

**Testimony of the Department of State
Deputy Assistant Secretary James Swan, Bureau of African Affairs and
Deputy Assistant Secretary Thomas J. Christensen, Bureau of East
Asian and Pacific Affairs
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Subcommittee on African Affairs
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Mr. Chairman, Senator Isakson, and Members of the Committee, thank you for the opportunity to address the subject of China's growing engagement with Africa and its ramifications for U.S. foreign policy.

China's growing presence in Africa has generated significant discussion during the last several years. This attention reflects the reality that China has important and growing interests in Africa, including access to resources and markets, development of diplomatic ties, and Chinese claims of leadership in developing world. These objectives are not inherently incompatible with U.S. priorities and, in fact, may offer important opportunities for the continent. In general, we see China's growing activity on the continent as a potentially positive force for economic development there, which is a goal we share with China and many others. As President Bush has said, we do not see a "zero-sum" competition with China for influence in Africa. Nor do we see evidence that China's commercial or diplomatic activities in Africa are aimed at diminishing U.S. influence on the continent.

As Deputy Secretary Negroponte recently noted in testimony before the full Senate Foreign Relations Committee, policy differences in some areas should come as no surprise given the two countries' very different

demographic and economic conditions, histories and political systems. Our goal, as with other areas of the world, is to engage Chinese officials to try to define and expand a common agenda for Africa that ultimately will serve both our national interests and maximize the benefit Africa derives from U.S. and Chinese economic investment in the continent. We are actively looking for areas of complementarity and cooperation with the Chinese, while engaging at multiple levels on differences in approach to specific issues.

Our regular high-level dialogues with China include the “Senior Dialogue” led by Deputy Secretary of State Negroponte, which focuses on political and security issues and the Treasury-led “Strategic Economic Dialogue,” which addresses bilateral and global economic issues. We also plan to begin this autumn a bilateral dialogue on development assistance led by the Director of U.S. Foreign Assistance Henrietta Fore and her counterpart in China’s Ministry of Commerce.

The State Department holds a regional sub-dialogue on Africa as part of the U.S.-China Senior Dialogue on security and political affairs. The sub-dialogue is led on our side by Assistant Secretary Jendayi Frazer. In addition to these formal dialogues, Assistant Secretary Frazer talks with her Chinese counterparts on an ongoing basis on a variety of issues, most recently hosting China’s Special Representative Liu Guijin in May. Special Envoy to Sudan Richard Williamson also regularly communicates with Ambassador Liu on Sudan. In September 2007, Ambassador Ruth Davis, Chief of Staff of the Bureau of African Affairs, traveled to China for a series of high-level meetings and public appearances aimed at explaining U.S.-

Africa relations. And, of course, our diplomats in Africa are in regular contact with their Chinese counterparts on the full range of issues on the continent.

China in Africa

China's engagement with Africa is not new. Beijing initiated bilateral assistance to Africa in 1956 and, by its own account, has funded over 800 projects between 1957 and 2008. There are few capitals in Africa where China has not built a showpiece building, from a national sports stadium to a gleaming new ministry headquarters. Estimates of Chinese development assistance to Africa in this decade vary, but tend to fall around \$1-\$2 billion per year. This amount is still relatively modest in comparison to the annual contributions of \$18 billion (including debt relief) provided by the European Union (EU) and member countries, \$9 billion from multilateral institutions, and about \$5 billion from the United States Government.

China's economic and commercial engagement in Africa has dramatically increased and diversified during the last several years. Bilateral trade rose from \$10 billion in 2000 to \$70 billion in 2007, and China is now Africa's second largest trading partner after the United States. Africa ran an overall trade surplus with China between 2004 and 2006, as it did with the United States, and it is clear that China, like the United States, has become an important source of both export revenue and investment for the continent. China's direct investment in Africa increased from \$491 million in 2003 to over \$2.5 billion three years later and continues to grow. Africa is also becoming an important export market for Chinese consumer goods. Small,

private Chinese investors have invested millions of dollars into opening enterprises in Africa that operate in textiles, light manufacturing, construction and agriculture. Recent media attention has focused on high-profile Chinese investments in Africa, such as the Industrial and Commercial Bank of China's October 2007 purchase of a twenty-percent stake in South Africa's Standard Bank, or a \$9 billion loan and investment package for Congo that will be repaid in cobalt and copper from Congolese mines.

China's economic and commercial engagement in Africa should be understood in a broad context. Its activity has increased dramatically in recent years, but started from a relatively low base. As of 2006, the value of China's trade with Africa was lower than with the Middle East or Latin America and was a minute percentage of its trade with the rest of Asia. On the investment side, China's investment flow into Africa constituted only 2.9% of its global outward direct investment. China's total direct investment stock in Africa accounted for only 1% of global foreign direct investment in Africa.

The composition of China's involvement in Africa has changed greatly over the past decade. Whereas the foundation for China's early interaction with Africa was the promotion of a shared leftist, anti-colonial ideology, the common ground now is mostly a convergence of economic interests in a global trading system. In many ways, China's successful embrace of market-based economics and openness to most aspects of globalization can be a positive example for African nations. There also have been significant increases in two-way tourism, academic and non-governmental exchanges, and diplomatic initiatives. China has even

modeled many of its engagement programs after very successful U.S. exchanges on the continent. For example, historically, the United States has identified young emerging political and economic African leaders for exchange programs in the United States under something known as the “international visitors program.” China is now doing the same thing -- identifying members of parliament, local entrepreneurs, and well-placed government officials in such key ministries as Foreign Affairs, Internal Affairs, and Trade and Commerce for training and exchange programs in Beijing. China also funds trips by local traders and businesspeople to Africa to source Chinese consumer products. It funds sports teams and provides equipment for aspiring African Olympians. Since the year 2000, China’s primary public relations vehicle for promoting its African presence is the Forum on China-Africa Cooperation (FOCAC), which is held every three years.

China’s increased economic and commercial activity in Africa raises a variety of issues that African, Chinese, and other international experts are examining. Some Africans worry that the influx of low-cost goods from China undercuts local industry. We also hear concerns that Chinese infrastructure projects underutilize indigenous labor, finance, and resources. Chinese projects often employ imported Chinese workers and utilize imported raw materials. Observers have warned that China’s assistance efforts in Africa, which emphasize ‘no strings’ and are not predicated on the same kinds of conditionality as other countries’ aid programs, could endanger progress in promoting good governance and market reform in Africa. As Chinese companies’ presence on the continent expands, they will increasingly be expected to bolster indigenous capacity and contribute to

long-term development. The U.S. government would like to engage the Chinese on how their economic policies in Africa can help produce better results for sustainable economic development if they conform to the international community's broader initiatives for Africa. We remain steadfast in our belief that strong democratic institutions and protection of fundamental human rights are the foundations for sustainable economic growth.

We remain concerned with a general lack of transparency regarding China's foreign assistance practices in Africa, and are encouraging Beijing to more fully engage with other major bilateral and multilateral actors to ensure that aid supports the efforts of responsible African governments to be responsive to their people's needs. As the U.S. and other creditor countries implement the enhanced Heavily-Indebted Poor Countries (HIPC) initiative and provide debt relief to qualifying countries, transparency is key to understanding how creditors' assistance packages fit with a borrowing country's debt sustainability framework developed with the International Monetary Fund (IMF) and World Bank. By its reluctance to coordinate with groups like the IMF and World Bank, we believe China misses an opportunity to make the most of its aid, loans, and investment in Africa. On occasion, it appears that China's policies serve to undercut the efforts of others to use investment and development assistance to produce improved governance, which almost all credible research about development point to as essential to long-term, stable economic growth.

The international community has expressed similar concerns about the Chinese use of foreign assistance as a trade tool, as when African

governments grant favorable treatment to Chinese project bids because such bids are tied directly to Chinese government development assistance packages. It is in China's interest to demonstrate to the international community that its policies in Africa are not driven solely by the desire to secure natural resources and access to markets and access to major infrastructure projects, and that the Chinese government is committed to improving the long-term welfare of people across the continent.

When discussing China's presence in Africa, it is important to highlight that China's economy has become increasingly diversified and has numerous public and private economic actors that influence the African market. Chinese companies are active in financial markets, telecommunications, manufacturing, textiles, agro-business, and a variety of extractive industries. For example, we must distinguish between Chinese energy companies' pursuit of exploration agreements and the Chinese government's Africa policy. Certainly the Chinese Ministries of Commerce and Foreign Affairs promote access to natural resources and export markets for Chinese firms as part of their policies. But observers sometimes ascribe too much coordination and grand strategizing to the Chinese leadership's policies toward the developing world. There are often exaggerated charges that Chinese firms' activities or investment decisions are coordinated by the Chinese government as some sort of strategic gambit in the high-stakes game of global energy security. In reality, Chinese firms compete for profitable projects not only with more technologically and politically savvy international firms, but also with each other.

Contrary to what many assume, China's large oil companies are not

dominant players in Africa's energy industry. With the important exception of Sudan, where the China National Petroleum Company (CNPC) is the major operator, Chinese oil companies are relatively minor players in Africa. In 2006, total output by all Chinese producers was approximately one-third of a single U.S. firm's (ExxonMobil) African production. Some energy assets now held by Chinese companies were in the past run by international oil companies that found more profitable opportunities elsewhere in Africa.

Africans themselves will, of course, largely shape the terms of their relations with China. While welcoming increased Chinese engagement, Africans have also signaled the importance of business practices that reinforce African Union and New Partnership for African Development principles on good governance. Chinese labor, environmental and quality-control standards have drawn extra scrutiny from many Africans. In Zambia, for example, anti-Chinese sentiment became an important election issue in 2005 when the opposition mobilized voters from the country's copper belt following a deadly explosion at a Chinese-owned copper mine.

U.S.-China Engagement

Within the context of our senior- and policy-level discussions with the Chinese, we have identified a number of areas that would benefit from additional cooperation and burden-sharing. For example, with 1452 Chinese military, police, and observers serving on peacekeeping missions throughout Africa, China could play a greater role in coordinating with us on post-conflict security sector reform activities and in equipping and supporting African peacekeepers. In Liberia, for example, China has contributed to the

U.S.-led rebuilding of that nation's army. The U.S. Government trained staff and refurbished the Ministry of Defense headquarters while China provided vehicles and computer equipment. The United States is in the process of recruiting, vetting, training and equipping a 2,000 man army and has rebuilt three military bases around Monrovia. China is providing some specialty training and is rebuilding at least one base up-country. Good communication between the U.S. and Chinese embassies on the ground has helped each party identify areas for inputs. We want to build on that success elsewhere in Africa.

Our dialogue on Darfur is ongoing and is producing important results. After years of acting primarily to protect Khartoum from international pressure, since late 2006 China has shown an increased willingness to engage with the international community on Darfur, and has applied diplomatic pressure on the Government of Sudan to change its behavior, as well as to engage in a political process for a peaceful negotiation to the Darfur conflict. China voted for UNSC Resolution 1769 that created the hybrid United Nations African Mission in Darfur, but has at times acquiesced in the Government of Sudan's opposition to its full implementation. China has pledged up to 300 military engineers, of whom 140 have been dispatched, making China the first non-African Troop Contributing Country to deploy in Darfur. China has also become more involved in responding to the humanitarian crisis, providing some direct assistance and donating U.S. \$1.8 million U.S. dollars to the Darfur region and the African Union Special Mission.

We have welcomed this positive change in Chinese policy, but have also told China frankly that it could do a lot more. The Sudanese Government continues to use violence against civilians and rebels in Darfur, and renege on key elements of the UNAMID deployment. China enjoys significant influence with the Government of Sudan due to its investments in the country's energy sector, and we have asked China to exercise its leverage to pressure Khartoum to work toward a negotiated solution in Darfur.

We have also asked the Chinese government to halt its companies' substantial arms trade with Sudan because of the likelihood that some Chinese-origin armaments are being used by the Sudanese government in Darfur, in contravention of UNSCR 1591. The proliferation of lethal conventional weapons in Africa contributes to instability and endangers China's long-term interests on the continent. In the same spirit we have pushed the Chinese government to reconsider the wisdom of retaining close military relations with repressive regimes on the continent. Perceptions of Chinese support of African leaders such as Zimbabwe's Robert Mugabe, who rule through guns and intimidation, harms China's image and undermines its ability to play the role of responsible stakeholder in Africa's affairs.

In non-security areas such as health, China and the U.S. are pursuing potentially complementary programs to eradicate malaria, polio, and other endemic diseases. In agriculture, the U.S. and Chinese Ambassadors in Ethiopia arranged exchanges to observe demonstration farms each country had built to increase agricultural capacity. The U.S. and Chinese

Ambassadors in Angola have also agreed to identify a joint development project in the agriculture sector. We have encouraged our Embassy country teams all over Africa to identify potential areas of cooperation in the multiple sectors and engage with Chinese counterparts to the benefit of African populations.

The State Department has also attempted to bring Chinese, U.S. and African civil society together by supporting conferences and symposiums. For example, the NGO Vital Voices held a Summit for African Women in Cape Town, South Africa in January 2007, in which a small contingent of Chinese women participated. A follow up symposium for Chinese and African women entrepreneurs in Shanghai was held in September 2007 to further cooperation.

Conclusion

International concerns about China's increasing commercial and diplomatic presence in Africa must be considered within the wider context of questions about the ramifications of China's rise as a global economic and political actor. These questions are particularly acute because of our bilateral trade deficit with China and the perception that China's growing demand for natural resources is contributing upward pressure on global commodity prices during a potential global economic slowdown.

But the big questions for the United States in discussions of China-in-Africa are not based in concerns about the U.S.-China bilateral economic relationship but rather in our foreign policy priorities for Africa, which are promoting democracy, human rights, political stability, good governance,

and sustainable economic development to improve the health, education and living standards of the continent's population. China already is making a substantial contribution to the continent's economic development, and we believe that it can play an even more important role in the future. In that spirit, we engage at multiple levels to influence Chinese actions on issues such as good governance, human rights, and transparency – issues that we believe should play as prominent a role in Chinese Africa policy as in ours.

