MASTER THESIS

Titel der Master Thesis / Title of the Master's Thesis

„China's Foreign Direct Investment in Africa: A Different Game“

verfasst von / submitted by

Mark Bulatovic

angestrebter akademischer Grad / in partial fulfilment of the requirements for the degree of

Master of Advanced International Studies (M.A.I.S.)

Wien 2017 / Vienna 2017

Studienkennzahl lt. Studienblatt Postgraduate programme code as it appears on the student record sheet:	A 992 940
Universitätslehrgang lt. Studienblatt Postgraduate programme as it appears on the student record sheet:	Internationale Studien / International Studies
Betreut von / Supervisor:	Prof. Dr. Werner Neudeck

Abstract

The initial part of this study will provide an overview of the Sino-African economic relationship and its history. This paper will use theories of economics, international relations, and historiography to analyze the economic relationship between Africa and China. It will explain China's presence in the continent in relation to market interests and their necessity for natural resources. Within this study the natural resources that will be analyzed is China's need for oil, timber, and precious metals. How China acquires them will have a huge importance on how to characterize the relationship amongst the two. Within this study the natural resources that will be analyzed is China's need for oil, timber, and precious metals. The mechanisms that China uses to attain these contracts with African nations will also be covered. Most importantly the financial institutions that partake in these deals and assist in brokering developmental assistance from China shall be looked at as well. A micro-level analysis of a case study in regards to the Congo will give a better understanding of the Sino-African economic ties for this study. Finally this paper will attempt to gage the future relationship between China and Africa. Taking into account that the African Union is making integrational progress, it will be beneficial to know how detrimental this will be for China and its trade relationship with the continent. Other nations are also heavily investing in Africa, it will be important to know what China's development strategy is for the future and whether or not their presence will slowly diminish.

Der erste Teil dieser Arbeit gibt einen Überblick über die Sino-Afrikanischen wirtschaftlichen Beziehungen sowie ihre Geschichte. Diese Masterarbeit verwendet Theorien der Wirtschaft, der internationalen Beziehungen und der Historiographie um die wirtschaftlichen Beziehungen zwischen Afrika und China zu analysieren. Sie wird die Präsenz Chinas auf dem Kontinent anhand von Marktinteressen und der Notwendigkeit für natürliche Ressourcen erklären. Die natürlichen Ressourcen die in dieser Arbeit analysiert werden sind Chinas Bedarf nach Öl, Holz und Edelmetallen. Auf welche Weise China diese erwirbt hat eine große Bedeutung für die Charakterisierung der Sino-Afrikanischen Beziehungen. Die Mechanismen die China nutzt um solche Abkommen mit afrikanischen Staaten zu schließen wird ebenfalls behandelt. Darüber hinaus werden die Finanzinstitutionen die bei solchen Verträgen involviert sind und chinesische Entwicklungshilfe vermitteln ebenfalls unter die Lupe genommen. Eine Mikro-Analyse des Kongo als Fallstudie wird ein besseres Verständnis für die Sino-Afrikanischen wirtschaftlichen Beziehungen ermöglichen. Abschließend wird die Arbeit versuchen die zukünftigen Beziehungen zwischen China und Afrika einzuschätzen. Unter Berücksichtigung der fortschreitenden Integration der Afrikanischen Union wäre es nützlich herauszufinden wie nachteilig dies für China und ihre Handelsbeziehungen mit dem Kontinent sein könnte. Da andere Staaten ebenfalls viel in Afrika investieren ist es wichtig herauszufinden wie Chinas zukünftige Entwicklungsstrategie aussieht und ob ihre Präsenz auf dem Kontinent langsam abnehmen wird.

Table of Contents

INTRODUCTION

This thesis will employ theories of economics, international relations, and historiography to analyze the economic relationship between the continent of Africa and the People's Republic of China. It will seek to answer the question(s): what is China doing on the continent, how has this come about, and will this continue? As China is quickly emerging as one of the strongest economic powers globally, understanding not only their geopolitical posturing throughout the globe but also how their rise has come to fruition will help to understand the importance of that rise. No other regions fuel Chinese economic expansion more so than the African continent. While Chinese market players utilize their economic holdings on the African continent, Africa in turn fuels its own development through Chinese efforts as emerging markets rich in natural resources.

The first part of this study will provide a general overview of the Sino-African economic relationship, tracing its historical roots and then characterizing its contemporary systematic nature. This includes particular market interests that attract China's firms and investors to engage with the continent. Chief among these interests are the catalysts for Chinese economic development, Africa's rich natural resources. Which natural resources China has sought to acquire and how the Chinese have gone about acquiring those natural resources is important to understand what characterizes the Sino-African relationship. This includes a select analysis of oil, timber, and precious metals. Additionally important to understand, is the mechanisms by which China engages in developmental assistance and financial investments so a closer analysis of some of the financial institutions and the interplay that they engage in as it relates to China will assist the reader in understanding this relationship.

Following the first chapter this thesis will take a micro-level analysis of a particular case study that exemplifies the Sino-African economic ties. This case study will focus on the Sino-Congolese relationship. This includes a closer look at what interests China has in the Congo, and what attracts Chinese investors to the Congo. Also important will be to analyze what Congo has to gain and has gained through this relationship.

The final chapter of this study will then attempt to postulate about the future of the relationship between Beijing and Africa, considering the vast strides that the African Union is making towards further integration what ramifications that may have on the terms of trade. Also with other regions looking to increase their holdings on the continent it is important to keep in mind that China is not alone in increasing their holdings on the continent. What Chinese new development efforts might mean for their interest in Africa is also an important variable to consider, as China has long held Africa in its top goals with the introduction of a new development strategy this importance may decrease in the future.

DEFINITIONS AND THEORIES

As China is superficially a command principle market player some of the general terms market oriented economists utilize do not apply to the Chinese case. One such term is Foreign Direct Investment (FDI), which is defined by the OECD as,

is a category of investment that reflects the objective of establishing a lasting interest by a resident enterprise in one economy (direct investor) in an enterprise (direct investment enterprise) that is resident in an economy other than that of the direct investor. The lasting interest implies the existence of a long-term relationship between the direct investor and the direct investment enterprise and a significant degree of influence on the management of the enterprise. [1]

FDI differs from FII (Foreign Indirect Investment), sometimes referred to as foreign portfolio investment, which Investopedia defines as,

Foreign indirect investments involve corporations, financial institutions and private investors buying stakes or positions in foreign companies that trade on a foreign stock exchange. In general, this form of foreign investment is less favorable, as the domestic company can easily sell off their investment very quickly, sometimes within days of the purchase. This type of investment is also sometimes referred to as a foreign portfolio investment (FPI). Indirect investments include not only equity instruments such as stocks, but also debt instruments such as bonds.[2]

However, the Chinese government does not distinguish FDI in the way that western economists do, they publish statistics on what is called overseas direct investments (ODI). This is the first divergence of Beijing's nomenclature as opposed to the rest of the world. For the purposes of this paper the term FDI and ODI will be used interchangeably. According to China's own statistics they held $26 billion on the continent of Africa in the form of stock as of 2013, as asserted by the Brookings Institute this amounts to around 3% of total investment on the continent, this number is however diluted, as will be discussed below. [3]

Another important Chinese distinction to make is that of the Beijing Consensus, termed in opposition to the Washington consensus. Even where African economics is concerned the increasing Sino-American divergence finds its place in the discussion. If the reader is unaware of what the Washington consensus is, it is usually characterized by English economist John Williamson's 10 points which at the time (1989) he believed defined the policy approaches that the Bretton Woods institutions and the US Treasury Department took towards Latin American countries. He defined these ten points as:

" 1. Budget deficits…should be small enough to be financed without recourse to the inflation tax. 2. Public expenditure should be redirected from politically sensitive areas that receive more resources than their economic return can justify…toward neglected fields with high economic returns and the potential to improve income distribution, such as primary education and health, and infrastructure. 3. Tax reform…so as to broaden the tax base and cut marginal tax rates. 4. Financial liberalization, involving an ultimate objective of market-determined interest rates. 5. A unified exchange rate at a level sufficiently competitive to induce rapid growth in nontraditional exports. 6. Quantitative trade restrictions to be rapidly replaced by tariffs, which would be

---

[1] "GLOSSARY OF FOREIGN DIRECT INVESTMENT TERMS AND DEFINITIONS." *Investment Division, Directorate for Financial and Enterprise Affairs Organisation for Economic Co-operation and Development* 4th (n.d.): n. pag. Print.

[2] Staff, Investopedia. "Foreign Investment." *Investopedia*. Investopedia Academy, 22 Dec. 2010. Web.

[3] Chen, Wenjie, David Dollar, and Heiwei Tang. "China's Direct Investment in Africa: Reality versus Myth." *Brookings*. The Brookings Institution, 29 July 2016. Web.

progressively reduced until a uniform low rate in the range of 10 to 20 percent was achieved. 7. Abolition of barriers impeding the entry of FDI … 8. Privatization of state enterprises. 9. Abolition of regulations that impede the entry of new firms or restrict competition. 10. The provision of secure property rights, especially to the informal sector." [4]

Analysis of Williamson's Washington Consensus should better be left for analysts that have devoted more in depth study of his points, and are presented here only for context into what economists are increasingly terming the Beijing consensus. The Beijing Consensus was presented by Joshua Cooper Ramo as an alternative to the Washington Consensus. Ramo argued that the Beijing approach took a different one than the Western institutions. This was characterized by primarily three guidelines the first involved experimentation and a commitment to innovation that did not take a complacent one size fits all approach that Ramo argued defined the Washington consensus. The second that rather than Per Capita Income being the only factor as a measure of the progress of an economy, a variety of factors could be used to qualify an economy. The final guideline concerned questions of a geo-political/ geo-economic nature and argued that rather than treating the two are distinct spheres which he argued was the Washington approach, that the Chinese treat the two as inextricably linked. [5]

Many economists have since expanded on Ramo's theories, and the term the China Model has become interchangeable with the Beijing Consensus. *The Economist* argued in 2009, that the China Model was defined by a reshaping of the "boundaries between the state and the economy". [6] The magazine argued that was increasingly defining the China model or the Beijing Consensus was a firmer government hand on the mechanisms of capitalism, which the proponents of the Beijing consensus would link to China's astounding economic growth. John Williamson even rejoined the debate in 2012, when he authored an article in Asia Policy which sought to breakdown the Beijing Consensus in a bullet point format, as he did with his Washington Consensus. In that article he defined the Beijing Consensus as: 1. Incremental Reform, rather than the immediate change approach of the West. 2. A commitment to innovation and experimentation that Ramo included. 3. Exports being a catalyst for economic growth 4. Authoritarianism rather than Democracy as defining the relationship between the people and the state (or economy and state) which leads us to our final point 5. Command Capitalism or State Capitalism in contrast to pure Free Market Capitalism or pure Socialist Planning as the ideal economic model.[7]

Rather than a full analysis of the Beijing consensus, this paper will seek to analyze the China Model in action on the international stage as it relates to Sino-African economic ties. But understanding the China Model as international economists see it is important to understand how China operates on the international stage. Many of the companies that operate in Africa are state owned, many of the financial instruments used by China in Africa are state run financial instruments, and the relationship between African governments and the government of China will continue to dictate the capital flow and terms of trade between the two countries.

---

[4] Williamson, John. "The Strange History of the Washington Consensus." *Journal of Post Keynesian Economics* 27.2 (2004): 195-206. *JSTOR*. Web.
[5] Ramo, Joshua Cooper. "The Beijing Consensus." *The Foreign Policy Centre. The Mezzanin, Elizabeth House, London* (2004): n. pag. Print.
[6] The Economist Staff. "Beware the Beijing Model." *The Economist*. The Economist Newspaper, 26 May 2009. Web.
[7] Williamson, John. "Is the "Beijing Consensus" Now Dominant?" *Asia Policy: Special Essay* 13 (2012): n. pag. Print.

Before entering into an analysis of particular engagement of the People's Republic of China on the African continent, it is important to make the distinction between East and West in not only geographic terms but also drawing distinctions between the economic worldview each polar orbit holds. As will be shown below, investment in African development has long been monopolized under the purview of Western states and Western institutions due to a plethora of variables such as: colonial and post-colonial interests, geo-political paradigms of the Cold War etc. Increasingly more prevalent however, the foreign economic ties on the continent can draw an interlinkage to mainland China and the government of Beijing. This is a shift from West to East that has increasingly shaped the terms of trade and the foreign economic interests on the continent.

HISTORY OF SINO-AFRICAN ECONOMIC RELATIONS

China's economic interest in the continent of Africa did not begin in the early 2000s but has deep roots that go back perhaps as far as the 15th century. [8] The initial trading between China and Africa revolved around exotic animals and geographical resources such as ivory and silk. While there has been a marked increase in not only the development of Sino-African economic ties, this adage says nothing of the exponential growth of these ties since the turn of the millennium. Where Western investors are discouraged from the continent due to political instability or fears of corruption or nationalization, the People's Republic of China sees opportunity and Beijing has been quick to capitalize on these opportunities.

The PRC's economic relationship with the continent, has ties in the anti-colonial movement championed by Mao Zedong. Not dissimilar to the Chinese investment strategy of investing in infrastructure utilized today, the culmination of the Mao-era Sino-African ties laid on the 1, 860 km TAZARA (Tanzania – Zambia) railway. Built as a symbol of support for the newly independent African states, Chinese investment has often come with political overtones. The TAZARA railway was completed in the early 1970s and like the railway itself it laid the ground for new Chinese investment on the continent. Centuries of colonial rule left the continent dependent on their former colonial masters, but following the de-colonization process the continent and the newly independent states found themselves again reliant on the West to continue the development of their countries. The newly independent states were plagued by political instability and quickly became the battlespace of the major Cold War powers. Consequently, those aligned with the West and the capitalist regime found themselves to be the benefactors of FDI. Oftentimes however, Western FDI was linked to favorable human rights records, which de-incentivized some of the African governments to seek investment from the West but look to new partners.

China, with their no strings attached investment policies, offered the continent a new alternative for capital aimed at investment. Fast-forward to the post-Cold War era, and the PRC has become one of the continent's largest trading partners. As Manero has argued, the reasons behind Chinese investment into Africa rests firmly on Africa's viability as a stable supplier of natural resources which can further manufacturing back in China. [9] Manero continues to explain that in exchange for unfettered access to African natural resources (i.e. oil, copper, iron ore, timber, etc.) provides infrastructure, cheap

---

[8] Pilling, David. "Chinese Investment in Africa: Beijing's Testing Ground." *Financial Times*. The Financial Times, 13 July 2017. Web.

[9] Manero, Elizabeth. "China's Investment in Africa: The New Colonialism?" *Harvard Political Review Online: Africa Section*. Harvard Political Review, 3 Feb. 2017. Web.

manufactured goods, massive loans with favorable rates, and of course FDI. China clearly values the continent very highly, considering that over half of China's foreign aid is directed towards the continent. In 2014 alone the Sino-African trade totaled over $200 billion which is since proving a per annum figure, to put that into comparison this figure is roughly twice the size of the GDP of Serbia or three-times the size of Luxembourg. [10] That same year in his visit to the African Union Chinese Premier Li Keqianq stated that he hoped to increase this trade volume up to $400 billion and raise the numbers of direct investment to $100 billion by the year 2020. [11] What is clear is that China will not only continue to take an economic interest in the continent, but also look to increase that interest over the coming years.

Chinese investments and loans are usually funneled through various Chinese state agencies and firms, which include the BRICS Bank recently established.

What is often overlooked by many analysts however, is that Africa does not need China, but China undoubtedly needs Africa. As a burgeoning economy the reliance on the importation of African natural resources is the life-blood of the astounding growth the Chinese economy is experiencing and without those resources China could see an economic slow-down. Furthermore, the Sino-African relationship is oftentimes termed a double-edged sword, while it may provide African economies with the basic infrastructure necessary for any further development, the mass-importation of Chinese goods stymies the African manufacturing sector and fails to change the broader systemic issues that prevent thriving African economies from coming to fruition. The implications of Chinese investment in Africa will be discussed below but are important to note here as they color the relationships between the continent and Beijing.

THE AFRICAN UNION / AFRICAN UNITY IN TRADE

Africa, should not be treated as a single entity but for the terms of this paper a closer analytical approach to each member of the African Union, which numbers at over 50. [12] However, a broader systematic approach must be paid towards the continent in order to analyze the economic relationship between Beijing and Africa. Therefore, a closer study of the African Union's development as it relates to economics is in order. Unlike the European Union, the African Union does not function as a single entity on the international economic stage. Such a divergence is blatantly apparent when one is to analyze the membership lists for the World Trade Organization (WTO). Where the supranational European Union functions as a single negotiating bloc, the African Union's members have not all ratified membership, nor do those that have function as a single bloc in the international organization. [13]

The African Union developed out of the Organization of African Unity as an attempt to promote solidarity throughout the continent, and as the Nuclear Threat Initiative asserts,

> The Organization of African Unity (OAU) was established on 25 May 1963, at Addis Ababa, Ethiopia, and the Charter of the OAU was signed on that occasion by the heads of state and government of 32 African states. The Organization was established to promote the unity and solidarity of African countries, to defend the sovereignty of members, to eradicate all forms of colonialism, to promote international cooperation with due regard for the UN Charter and the Universal Declaration of Human

---

[10] "COUNTRY COMPARISON :: GDP (PURCHASING POWER PARITY)." *Central Intelligence Agency WORLD FACTBOOK*. Central Intelligence Agency, n.d. Web.

[11] Kuo, Stephen. "China's Investment In Africa - The African Perspective." *Forbes Risk Map*. Forbes Magazine, 8 July 2015. Web.

[12] "Member States." *Member States | African Union*. The African Union Headquarters, n.d. Web.

[13] "WORLD TRADE ORGANIZATION." *WTO ¦ Members and Observers*. World Trade Organization Website, 29 July 2016. Web.

Rights, and to coordinate and harmonize Member States' economic, diplomatic, educational, health, welfare, scientific, and defense policies.

As can be seen from the above excerpt, coordinating and harmonizing the Member States' *economic* policies was a prime goal of the OAU. Not unlike the EU, the African Union set out with ambitious goals and failed to live up to the mark of the architects in many ways. The standing goals of the African Union as it relates to economics, is to create an organization with far sweeping powers that resemble an entity closer to the European Union such as : a customs union (with obvious international trade implications), a central bank, common currency, free-trade area, etc. However thus far these goals have not been accomplished and the implications of what is to happen in the case they are achieved will be discussed further in part 3.

NATURAL RESOURCES ARE A NATURAL ATTRACTION

As it relates to the People's Republic of China, Africa is naturally attractive to the continent's rich possession of natural resources. As aforementioned, the Chinese economy's growth is highly linked to their ability to import natural resources that are paramount to that growth. Among others these resources include minerals (such as iron and copper), lumber, and naturally, oil.

Oil is first and foremost to be considered as it provides the basic life blood for any developing industrial economy. It is no surprise that in what looks to become the world's largest economy, three of the top revenue ranked companies in the crude industry are Chinese: Sinopec (the China Petroleum & Chemical Corporation), China National Petroleum Corporation, and PetroChina. They rank behind Saudi Aramco, and are grossly misrepresented in the top ten lists published by *Petroleum Intelligence Weekly* among others. [14] All three companies are unsurprisingly state-owned, and have corporate linkages to the continent of Africa. The three companies not only individually rank in the top oil companies worldwide, but also hold a market share that would potentially rival Rockefeller's Standard Oil had it not been broken up into multiple firms that still play a major role in the market for crude: ExxonMobil, Chevron, etc. While not a major monopoly, the three oil companies all benefit the Chinese state as they are SOEs (state-owned enterprises), and function as an arm of the Chinese government on the continent of Africa. Each company's interests on the continent should be analyzed in turn.

The Sinopec Group, made initial forays into the African continent as far back as 2004, when they signed a technical cooperation agreement with the Gabonese Oil Ministry of President Bongo to evaluate three onshore sites in the country. [15] According to the company's 2014 Annual Report their business operations have extended to include 16 countries (including Gabon). [16] Following their maiden voyage into Africa in 2004, the Sinopec Group partnered with the Chinese National Petroleum Corporation (CNPC) to purchase an oil-field in Sudan, through the Petrodar Consortium.[17] Although only a minority shareholder, the joint venture was primarily owned by CNPC, and shortly before Sinopec acquired its holdings in

[14] "National Oil Companies Hold Top Spots in Energy Intelligence's Ranking of Top Oil Firms." *PIW Top 50 Companies 2015*. Petroleum Intelligence Weekly, n.d. Web.

[15] "Sinopec Signs Evaluation Deal for Three Oil Blocks in Gabon." *CHINA DAILY WEBSITE*. CHINA DAILY, 04 Feb. 2004. Web.

[16] Chengyu, Fu, ed. "CHINA PETROCHEMICAL CORPORATION 2014 ANNUAL REPORT." *SINOPEC GROUP.COM* (2014): n. pag. Print.

[17] "About Us." *Petrodar Operating Company*. PDOC, 2011. Web.

Petrodar they had begun production on blocks 3 and 7. Petrodar began its shipping of oil the next year in 2006. [18]

The catalyst for Sinopec's increased role on the continent lay in their ownership of a Geneva based exploration company, Addax Petroleum, which they acquired in 2009 for a massive $7.24 billion check. [19] This event marked the largest foreign oil acquisition ever for Beijing, and spurred Sinopec's operations on the continent. Addax, formed in 1994 quickly became one of the largest owners of reserves in West Africa, and less importantly for the purposes of this paper in Northern Iraq, estimated at 537 million barrels by Thomson Reuters at the time of purchase (see above citation). Although the purchase of Addax has paid dividends for Sinopec, and they did compete in a bidding war with a Korean firm, Western firms were wary of the risky assets of Addax due to the unstable political and social climates where those assets were located. This acquisition exemplifies the Chinese approach to the continent, where others see risk the Chinese see reward. In true wildcatter fashion Sinopec acquired risky assets and became a regional leader in this vital commodity race.

These ventures in Africa have at times backfired on Sinopec, the most notable event was the raid of the Abole oil field by Somali Ogadan National Liberation Front rebels. The raid led to the kidnapping of 7 Chinese workers and the death of 74 people, nine of whom were Chinese. The raids provoked strong condemnations from the Chinese Foreign Ministry, but has led to no change in Chinese firms approach to risky ventures. [20] Another foray for Sinopec executives into the continent was the aforementioned subsidiary Addax's 2011 acquisition of Royal Dutch Shell's 80% stake in an exploration firm Pecten with offshore locations near Cameroon. [21] Sinopec has only increased its holdings in the continent, in both onshore and offshore locations. Clearly, Africa will remain attractive for Chinese firms, however this is but one example and other majors' experiences mirror the economic activity of Sinopec.

The China National Petroleum Corporation (CNPC), has conducted exploration and extraction activities in 37 countries worldwide. [22] CNPC's activities on the continent are not without their complications. Recently CNPC's exploration activities were suspended by the government of Chad. This followed a warning from the government of Chad in August of 2013 that adequate environmental standards were not being maintained. After failure to comply the local CNPC unit was ordered to stop its exploration and drilling activities in Chad, by the domestic oil ministry. [23] Chad became an African oil producer in 2003, when oil production began at the Doba field, peaking in 2005 at around 176,000 bpd. The firm tasked with the production in 2003, was of course CNPC's local unit CNPC Chad International (CNPCIC). After alleged environmental mismanagement Chad ordered the Chinese operations be halted, however a settlement has since been reached in October of 2014 where CNPC was forced to pay a $400 million fine and cede a 10% stake in the fields to the Chad national oil company, *Société des hydrocarbures du Tchad*. In return the Chinese firm has been able to continue extraction and exportation along the Chad-Cameroon pipeline routes.[24] The Doba oil fields have also offered the Chinese giant to work with one of the former Standard Oil companies, ExxonMobil to streamline production.

---

[18] "About Us." *Petrodar Operating Company*. PDOC, 2011. Web.
[19] REUTERS Staff. "China's Sinopec to Buy Addax for C$8.27 Billion." *Reuters*. Thomson Reuters, 24 June 2009. Web.
[20] Buckley, Chris. "China Condemns Ethiopia Attack amid Oil Security Fears." *Reuters*. Thomson Reuters, 25 Apr. 2007. Web.
[21] "Pecten Cameroon Company." *MBendi.com*. MBendi Information Services, 2017. Web.
[22] "Exploration and Production." *China National Petroleum Corporation*. CNPC.com.con, 2017. Web.
[23] Feng, Jun. "The Africa Report." *Chad Suspends China's CNPC Unit over Environmental Violations | Central Africa*. The Africa Report, 23 May 2014. Web.
[24] "CNPC Brings New Oilfield into Production." *The Economist Intelligence Unit*. EIU Digital Solutions, 21 Jan. 2015. Web.

The Chinese giants are not only interested in extraction they also own a refinery in Djermaya, near the capital where the barrels extracted from Doba and Koudawla are refined. As the BBC reported in August of 2013, the refinery deals with about 15,000 bpd. This is an immense investment for the Chinese firm, although commodity prices are at record lows, considering the price for benchmark Brent has fluctuated at around $50.00 a barrel, the Djermaya refinery represents a roughly $750,000.00/ day investment at the time of this writing (July/August 2017). Therefore even ceasing operations in Chad for a short while represents significant loss for CNPC and thereby the Chinese state. But the fact still remains that the cost/benefit analyses for Chinese Petro firms continue to make Africa an attractive place to continue their operations.

One of the most volatile places that CNPC operates is in South Sudan, as aforementioned. But that remains not the only country for the Chinese Petro-giants to invest, they also have investments and operations in Niger, Nigeria, and Algeria. It is important to note, that particularly the investments in Nigeria pose a significant risk to CNPC due to the country's political stability, or instability some may argue. In 2006, CNPC won the tender for four blocks, an agreement signed with the Nigerian government. Three of these blocks are designed for offshore exploration and extraction, but one is onshore, the instability comes from where that block is located, in Northern Nigerian Borno Province.[25] Borno Province or State as some refer to it is where the Nigerian civil war has seen the highest number of incidents pertaining to insurgency. Furthermore, the Chibok kidnappings that occurred in 2014, where 276 female students were abducted by the Islamist Terrorist group which refers to itself as al-Wilayat al-Islamiyya Gharb Afriqiyyah but better known as Boko Haram, occurred in Borno Province. [26] Borno State is the prime area of operations for Boko Haram, and also the location of all three of their mobile headquarters. But Chinese investors have not been deterred by political instability in the area they seek to extract minerals from, unlike many western firms.

What the Sinopec and CNPC cases demonstrate is not only an adventurism into securing oil concessions on the continent, but a significant financial investment that cannot be stopped by political instability. Chinese petro firms have repeatedly placed capital in regions and countries that are unstable and volatile to political shifts, and reaped the benefits. These are just examples of two of the largest oil companies that benefit Beijing but are exemplary of a broader systematic trend of Chinese firms on the continent, mainly that domestic problems will not sway their determination to continue their industrial growth by draining Africa of their rich natural resources.

While oil is perhaps the most instrumental commodity from Africa which has fueled their shocking growth over the last decades it is by far not the only one. African lumber and iron also play a key role in Chinese economic growth. As many analysts and market watchers have asserted Africa does not make up the lion's share of China's timber imports. Rather imports from Africa account to about 4% of China's Timber imports, but this figure is roughly equal to $1.3 billion and in 2011 alone African timber imports into China were worth about $33 billion. [27] As the entirety of Africa is not attractive to timber exporters, Chinese timber importers are limited to a few selectively attractive countries on the continent, namely: Cameroon, the Republic of Congo, Gabon, and Ghana recently Zambia has also seen increasing demand from Chinese consumers. While African exports do not comprise a majority of Chinese timber imports, two

[25] "CNPC in Nigeria." *China National Petroleum Corporation*. CNPC.Com.Cn, 2017. Web.
[26] "Nigeria Chibok Abductions: What We Know." *BBC News*. BBC, 08 May 2017. Web.
[27] Mayers, James. "China in Africa's Forests." *International Institute for Environment and Development*. IIED.org, 17 Apr. 2013. Web.

factors here remain extremely significant: firstly, China's demand for tropical wood has become the largest globally; and secondly that roughly 75% of Africa's timber exports are destined for China. [28]

China's role in the African timber industry however differs from the oil industry primarily by the type of firms which operate in it. Rather than the mega state owned enterprises like Sinopec and CNPC controlling the majority of the Chinese industry-activity on the continent, the timber industry is characterized by private enterprises. These private enterprises are engaged in all levels of the timber industry: logging, commercial transportation, and trading. But although the firms may differ in construction, Beijing's role on the continent is very similar. A CIFOR brief (cited above) found that Chinese investors owned a quarter of timber concessions in Gabon. [29] Considering that Gabon's entire economy was reliant on timber exports until the discovery of oil, this is a frightening statistic to Gabon economists. Tangentially important, the Sogara field (oil field in Gabon) is not owned or operated by a Chinese firm but a consortium of Western firms, e.g. Royal Dutch Shell, Total S.A., etc. along with the government of Gabon. [30]

While this paper makes no attempt to accuse the government of the People's Republic of China of engaging in illegal timber activities, it should be noted that the African continent has seen a recent increase in illegal logging activities. And taking this fact into account, and the relative size of African timber exports destined for the Chinese mainland, China is inextricably involved. In one particular country, Mozambique, a report published by the Environmental Investigation Agency found that around 93 % of all logging activities in the year 2013 in the country took place by extra-legal efforts.[31] This is not the first instance of a Chinese connection to illegal logging activities on the continent, nor is it the first instance reported on by the Environmental Investigation Agency. They among others have claimed that the root of the problem lies 'insatiable' Chinese demand for timber that transcends the tax code of Mozambique. Considering the sustainable factor alone, the depletion of commercial timber stocks in Mozambique to meet this demand would kill the foresting industry in the country for generations to come, withdrawing an important part of this African country's economy. The level of illegal logging in Mozambique speaks to a broader issue, Chinese firms' disregard for adhering to legal code. As this is not a legal paper, the merits of the case will not be here considered. But the economic reality for Mozambique should be noted, as the Guardian and the Environmental Investigation Agency have reported the tax loss alone deprives the country of Mozambique of millions of dollars, estimated at around $146 million in the years from 2007-2014. [32][33] This is a substantial loss to the black market for any country, not to mention an African country, and the primary stimulant for this loss is China. It is also prudent to note that Mozambique officials have made a concerted effort to process timber into planks before they are exported to increase their value. As an effort to strengthen the export power of Mozambique and develop its own timber processing industry these efforts are severely undermined when logs are exported from the country illegally. This not only amounts to organized crime but has environmental, economic, and legal impacts for a burgeoning African economy.

---

[28] Weng, Xiaoxue, L. Putzel, M.M. Kandulu, S.-M.S Ekman, M.-L.B. Zafinikamia, S. Assembe-Mvondo, P.O. Cerutti, and G. Lescuyer. "The Africa - China Timber Trade: Diverse Business Models Call for Specialized Policy Responses." *Center for International Forestry Research*. Center for International Forestry Research (CIFOR), Bogor, Indonesia, 01 Jan. 1970. Web.
[29] Weng, Xiaoxue, L. Putzel, M.M. Kandulu, S.-M.S Ekman, M.-L.B. Zafinikamia, S. Assembe-Mvondo, P.O. Cerutti, and G. Lescuyer. "The Africa - China Timber Trade: Diverse Business Models Call for Specialized Policy Responses." *Center for International Forestry Research*. Center for International Forestry Research (CIFOR), Bogor, Indonesia, 01 Jan. 1970. Web.
[30] RETENO N'DIAYE, Pierre. "Interview." *Gabon's Refined Crude*. The Oil & Gas Year, 28 Apr. 2016. Web.
[31] "China's Illegal Timber Imports Ransack Mozambique's Forests – EIA International." *Environmental Investigation Agency International*. EIA International, 22 July 2014. Web.
[32] "FIRST CLASS CRISIS China's Criminal and Unsustainable Intervention in Mozambique's Miombo Forests." *Environmental Investigation Agency UK Ltd,* Emerson Press (2014): n. pag. Print.
[33] Hui, Ning. "Mozambique Faces Race against Time to End Illegal Logging." *The Guardian*. Guardian News and Media, 31 Aug. 2016. Web.

The government of Red China, has encouraged the efforts of the Mozambique authorities in developing their blossoming timber industry but increasing their own investment in that industry. One IIED (International Institute for Environment and Development) article reported on some of the efforts made by Chinese firms to engage in legitimate economic activity in regards the to the Mozambique timber industry.[34] One such firm is Mr. Forest Ltd., but upon the launching of Operation Tronco to clamp down on illegal timber activity, firms like Mr. Forest were forced to temporarily suspend their sawmilling operations. [35] Speaking to the prevalence of illegal timber operations in the country.

Another non-governmental initiative has sought to eliminate illicit timber operations this one from the Sino-African paradigm, the so-called China-Africa Forest Government Project (CAFGoP). According to an IIED publication:

> "Chinese companies are having dramatic effects on African forests. Sometimes this means good jobs, a range of benefits to local livelihoods and decent forest management. Other times the forests suffer and the people are short-changed. Companies from other countries have these effects too, but it is the large and increasing scale of activity linked to Chinese companies in Africa that marks them out. China imports over 75% of Africa's timber exports, and investments in agribusiness, mining and infrastructure in Africa's forest and woodland areas are growing too. Key players in China and Africa - in government, in NGOs, in academia, and in the companies themselves - who can best help chart a sustainable course for these investments are poorly linked. IIED is facilitating a new partnership which is engaging with Chinese investors and enterprises, tackling key problems in the illegal timber trade, and seizing opportunities for more sustainable Chinese investment in land-use sectors." [36]

The initiative is designed on the improvement of Chinese firms' practices in the industry. It utilizes a few different foci: better diagnostics to determine the sequence of timber flow from Africa to China, promotion of dialogue with Chinese firms and dealers, a mechanism for collective engagement between Chinese companies in Africa (to date a Chinese timber companies association was launched in Cameroon for instance), the training of Chinese banks on sustainable forestry, engaging directly in policy reform, etc. The hope is that the CAFGoP can actively redefine the Sino-African timber relationship, and initiatives like this will be the catalyst for reform within that industry. But what will remain a problem for both sides of the trade is susceptibility to corruption. All of these dialogue platforms, reform efforts, and policy initiatives breakdown at the human level. It just takes one official to give into greed and allow a truck of logs to pass, or to disregard the shady export licensing at the port. While a lot of hope has been placed in initiatives like CAFGoP, what remains to be seen is if they will make a dent on the illicit Sino-African timber trade.

There are mixed opinions about whether Chinese investment in the continent is affecting African forests in a good way. What cannot be disputed is that Chinese investment in the forestry sector has improved market access, and brought new income sources, for small scale economies seeking to develop, as has been seen in Zambia. On the other hand, the questionable business practices, inferior labor prices, deforestation, have threatened Chinese firms' reputations and underline a key risk to the investors. [37] As aforementioned, Chinese involvement in the African timber industry relies heavily the work of non-SOE firms, which conduct business on a smaller scale. As these firms are less reliant on or completely independent from the Chinese state, many would argue that there is less incentive for them to observe the

---

[34] Macqueen, Duncan. "A Chinese Passion: Adding Value to Mozambique's Timber Exports." *International Institute for Environment and Development*. IIED.org, 18 Apr. 2017. Web.

[35] Comunicação, Departamento De. "Departamento De Comunicação." *Notcias Moambique*. Notcias Moambique, 24 Mar. 2017. Web.

[36] China-Africa Forest Governance Project. "China in Africa – a Fast Changing Relationship." *Improving Chinese Investment in African Forest Land Use* IIED.org (n.d.): n. pag. Print.

[37] Li, Bo, and Yaxin Yan. "Five Ways China's Overseas Investments Are Impacting African Forests." *Quartz*. Quartz, 10 Feb. 2016. Web.

domestic country's laws regarding timber practices and logging. A chart in the appendices illustrates the trend of smaller companies increased role in the timber industry.

Another, shifting variable is that these smaller firms, while initially dealing in trading of African timber this is changing. Whereby they would purchase timber from local operators and concessions, they are now increasingly moving their role upstream acquiring their own concessions and establishing their own factories to engage in the logging and processing stages. An astute investor, Chinese firms have not only increased their access to African forestry but also their role in the management of the African timber industry. While these variables define the contemporary industry it is hard to foresee how and if that can change. Sustainable management and illicit logging has been touched upon here, but the moving forward aspect will be visited more thoroughly in part 3.

The final resource as it pertains to the Sino-African trade relationship that will be discussed in this paper is the rare metals. The motif of the natural resources that attract Chinese firms to the continent is that they are the stimulants for China's economic growth and industrial expansion. Oil obviously is the blood of a healthy industrial economy, and that would make Iron and Copper the bones. 2014-2015, may have brought a slowdown in China's investment in Africa's mining sector, but that by no means lessens its importance. As of 2013, mining operations (both gas/oil and non gas/oil) in Africa comprised about a quarter (24.7%) of China's overall investment in Africa. [38] A major stimulant of this type of investment is Africa's rich land of natural minerals that are necessary for Chinese economic and industrial development, iron and copper have previously been mentioned but also of value to Chinese investors and mining consortiums is: Uranium (being mined in Namibia by the China National Nuclear Corporation), Chromium (being mined in South Africa by the Sinosteel Corporation), Bauxite (mined in Guniea by China Henan International Cooperation Group Co. Ltd.), Manganese (mined in Gabon by CITIC Dameng Mining Industries Limited, and in Zambia by Chiman Manufacturing Ltd.), Nickel (mined in South Africa and invested in by Jinchuan Group Co., Ltd. and the China-Africa Development Fund (see below)), among other precious metals.[39] As can be demonstrated by a broad analysis of the Chinese involvement in the precious metal industry, China is heavily invested in these sectors throughout the continent. While each precious metal could take up an entire feature, this paper has selected iron and copper to view in closer detail.

Iron-ore is the second most traded commodity on the planet, right behind crude. While crude is far and away the most widely traded commodity, economic development and industrial growth would not be possible without iron ore. As *The Economist* wrote in 2012, in an article entitled "The Lore of Ore", "The metal provides the backbone of skyscrapers, bridges and motorways, and the carapace and internal organs of cars, fridges and washing machines. Given steel's ubiquity—it makes up 95% of global metal production—iron ore, the raw material from which it is made, attracts strangely little attention." [40] This paper will endeavor not to make that mistake and give iron-ore a valuable bit of attention.

One of the initial forays into the iron-ore mining process in Africa, by Chinese firms was the infrastructure-for-natural resources deal between the China and the Democratic Republic of the Congo over the Sicomines in 2007. [41] The deal struck a multibillion dollar investment program negotiated from 2007-2009, in exchange for mining concessions China would allocate needed capital for DRC's infrastructural

---

[38] Han, Zhen. "China's Current Involvement in Mining in Africa." *Lexology*. Mayer Brown LLP, 5 Feb. 2016. Web.
[39] Han, Zhen. "China's Current Involvement in Mining in Africa." *Lexology*. Mayer Brown LLP, 5 Feb. 2016. Web.
[40] "The Lore of Ore." *The Economist*. The Economist Newspaper, 13 Oct. 2012. Web.
[41] Jansson, Johanna. "The Sicomines Agreement: Change and Continuity in the Democratic Republic of Congo's International Relations." *Africa Portal*. South African Institute of International Affairs (SAIIA), 01 Oct. 2011. Web.

development. The investment was undertook primarily by the China Railway Group Limited and Sinohydro Corporation Limited. In return for a 68 percent stake in the Sicomines operations, China's state-run Exim Bank among others have allocated an initial $3 billion for infrastructure and an additional $3 billion to develop the mines production efficiency.[42] This was greeted in the west as a direct challenge to the IMF (International Monetary Fund), and their monopoly on development assistance to African countries, but characterized the overall African trend of development for resources investment approach. As has been repeatedly underlined by this paper, China sees opportunity where others see instability, it has been demonstrated by China's investment in volatile geographic regions for oil and natural gas exploration, Chinese firms' disregard for illicit practices in the timber industry and further highlighted by a natural resources exchange with DRC, who *Transparency International* ranks as 156/176 on their Corruption Index in 2016, awarding them a 21/100 score. [43] Also present on this list are other countries previously mentioned by this paper such as: Angola, Eritrea, Sudan, South Sudan, and Somalia (being the most corrupt according to this list). So it should come as no surprise to the reader that China's interests outweigh a target country's stability or level of corruption, what matters to it is profit.

As China's hunger for steel is unsated it has not stymied their investment ambitions in African iron-ore. Another such example is the state-owned firm Chinalco (Aluminum Corporation of China Limited) and their acquisition of the sometimes termed "cursed" iron ore deposit in south-eastern Guniea near the Simandou Mountains. With the prospect of around 2 billion tons of ore to extract, and a government led by Alpha Conde promising to do so upon their ascension into office in 2010, the extraction attracted hedge funds, investors, and firms looking to profit from the minerals. Marred by a dispute between Israeli diamond mogul Beny Steinmetz and Rio Tinto (one of the world's largest mining companies) the project was initially stalled by accusations of corruption and a corresponding investigation. [44] Rio Tinto later began production as part of a joint venture with Chinalco, which is not the only endeavor between the two companies. However, after initial prospects of a return on investment looked less viable, Rio sought to sell its shares to Chinalco, which it did last October.[45] This deal was agreed for the modest price of $1.3 billion for a 46.6% stake in the project.[46] What the Simandou project lacks is adequate funding for development, including the construction of a 650 km railway line and a port to export the fruits of the project. Chinalco through deals such as these has become an industry leader in the mining industry and as the mainland's need for steel is not decreasing, Chinalco will look to increase their investment in the Simandou project to further China's market access to the largest iron ore deposit in the world.

Cooperation with Western firms is not unique to Chinese mining investors on the continent. One such example where China is not the major shareholder in a venture is the Tonkolili iron ore mine, located in the Sula Mountain range in Sierra Leone. The Tonkolili iron ore mine is being developed by a subsidiary of the UK-based African Minerals (AML), which owns the majority 75 % stake in the mine, the remaining quarter of the mine is owned by the Shandong Iron and Steel Group (SISG). [47] As was seen with the Simandou project, the development of the mine featured the construction of two railways (75 km and 126km respectively) and a renovation of a port (Pepel Port). The production has also begun and has seen

---

[42] Ross, Aaron. "China's 'infrastructure for Minerals' Deal Gets Reality-check in Congo." *Reuters*. Thomson Reuters, 09 July 2015. Web.
[43] E.V., Transparency International. "Corruption Indexes." *Democratic Republic of the Congo*. Transparency International, n.d. Web.
[44] "A Pig of a Project Africa's Largest Iron-ore Deposit Has Tainted All Who Have Touched It." *The Economist*. The Economist Newspaper, 12 Jan. 2017. Web.
[45] "Rio Tinto Quits Guinea Iron Ore Project, Sells to Chinalco." *Financial Review*. N.p., 28 Oct. 2016. Web.
[46] "Rio Tinto Agrees $1.3bn Sale of Simandou Stake to Chinalco." *Financial Times*. The Financial Times, 28 Oct. 2016. Web.
[47] "Tonkolili Iron Ore Mine." *Mining Technology*. Mining-technology.com, n.d. Web.

a 20 metric tons per annum rate in 2013. In a venture that started with a AML, eventually in 2015, Shandong Iron and Steel Group was able to acquire AML's 75% share for a modest $170 million. Now Shandong Iron and Steel owns 100% of the equity in Tonkolili and also acquired the related African Port and Railway Services. [48] Little information is available online about the African Port and Railway Services, but the importance of the acquisition revolved around the iron ore deposits within the Tonkolili sites, which Shandong is the sole owner of.

As can be seen with both the Simandou case, and the Tonkolili case, Chinese firms are not afraid to partner up with other foreign firms to dip their toes in the water. If the water seems fruitful they have shown a trend to continue cooperation as long as it is profitable and then consolidate their hold on the source of that profit. Rio Tinto while not a 50+1 % shareholder in the Simandou venture, was by no means a small player in the mining industry (quite the opposite actually) and utilized Chinalco funding to kickstart a production decades in the making marred by corruption cases and international disputes. Once that production seemed less profitable than initially expected they washed their hands clean of the project with Chinalco money. Similarly AML the majority shareholder on a promising venture utilized the Shandong Iron and Steel Group to provide the necessary capital for development of the project. Not contrary to Chinese investment on the continent both projects also featured a development of African infrastructure, while not in exchange for the projects but a part of it. Once Shandong was satisfied with the input it received from their AML partners, they not only bought them out but also acquired the rights to their subsidiary which carried out the railway operations. Chinese firms' operations on the continent clearly have a trend that characterizes the Sino-African relations in each industry.

Another precious metal that is vital for Chinese economic growth is copper. While some of the Chinese investment in the metal mining industry on the continent has been highlighted by this paper, one final keyhole should be illuminated by this paper. That is Chinese engagement in the Copper industry on the continent. Since 2005, one of those avenues for investment has been through the China National Overseas Enginerring Corporation's (COVEC) agreement with DRC's MKM Company in order to develop a copper and cobalt mine in the Katanga Province's Kolwezi District known as the Kalumbwe-Myunga mine. This joint venture between COVEC and MKM sees the Chinese firm holding a 71% stake in the project while the remaining 29% is held by MKM. According to some sources, the project needed $39 million to proceed, but carried on to state that COVEC has increased the investment in this project stood closer to $300 million. While MKM owns 29% of the venture, they do not possess the capital in order to facilitate its development. Therefore, willing Chinese lenders obliged them a $60 million line of credit to pursue their share of the venture. As of October 2011, the mine was reported as fully operational and is expected to increase production levels to around 8700 tons of copper per annum and less importantly for the purposes of this paper around 926 tons of cobalt per annum. But little else is known or available through open-sources about this project.[49]

Additional significant developments have been made by Chinese mining investors, such as the Kamoa project also in the Katanga province of DRC. The project's chief developer is not a Chinese firm, but Ivanhoe Mines which is headquartered in Canada and listed on the Toronto Stock Exchange. [50] The Kamoa Copper Project also features the investment of Zijin Mining Group Company, our focus for the purposes of this paper. This project has been ranked by some as the largest, underdeveloped, high-grade copper discovery in the world. [51] Katanga, while plagued by civil war and a Cold War battleground over

---

[48] "Shandong Iron & Steel Group." *Mining Atlas*. Mining Atlas Business Intelligence, n.d. Web.
[49] "Develop the Kalumbwe-Myunga Copper-cobalt Mine." | *AidData*. AidDataChina, n.d. Web.
[50] "Corporate Governance." *Ivanhoe Mines New Horizons*. Ivanhoemines.com, n.d. Web.
[51] "Ivanhoe Mines' Kamoa and Kakula Africa's Greatest Copper Discoveries." *Miningreview.com*. Mining Review Africa, n.d. Web.

mining concessions in the late 1950s throughout the 1960s which even saw the assassination of the United Nations Secretary General Dag Hammarskjold, has since become a prime target of investment for firms like Zijin and COVEC.

Moving away from the DRC for a bit, Chinese copper interests are also present in Tanzania via the copper exploration project, whose primary investor is the China Henan International Cooperation Group aforementioned in relation to Bauxite mining in Guinea. Another example is the China Nonferrous Metal Mining Company (Group) Ltd. and their acquisition of the Chambishi Copper Mine in Zambia. Their own website applauds the investment riddled with English spelling errors as:

> "Chambishi Copper Mine was obtained by CNMC through an international bid in 1998, at which time CNMC also obtained the use right to 41 square kilometers of land on the surface of the mine for a term of 99 years. The mnine (sic), with resources including 5 million tonnes of copper and 120,000 tones (sic) of cobalt, and involving a total investment of US$ 160 million, is the first and, to date, the largest nonferrous metal mine overseas approved by Chinese government for development and construction. It has been hailed as the project that symbolizes Sino-Africa cooperation. Construction began in July 2000 and the mine opened for production on schedule in july 2003. During his visit to Africa in November 2004, Wu Bangguo, Chairman of the Standing Committee of the National People's Congress, personnally (sic) toured the Chambishi Copper Mine, Zambia, and wrote the inscription "Make great efforts to govern well and realize one's ambitions",instructing (sic) CNMC to make Chambishi Copper Mine the "largest overseas nonferrous metal industry resource base"."[52]

The level of Chinese firm engagement in the African mining industry is just too difficult to compile in such a small paper as it is so extensive but these examples should help the reader to understand the trend of this engagement and its extensiveness. The Chinese firms have heavily increased their investment in African mining activities in this new millennium, and that trend does not look to be changing anytime soon. To summarize the trends that have been underlined as it pertains to the mining of precious metals; China has rapidly increased its investment in the continent for a variety of metals, whether independently, with domestic firms, or foreign firms, Chinese investments in the metals sectors is usually accompanied by infrastructural development to further the projects, unlike Western firms however China remains undeterred by the levels of corruption in the host country. As one can gather, this statement in the prior sentence can be supplanted and utilized to describe nearly any industry in which China is engaged on the continent. These descriptions qualify the Sino-African relationship more systematically, and assist the reader in understanding how this relationship functions between the two economic areas. The level of investment accounting for only 4% of China's overall overseas investments also speaks volumes to the astounding size of China's global economic position.

While oil, lumber, and iron and ore have all been analyzed in closer detail it is important to note that this does not come near a summarization of all Chinese economic activity on the continent. China is also engaged in illicit ivory trade, diamond mining and trade, and separate from these luxury goods, is a growing Chinese demand for another stimulus of Chinese economic expansion, coal. As a growing global demand decreases for coal, this is not the case for Beijing consumers one of the major SOEs in coal operations in Africa is the Power Construction Corporation of China. However as crippling pollution is decimating Chinese cities and China and India have sought to cut their coal consumption which is beyond capacity, the trend of China buying African coal does not seem to be sustainable as Beijing looks to shift its energy consumption with more sustainable and environmental solutions.

[52] CNMC. "Chambishi Copper Mine." *CNMC.com.cn*. N.p., 20 Aug. 2009. Web.

CHINA AFRICA INVESTMENT MECHANISMS: THE CHINA DEVELOPMENT BANK, CHINA EXIM BANK, AND CHINA-AFRICA DEVELOPMENT FUND

When considering pure inter-state relations, it is important to note that the People's Republic of China employs a few financial mechanisms to further its interest in Africa and across the globe. Although, Africa as aforementioned only accounts for 4% of Chinese investment throughout the world, and this looks to change with the expansion of President Xi's Belt and Road initiative, a significant amount of Chinese capital still finds its way to the continent of Africa. One such financial mechanism the Communist People's Republic of China utilizes to engage in financial diplomacy is the China EXIM Bank.

The Export-Import Bank of China is more than just a bank, similar to the International Monetary Fund, the EXIM Bank of China seeks to give preferential loans to countries for the illicit purpose of development. Created in 1994, it sought to challenge reliance on Western based financial institutions for developing countries to secure much needed capital to further their countries' economic stability and viability in an increasingly globalized economy. [53] In addition to offering loans and credit to importers and exporters the EXIM Bank was also part of an increasing effort to improve the renminbi's standing as an international currency. According to their website the mission of the Export-Import Bank of China is:

"The Bank's main mandate is to facilitate national development strategies, and build a policy bank which has clear-cut market positioning, well-defined business portfolio, unique functions, sufficient capital, good governance, strict internal control, safe operation, high quality service and sustainable development capability. Its financial support goes to foreign trade, cross-border investment, the Belt and Road Initiative, international industrial capacity and equipment manufacturing cooperation, science and technology, cultural industry, "going global" endeavors of small and medium enterprises, and the building of an open economy. "[54]

But the EXIM Bank has deep financial interests in Africa, increasing the number of credit lines that they have opened in recent years on the continent. However, much about the bank is not available from open-sources, and remains shrouded in darkness. *The Africa Report* back in 2012 reported on the prevalence of the Bank's activities on the continent as:

"According to statistics published by the UK daily newspaper the Financial Times, China Exim Bank and the China Development Bank awarded more than $120bn in loans between 2009 and 2010.Ratings agency Fitch estimates that $67.2bn of China Exim Bank's loans were for African projects between 2001 and 2010. That is much more than the World Bank's $54.7bn over the same period. In sub-Saharan Africa, China Exim Bank was the source of 92% of Chinese investment in infrastructure projects from 2001 to 2007.Already in 2012, it has awarded $500m to the Republic of Congo for the reconstruction of the Mpila neighbourhood destroyed by a blast at a munitions dump, another $500m for the construction of a road to link Douala and Yaoundé in Cameroon and $120m for electrification projects in Chad. Those are just the projects that have been made public by an institution that is well known for its opacity. China Exim Bank, which publishes an annual report each year with just some general statistics, refused to answer questions for this piece."[55]

Also mentioned in that excerpt was the China Development Bank, which will be visited more thoroughly below. Important to note is the sheer volume of capital being allocated to the continent by the EXIM- Bank since 2000, just six years after the bank's creation. What this also illustrates is the shift in dominance of

---

[53] "Company Overview of The Export-Import Bank Of China." *Bloomberg.com*. Bloomberg, 26 Aug. 2017. Web.
[54] "Profile." *Introduction - The Export-Import Bank of China*. The Export-Import Bank of China, n.d. Web.
[55] Ofori-Atta, Prince. "The Africa Report." *China's Exim Bank: Africa's Largest Financier Looks for an Even Bigger Role | North Africa*. The Africa Report, 25 Oct. 2012. Web.

Western Washington consensus backed institutions'' monopoly on the continent towards Beijing consensus backed lenders from mainland China. Positioned as the financial arm of the People's Republic of China, it functions under the purview of the Ministry of Commerce and Ministry of Foreign Affairs. This stands in stark contrast to the Bretton Woods Institutions which are governed by various countries based on economy size and accountable to over 180 member countries of the bank. [56] Unlike the IMF, the Chinese EXIM Bank is directed by a single party regime, and governed by one country accountable to no one but the Chinese Communist Party. This fact is deeply concerning to not only Western policy and decision makers but also to financial institutions who monitor the EXIM Bank of China. It should be concerning to the African countries that rely on these loans for their countries' development but as that much needed capital often comes without strings attached, in contrast to the IMF and Western aid, the treasure chests of Chinese capital is oftentimes to attractive to question.

An important fact to note about the EXIM Bank of China, in relation to their interest in Africa is that the China EXIM Bank is the largest shareholder in the African Export Import Bank (La Banque africaine d'import-export) sometimes shortened to Afreximbank. The often grant loands to the Afreximbank, which initially was created to stimulate and promote trade between African countries. [57] One of the Afreximbank's board members also reflects this interest from the Beijing policy-bank, Ms. Xu Yan who is listed on the Afreximbank's website as "*General Manager, International Business Department, EXIM Bank of China*"[58] and who is also listed as a Vice-President of the EXIM Bank of China. [59] The history of these two bank's ties goes back to the banks' creations but this paper will seek to highlight a select few of the interactions that the banks have had with one another.

One such agreement was announced in April of 2016, when the two banks (the African Export-Import Bank and the Export-Import Bank of China) penned an agreement to develop a new plan for industrialization and accelerate Africa's development. The plan came on the back of President Xi's announcement to invest $60 billion in Africa's development over the next decade, and included an initial $1 billion of capital up front. The two banks, took this opportunity to announce that the investment would be aimed at improving Africa's development capacity and through that development a deepening of trade relations.[60] As has been demonstrated with our analysis of China's interest in the natural resources of the continent, Chinese investment often comes hand in hand with infrastructural development, and although where exactly this $1 billion will be allocated remains to be seen, it is assumed that African infrastructure will see much of the $60 billion in capital China has pledged to the continent over the next decade.

Another recent agreement was struck in September of last year (2016), in contrast to some of the loans visited, this loan dwarfs the April deal struck between the two banks amounting to about $300-

---

[56] "About the IMF." *IMF*. The International Monetary Fund, n.d. Web.
[57] "About Us: Background." *African Export-import Bank*. AFREXIMBANK, n.d. Web.
[58] "About Us: Organisational Structure: Board of Directors." *African Export-import Bank*. AFREXIMBANK, n.d. Web.
[59] "Company Overview of African Export-Import Bank:Executive Profile Xu Yan." *Bloomberg.com*. Bloomberg, n.d. Web.
[60] "China Eximbank and Afreximbank Plan $1 Billion Industrialization Programme for Africa." *African Export-import Bank*. AFREXIMBANK, 01 Apr. 2016. Web.

million.[61] This loan closing marked a watershed in the Bank's history, as it took the form of a China/Taiwan specific syndicated loan, guaranteed by the EXIM Bank of China. [62] This is only expected to increase the two regions economic cooperators, as it has shown that the Afreximbank will become a viable client for multinational lending institutions. However African leaders do not seem to be interested in securing more loans from multinational institutions, but rather to be indebted to uni-national institutions such as the EXIM Bank of China.

Often working in tandem with the EXIM Bank of China, is the China Development Bank. The China Development Bank International Investment Limited (CDBII), is a financial institution encorporated in the Cayman Islands, and listed on the Hong Kong Stock Exchange (HKSE), and but one arm of the much larger China Development Bank Corporation (CDB). [63] Similar to the EXIM Bank of China, it was created in 1994 through a policy bank act which created three separate and distinct policy banks to function as financial arms of the People's Republic of China. [64] In addition to the China Development Bank and the EXIM Bank of China, the 1994 act also created the Agricultural Development Bank of China (ADBC), which will be discussed further below.[65] While the EXIM Bank has been discussed above and the purpose of the ABDC seems quite obvious from its name, the China Development Bank's activities are still unclear to the reader.

One of the primary engagements of the CDB as it pertains to this paper was the creation of the China-Africa Development Fund. Established in 2006, it came as one of the initiatives first proposed at the Beijing Summit of the Forum on China-Africa cooperation. Its stated objective was to encourage and promote Chinese firms to increase their investment operations on the African continent. It began its operations two years later in 2007, when the fund was able to allocate around $5 billion to be invested on the continent. It proposed market-based channels to exchange foreign reserves into funding sources for investment opportunities in Africa. Since its establishment the China-Africa Development Fund has actively provided support for fiduciary cooperation between African countries and the People's Republic of China. It initially revolved around select sectors including: infrastructure, manufacturing, industrial park and resource development project, and agriculture. Intended to stimulate the industrial and agricultural modernization of African countries it also claimed to promote the facilitation of sustainable and independent development of the African countries. [66]

The CDB intended to overcome some of the major and systematic inhibitors faced by the African economies, chief among these was the development of the staggeringly underdeveloped African infrastructure. Other inhibitors listed the aforementioned cited mission statement of the CDB China-Africa

---

[61] "Afreximbank Closes $300 Million China Exim-backed Loan." *African Export-import Bank*. AFREXIMBANK, 16 Sept. 2016. Web.
[62] "Afreximbank Closes US$300m China Exim-backed Loan." *Trade and Forfaiting Review*. TFR, n.d. Web.
[63] "2017 Interim Results." *China Development Bank International Investment Limited*. China Development Bank International Investment Limited, n.d. Web.
[64] "STRENGTHENING THE BANKING SYSTEM IN CHINA: ISSUES AND EXPERIENCE." *BIS POLICY PAPERS* 7.BANK FOR INTERNATIONAL SETTLEMENTS Monetary and Economic Department (1999): n. pag. Print.
[65] "China Approves Reforms to Three Policy Banks." *THE STATE COUNCIL THE PEOPLE'S REPUBLIC OF CHINA*. English.gov.cn / Xinhua, 12 Apr. 2015. Web.
[66] "China-Africa Development Fund." *Comprehensive Finance Solutions*. China Development Bank, n.d. Web.

Development Fund were “underdeveloped … human resources and funding shortages”. It is important to consider that without adequate capital or infrastructural systems in place the Chinese economic interest in the continent is vastly inefficient and underperforming. Through efforts like the CDB’s China-Africa Development Fund, these inefficiencies were attempted to be diagnosed and treated to improve Africa’s economic attractiveness, and China’s ability to exploit their attraction to the African continent. The Development Fund gave specific priority to three infrastructural transportation networks (e.g. freeways, regional aviation, and high-speed rail), it is quite obvious how improving Africa’s ability to facilitate this type of transportation would have not only social value for the African governments but also commercial value for Chinese firms operating in Africa. Industrialization was obviously a major initiative of the fund, along with the production capacity between the two regions.

Pursuant to their published website the China Development Bank lists the China-Africa Development Fund primarily involving:

“(1) Sharing investment risks with the enterprises and providing credit enhancement for the relevant projects based on investment partnership. (2) Providing information services and help the enterprises familiarize themselves with the actual situation and investment environment in African countries. (3) Bridging the gap between Chinese and African parties as the dealmaker for African investment projects.”[67]

Much of the increased investment in Africa by the Chinese can be traced to the fund’s establishment after 2006. As Chikova states, “what makes this fund unique is that it actively participates in the investment by playing a major role on the market and bearing its own risks. The fund…has become the first equity investment arm established by China to focus solely on investment in Africa. President Xi Jinping proposed an addition $5 billion. “[68] Chikova goes on to claim that the fund is mutually beneficial for both sides for the reasons outlined above, and with the 2015, recommitment to the fund by the Chinese President it is posed to continue and increase its importance on the continent for the years to come. The China-Africa Development Fund in addition to the increased role it has played in the investment flow from the mainland to the continent, has also harmonized itself with the Chinese Foreign Ministry’s development goals and ambitions.

One of the interesting ways that the fund has operated outside of the sectors outlined above is their role in the creation of a digital media outlet for the continent, StarAfrica Digital TV. Without the misleading name it should be stated that this media outlet is not African at all, but established through Chinese FDI. [69] Its ownership can be traced back to Star Times a Chinese digital media corporation. Through its Chinese investors StarAfrica is seeking to become a regional hegemon in the digital media industry on the continent. In May of this year (2017), Star Times hosted the seventh annual Africa Digital TV Development Seminar in Beijing.[70] Since opening its first branch on the continent in Rwanda in 2007, Starcast has become a giant in the limited digital media industry in Africa, expanding its reach to over 9 million subscribers in over 30

[67] "China-Africa Development Fund." *Comprehensive Finance Solutions*. China Development Bank, n.d. Web.
[68] "Africa: Exploring the China-Africa Development Fund." *Forum on China Africa Cooperation*. Focac.org, 14 Oct. 2016. Web.
[69] "StarTimes Invests in Digital Television $110,998,732.58 to Uganda in 2011 | ID: 30694." *StarTimes Invests in Digital Television | AidData*. Aiddata China, 2011. Web.
[70] Ciao Yin Yang, 李齐. "Chinese Company Helping to Boost Digital TV in Africa." *Chinadaily.com.cn*. CHINA DAILY, 26 May 2017. Web.

countries. Their programming features a variety of news, and other programming options which have been dubbed in local languages. Monopolized by a South African firm known as MultiChoice, the pay for TV market has long been under the purview of African firms themselves. But this reality is rapidly changing as Starcast has offered cheaper option and in Nigeria for instance (Africa's largest economy) it has already knocked off MultiChoice from the top provider position.[71] That same article from Quartz went on to state that in East Africa alone, Starcast has swallowed up a 39% market share in East Africa alone. For a burgeoning and fast growing market the digital media industry is only poised to become more important for the continent and its investors. Strangely enough, the StarAfrica TV model has seen most of its funding deriving from the China Development Bank's Chin-Africa Development Fund, transcending the sectors that were mentioned above.

What is clear from the Fund, is that it is not becoming just an element of Sino-African cooperation, nor hard power used to increase Chinese and African cooperation, but that also through forays into other industries, such as digital media it is clear that the fund is a tool for Chinese soft power as well. According to Zhang, Wasserman, and Mano the Chinese cultural ministry has even outlined Star Media as a "cultural exports key enterprise". [72] The China-Africa Development Fund is the StarTimes second largest shareholder, and the company has allocated around $200 million for its African operations. Last year StarAfrica completed its new headquarters in Nairoibi, Kenya for all its African operations.[73] This venture only looks to expand and helps to illustrate the unique nature of the China-Africa Development Fund.

In addition to assisting Chinese media firms in their entry into the African markets, this does not even closely illustrate the media interest shown by the Fund. The Fund in addition to assisting Chinese firms, has begun acquisitions of African media outlets and firms to sure up China's hold over the media distributed throughout Africa. The Fund also facilitated the deal to purchase the Independent Media from Irish owners back in 2014. The purchase saw Chinese holdings reach a 20% share in Independent Media whose subsidiaries include: Pretoria Times, Diamond Field Advertiser, Cape Times, Business Report, and African Independent.[74][75] The holding marks Chinese forays into some of the largest media and news providers in South Africa, often touted as a leader in the African economic community. The question then remains, why is the Fund so interested in acquiring media and increasing Chinese holdings in the media industry, for a fund that *prima facie* is intended to improve Chinese led investment on the continent. While not necessarily nefarious these actions do seem to be contrary to the China-Africa Development Fund's stated goals of improving infrastructure and investment opportunities in manufacturing and industrialization.

As the second policy bank visited by this paper, it should be noted that the sectors and activities of these banks go much beyond fostering good faith relations between the continent and the PRC. They are

---

[71] Mohammed, Omar. "A Chinese Media Company Is Taking over East Africa's Booming Pay-TV Market." *Quartz*. Quartz, 04 Aug. 2015. Web.
[72] Zhang, Xiaoling, Herman Wasserman, and Winston Mano. *CHINA'S MEDIA AND SOFT POWER IN AFRICA*. N.p.: PALGRAVE MACMILLAN, 2017. Print.
[73] "Africa: Star Times Expands into Africa after Completion of Headquarters in Kenya – Shout-Africa." *Shout-Africa*. SHOUT AFRICA ALWAYS ASPIRING TO CULTURAL QUALITY, 26 Apr. 2016. Web.
[74] "INDEPENDENT MEDIA: OUR BRANDS." *Weekly & Weekend*. Independent Media, n.d. Web.
[75] McKune, Sam Sole & Craig. "What's Black and White and in the Red All Over?" *The M&G Online*. Mail and Guardian, 28 Aug. 2014. Web.

used to facilitate economic ties between the two countries and strengthen China's hold over the continent's economic opportunities. Far beyond improving import-export capacity, or building motorways, railways, and airfields the EXIM Bank of China and the China-Africa Development fund are seeking to enter into a variety of sectors and improve the Asian giant's market shares.

The final policy bank to be visited by this paper is the Agricultural Development Bank of Cina (ADBC). As part of the 10th five-year plan for social development, economic assistance and agricultural cooperation was considered a key part of the 'going out' strategy for the Chinese. [76] As China has been engaged in agricultural cooperation in Africa for more than 40 years, they are no stranger to the agricultural situation on the continent. According the China in Africa Project, the agricultural sector only accounts for around 3% of FDI outflows from China into the continent. Obviously, and has been previously visited by this paper, Mining, petroleum, and manufacturing account for the majority of Chinese FDI on the continent. But nevertheless agriculture remains an important industry for the Chinese investor.

Case Study: The Democratic Republic of the Congo

Before delving into a fully fledged analysis of the Sino-Congolese relationship in closer detail than the superficial systematic study presented above, it will be important that the reader possesses some historical background on the Democratic Republic of the Congo to understand why and how the Congolese government is keen to strengthen its ties with the PRC.

The Democratic Republic of the Congo, gained its independence in the year 1960 after being claimed as a Belgian colony in 1908. As Khruschev sought to gain a Cold War foothold on the African continent, and Congo looked attractive to establish this foothold, competing blocs used the African country as a battleground. Marred by political instability and social struggles, Colonel Joseph Mobutu took advantage of this instability in the 1965 coup making him President of the young nation. He followed this ascension to leadership with two rebranding efforts, firstly changing the name of the country from the Republic of Congo to Zaire and his own name from Joseph Mobutu to Mobutu Sese Seko. Holding power for nearly 35 years, through "managed elections" and brutality, his regime faced further instability in the early 1990s due to an influx of refugees from Burundi and Rwanda into the country. Laurent Kabila then stepped to the forefront by sparking a rebellion, backed by Rwanda and Uganda, which saw the African country face its own civil war and ethnic strife which eventually toppled Mobutu's regime. In 1997, when Mobutu fell, Kabila took his place and renamed the country The Democratic Republic of the Congo (DRC), but only a year later his own government was overthrown, through yet another rebellion backed by Uganda and Rwanda. This civil war quickly spiraled out into a region wide proxy war in which troops from Chad, Namibia, Sudan, Zimbabwe, and Angola intervened to support and stabilize Kabila's regime. By 2001 however, Kabila himself was assassinated and his son and heir was named President (Joseph Kabila). [77][78]

---

[76] Sun, H E L E N Lei. "Understanding China's Agricultural Investments in Africa." *SAIIA.org*. China in Africa Project, Nov. 2011. Web.

[77] "Democratic Republic of Congo Profile - Timeline." *BBC News*. BBC, 13 July 2017. Web.

[78] "Democratic Republic of the Congo (DRC)History." *Encyclopædia Britannica*. Encyclopædia Britannica, Inc., 2017. Web.

The new Kabila faced tough negotiations with the government of Rwanda, whose troops occupied the eastern portion of the country. But by the end of 2002 the Pretoria Accords were signed and a government of national unity was agreed upon. [79][80] By the next year, a transitional government was established and held a successful constitutional referendum in December of 2005 in conjunction with elections for the presidency, with a legislature following a year later. The DRC saw a short lived era of peace until conflict broke out again in 2009, again in the eastern portion of the country when a Tutsi led rebel group force the government to capitulate and agree to a peace agreement with the group, the National Congress for the Defense of the People (CNDP). Members of this armed rebellion were supposed to be integrated into the military, but those efforts failed which led to the creation of the M23 armed group, so-named for the 23rd of March 2009, when the peace agreements were signed. Eventually by 2013, in conjunction with the international community, UN and government troops pushed the M23 armed group out of the DRC and into neighboring countries such as Uganda and Rwanda. But the country faced a spate of human rights abuses, and intermittent fighting which continues till today. In 2011 however, Joseph Kabila was elected to the presidency again, albeit under disputed elections, and the legislature has since delayed the 2016 national elections to allow Kabila to serve out his second term and beyond. Late December of last year saw a last ditch effort by Kabila's opponents, which saw them pen a deal with the government officials requiring Kabila to step down after elections at the end of this year, 2017. [81][82]

A country that has experienced this much instability in the last 50 years, hardly seems like an attractive investment country to any firms but Congo's bloody and instable history is inextricably linked with its natural resources. The initial instability after independence featured as its backdrop the convergence of not only geo-political superpower blocs competing for interests but also companies operating in the Congo looking to exploit the country's rich mineral and natural resource stockpiles. For instance it is important to note that the United States involvement in the country, which many have alleged resulted in the assassination of Patrice Lumumba, the communist backed Prime Minister was in order to stabilize the USA's source of Uranium. [83][84] Outside of the communist bloc, the Congo at the time was the only producer of Uranium, and the bomb that was dropped on Hiroshima, contained Uranium mined in Congo's Shinkolobwe mine in the province of Katanga.[85] The province of Katanga, as aforementioned has been a source of much of the instability in the country, particularly when Moise Tshombe formed a breakaway state in 1960. In addition to Uranium, the Katangan province's claim on independence was supported by copper

---

[79] UNSC. "SECRETARY-GENERAL HAILS PRETORIA AGREEMENT AS POLITICAL MILESTONE FOR PEACE IN CONGOLESE CONFLICT | Meetings Coverage and Press Releases." *United Nations*. United Nations, 8 Aug. 2002. Web.
[80] "Peace Agreement Between the Governments of the Republic of Rwanda and the Democratic Republic of the Congo on the Withdrawal of the Rwandan Troops from the Territory of the Democratic Republic of the Congo and the Dismantling of the Ex-Far and Interahamwe Forces in the Democratic Republic of the Congo (DRC) (Pretoria Agreement)." *U.S. Department of State*. U.S. Department of State, 30 July 2002. Web.
[81] "The World Factbook: CONGO, DEMOCRATIC REPUBLIC OF THE." *Central Intelligence Agency*. Central Intelligence Agency, 01 Aug. 2017. Web.
[82] "DR Congo: Chronology." *Human Rights Watch*. Human Rights Watch, 23 Jan. 2012. Web.
[83] Mutahi, Kiama. "THE UNITED STATES, THE CONGO, AND THE MINERAL CRISIS OF 1960-64: A TRIPLE ENTENTE OF ECONOMIC INTEREST." *A Thesis Submitted to the Faculty of Miami University*. Miami University, 2013. Web.
[84] "THE C.I.A. AND LUMUMBA." *The New York Times*. The New York Times, 01 Aug. 1981. Web.
[85] Williams, Susan. "The Link between Uranium from the Congo and Hiroshima: A Story of Twin Tragedies." *The Huffington Post*. TheHuffingtonPost.com, 01 Sept. 2016. Web.

and other mining interests from Western companies listed in Belgium, France, and Britain. [86] Eventually mercenaries were hired by those mining companies and use to uphold the Katangan rebellion, while the mining companies were able to capitalize on the instability.

What is clear is that although the Congo was blessed with a vast source of a plethora of natural resources, this has led to instability fomented by interests in those natural resources by foreign powers. Furthermore, the lack of stability in the country is buttressed by an increasingly unstable region throughout the 1990's and to today. So the question remains, why would any company feel encouraged to invest in the Congo, if the costly nature of the instability could affect their investments? As has been shown with the Chinese investments throughout the continent, where Western firms and countries see instability and likelihood of loss on their investment, the Chinese see opportunity.

By way of a final historical note on the Sino-Congolese relationship, it is important to note that the Congo officially recognized Taiwan throughout their early years, and therefore the modern Sino-Congolese relationship can draw its origins from the year 1972 when the DRC officially recognized the PRC and established relations which have since remained intact and flourished. [87]DRC should not be confused with the equally instable Republic of the Congo, sometimes referred to as Congo-Brazzaville or West Congo, whose history will not be covered here but whose economic ties with China will also be visited.

SINO-CONGOLESE ECONOMIC TIES

China's interests in the Congo are not new, nor are they incredibly difficult to understand. Throughout the motif of this paper, the readers should begin to understand that China's interest on the continent revolves around Africa's rich natural resources, and the Congo is no exception. These investments span the gambit of the international economy and feature Chinese interests in not only the natural resources in the country but also in the telecommunications fields, infrastructure fields, etc. But these interests in the county did not start following the 1960 independent Republic of the Congo, or during any of its modern amalgamations but back in the days when the Congo was internationally viewed as the personal property of King Leopold of Belgium.

As Li Anshan in his seminal work has asserted Leopold the II had requested from the Qing dynasty in the late 19th century to send laborers to the then Congo Free State, and by 1892 a few Chinese laborers set out from Macau to the African then property of the Belgian King (not a colony). They were instrumental in building the Congo railway, working in the timber industry, and other menial labor tasks. Many of the Chinese laborers died in the harsh conditions and this was reported on by Hong Kong publications, when about 1000 laborers set out from China to Africa. China eventually received a most-favored nation status by the Congo (Belgian military authorities) and the Chinese were continually employed throughout the early 1900s to set off to the Congo, about 2000 were sent from the years 1900 -1901. [88] When China would

[86] "Congo in Crisis: The Rise and Fall of Katangan Secession." *Association for Diplomatic Studies and Training*. Adst.org, 08 Sept. 2015. Web.

[87] Han, Tracy, Johanna Jansson, Haifang Liu, Christopher Burke, and Carine Kiala. "Evaluating China's FOCAC Commitments to Africa and Mapping the Way Ahead.: A Report by the Centre for Chinese Studies. Prepared for the Rockefeller Foundation, September 2009." *Roskilde University*. Rockefeller, Sept. 2009. Web.

[88] Li, Anshan. *Fei Zhou Hua Qiao Hua Ren Shi//A History of Overseas Chinese in Africa to 1911*. N.p.: Zhong Guo Hua Qiao Chu Ban She, 2000. Print.

return to the Congo for economic benefit it would not be in the form of cheap labor, but of investors looking to maximize their profits from the rich natural resources the independent Congo provided them.

Some of the mining interests in the country have already been discussed, but as aforementioned natural resources are not the only area Chinese firms have engaged in. One example of the diversification of Chinese investments was a venture to increase the telecommunications holdings of Chinese firms in the DRC. Led by Chinese firm ZTE, this joint venture was the establishment of the China-Congo Telecom venture, 51 % owned by ZTE, and the remaining 49% owned by the Congolese government. [89] In 2001 it was estimated that this product alone would cost around $20 million, with the Chinese EXIM Bank providing for $10 million of that capital through a contractor agreement with ZTE.[90] With its head offices in Kinshasa, and offering an array of telecom services the China-Congo Telecom Company was able to acquire around 15% of the subscribers in the country just 10 years later according to China Times (see citation above), this valuation led to the sale of the company in its entirety to the French firm, France Telecom Group Orange in 2011, later re-launching the company under the Orange label.[91]

While establishing the country's fourth largest telecom provider may seem like a miniscule investment in the country, this by no means highlights the only Chinese forays into the industry. According to BBC, the Congolese telecom industry is looking to piggy back on China's space program to launch a telecom satellite, known as CongoSat-01, according to a deal reached in 2012.[92] The deal initially was intended to be put into action in the following three years, but due to lack of financing the program has been put on hold since May of 2016.[93] While this sounds like a failed attempt for the DRC to improve its telecom capacity and capabilities, ti should also be noted that this program is merely on hold, and not the first deal of its kind, with Chinese providers, Great Wall Industry Corporation (CGWIC) signing a similar contract with Nigerian authorities in December of 2004. [94]It should further be noted that CGWIC launched NigComSat-1 in 2007, so delivery on the Congolese project will be completed when funding is allocated for the project. [95]

If improving the region's telecommunications and information technology capacities was not enough, analysts of the relationship are quick to point to further interest of the Chinese in the Republic of the Congo (Brazzaville, not to be confused with the DRC) by their pledged gift of a €50 million worth new parliament. [96] For a country plagued by political instability and human rights issues, a flashy new Parliament building does not seem like it should be a top priority for the Congolese. Nevertheless there are most likely ulterior motives involved in this "gift" project as many would argue that this gift is given in

---

[89] "DR Congo: Congo China Telecom Will Merge to the Orange." *THE CHINA TIMES*. Thechinatimes.com, 21 Oct. 2011. Web.
[90] Foster, Vivien. *Building Bridges: China's Growing Role as Infrastructure Financier for Sub-Saharan Africa*. N.p.: World Bank, 2009. Print.
[91] "Congo Chine Telecom Poised to Re-launch as Orange." *Https://www.telegeography.com*. TeleGeography, 21 Sept. 2012. Web.
[92] "China and DR Congo Reach Communications Satellite Deal." *BBC News*. BBC, 19 Nov. 2012. Web.
[93] "CongoSat 01." *Gunther's Space Page*. Space.skyrocket.de, 02 June 2017. Web.
[94] "Chinese Partners to Deliver Telecoms Satellite for DRC." *Https://www.telegeography.com*. TeleGeography, 19 Nov. 2012. Web.
[95] Nuhu-Koko, Abubakar A. "Nigerian Communications Satellite-1 (NigComSat-1): Missing in Action (MIA)." *Gamji.com*. N.p., n.d. Web.
[96] Alfa Shaban, Abdur Rahman, and AFP. "China to Build Congo's New €50m Parliament for Free." *Africanews*. Africanews, 23 May 2017. Web.

exchange for Congolese timber and oil. This follows a gifted Parliament building from the PRC to the DRC in the 1970s, built by Chinese architects.[97]

Moving back to the DRC, a closer look at the mining interests which have left Western hands and entered into Chinese hands should occupy the bulk of this case study. As some have been prior mentioned a visitation into the systematic investments in the country will illustrate this relationship. As aforementioned the Katanga region has long held the interest of various mining consortiums throughout the world, and one can look no further for these foreign interests than China itself. Hailed as a landmark deal between China and the DRC, it was initially led by the Sicomines Consortium this deal was already visited by this paper, in its systematic study of Chinese interests on the continent, but in our individual case study it cannot be entirely abrogated in this study. To reiterate it in detail would be redundant, but to highlight and remind the reader that through China Railway Engineering Corporation and Sinohydro, mineral concessions worth around $9 billion were granted to these companies on the back of the China EXIM Bank's funding in the Katanga province. The deal would see the construction of railways and further infrastructure and would align the DRC further with China and its mechanisms for overseas investment. Perhaps no Chinese deal on the continent exemplifies Sino-African ties more than the Sicomines deal, which features a widely regarded corrupt government, instable region, natural resources-for-infrastructure, large Chinese SOEs, and funding from the China EXIM Bank.

According to Kelly, more than half of the world's cobalt comes from the DRC, and as UNICEF estimated in 2012 around 40,000 child-laborers work in the mines of the DRC. Human rights groups have traced the supply chain of these child-labor run mines back to the Congo Dongfang Mining Company, owned by Chinese company Zhejiang Huayou Cobalt Limited.[98] According to the report referred to in the article Huayou gets more than 40% of its cobalt from the DRC. This cobalt then appears in many of the batteries seen in Apple, Microsoft, and Vodafone products. In response to these allegations China launched the lip-service "Responsible Cobalt Initiative" organized by the Chinese Chamber of Commerce for Metals, Minerals, and Chemicals.[99] But as asserted with the timber industry, unless the host government, Chinese importers, or even international consumers demand the safe business practices in the cobalt mines this can never be verified. Child labor lends to Congo's low ratings on human rights surveys and corruption indexes.

WHY IS CHINA ATTRACTED TO THE CONGO AND THE FUTURE OF THE RELATIONSHIP

China's interest in the DRC centers on what foreign interests in the rich land of the Congo always have, abundance of natural resources and an instable political climax from which to exploit. According to the United Nations, the DRC is one of the most underdeveloped nations throughout the world with one of the lowest levels of upward mobility. And to the pleasure of this underdeveloped country, the Chinese interest in the country is not just a state-led one chasing the minerals, market access, and good-will of the

---

[97] Gbotokuma, Zekeh S. *Global Safari: Checking in and Checking out in Pursuit of World Wisdoms, the American Dream, and Cosmocitizenship / by Zekeh Gbotokuma*. N.p.: Cambridge Scholars, 2015. Print.
[98] Kelly, Annie. "Children as Young as Seven Mining Cobalt Used in Smartphones, Says Amnesty." *The Guardian*. Guardian News and Media, 18 Jan. 2016. Web.
[99] "China Moves to Quell Child Labour Claims in Congo Cobalt Mines." *Financial Times*. The Financial times, 2016. Web.

Congolese. According to the American Interest this Chinese trend has rapidly transcended pure bilateral economic cooperation:

"During the past decade, the Chinese have rapidly become an integral part of everyday life in Congo. To buy a cell phone, one visits a Chinese electronics shop that is sure to offer black market Blackberry models at one-third the official market price. To enjoy a soccer game, Congolese take a seat in the bleachers at Kinshasa's *Stad des Martyrs* stadium, a gift from China in 1993. A drive into downtown Kinshasa takes you along a grand boulevard, newly widened and repaved by a Chinese construction company.In the mining town of Lubumbashi in Congo's Southeast, a Chinese doctor treats Congolese and Chinese patients with modern pharmaceuticals as well as Chinese acupuncture. Restaurants serve up Chinese dishes, and there is even a Chinese casino. "It's not just about doing what you have to to get minerals," explain journalists Serge Michel and Michel Beret in their 2010 book, *China Safari*. "Chinese businessmen are investing independently in construction, home-building, etc. for the long term because they know it's good business.""[100]

China's initial forays into the continent were under the guise of anti-colonialism, and purely benefited both sides seeking to foster mutual relations with one another but that has changed. Through investments and holdings in the DRC, it may have domestic autonomy but economically functions much more like a Chinese colony. China needs the rich natural resources, which made Congo a Cold War battleground for proxies interested in those natural resources, to fuel the mainland's unquenchable thirst to expand economically. Western companies have feared the instability and political turmoil that has characterized the country for the last half a century, but China has filled the gap they left behind. As the source of more than half the world's cobalt, a vital ingredient in the technological boom facing the world's economy, the DRC one would think would not be considered one of the world's most underdeveloped nations. But it remains that way, and according to the CIA World Factbook (see citation below) the DRC's top exports are: diamonds, copper, gold, cobalt, wood products, crude oil, and coffee (all commodities which sometimes encompass some of the richest countries' in the worlds exports). So how can a country with vital previous metals and rich in luxury goods (i.e. gold, diamonds, etc.) be in such dire economic straits? With its largest export partner being China (the destination for nearly half of the DRC's exports, 48% according to the CIA World Factbook), one would think that the China-Africa Development Fund, the EXIM Bank of China, various economic investors in the country and goof relations between the DRC and the world's soon-to-be largest economy would translate into better prospects for the DRC. But surprisingly it does not. [101]

An analysis of the DRC's imports paints a similar picture, considering that 22.2% of its imports (see CIA World Factbook citation above) originate in China. The top imports are listed by the CIA, as : foodstuffs, mining and other machinery, fuels, and transport equipment. While the Belgians were known for their brutality in the Congo purely as a means to an end for economic exploitation, it seems that a similar system is still in place in the Congo. The Chinese are in charge of the exploitation of this beautiful land and the Congolese are in charge of the brutality. Congolese resources are the lifeblood that has fuelled China's economic rise, but is treated little more as a colony, where the rulers are gifted kickbacks and the people are gifted infrastructure, in exchange for Chinese rights to bleed the country dry. These types of relationships are mirrored throughout the world, and China is not the only culprit, as the American relationship with Saudi Arabia springs to mind among other examples throughout history. Regardless, the Sino-African economic relationship is often termed as a win-win and in the case of the Congo, it seems as if

[100] Kushner, Jacob. "China's Congo Plan." *The American Interest*. The American Interest, 21 July 2017. Web.
[101] "The World Factbook: CONGO, DEMOCRATIC REPUBLIC OF THE." *Central Intelligence Agency*. Central Intelligence Agency, 01 Aug. 2017. Web.

they are providing the world with economic evolution and prosperity and particularly China with unfettered market access and economic growth, while domestically it is plagued by political and ethnic instability, strife, human rights abuses, corruption, and often termed as one of the most underdeveloped countries.

The DRC is by no means the only African country with Chinese interests, but exemplifies the trend of Chinese investment on the continent, which can be summarized as follows. Cheap labor (sometimes child labor), is utilized to profit off of the abundance of natural resources in the country. Concessions for those natural resources are granted, usually in exchange for marginal Chinese investment and sponsorship of infrastructure and social projects. China, requires the country's (in this case the DRC) natural resources for its own economic growth, while marginally granting the country its own path to economic progress. The host country becomes reliant on Chinese firms and experiences only marginal economic progress, while China continues its drive to become the world's largest economy. Application of the Beijing consensus in DRC has proved to be extremely beneficial to China, but not so much to the DRC.

FUTURE OF SINO-AFRICAN ECONOMIC RELATIONSHIP

AFRICAN UNITY AS AN IMPEDIMENT TO CHINESE ENGAGEMENT?

When theorizing about the future of Sino-African economic cooperation, it should be first noted that one can never predict the future, but rather than predicting the future this section will analyze what some of the mitigating factors could mean for Sino-African trade. Chief among those variables is the further integration of the continent along economic lines. As some REIOs (Regional Economic Integration Organizations) have seen their negotiating hand strengthened by further economic integration, the same trend could be seen in Africa through the African Union. Moving at warp-speed the African Union is surpassing some of the impediments to integration faced by the European Union, and therefore may take on a similar form of the European Union in international trade agreements.

One such act of integration by the African Union already underway was announced that by 2018, they will seek to adopt visa-free regimes throughout the AU and a single union passport. Another effort furthered by the 27th African Union Summit was the announcement that it wished to establish a fully fledged free trade deal across the continent by 2017, noting that intra-African trade is more expensive than any other region. These efforts were praised by PR China President Xi at the time, but what that will eventually mean for Sino-African trade remains to be seen.[102] A similar congratulation was offered at the 29th AU summit in Addis Ababa during 2017. [103] Clearly through diplomatic posturing Xi formally welcomes the further political integration of the continent but the AU could eventually become a hindrance to Chinese engagement rather than a stimulant.

[102] "Xi Praises African Union's Integration Role as AU Launches Single Passport." *The BRICS Post*. The BRICS Post, 18 July 2016. Web.
[103] 刘小卓. "Xi Extends Congratulations on Convening of 29th AU Summit." *CHINADAILY.COM.CN*. THE CHINA DAILY, 03 July 2017. Web.

China is however, seeking to establish a louder voice in the African integration project through efforts such as the China-Africa Cooperation Forum (FOCAC). FOCAC's first ministerial conference was held in Beijing in 2000, and featured more than 80 ministers from China and 44 African countries engaging in dialogue to promote cooperation in the Sino-African vernacular. [104] While the initial enthusiasm for FOCAC has seemed to wane with the last Ministerial Conference occurring in 2015, and attended by 17 African countries, it did feature a further pledge of support for independent African development in the form of $60 billion for development and the cancellation of some debt, by President Xi himself.[105][106] 2015, also saw falling commodity prices which caused many African leaders to fear that Chinese investment may decrease in the coming years. President Xi, also takes every available opportunity to promote FOCAC's work and the PRC's commitment to the Sino-African relationship.

Africa, however is seeking to increase its voice on the global stage and the AU offers one avenue for this voice to gain in volume. If the AU is to look at the EU as a model, it can undertake some of the integration efforts and diplomatic behavior Brussels has, while avoiding some of the impediments to integration experienced by the European REIO. If that is to be the case, Africa in the future may be negotiating large trans-regional trade deals as one. China, knowing this has sought to curry favor, and foster good relations with the African Union, to become any African REIO's closest partner. The FOCAC has offered the most realistic glimpse into what China-AU relations might look like, according to the AU's own website:

> "The FOCAC is a strong partnership, which has gestated over a long period of time. It is doing very well and has the potential of bringing various advantages to the two sides. In many areas, the partnership has delivered some concrete outcomes that are beneficial to Africa although Africa needs to utilize the partnership to the fullest in terms of the potential of the available market and the business opportunities. There is also need to align the partnership to the strategic objectives of the African Union. The magnificent new AU Conference and Office Complex built by the Chinese government free of charge to the AU and commissioned in January 2012, is testimony to the real value this partnership brings to Africa.Of significance is the fact that the African Union Commission was admitted into FOCAC on 26 October 2011 as a full member and no more as an Observer, during the Senior Officials meeting held in Hahgzhou, China."[107]

While not a traditional multi-lateral agreement, the cooperation between the AU and FOCAC will offer a glimpse into interested analysts of what that relationship will look like. Up to this point in time Chinese engagement on the continent has been a series of bi-lateral agreements between much weaker African economies and the Leviathan that is the economy of China. But if Africa truly wishes to strengthen its hand it could engage into negotiations as a single entity, consolidating that power. This could mean a more favorable terms of trade for the Africans and less favorable terms for the Chinese. As China is reliant on African natural resources to continue its own progress, they may have little choice but to accept this type of arrangement. Important not to forget however, is that this is purely hypothetical and the realization of this type of Sino-African engagement is a long way off. However it is an interesting proposition for African leaders to consider if they do wish to maximize their benefits from their rich stores of natural resources.

---

[104] "The First Ministerial Conference of FOCAC." *FORUM ON CHINA AFRICA COOPERATION*. Focac.org, Oct. 2000. Web.
[105] "Chinese President Pledges Support for African Independent Development." *FORUM ON CHINA AFRICA COOPERATION*. Focac.org, 6 Dec. 2015. Web.
[106] Brock, Joe, and Stella Maupensauzswa. "China's Xi Cheers African Leaders with Pledge of $60 Billion for Development." *Reuters*. Thomson Reuters, 04 Dec. 2015. Web.
[107] "Africa - China." *Africa - China | African Union*. The African Union Headquarters, n.d. Web.

Of course, further African integration could be detrimental to China, considering if they attempt to alleviate themselves of reliance on Beijing. Another possibility is that due to China's limited engagement on the continent, and total commitment to the Belt and Road initiative, Africa may be forced to unify to keep Chinese capital flows into the continent open and fluid, to guarantee the development funding from the Beijing government and its investors.

OTHER COMPETITORS LOOKING TO INVEST ON THE CONTINENT

As China has only recently become the continent's largest trading partner, it is almost unimaginable that this trend will stop and shift into another direction anytime in the immediate future. But with China, increasing its own regional engagement and African only constituting 4 % of Chinese overseas investment other partners can look to unseat the Chinese in the medium-term to long term future. Remembering that Chinese engagement in the region is a relatively new phenomenon the largest strides taking place since the early 1990's it is not totally unimaginable that other regions may become just as influential on the continent. The variables that have attracted the Chinese to the continent are not only attractive to Chinese investors but an array of burgeoning economies throughout the world.

Brazil and India for instance are both touted as soon to be equally if not more powerful economies in the medium to long-range future, and many of the factors that precipitated Beijing's economic rise over the last quarter of a century are present in these economies. India for instance, has rapidly expanded its manufacturing sector and is enjoying a king's ransom in FDI intended to improve this manufacturing sector. According to the India Brand Equity Foundation, India is scheduled to become the fifth largest manufacturing country in the world by the end of year 2020 and FDI inflows to the electronic sector alone have skyrocketed from the years 2009-2016 from $9.8 billion to $21.02 billion respective of the aforementioned years.[108] Like Cold-War China, India has failed to thus far to utilize its potential economic strength leveraging its exuberant population and cheap labor market to catalyze the type of economic growth that has been seen in China in recent years. But this reality could change, as cheap-manufacturing offered China a path to become the world's largest economy, the same could be true for India in the medium-term future. Manufacturing is burgeoning in India, and indicators only point to an increase in this trend. Like China, if India is seeking to outpace the Chinese in the next century, they will require the raw materials to do so, and few other regions offer the prospects of such an abundant source than Africa.

According to the Indian Express, it would seem that India is tearing a page out of Beijing's book to curry this type of favor in Africa. The Indian Express stated:

> "India's trade with African countries is likely to touch $117 billion by 2020-21 on account of improved economic ties and strong business opportunities, according to a report. Indian exports to the African continent are expected to grow to $70 billion by 2021-22 from $24 billion in 2015 -16 due to rising complementaries, the PHD Chamber of Commerce and Industry said in the report. Imports from Africa too are likely to increase to $47 billion by 2021-22 from $27 billion in 2015-16."[109]

---

[108] "Manufacturing Sector in India: Analytics." *IBEF : India Brand Equity Foundation*. Ibef.org, July 2017. Web.

[109] Pti. "India-Africa Trade May Touch $117 Billion by 2020-21: Report." *The Indian Express*. Indianexpress.com, 23 July 2017. Web.

The article goes on to state that India is pledging increased capital towards Africa's development goals. The Indians may learn of an effective investment strategy from the Chinese and utilize that on the continent of Africa. Africa, in the future may be spoiled for choice for their economic partnership and with China focusing on new initiatives (see below) the Sino-African relationship may take a backseat to an African-Indian relationship.

As aforementioned another economy that may also increase its holdings on the continent in an effort to replicate China's good fortune is that of Brazil. Like China, Brazilian interest in the continent is based on a need to not only explore fast-growing economies, but also on their need for oil, gas, and mining resources that the African continent holds in abundance. Chinese firms however, will not want to compete with Brazilian firms, and through sheer capital investment outspend both the Indians and Brazilians on the continent combined. Since the Brazilian push into Africa was led by President Lula, who on 12 separate occasions visited the continent[110], this push may be short lasted as domestic political instability has not yet subsided in Brazil. But over the last decade Africa became Brazil fastest growing trade partnership exploding from $4.3 billion in 2000 to $28.5 in 2013, more than a six-fold increase in trade volume. [111] Clearly, China's takeover of Africa's economy will not go unchallenged and Brazil and India offer the greatest emerging threats to China's extensive interest and market position on the continent.

Both India and Brazil will have to get ahead of the curve if they wish to unseat China, but as China's OSI strategy shifts from Africa, and it only constitutes 4% of overall Chinese investment, much to India and Brazil's benefit, China may do their work for them and take their eye off the ball, leaving opportunities for the Indians and Brazilians in their wake. After our extensive analysis of Sino-African ties, one may be encouraged to ask how this is possible, and the answer has been alluded to throughout this paper, President Xi's intended legacy, the Belt and Road Initiative.

CHINA DISTRACTED AND ONLY 4% IS INSIGNIFICANT

The Belt and Road Initiative (BRI), is a new development strategy intended to become China's premier investment strategy over the coming years. It envisions a re-establishment of the importance of the Silk Road for international trade. Largely viewed by American analysts as China's strategy to increase its global economic position without the Western Hemisphere the sheer volume of the project cannot be ignored, nor can the fact that it largely neglects Africa, except for some eastern portions. The project seeks to establish two "routes" targeted for development, the land-based Silk route (the belt), and a maritime-based Silk route (the road) (see annex for map). [112]

According to Phillips of the Guardian, China proposed to pump around $150 billion into the project each year, and already has $900 billion in projects already planned or underway.[113] The involvement of over half the world's population, this ambitious plan has the potential to make the US Marshall Plan look like an adorable attempt at development. As has been seen with the financial institutions that facilitated the

---

[110] Muggah, Robert. "What Is Brazil Really Doing in Africa?" *The Huffington Post*. TheHuffingtonPost.com, 04 Jan. 2015. Web.
[111] Stolte, Christina. "Brazil in Africa." *Harvard International Review*. HIR, 30 Mar. 2013. Web.
[112] "Full Text: Action Plan on the Belt and Road Initiative." *THE STATE COUNCIL THE PEOPLE'S REPUBLIC OF CHINA*. English.gov.cn, 30 Mar. 2015. Web.
[113] Phillips, Tom. "The $900bn Question: What Is the Belt and Road Initiative?" *The Guardian*. Guardian News and Media, 11 May 2017. Web.

Chinese entry into Africa, China has created and begun to fund new financial institutions aimed at the BRI project. The so-called Asian Infrastructure Investment Bank (AIIB) and the Silk Road Fund are both intended to facilitate the project.

A closer look at the AIIB's membership will show that only two African countries are included in the Bank's membership, Egypt and Ethiopia both included in the project, but the rest of the continent is conveniently left out of the bank.[114] The PRC is literally throwing capital at the project and can only spell doom for the Sino-African economic relationship which will take a firm backseat to this project. As China relied on African resources for its economic development, so did Africa on infrastructure development from Chinese donors, but with the commitment China is placing on the BRI, Africa may lose some of its importance to the government of Beijing.

The implications of the BRI on Sino-African relations is yet to be realized but with India and Brazil, among other economic partners looking to increase their investment on the continent, and China looking to shift theirs to Central Asia, Eurasia, and their own region they may over commit to the BRI and leave Africa to seek new relationships. Of course this is all hypothetical but with China seeking to consolidate its global power through economic ties, Africa looks less and less likely to be the target of Chinese investments, but only the future will be able to tell.

Conclusion

To summarize the findings of this paper it is important to recount the chapters in minor details and some of the implications offered in the final chapter about the future of Sino-African trade going forward. Remembering the systematic nature of the relationship of China and Africa assists the reader to understand the sectors and mechanisms by which China has become Africa's largest trading partner. The analysis of the Sino-Congolese relationship helps to portray to the reader one example of the larger systematic trend. And supplementing the analysis of the last quarter of a century can help the reader surmise the trajectory of the Sino-African relationship.

The first chapter took the Sino-African economic relationship and analyzed Chinese engagements in select sectors and the mechanisms by which this engagement is achieved. It is important to remember that what China needs to continue its economic growth are raw materials and natural resources. For this reason Chinese engagement in the oil and natural gas sectors was viewed, by which some of the largest SOEs globally operate throughout the continent. Timber is also a vital material for China to continue along its economic path, but this sector in Africa is plagued by illicit logging practices that are increasingly difficult to address. Finally, the precious metals sectors of iron ore and copper (among others only tangentially focused on) offer China another avenue to feed its own economic growth. The development of these sectors for the benefit of China, also usually come with development of infrastructure in Africa, usually to ensure that these sectors flourish, i.e. railways, freeways, ports, processing plants, etc. None of these

[114] "Members and Prospective Members of the Bank." *Members of the Bank - AIIB*. ASIAN INFRASTRUCTURE INVESTMENT BANK, n.d. Web.

ventures would be possible without financial institutions and projects dedicated to these efforts, chief among these financial institutions are the EXIM Bank of China (and its relationship with the Afreximbank), and the China-Africa Development Fund which engages in a broad array of sectors and industries throughout the continent.

Building off of the larger continent wide relationship, this paper then analyzed the specific relationship between the Congo and the Chinese. Although superficial in its analysis, it is important for the reader to note that it is a quintessential example of the various relationships Beijing maintains throughout the continent. Undeterred by political instability, China has sought to vastly increase their holdings on the continent particular in the natural resource fields. As Congo holds over half of the worlds cobalt (a vital mineral used in technology), and other top exports include diamonds, gold, and oil the Chinese have deep interests in this country. While China profits from these investments, Congo in turn only sees marginal improvements and shocking underdeveloped status for a country rich in natural resources vital for the global economy.

Utilizing this knowledge, the paper then offered some implications for what the future may hold. If further integration is achieved along economic lines, the AU may come to resemble an organization closer to the European Union. If Africa in turn begins negotiations with one voice this will certainly have implications on the Sino-African paradigm. What those ramifications may be at this point still remains to be seen. But with Brazil and India tracing a trajectory towards economic progress, which mirrors their increased holdings on the continent, China's position as Africa's largest trading partner may be short-lived. One impetus for this loss of status may come from China itself, as it seeks to increase its financial and diplomatic commitment to its new Belt and Road Initiative which may pull Chinese capital flow from the continent and shift it to new areas closer to Beijing.

When considering the Sino-African economic ties, it is paramount not to forget that Africa only comprises 4% of overall Chinese investment. While this investment is crucial to African economies desperately attempting to develop, it is miniscule for China in the grand scheme of things. What will remain clear is that China does not want to slow down its economic growth, and Africa offers a source for the Chinese to fuel that growth. But equally clear is that by in large Africa needs Chinese investment much more than China needs Africa.

Works Cited

"2017 Interim Results." *China Development Bank International Investment Limited*. China Development Bank International Investment Limited, n.d. Web.

"About the IMF." *IMF*. The International Monetary Fund, n.d. Web.

"About Us: Background." *African Export-import Bank*. AFREXIMBANK, n.d. Web.

"About Us: Organisational Structure: Board of Directors." *African Export-import Bank*. AFREXIMBANK, n.d. Web.

"About Us." *Petrodar Operating Company*. PDOC, 2011. Web.

"Afreximbank Closes $300 Million China Exim-backed Loan." *African Export-import Bank*. AFREXIMBANK, 16 Sept. 2016. Web.

"Afreximbank Closes US$300m China Exim-backed Loan." *Trade and Forfaiting Review*. TFR, n.d. Web.

"Africa - China." *Africa - China | African Union*. The African Union Headquarters, n.d. Web.

"Africa: Exploring the China-Africa Development Fund." *Forum on China Africa Cooperation*. Focac.org, 14 Oct. 2016. Web.

"Africa: Star Times Expands into Africa after Completion of Headquarters in Kenya – Shout-Africa." *Shout-Africa*. SHOUT AFRICA ALWAYS ASPIRING TO CULTURAL QUALITY, 26 Apr. 2016. Web.

Alfa Shaban, Abdur Rahman, and AFP. "China to Build Congo's New €50m Parliament for Free." *Africanews*. Africanews, 23 May 2017. Web.

Brock, Joe, and Stella Maupensauzswa. "China's Xi Cheers African Leaders with Pledge of $60 Billion for Development." *Reuters*. Thomson Reuters, 04 Dec. 2015. Web.

Buckley, Chris. "China Condemns Ethiopia Attack amid Oil Security Fears." *Reuters*. Thomson Reuters, 25 Apr. 2007. Web.

Chen, Wenjie, David Dollar, and Heiwei Tang. "China's Direct Investment in Africa: Reality versus Myth." *Brookings*. The Brookings Institution, 29 July 2016. Web.

Chengyu, Fu, ed. "CHINA PETROCHEMICAL CORPORATION 2014 ANNUAL REPORT." *SINOPEC GROUP.COM* (2014): n. pag. Print.

"China and DR Congo Reach Communications Satellite Deal." *BBC News*. BBC, 19 Nov. 2012. Web.

"China Approves Reforms to Three Policy Banks." *THE STATE COUNCIL THE PEOPLE'S REPUBLIC OF CHINA*. English.gov.cn / Xinhua, 12 Apr. 2015. Web.

"China Eximbank and Afreximbank Plan $1 Billion Industrialization Programme for Africa." *African Export-import Bank*. AFREXIMBANK, 01 Apr. 2016. Web.

"China Moves to Quell Child Labour Claims in Congo Cobalt Mines." *Financial Times*. The Financial times, 2016. Web.

"China-Africa Development Fund." *Comprehensive Finance Solutions*. China Development Bank, n.d. Web.

China-Africa Forest Governance Project. "China in Africa – a Fast Changing Relationship." *Improving Chinese Investment in African Forest Land Use* IIED.org (n.d.): n. pag. Print.

"China's Illegal Timber Imports Ransack Mozambique's Forests – EIA International." *Environmental Investigation Agency International*. EIA International, 22 July 2014. Web.

"Chinese Partners to Deliver Telecoms Satellite for DRC." *Https://www.telegeography.com*. TeleGeography, 19 Nov. 2012. Web.

"Chinese President Pledges Support for African Independent Development." *FORUM ON CHINA AFRICA COOPERATION*. Focac.org, 6 Dec. 2015. Web.

"THE C.I.A. AND LUMUMBA." *The New York Times*. The New York Times, 01 Aug. 1981. Web.

Ciao Yin Yang, 李齐. "Chinese Company Helping to Boost Digital TV in Africa." *Chinadaily.com.cn*. CHINA DAILY, 26 May 2017. Web.

CNMC. "Chambishi Copper Mine." *CNMC.com.cn*. N.p., 20 Aug. 2009. Web.

"CNPC Brings New Oilfield into Production." *The Economist Intelligence Unit*. EIU Digital Solutions, 21 Jan. 2015. Web.

"CNPC in Nigeria." *China National Petroleum Corporation*. CNPC.Com.Cn, 2017. Web.

"Company Overview of African Export-Import Bank:Executive Profile Xu Yan." *Bloomberg.com*. Bloomberg, n.d. Web.

"Company Overview of The Export-Import Bank Of China." *Bloomberg.com*. Bloomberg, 26 Aug. 2017. Web.

Comunicação, Departamento De. "Departamento De Comunicação." *Notcias Moambique*. Notcias Moambique, 24 Mar. 2017. Web.

"Congo Chine Telecom Poised to Re-launch as Orange." *Https://www.telegeography.com*. TeleGeography, 21 Sept. 2012. Web.

"Congo in Crisis: The Rise and Fall of Katangan Secession." *Association for Diplomatic Studies and Training*. Adst.org, 08 Sept. 2015. Web.

"CongoSat 01." *Gunther's Space Page*. Space.skyrocket.de, 02 June 2017. Web.

"Corporate Governance." *Ivanhoe Mines New Horizons*. Ivanhoemines.com, n.d. Web.

"COUNTRY COMPARISON :: GDP (PURCHASING POWER PARITY)." *Central Intelligence Agency WORLD FACTBOOK*. Central Intelligence Agency, n.d. Web.

"Democratic Republic of Congo Profile - Timeline." *BBC News*. BBC, 13 July 2017. Web.

"Democratic Republic of the Congo (DRC)History." *Encyclopædia Britannica*. Encyclopædia Britannica, Inc., 2017. Web.

"Develop the Kalumbwe-Myunga Copper-cobalt Mine." | *AidData*. AidDataChina, n.d. Web.

"DR Congo: Chronology." *Human Rights Watch*. Human Rights Watch, 23 Jan. 2012. Web.

"DR Congo: Congo China Telecom Will Merge to the Orange." *THE CHINA TIMES*. Thechinatimes.com, 21 Oct. 2011. Web.

The Economist Staff. "Beware the Beijing Model." *The Economist*. The Economist Newspaper, 26 May 2009. Web.

E.V., Transparency International. "Corruption Indexes." *Democratic Republic of the Congo*. Transparency International, n.d. Web.

"Exploration and Production." *China National Petroleum Corporation*. CNPC.com.con, 2017. Web.

Feng, Jun. "The Africa Report." *Chad Suspends China's CNPC Unit over Environmental Violations | Central Africa*. The Africa Report, 23 May 2014. Web.

"FIRST CLASS CRISIS China's Criminal and Unsustainable Intervention in Mozambique's Miombo Forests." *Environmental Investigation Agency UK Ltd,* Emerson Press (2014): n. pag. Print.

"The First Ministerial Conference of FOCAC." *FORUM ON CHINA AFRICA COOPERATION*. Focac.org, Oct. 2000. Web.

Foster, Vivien. *Building Bridges: China's Growing Role as Infrastructure Financier for Sub-Saharan Africa*. N.p.: World Bank, 2009. Print.

"Full Text: Action Plan on the Belt and Road Initiative." *THE STATE COUNCIL THE PEOPLE'S REPUBLIC OF CHINA*. English.gov.cn, 30 Mar. 2015. Web.

Gbotokuma, Zekeh S. *Global Safari: Checking in and Checking out in Pursuit of World Wisdoms, the American Dream, and Cosmocitizenship / by Zekeh Gbotokuma*. N.p.: Cambridge Scholars, 2015. Print.

"GLOSSARY OF FOREIGN DIRECT INVESTMENT TERMS AND DEFINITIONS." *Investment Division, Directorate for Financial and Enterprise Affairs Organisation for Economic Co-operation and Development* 4th (n.d.): n. pag. Print.

Han, Tracy, Johanna Jansson, Haifang Liu, Christopher Burke, and Carine Kiala. "Evaluating China's FOCAC Commitments to Africa and Mapping the Way Ahead.: A Report by the Centre for Chinese Studies.

Prepared for the Rockefeller Foundation, September 2009." *Roskilde University*. Rockefeller, Sept. 2009. Web.

Han, Zhen. "China's Current Involvement in Mining in Africa." *Lexology*. Mayer Brown LLP, 5 Feb. 2016. Web.

Hui, Ning. "Mozambique Faces Race against Time to End Illegal Logging." *The Guardian*. Guardian News and Media, 31 Aug. 2016. Web.

"INDEPENDENT MEDIA: OUR BRANDS." *Weekly & Weekend*. Independent Media, n.d. Web.

"Ivanhoe Mines' Kamoa and Kakula Africa's Greatest Copper Discoveries." *Miningreview.com*. Mining Review Africa, n.d. Web.

Jansson, Johanna. "The Sicomines Agreement: Change and Continuity in the Democratic Republic of Congo's International Relations." *Africa Portal*. South African Institute of International Affairs (SAIIA), 01 Oct. 2011. Web.

Kelly, Annie. "Children as Young as Seven Mining Cobalt Used in Smartphones, Says Amnesty." *The Guardian*. Guardian News and Media, 18 Jan. 2016. Web.

Kuo, Stephen. "China's Investment In Africa - The African Perspective." *Forbes Risk Map*. Forbes Magazine, 8 July 2015. Web.

Kushner, Jacob. "China's Congo Plan." *The American Interest*. The American Interest, 21 July 2017. Web.

Li, Anshan. *Fei Zhou Hua Qiao Hua Ren Shi//A History of Overseas Chinese in Africa to 1911*. N.p.: Zhong Guo Hua Qiao Chu Ban She, 2000. Print.

Li, Bo, and Yaxin Yan. "Five Ways China's Overseas Investments Are Impacting African Forests." *Quartz*. Quartz, 10 Feb. 2016. Web.

"The Lore of Ore." *The Economist*. The Economist Newspaper, 13 Oct. 2012. Web.

Macqueen, Duncan. "A Chinese Passion: Adding Value to Mozambique's Timber Exports." *International Institute for Environment and Development*. IIED.org, 18 Apr. 2017. Web.

Manero, Elizabeth. "China's Investment in Africa: The New Colonialism?" *Harvard Political Review Online: Africa Section*. Harvard Political Review, 3 Feb. 2017. Web.

"Manufacturing Sector in India: Analytics." *IBEF : India Brand Equity Foundation*. Ibef.org, July 2017. Web.

Mayers, James. "China in Africa's Forests." *International Institute for Environment and Development*. IIED.org, 17 Apr. 2013. Web.

McKune, Sam Sole & Craig. "What's Black and White and in the Red All Over?" *The M&G Online*. Mail and Guardian, 28 Aug. 2014. Web.

"Member States." *Member States | African Union*. The African Union Headquarters, n.d. Web.

"Members and Prospective Members of the Bank." *Members of the Bank - AIIB*. ASIAN INFRASTRUCTURE INVESTMENT BANK, n.d. Web.

Mohammed, Omar. "A Chinese Media Company Is Taking over East Africa’s Booming Pay-TV Market." *Quartz*. Quartz, 04 Aug. 2015. Web.

Muggah, Robert. "What Is Brazil Really Doing in Africa?" *The Huffington Post*. TheHuffingtonPost.com, 04 Jan. 2015. Web.

Mutahi, Kiama. "THE UNITED STATES, THE CONGO, AND THE MINERAL CRISIS OF 1960-64: A TRIPLE ENTENTE OF ECONOMIC INTEREST." *A Thesis Submitted to the Faculty of Miami University*. Miami University, 2013. Web.

"National Oil Companies Hold Top Spots in Energy Intelligence's Ranking of Top Oil Firms." *PIW Top 50 Companies 2015*. Petroleum Intelligence Weekly, n.d. Web.

"Nigeria Chibok Abductions: What We Know." *BBC News*. BBC, 08 May 2017. Web.

Nuhu-Koko, Abubakar A. "Nigerian Communications Satellite-1 (NigComSat-1): Missing in Action (MIA)." *Gamji.com*. N.p., n.d. Web.

Ofori-Atta, Prince. "The Africa Report." *China's Exim Bank: Africa's Largest Financier Looks for an Even Bigger Role | North Africa*. The Africa Report, 25 Oct. 2012. Web.

"Peace Agreement Between the Governments of the Republic of Rwanda and the Democratic Republic of the Congo on the Withdrawal of the Rwandan Troops from the Territory of the Democratic Republic of the Congo and the Dismantling of the Ex-Far and Interahamwe Forces in the Democratic Republic of the Congo (DRC) (Pretoria Agreement)." *U.S. Department of State*. U.S. Department of State, 30 July 2002. Web.

"Pecten Cameroon Company." *MBendi.com*. MBendi Information Services, 2017. Web.

Phillips, Tom. "The $900bn Question: What Is the Belt and Road Initiative?" *The Guardian*. Guardian News and Media, 11 May 2017. Web.

"A Pig of a Project Africa’s Largest Iron-ore Deposit Has Tainted All Who Have Touched It." *The Economist*. The Economist Newspaper, 12 Jan. 2017. Web.

Pilling, David. "Chinese Investment in Africa: Beijing’s Testing Ground." *Financial Times*. The Financial Times, 13 July 2017. Web.

"Profile." *Introduction - The Export-Import Bank of China*. The Export-Import Bank of China, n.d. Web.

Pti. "India-Africa Trade May Touch $117 Billion by 2020-21: Report." *The Indian Express*. Indianexpress.com, 23 July 2017. Web.

Ramo, Joshua Cooper. "The Beijing Consensus." *The Foreign Policy Centre. The Mezzanin, Elizabeth House, London* (2004): n. pag. Print.

RETENO N'DIAYE, Pierre. "Interview." *Gabon's Refined Crude*. The Oil & Gas Year, 28 Apr. 2016. Web.

REUTERS Staff. "China's Sinopec to Buy Addax for C$8.27 Billion." *Reuters*. Thomson Reuters, 24 June 2009. Web.

"Rio Tinto Agrees $1.3bn Sale of Simandou Stake to Chinalco." *Financial Times*. The Financial Times, 28 Oct. 2016. Web.

"Rio Tinto Quits Guinea Iron Ore Project, Sells to Chinalco." *Financial Review*. N.p., 28 Oct. 2016. Web.

Ross, Aaron. "China's 'infrastructure for Minerals' Deal Gets Reality-check in Congo." *Reuters*. Thomson Reuters, 09 July 2015. Web.

"Shandong Iron & Steel Group." *Mining Atlas*. Mining Atlas Business Intelligence, n.d. Web.

"Sinopec Signs Evaluation Deal for Three Oil Blocks in Gabon." *CHINA DAILY WEBSITE*. CHINA DAILY, 04 Feb. 2004. Web.

Staff, Investopedia. "Foreign Investment." *Investopedia*. Investopedia Academy, 22 Dec. 2010. Web.

"StarTimes Invests in Digital Television $110,998,732.58 to Uganda in 2011 | ID: 30694." *StarTimes Invests in Digital Television | AidData*. Aiddata China, 2011. Web.

Stolte, Christina. "Brazil in Africa." *Harvard International Review*. HIR, 30 Mar. 2013. Web.

"STRENGTHENING THE BANKING SYSTEM IN CHINA: ISSUES AND EXPERIENCE." *BIS POLICY PAPERS* 7.BANK FOR INTERNATIONAL SETTLEMENTS Monetary and Economic Department (1999): n. pag. Print.

Sun, H E L E N Lei. "Understanding China's Agricultural Investments in Africa." *SAIIA.org*. China in Africa Project, Nov. 2011. Web.

"Tonkolili Iron Ore Mine." *Mining Technology*. Mining-technology.com, n.d. Web.

UNSC. "SECRETARY-GENERAL HAILS PRETORIA AGREEMENT AS POLITICAL MILESTONE FOR PEACE IN CONGOLESE CONFLICT | Meetings Coverage and Press Releases." *United Nations*. United Nations, 8 Aug. 2002. Web.

Weng, Xiaoxue, L. Putzel, M.M. Kandulu, S.-M.S Ekman, M.-L.B. Zafinikamia, S. Assembe-Mvondo, P.O. Cerutti, and G. Lescuyer. "The Africa - China Timber Trade: Diverse Business Models Call for Specialized Policy Responses." *Center for International Forestry Research*. Center for International Forestry Research (CIFOR), Bogor, Indonesia, 01 Jan. 1970. Web.

Williams, Susan. "The Link between Uranium from the Congo and Hiroshima: A Story of Twin Tragedies." *The Huffington Post*. TheHuffingtonPost.com, 01 Sept. 2016. Web.

Williamson, John. "Is the “Beijing Consensus” Now Dominant?" *Asia Policy: Special Essay* 13 (2012): n. pag. Print.

Williamson, John. "The Strange History of the Washington Consensus." *Journal of Post Keynesian Economics* 27.2 (2004): 195-206. *JSTOR*. Web.

"The World Factbook: CONGO, DEMOCRATIC REPUBLIC OF THE." *Central Intelligence Agency*. Central Intelligence Agency, 01 Aug. 2017. Web.

"WORLD TRADE ORGANIZATION." *WTO ¦ Members and Observers*. World Trade Organization Website, 29 July 2016. Web.

刘小卓. "Xi Extends Congratulations on Convening of 29th AU Summit." *CHINADAILY.COM.CN*. THE CHINA DAILY, 03 July 2017. Web.

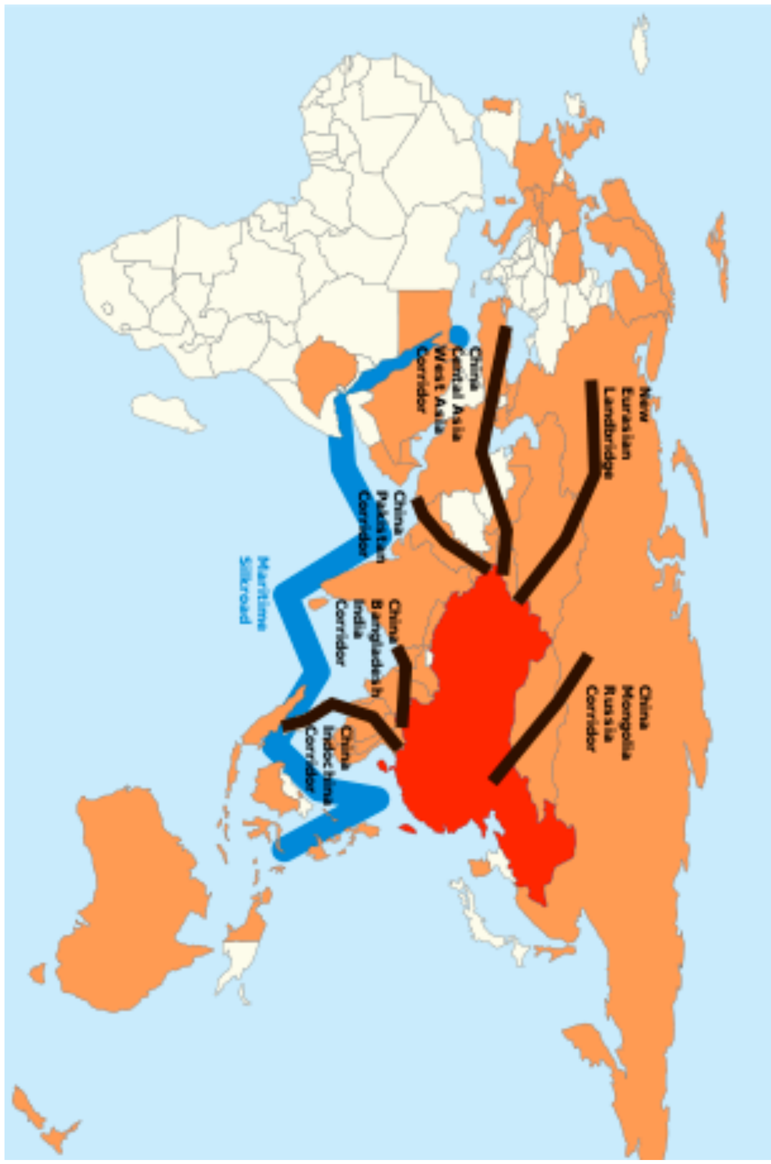
"Xi Praises African Union’s Integration Role as AU Launches Single Passport." *The BRICS Post*. The BRICS Post, 18 July 2016. Web.

Zhang, Xiaoling, Herman Wasserman, and Winston Mano. *CHINA'S MEDIA AND SOFT POWER IN AFRICA*. N.p.: PALGRAVE MACMILLAN, 2017. Print.

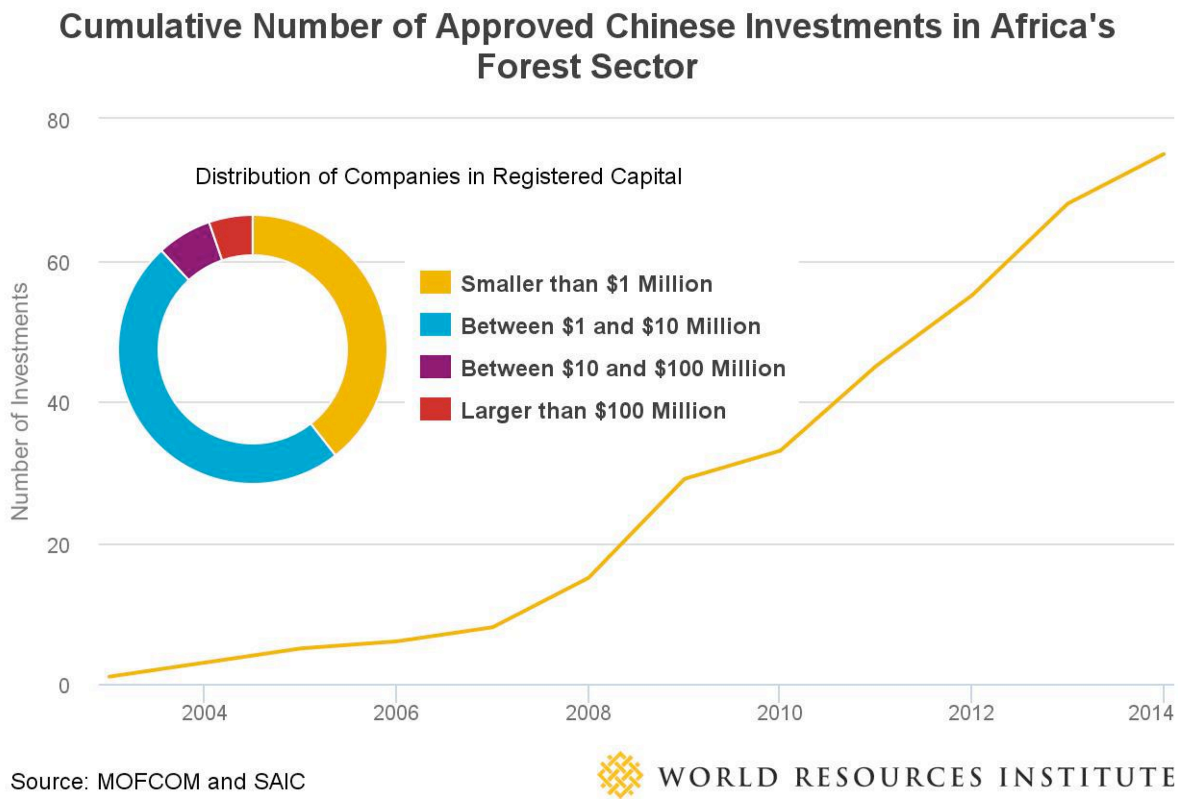
APPENDICIES

Appendix 1: Map of Africa With Chinese Characters

Appendix 2: Planned One Belt One Road Initiatives



Appendix 3: Timber Industry Chart



On my honor as a student of the Diplomatic Academy of Vienna, I submit this work in good faith and pledge that I have neither given nor received unauthorized assistance on it.

Mark Bulatovic *31.08.2017*