.

## **COMPARISON OF CHINESE INVESTMENT**

Looking at the three countries in this paper, it is clear that there is a gradual change in the style of investment from China. The original Chinese economic engagement in sub-Saharan Africa in the 1960s had one major goal. This was to effectively buy political support for Beijing in its efforts to gain the seat allocated to China in the United Nations. An additional benefit for this was that it allowed China to get access to limited amounts of natural resources. However, as China went through the political turmoil of the Cultural Revolution this investment faded and only started again in the late 1980s when new investment came in, but this time for purely economic reasons.

The last 25 years has seen a gradual evolution in the way Beijing deals with Africa as the relationships have become closer and multifaceted. The most obvious link has been one that has been present since China first invested in the continent, which is the relationship between Chinese investment in access to natural resources and building infrastructure. Initially this was just targeted at infrastructure directly related to the export of the raw materials and the odd high profile construction such as a parliament building or presidential palace. However, recent years have seen an expansion of these linked deals delivering Chinese support for investments in areas including mobile telephony infrastructure, broadband technology, healthcare and other areas.

The underlying theme of recent investment is that China is now beginning to see Africa as a real business opportunity as opposed to just using these infrastructure packages as a means to get access to the natural resources. As Grimm states, “having a much longed-for business partner instead of a donor, requires African actors engage with these partners at the level of business, not aid”.<sup>82</sup> This is shown with the kind of investment we are seeing China make in Uganda where it is investing in the refinery plant to allow Uganda to supply refined oil to domestic customers and countries in the region. This must be the preferred option for any country looking to gain foreign investment, which is to use this money to take advantage of the natural resources in

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<sup>82</sup> Grimm op cit.

the market and get their national contribution as far up the value chain as possible. At the same time the country concerned must be realistic that there needs to be some benefit to those looking to invest, in other words the relationship is moving onto a proper business footing as opposed to the rapacious colonial behaviour which China has been accused of undertaking.

For all the criticisms that China has faced over its investment in Zambia and to a lesser degree in Tanzania and, to be clear, China is far from faultless in its behaviour – it is important to think about what position these countries would be in without the presence of Chinese companies and government money.<sup>83</sup> Countries were not queuing up to invest in these markets and this money probably helped avert significant economic and humanitarian disasters.

Any comparison of its investment strategy in the three countries studied has to take into account the relative development of the three countries at the time they looked for investment and the strength of their negotiating stance. One reason why Uganda is able to get better terms from China is that it is a reasonably attractive proposition for investors across the world. As Shepherd states “Uganda is in the advantageous position of being an established democracy. With enshrined legal and media freedoms”.<sup>84</sup> When Zambia and Tanzania looked to China for investment this was not the case, hence the terms of any agreements were skewed heavily in favour of China.

The other factor to consider when looking at patterns of Chinese investment in the region is that it is easy to overstate the coordination of any investment from China. While the majority of investment comes from state owned enterprises, there are significant levels of money coming from private Chinese companies and also individual Chinese citizens. Even when it comes to the state owned enterprises, it is easy to overstate the level of coordination. State companies are owned by different branches of the Chinese government and military, which do not necessarily have an interest in coordinating.<sup>85</sup> The general secrecy of the Chinese government leads to

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<sup>83</sup> As Brown states “The explosive growth of China’s economic interests in Africa is arguably the most important trend in the continent’s foreign relations arena since the end of the Cold War”. Brown op cit. p1.

<sup>84</sup> Shepherd op cit. p.ix.

<sup>85</sup> Alden op cit. pp23-25.

great conspiracy theories and in the vast majority of cases there is no evidence that these conspiracies have any validity. When it comes to an overarching Chinese strategy for Africa this could well be the case. With this in mind what lessons can be learned for the future for African countries negotiating with China for investment?

## **LESSONS FOR THE FUTURE**

The key lesson for African countries, when entering into negotiations for Chinese investment, is to create the domestic conditions whereby they are able to begin discussions from a position of strength. If they have created a safe, secure and transparent society then they are more likely to have a number of suitors to invest, which means they will be able to demand a better deal. Investors are looking for long term stability and a strong rule of law to protect their money. The second key lesson is that the leadership of the African countries need to realise that the investment coming from China is a business investment and China will be looking for the maximum possible return for their money. As stated by William Gumede, African countries need to be wise about where China is negotiating from, “China’s involvement in Africa...has nothing to do with charity and wanting to help: it wants to make money out of Africa”.<sup>86</sup> The danger is that the African countries will compare the aid that is provided from Western governments with the money that is on offer from China. The reason that Chinese investment comes with far less restrictions than that of the West is because China is investing as opposed to donating money.

Sceptics will always look to the hidden meaning behind Chinese assistance to sub-Saharan countries but, even if there are ulterior motives for the Chinese government, the fact remains that the assistance provided with low cost loans and technical assistance is providing an alternative way to progress for these countries beyond the tight frameworks that are generally always part of Western developmental aid.<sup>87</sup> These tight frameworks remove any ability of African governments to show any initiative in seeking new ways to improve their economies, while Chinese assistance appears to be more in keeping with the ‘helping them to help themselves’ principle. The lesson for the future is that African leaders need to make a choice as to which route they want to go down and not to confuse the two options as one and the same.

Jacob Zuma at the 2012 FOCAC summit showed how Africa has matured its own approach to relations with China. He initially extensively praised the positive

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<sup>86</sup> Gumede op cit.

<sup>87</sup> Moshi and Mtui op cit. p21.

impact that China has had on the continent before stating that “this trade pattern is unsustainable in the long term. Africa’s past experience...dictates a need to be cautious when entering into long-term partnerships with other economies”.<sup>88</sup> This was reinforced recently by a very widely publicised op-ed piece in the *Financial Times* by the governor of the Central Bank of Nigeria entitled ‘Africa must get real about its romance with China’.<sup>89</sup> This article called for Africa to get more competitive and demanding in its relationship with China, calling for a move from being a supplier of raw materials to adding more value itself before exporting the more profitable goods. The statement that “Engagement must be on terms that allow the Chinese to make money while developing the continent...(including) incentives to set up manufacturing on African soil and policies to ensure employment of Africans”<sup>90</sup> signifies both a policy goal for Africa and a sign that the continent will get more demanding in the coming years.

While welcoming this increasing forcefulness from African leadership, as this is likely to get a better deal for its people, a note of caution should be sounded. China and other countries all have a choice as to where to invest their money. While in the near future Africa’s natural resources will remain much in demand, changes are possible that could make Africa less attractive. For instance the shale gas revolution has the potential to reduce global demand for oil.<sup>91</sup> In addition, the mining of new places such as the Arctic and the ocean floor could reduce the demand for the resources that Africa is currently reliant upon for export business.<sup>92</sup> This means that Africa needs to move quickly to take advantage of its current relative stability and the global demand for its resources.

There is clearly a changing trend in the type of investment that China is making in Africa especially in the last few years. A range of factors has triggered this change including the increasing capability of the African governments and how they are managing their engagement with Beijing. China has reacted to this as well and is changing its own behaviour and increasing its flexibility. One additional factor is that

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<sup>88</sup> McNamee op cit. p6.

<sup>89</sup> Lamido Sanusi ‘Africa must get real about its romance with China’ *Financial Times* 12 March 2013.

<sup>90</sup> Ibid.

<sup>91</sup> Nick Butler, ‘How Does Shale Gas Impact the Energy Market’ *Financial Times online*. 28 Jan 2013 <http://blogs.ft.com/nick-butler/2013/01/28/how-does-shale-gas-impact-energy-market/> (Accessed 26 March 2013)

<sup>92</sup> McNamee op cit. p11.

China is now facing increasing competition from Western countries and others in gaining access to the significant resources in Africa.<sup>93</sup> As African governments have become more stable, especially with the improving ethical nature of its governance, there is an increasing willingness to invest from countries that have previously shied away from dealing with corrupt and unstable regimes. Traditionally, these corrupt regimes were only ever able to turn to China for investment and hence Beijing could dictate the terms of trade. China is thus moving from seeing Africa as a source of raw materials to a place that can be seen as a viable investment and a market for Chinese goods. In addition the volume of Chinese investment as also increased as Africa has grown more stable showing that Chinese companies, as well as their Western competitors, appreciate a stable investment environment.

The next stage for African countries is to grow its economies to enable it to export a wider variety of goods and services. Chinese imports from Africa have increased 20 fold in the last ten years but there is much further to go if these imports are not to consist almost exclusively of raw materials – a trade which as Zuma stated has a limited shelf life.<sup>94</sup> Another option on the table is one promoted by the World Bank President Robert Zoellick, which is for China to look to export its low skilled jobs to Africa as China becomes wealthier and more elderly, meaning its supply of low paid workers is declining. As Zoellick himself says this, idea is in its early days, “It’s still just a spark in the eye but sometimes that is how you make things happen”.<sup>95</sup>

The real major lesson for African countries from this has to be the importance of good and stable governance. From an internal perspective a stable political system allows the current leadership to govern for the benefit of the country as opposed to spending its time trying to stay in power, fearful of the consequences of losing power. This also provides confidence for the general population to become entrepreneurs and help to grow the economy. From an external perspective a good and stable government provides the confidence necessary to invest time and resources in a market. The recent rapid economic growth in sub-Saharan Africa has coincided with a

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<sup>93</sup> A recent study showed more than 50 international energy companies are currently operating in East Africa. See Anthony op.cit.

<sup>94</sup> ‘China’s Xi jets into Tanzania on start of Africa tour’ *Daily Telegraph* 26 March 2013  
<http://www.telegraph.co.uk/news/worldnews/asia/china/9951605/Chinas-Xi-jets-into-Tanzania-on-start-of-Africa-tour.html> (Accessed 27 March 2013)

<sup>95</sup> Keohane op cit. p2.

period of political stability in most states in the region and it is noticeable that the states left behind are those that remain unstable.<sup>96</sup>

Apart from some isolated exceptions, China has never engaged in plundering in Africa but has always looked for the maximum possible return from its investments – as Mills states “China seeks terms of engagement principally in its own interests. That much is entirely understandable, as much as it’s underappreciated in Africa”.<sup>97</sup> In the early days of its investment China was in an incredibly powerful negotiating position and took advantage of this fact. As the African nations have become more stable and confident, they have been able to negotiate increasingly balanced terms of trade. This trend is likely to continue.

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<sup>96</sup> See Stephen Broadberry and Leigh Gardner ‘Africa’s Growth Prospects in a European Mirror: A Historical Perspective’ (London: Royal Institute of International Affairs 2012).

<sup>97</sup> Mills op cit. p51.

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