A Trilateral Dialogue on the United States, Africa and China

Conference Papers and Responses

This collection of papers was written for a conference on May 13, 2013 on the relationship among the United States, China and Africa. These draft conference papers are the basis for further research.

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Conference Paper 1 and Responses

New Actors in International Development:

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New Actors in International Development: The Case of China in Africa

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As one of the emerging powers in the world experiencing rapid economic growth and taking an increasing interest in Africa, China's aid in Africa has become an international focus in recent years and has generated great impact on Africa's development.

Africa has been high on China's diplomatic agenda in the recent decade. Along with the first China-Africa Summit of the Forum for China-Africa Cooperation (FOCAC) in October 2000—which brought more than 40 African heads of state to Beijing and the release of the first White Paper on China's Africa Policy in January 2006—the high profile activities of China in Africa have included a number of high-level official visits to Africa by President Xi Jinping, his predecessor Hu Jintao, former Premier Wen Jiabao, other cabinet members and the members of the Political Bureau. Trade between China and Africa has soared in the last decade, reaching the record high of over $200 billion in 2011 from a mere $10.5 billion in 2000, leading China to surpass the United States and become the biggest trading partner of Africa since 2009. In terms of aid, China's development assistance has played a significant role in strengthening Sino-African ties as a whole.

China's Aid in Africa: History and Features

Even though recent Chinese aid in Africa has drawn great concern from the world, particularly from the traditional donors, China's aid to Africa itself, however, is not a recent story at all. Starting in 1956, China's engagement in African development in general can be divided into two periods with "the reform and opening-up" policy of the late 1970s as a line of demarcation. The driving force of China's aid policy has also been transformed from politics to economics, from proletarian internationalism to mutual development (He, 2010; Ai, 1999; Hyden and Mukundala, 1999). From 1956 to the late 1970s, driven by idealism and strengthening political and diplomatic ties with African countries, China issued eight principles governing China's aid to foreign countries which emphasised internationalism, altruism and huge aid projects. Chinese aid to infrastructure projects such as the TaZaRa (Tanzania-Zambia Railway), actually went beyond China's financial capability to some extent. From the late 1970s up to now, driven by pragmatism and seeking mutual economic cooperation and common development, the content and the means of China's aid to Africa has become more complex and diversified.

Regarding itself as a developing country as well as a country that has suffered from colonialism and imperialism similar to African countries, China does not call itself a "donor." Rather, China regards its aid to other developing countries, including Africa, as a kind of mutual assistance among friends that falls into the category of South-South cooperation. In fact, there are a number of major characteristics of Chinese development cooperation with Africa that differ from Western approaches, as Chinese aid is considered to be provided with "no strings attached"; there is an emphasis on bilateral aid projects rather than on multilateral initiatives; and there is a preference for “hardware projects” such as physical infrastructure construction over “software projects” like research and capacity building, etc.

Unlike the Organization for Economic Cooperation and Development’s Development Assistance Committee (OECD DAC) countries, there is no clear definition about “aid” in China’s economic relations with Africa.[2] Contracting projects, technical cooperation, debt write-off, human resources training, the dispatch of medical teams and youth volunteers, emergency humanitarian aid and multilateral aid are all considered part of the Chinese aid package. Due to this indistinct concept definition in addition to the lack of an independent aid agency, the difficulty of collecting statistics, China’s below Western-level domestic development and perhaps its unwillingness to disclose the figure due to the still relatively quite low amount of aid, etc., there is no aggregate annual figure on aid to Africa released by the Chinese government. Since the exact level of Chinese expenditure on foreign aid is hard to calculate, the estimates of the size of the Chinese aid annual budget vary considerably from about $1 billion to $2 billion and even as high as $25 billion.

On April 21, 2011, the Information Office of the Chinese State Council, for the very first time, issued the White Paper on “China’s Foreign Aid.” According to the White Paper, China’s financial resources for foreign aid have increased rapidly, averaging 29.4 percent annual growth from 2004 to 2009. By the end of 2009, China had provided a total of 256.29 billion yuan (approximately $41.5 billion) in aid to foreign countries (Africa’s share accounted for 45.7 percent of this total).

China’s Aid in Africa: Role and Impact

On one hand, in general, China’s aid to Africa has generated effective results and contributed greatly to Africa’s economic recovery. China’s demand for raw materials is partly responsible for Africa’s annual growth rates of 5-6 percent in the last decade. Since 1956, China has helped African countries establish nearly 900 projects including: textile factories, hydropower stations, stadiums, hospitals and schools. In terms of projects completed and handed-over, Ethiopia, Sudan, Tanzania, Zambia, Mali, Egypt and Algeria have been among the top recipient countries on the continent. This sample of countries shows that Chinese development assistance has been directed to an assortment of African countries, from big to small, from resource-rich to resource-poor and from relatively higher-income to lower-income countries. After the establishment of FOCAC in 2000, Chinese development assistance and investment in Africa has improved and been strengthened rapidly. Furthermore, since China focuses its aid on projects and manages it in a bilateral way, it can act quickly and with less or shorter procedures.

China and other new donors’ involvement in Africa has generated more international attention to Africa and has offered Africa an alternative in its choice of development partners as well as

[2] There are three criteria of the DAC definition of aid: 1) undertaken by the official sector; 2) the main objective is to promote recipient countries’ economic and welfare development; 3) has a grant element of at least 25 percent. According to this definition, some Chinese contracting projects which have been financed by the Export Import Bank of China (those which have a grant element below 25 percent) should not be included in this classification.

pushing for an “African Renaissance”. According to research carried out through the Rockefeller Foundation-funded “Asian Drivers” program, which draws on field studies in 28 African countries, new donors’ engagement with African nations are boosting Africa’s exports and economic growth, especially in net oil-exporting countries. At the same time, these new donors are providing economic opportunities for countries neglected by traditional investors and financers. With new donors’ finance, African countries are addressing infrastructure deficits (the current funding gap for infrastructure in Africa totals at least $35 billion a year). They are also lowering the costs of doing business and facilitating trade. In addition, cheaper goods and services from Chinese firms have yielded welfare gains for African consumers (ACET, 2009).

More importantly, the economic success stories of many new donors, particularly China, has provided African governments with another model of how to develop their own economy—ideally based on their own priorities. Thirty years ago, Malawi, Burundi and Burkina Faso were economically ahead of China on a per capita basis. Now, China has become the second largest economy in the world, and 400 million people have been lifted out of poverty. This success has attracted attention from other developing countries, especially Africa. Hopes are high for drawing lessons from China’s experiences to speed up their own development.

In addition to “looking East” that is trying to draw on the development experiences from Eastern countries such as China, India and Singapore, in response to the new donors’ engagement in Africa, there is an increasingly heated debate among African decision-makers and within African societies about how to make use of a historic opportunity to set an “African Agenda” and build an “African Consensus”. There is now a common awareness that African governments need to better identify their individual and collective needs and then engage with the new donors to ensure that projects are mutually beneficial.

On the other hand, the diversity in Africa has meant that the observed impacts of the new donors’ engagement in Africa bring both joy and worry, since external actors’ engagement has both positive and negative effects. The increasing external hunger for African oil and minerals presents short-term opportunities, while serious long-term risks related to weak governance standards—which may lead to failures to make use of this windfall and invest in other non-traditional sectors—loom. For example, there could be a growing trade dependency of African states on China and India.

With regard to the economic dimension, some African scholars maintain that China’s economic development presents both tempting opportunities and terrible threats to Africa. Except for the leading oil and minerals producers, African countries face considerable trade imbalances with China. In addition, the trade structure is still characterized by China exporting machinery, electronic products, textile and light industry products to Africa and importing oil, timber, mineral products and other raw materials from Africa. In some countries and at certain stage, China’s absolute advantage in labor costs and resources has put the local African textile and light industries under immense pressure. In South Africa, for instance, a pair of trousers made in China only costs $1, which includes long-distance transportation charge and customs, while the same product produced locally costs ten times as much.

China's Aid in Africa: Challenges and Developing Trends

Although many achievements have been made, there are also huge challenges ahead for the sustainable development of China's aid in Africa. For example, unlike OECD DAC countries, China does not have an equivalent independent aid agency in charge of development assistance. Sometimes there are conflicts among Chinese ministries or departments that have responsibilities for aid. Both the Ministry of Commerce (MOC, the major administrative department authorized by the State Council to oversee foreign aid) and its extended organ—the Economic Counselor's Office in the Chinese Embassy abroad—are facing a shortage of personal experiences and professional knowledge in dealing with huge foreign aid programs. Furthermore, the mechanism of supervision and evaluation of Chinese aid simply does not exist. The management of the capital flow and progress of all assistance projects also seems to not function very well.

On an international level, the Chinese face a challenge in coordinating and cooperating with other donors and partners in OECD DAC countries. New and traditional donors have different approaches and values, such as "no-strings-attached" and "non-interference" for new donors versus "conditionality" and "demands for minimum standards of governance" for traditional donors. Thus, the emergence of new donors may cause uneasiness and conflict with traditional donors. "No-strings-attached" policy has been regarded as one of the fundamental principles of China's development assistance as well as its larger foreign policy. Even though the "one China policy" and tied aid to the procurement of Chinese goods, services and the use of Chinese labor have been labeled as a kind of "strings attached" approach by the West, China has never openly or explicitly imposed any political and economic conditions for recipient countries' domestic development policy, such as economic liberalization or privatization or establishing a multi-party system and holding elections, as most Western donors do—nor has it tried to actively promote the Chinese system. As China and others provide alterative funding sources, traditional donors to Africa have raised concerns and demanded that the new donors, particularly China, should meet higher governance, environmental and transparency standards in providing their development assistance. However, the availability of these alternative funding sources potentially diminishes the leverage of traditional donors in making these demands. In Angola, for example, after the Export-Import Bank of China provided $2 billion loans and credits without any political conditions, the Angolan government turned down a financing agreement with the IMF that included measures to strengthen transparency in the oil sector (Davies, 2007).

Through years of experience-building and lesson-learning, the traditional DAC donors have developed a set of norms, rules and procedures that constitute a new aid donor regime. Historically (and in a number of instances to this date), traditional donors actually have applied the very aid model they denounce for new donors today, such as tied aid, a focus on infrastructure and a preference for channelling aid via projects rather than through national budgets. For traditional donors, the old aid model did not deliver the required results. However, new donors emphasize the aspects of patronizing behaviour and a Eurocentric mindset in their criticisms of the traditional aid regime. New donors regard themselves as the members of the developing South and they refer to other poorer recipient countries as equal partners, understood as a sign of respect. Old and new donors—with the Paris Declaration—now both reference the idea that recipient countries understand their own national conditions best. Yet new donors come without the past practice of patronizing behavior and thus arguably have greater credibility. South-South cooperation is treated as altogether different from traditional donor-recipient relations, despite de facto power differences among partners. Unlike the traditional aid relationship that features "helping others" and thus has elements of strong "inequality" (including "conditionality"), South-South cooperation highlights aspects of experience-sharing, and repeatedly emphasizes development approaches based on equality, respect and mutual benefit. Moreover, by pointing to the failure of the "old" aid policy during the past half century (regarded as one mode of engagement, not differentiating by reform periods), new donors question the legitimacy of traditional donors to direct others.

To avoid a blame-game and potential conflict which surely would not be beneficial for African recipient countries, a two-way street mindset and practice are needed. On the one hand, China's foreign aid should become more transparent and seek collaboration with other donors. On the other hand, OECD donors should also understand more about China's aid model from the angle of history and culture, make sure they avoid politicization, and seek active partnership with key aid institutions in China. In recent years, an encouraging sign is that we have gradually seen a kind of reestablishment of mindset or perspective about Africa from both new and traditional donors. In terms of understanding Africa, for many years traditional donors have tended to see Africa as "a place for charity" rather than as a "growth market"; new actors, on the contrary, see a land of opportunities. Unlike in older documents, "equality," "mutual benefit" and a "strategic partnership based on mutual respect" have been emphasized in the EU-Africa Joint Strategy issued at the second EU-Africa Summit in Lisbon at the end of 2007. These words—from a Chinese perspective—are indicating a kind of new mentality. This approach seems to have charmed and boosted the confidence of African leaders.

More encouragement for the reestablishment of old and new donor relations comes after the Fourth High Level forum on Aid Effectiveness held in Busan, Korea in November 2011. With the aid discourse shifted from "aid effectiveness" to "development effectiveness" which means that there is more focus on results on the ground and less on procedures or process, China can make great contribution to development cooperation in the new era with its rich experiences for its own economic, political and social development as a recipient country as well as a provider of development assistance.

During the past three decades, China has achieved a remarkable economic takeoff since the advent of economic reforms at the end of 1978 and has accumulated tremendous development experiences as well as the experiences of embracing foreign aid. By successfully managing and utilizing foreign aid, China has accumulated tremendous experiences (including lessons as well) in terms of almost all the five principles elaborated in Paris Declaration. In the recent decade, China very actively provided aid to other developing countries, especially in Africa, and is gradually learning how to adapt itself to the global aid architecture. In fact, China's unique dual role for being both recipient country and aid provider has offered China the chance to serve as the bridge for linking the North and the South, traditional donors and new donors, and donors and recipients. In doing so, China has the great potential to play a bridge role for establishing harmonious and effective international development cooperation.

China is at the same time the second biggest economy and the largest developing country; thus, China contributes to the importance of G20 as a platform for linking North and South and to the BRICS via South Africa's accession and the group's links with the African continent. In fact, the appearance of the "emerging donors" from the South and their increasing involvement in development assistance in Africa has changed the landscape of the global aid architecture and offered a historic opportunity for global joint effort to achieve poverty-reduction and development in Africa and realize the Millennium Development Goals.

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Response Paper 1: A Review of "New Actors in International Development: The Case of China in Africa"

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The paper uses the case of China as an example to highlight the trajectories of the new actors in international development in Africa. In the introduction, the paper notes the reasons that China's aid to Africa has attracted international focus, particularly its rapid economic growth and its keen interest in the affairs of the African continent. Activities the paper highlights in the introduction apropos China placing Africa high on its diplomatic agenda include: the first China-Africa summit of the Forum for China-Africa Cooperation (FOCAC) in October 2000 (which brought more than 40 African heads of state to Beijing); the issuance of the first white paper on China's Africa Policy in January 2006; and the visits of President Xi Jinping, his predecessor Hu Jintao, and former Premier Wen Jiabao to various African countries.

Under the section on "China's Aid in Africa: History and Features," the paper indicates explicitly that China's aid to Africa is not a recent phenomenon, contrary to the views of traditional donors. The section also details the distinctive features of the two periods (1956 to 1970s and the 1970s up to present) of Chinese engagement in Africa's development. The period of 1956 to 1970s was characterized by internationalism and altruism, while the 1970s to date was underpinned by pragmatism and the seeking of mutual economic cooperation and common development. In addition, this section examined the major contrasting features between China and traditional donors' development cooperation approaches in Africa. These contrasts include China's "no strings attached" policy as opposed to conditionality from traditional donors; China's emphasis on bilateral aid projects rather than multilateral initiatives; China's preference for "hardware projects" unlike the traditional donors' preference for "software projects"; and the non-existence of clear definition about aid in China compared with Organization for Economic Cooperation and Development, Development Assistance Committee countries.

The section under "China's Aid in Africa: Role and Impact" reveals the positive impact of China in Africa, which includes the establishment of nearly 900 projects; the widening of the scope of alternative development partners in the African continent; and the provision of another model that can be utilized to develop various African economies. Possible negative effects of China and other new actors' engagement in Africa have been outlined by the paper to include serious long-term risks related to weak governance standards that may lead to failure to make use of the windfall and to invest in other non-traditional sectors, and over dependency of African countries on China and India. Both domestic and international challenges to sustainable development of China's aid in Africa and some solutions are advanced by the paper under the section on "China's Aid in Africa: Challenges and Developing Trend."

The paper, however, does not address the following dimensions that would enhance the understanding of China's activities in Africa.

First, the reasons for Africa being high on China's diplomatic agenda should be expanded. Is it because of Africa's abundant natural resources that are greatly needed by China? Is it because China wants to bring African countries out of poverty? Or is it because China finds it easy to deal with African countries? Additionally, the reason why China provides aid to Africa with "no strings attached" has not been explained in the paper. Is China engaging in this policy approach in return for favors from African countries? Is it a strategic approach to attract African countries attention from the traditional donors who attach conditionality? What are the implications of this "no strings attached" policy approach on the effective use of aid? China and other new donors to Africa have offered the continent an alternative choice of development partners. While this now gives Africa a large body of partners from which to choose, the paper should explain whether some countries in Africa prefer China and other donors because of their "soft" approaches and the implications for sustainable development (social, economic, environmental) of African countries. With issues of climate change and environmental degradation ravaging Africa, the paper should highlight why China and other new donors may or may not pay heed to calls from traditional donors regarding environmental standards.

Second, while the positive impact of China's aid in Africa is well noted, it will be interesting to know which countries in Africa receive more of China's aid and which countries receive less in comparison with their natural resources endowments. This analysis will depict clearly whether aid from China to African countries is correlated with countries having abundant natural resources endowments, which are of great interest to China, or not. It would be educative if the writer could throw more light on the underlying reasons that shift China's preference more towards "hardware projects" than "software projects." Additional analysis will further enhance the reader's understanding of China's approaches compared with America.

Third, even though the paper did not intend to give an exhaustive list of the negative effects of China and other new donors' engagement in Africa, it should also highlight the illicit engagement of certain firms from China. An example of such illicit engagement is the case of small-scale artisanal mining industry in Ghana. Some Chinese firms' engagement in this industry has brought devastating consequences to Ghana. Some more examples or empirical evidence on some of the negative effects as a result of new donor engagements would be appreciated.

Ultimately, the paper proposes that a "two-way" street mindset and practice are needed for aid from new donors and traditional donors to benefit African countries. Although this recommendation is good, the paper should rather look at a "three-way street mindset and practice." In other words, it should involve all the three partners—the U.S., China and Africa instead of the U.S. and China alone. Aid effectiveness or development effectiveness also depends on the recipient's behavior, and this is lacking in the recommendation. Hence, the paper should also examine the transparency issues required of beneficiary African countries. It would also be quite enlightening if the writer could add a way forward for China's transparency in their aid dealings with Africa as well as having a cohesive aid for Africa policy with uniformity and good statistics in this direction. However, the paper ends abruptly without any concluding remarks or policy lessons.

Response Paper 2: A Review of "New Actors in International Development: the Case of China in Africa"

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A central premise of Dr. He Wenping's paper is the "new" donors of the South and the "old" donors from the industrialized countries need to do more to enhance the effectiveness of their support for African governments. This is a welcome observation.

For China, as a leading new donor, there is a need to become more transparent in the management and delivery of its foreign aid and to cooperate more effectively with other donors. The issue of China's lack of transparency is an important theme throughout Dr. He's paper. For example, as she notes, the exact level of Chinese aid to Africa is not known. It could be $1 billion to $2 billion or it could be as much as $25 billion. This is a wide range and it would be interesting to have more explanation about why there is such a lack of clarity.

Dr. He also notes that since 1956, "China has helped African countries to establish nearly 900 projects." This comes out to about 15 or 16 projects per year for 57 years. Is it not possible to understand more clearly what these projects consist of, how many jobs have been created, which sectors have received the most attention and where there have been successes and failures? These insights would be useful to dispel the perception held by some that China's contribution to job creation in Africa is not a priority. It would also help to understand China's experience with "best practices" and how other donors and African governments can benefit from China's experiences.

The issue of transparency is also important to understanding how China administers aid. Dr. He shares important insights in noting that the Economic Counselor's Office in the Chinese embassies in Africa are facing personnel shortages in dealing with the "huge foreign aid programs," and that there are no mechanisms for supervision and evaluation of aid. It would be interesting to know whether this is a concern for Chinese officials and whether this is a subject of debate and discussion in Chinese think tanks and in their dialogue with government. Moreover do African recipient governments have concerns about the effectiveness of Chinese aid, and is this an issue in Chinese-African relations?

Dr. He touches on a very important issue in suggesting that there is a common awareness that African governments need to engage with the new donors to ensure that projects are mutually beneficial. This is an ongoing concern with traditional donors as well. More important is the point raised in the paper that there may be an "historic opportunity´" to develop an African development agenda or perhaps and "African consensus." I would argue that the New Partnership for Africa's Development (NEPAD) is an important step in this direction in that it is a consensus document of the African Union and puts forward a clear set of primary development objectives and principles. It would be useful to know how China views NEPAD and the degree to which it has engaged in its priorities.

There is a very important discussion in the paper of “strings” versus “no-strings” when it comes to aid to Africa. U.S. assistance to Africa in the post-independence period was largely defined by its governance conditionality and the degree to which “buy-American” was integrated into virtually every aid program. With the emergence of the African Growth and Opportunity Act, the move to use trade as aid, and debt relief for the Highly Indebted Poor Countries (HIPC), the U.S. transitioned to grants instead of loans and “buy-American” requirements lessened. In fact, with the creation of the Millennium Challenge Corporation (MCC), there are no “buy-American” requirements and MCC compact countries are free to use U.S. resources to purchase services and hardware on the international market. In fact, many Chinese companies have benefited from MCC grants. Nevertheless, the MCC is a good example of the U.S. adopting its approach on development assistance to work with local partners to respond to local priorities.

While China maintains a “no strings attached” policy, Dr. He acknowledges that Chinese aid tied to the procurement of Chinese goods, services and the use of Chinese labor have been labeled as a “strings-attached” approach to aid. It would be useful to know further the author’s views on the extensive use of Chinese labor in Africa, and the impact of tying the purchase of Chinese equipment to infrastructure loans. In short, should African governments be able to use donor resources to make purchases on the international market based on competitive bids or is there an implicit requirement to source from the countries in which the aid originates?

Dr. He Wenping has written a very useful paper that makes a good contribution to dialogue on these and other issues between CASS, ISSER and Brookings.

A Trilateral Dialogue on the United States, Africa and China

Conference Paper 2 and Responses

The Commercial Relationship between the United States, China and African Countries:

Areas for Trilateral Cooperation

The Commercial Relationship between the United States, China and African Countries: Areas for Trilateral Cooperation

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One of the most important issues related to American policy toward Africa is U.S. competition with China's growing commercial engagement on the continent. During his confirmation hearings in January, Secretary of State John Kerry declared the U.S. was "not even in the game" with respect to China's unprecedented commercial presence in the region. Indeed, while U.S. businesses have recently increased their interests in Africa, this rise has been dwarfed by China's actions. In 2009, China surpassed the U.S. to become Africa's largest trading partner, and from 2001 to 2011, Chinese exports to the continent rose from $4.4 billion to $56.3 billion—more than a twelvefold increase (U.S. GAO, 2013).

This changing dynamic has prompted a series of initiatives to support American competitiveness on the continent. Last summer, President Obama announced a new U.S. Strategy toward sub-Saharan Africa, which includes a campaign to increase U.S. business in the region called "Doing Business in Africa." U.S. Senator Dick Durbin and Congressman Chris Smith similarly introduced the "Increasing American Jobs through Greater Exports to Africa Act" (Senate Bill S. 2215) in May 2012, aiming to triple exports to the region within the next decade.[3] These efforts attempt to better position the U.S. to benefit from Africa's recent growth, but also seek to balance China's influence in the region.

The United States has long critiqued Chinese partnerships and business practices in Africa, fearing that differing approaches to transparency and international standards for commerce and trade damage U.S. development initiatives and diminish its role in the region. The Durbin legislation reads, "When countries such as China assist with large-scale government projects, they also gain an upper hand in relations with African leaders and access to valuable commodities such as oil and copper, typically without regard to environmental, human rights, labor, or governance standards."

While these concerns reflect longstanding American values and interests, the United States should also not neglect the powerful opportunities for cooperation with China and its African partners. The U.S., China and African countries all share distinct economic objectives in the region, and a "trilateral" approach, which would accentuate cooperation in a number of areas, has significant potential to support Africa's longstanding development goals. Opportunities to collaborate are especially promising given that recent analyses of trading patterns indicate that American-Chinese commercial competition might be overstated. American-Chinese partnership in Africa also provides an important platform to strengthen broader relations between the countries. Former U.S. Ambassador to Burkina Faso and Ethiopia David Shinn writes, "Africa is an ideal location for the United States and China to reduce mutual suspicion and benefit African countries at the same time" (Shinn, 2013).

[3] They reintroduced this legislation as S. 718 in the Senate on April 11, 2013.

Promising areas for trilateral cooperation in the commercial sphere include efforts to support Africa's regional integration, joint work to address corruption, and mechanisms to support commerce, which could include a unified approach to local content provisions. This paper describes potential collaboration in these areas after a short discussion of trade and investment trends on the continent more generally.

Trade and Investment Trends: The Status of U.S.-China Competition in Africa

Analysis of current trading patterns indicates that Chinese and American firms actively compete in various sectors, but, in a majority of cases, operate in different areas of these markets and possess separate and unique corporate capabilities. Separation can be viewed through the analysis of Africa's biggest international industries—the oil and gas sector.

In 2011, petroleum products represented 59 percent of the value of Chinese imports from Africa, and minerals, ores and metals represented another 32 percent (U.S. GAO, 2013). Similarly, for the U.S., petroleum-related goods amounted to 81 percent of sub-Saharan African exports to America, and minerals, ores and metals amounted for another 9 percent (U.S. GAO, 2013). U.S. investments in Africa are also concentrated in the mining sector. The majority of American foreign direct investment (FDI) in Africa is in mining, specifically concentrated in "crude-oil extraction" (Jones & Williams, 2012). It is difficult to know with certainty the precise amounts and location of Chinese FDI in Africa as official data is often not reliable. Regardless, Chinese companies have purchased significant ownership interests in oil wells within most resource-rich African countries.

Despite the comparable levels of Chinese and U.S. investments in the oil and gas industries, American and Chinese firms compete only in a few instances. Superior extraction capabilities, for example, make American firms highly competitive players in oil block operations, including deep water drilling, well maintenance and project management. In contrast, no Chinese firm currently holds similar "operator" roles in Africa's oil industry due in part to a "lack of technology and capacity" in these areas (U.S. GAO, 2013). While competition is currently limited, Chinese firms are quickly advancing in this area. Stephen Hayes, president of the Corporate Council on Africa, estimates that China will gain this expertise and effectively compete with American companies for operator roles within five years (U.S. Senate Committee on Foreign Relations, 2012). However, at the moment, competition between the U.S. and China is limited within Africa's largest exporting industry.

U.S.-Chinese business interactions outside the oil and gas sector are also modest. Chinese imports to Africa, for example, are primarily manufactured goods, including home appliances, clothing, leather goods and other materials (U.S. GAO, 2013). In contrast, American exports to Africa are primarily composed of relatively high-tech machinery, including equipment for power generation plants, boilers and other specialized parts (Jones & Williams, 2012). However, overall, U.S. exports to Africa represent a very minimal percentage of American trade flows, with export values to Africa standing at approximately $11 billion, which is only 1.4 percent of total U.S. exports to the world (U.S. Department of Commerce, 2012). As Africa's consumer class grows, American firms will likely take greater interest in the African market; however, at the moment, Africa as a destination for American products and related competition with Chinese goods are not of major concern.

Competition with China in the African market should not be understated. Chinese firms benefit from significant state financing and are not accountable to the same types of corporate governance structures, like the Organization of Economic Cooperation and Development (OECD), which oversee and regulate the behavior of American businesses. These features of Chinese investment in Africa provide distinct advantages and help the country dominate specific sectors of the African market. Moreover, Chinese imports of counterfeit American goods are serious concerns for many U.S. companies. However, overall, the intense rivalry that is often depicted in American dialogue about Chinese investment in Africa and overall concerns about American competitiveness in the region do not always correspond with trade and investment patterns.

Recent research indicates that access to multiple international markets actually benefit African economies. Vera Songwe and Deborah Winkler (in a 2012 Brookings Africa Growth Initiative Working Paper) report distinct advantages for African countries that export to the United States, as opposed to the EU and China. Economies linked to American markets experience increased productivity, labor demand and value addition. However, the African countries in Songwe and Winkler's sample saw reductions in these economic benefits as they became overly dependent on trade with the U.S. These countries therefore have an incentive to support good trade relations with the U.S., but also pursue engagement with other international actors.

Potential Areas for Tripartite Cooperation

Regional Integration

Regional integration is perhaps the most important economic priority for Africa. During last summer's African Union Summit, leaders from across the continent committed to an ambitious new initiative to create a regional free trade agreement by 2015. This new effort complements longstanding regional integration commitments, including the Abuja Treaty, which similarly aims to establish a common customs' union by 2019. Removing restrictions to cross-border trade in goods and services holds enormous potential to support commerce and trade on the continent. However, progress has been slow. High-level political commitments have not resulted in comparable reductions in bureaucracy and other obstacles. For example, Ugandan think tank the Economic Policy Research Center identifies nearly 20 different security checkpoints required for the transport of goods between Kampala and neighboring Kenya (Othieno, 2012). Significant support and activity is still needed to advance Africa's integration agenda.

Regional integration in Africa is a stated goal of both the American and Chinese governments.

During last year's Forum of China-Africa Cooperation (FOCAC), former President Hu Jintao committed the Chinese government to supporting the "African integration process," including transnational and trans-regional infrastructure projects and upgrades to customs and commodity expectations facilities as key features of Chinese assistance to the continent (Xinhua, 2012a). Regional integration also features prominently in President Obama's U.S. Strategy toward sub-Saharan Africa. This plan commits the United States to measures that support modernization of customs and the development of infrastructure that "strengthens regional trade and access to global markets," (White House, 2012). These official efforts enjoy support in both the American and Chinese private sector. Integrated African economies create larger markets for external investors, build economies of scale and reduce transaction costs.

Some progress has been made on both U.S. and Chinese commitments toward regional integration. The U.S. is, for example, working toward the establishment of the U.S.-East African Community (EAC) trade and investment partnership (EAC, 2012). This initiative seeks to support economic integration in East Africa and enhance the U.S.-EAC trade relationship. According to a joint statement, the U.S. has committed $10 million to the EAC secretariat for the purpose of regional integration. The partnership will hold its next ministerial meeting in Addis Ababa at the 2013 AGOA conference.

After the FOCAC commitments in July 2012, little has been reported regarding follow-up actions by China in Africa. Little progress on FOCAC is understandable given that China has undergone a major leadership transition. In a show of continued commitment to the Africa region, Xi Jinping took his first foreign tour as the new president to three African countries: South Africa, Tanzania and the Republic of the Congo. On these visits, the president reiterated his funding commitments as outlined at FOCAC.

Given these common interests and stated commitments, a significant scope exists for a trilateral approach in support of regional integration in Africa. Collaborative activities in this area could specifically build on effective existing models in which the Chinese government funds infrastructure development, while their American counterparts complement these efforts with training and technical assistance. This type of shared activity has occurred most frequently in the health sector, in Liberia, for example, where African partners have reportedly facilitated Chinese construction of hospitals with American capacity building efforts for institution staff.

Similarly, last November at the second U.K.-Africa-China Conference of Agriculture and Fisheries in Beijing, the U.K. government invested approximately $15.9 million toward agricultural programs in Africa under the agreement that the Chinese would provide the appropriate expertise and trainings (Zhu, 2012). The United States, China and participating African governments could adopt this model for transnational infrastructure and other regional integration initiatives, with investments, construction and trainings divided trilaterally.

<u>Corruption</u>

Ensuring transparency and accountability in commerce and trade is also a commitment of many African governments. For example, as of 2012 five sub-Saharan African countries are compliant with the Extractive Industries Transparency Initiative, and another eight are candidates under consideration (IMF, 2012). The African Union has similarly adopted the Convention on Preventing and Combating Corruption in 2003, which commits member countries to "prevent, detect, punish and eradicate corruption and related offences in the public and private sectors." However, corruption continues to stand as a major impediment to growth and development in nearly every African country.

Efforts to combat corruption also stand as high priorities for Chinese and American leaders. According to a 2011 survey conducted by Transparency International, out of businesses from 28 countries, Chinese firms were perceived to be the second most likely to pay a bribe to a foreign official (ranked 27 out of 28th) with only Russia ranking worse. While U.S. firms fared better in this study (they were ranked 10 out of 28), American corruption in Africa occurs too frequently. In February of last year, the U.S. Department of Justice launched a formal investigation into the Houston-based Cobalt International Energy for alleged violations of the U.S. Foreign Corrupt Practices Act (Burgis, 2012). Cobalt joins other American companies who have struggled to comply with anti-corruption laws in Africa, including Halliburton Co. and Kellog, Brown, & Root (Rubenfield, 2012).

Official measures to combat corruption in China have recently gained momentum. In February 2011, Chinese officials amended the national Criminal Law to specifically ban bribery of foreign officials (Covington & Burling LLP, 2011). This initiative complements official rhetoric in China. In his last national address, former President Hu Jintao promised "unremitting efforts to combat corruption" (Xinhua, 2012b). While focused primarily on domestic corruption issues, these statements indicate a new focus on transparency, which can be extended to China's international affairs.

Despite mutual commitments to fight corruption, few transparency initiatives have been coordinated between the United States, China and African countries. A unified trilateral approach seems particularly promising, however, given that acts of corruption require complicity of multiple actors. African governments might initiate tripartite cooperation on corruption by advancing recent open data initiatives. According to the U.S. GAO (2013), both Ghana and Kenya have begun publishing information about Chinese loans and grants to their countries. Open access to information provides opportunities for civil society groups to react to discrepancies in reported funding amounts. Support for uniform transparency standards and open data capacity building are two areas for the tripartite to jointly battle corruption. A dialogue on joint efforts to address corruption in Africa should be considered as the United States and China increase investment in the region. Each party in the tripartite holds specific interest in ensuring a stable and predictable market place, so collaborative efforts to address graft and other areas of corruption are mutually beneficial for each actor.

Job Creation and Structural Change in Africa

Recent reports indicate strong economic growth will continue on average across sub-Saharan Africa. According to the World Bank, the region's gross domestic product is expected to grow by more than 5 percent in the coming year, which is more than double the forecasted global average of 2.4 percent. However, despite this progress, economic gains have not resulted in equivalent improvements for the region's workforce or the overall structure of its economies. Unemployment is widespread throughout the continent, and industry continues to be based almost exclusively on primary commodity extraction, with limited or no manufacturing, technology transfer or value addition.

In response to these deficiencies, African governments are increasingly implementing local content requirements for foreign investment. These policies require external investors hire local workers, enter into partnerships with domestic firms, use materials from regional vendors, or implement other strategies to benefit national economies. The government of Uganda, for example, recently passed legislation stipulating that all foreign investments in the oil and gas sector include at least a 48 percent partnership with local companies (Kasita, 2013).

While popular among African policymakers, local content and local hiring provisions are a major concern for American and Chinese companies. U.S. companies like General Electric, for example, are frequently engaged in high-tech infrastructure developments that require specialized skills unavailable in many parts of Africa. Moreover, local markets frequently are unable to supply the materials required for these projects. Time and transaction costs are also a concern. The U.S. firm Wal-Mart was allowed to purchase a stake in the South African firm Massmart only after multiple hearings with the South African Competition Tribunal. The Tribunal allowed Wal-Mart's entry on the condition that the firm set up an $11.8 million fund to support local suppliers and that they not fire any workers for two years (Kew, 2012).

Chinese companies share similar concerns about local content and labor regulations in Africa. According to the U.S. GAO (2013), Chinese firms operating in Angola have been unable to comply with the country's requirement mandating at least 30 percent of project workers must be Angolan. Noncompliance with local content has contributed to growing criticisms of Chinese investments in Africa. Nigeria's Central Bank Governor Lamido Sanusi recently described these trends as "the essence of colonialism" (Sanusi, 2013).

Despite this tension, African countries share a commitment to creating economic environments conducive to foreign investment. Meeting the needs of the continent's massive infrastructure gaps, growing consumer class and economic potential require major external investments and strong foreign partnerships. Given these demands, the U.S., China and African countries all possess a strong need for dialogue and understanding how to increase benefits of foreign investment on the continent while also allowing for efficient and profitable external enterprise. Trilateral dialogue on local content provisions holds the potential to support progress on these issues.

Potential Obstacles to Collaboration

Trilateral engagements between the U.S., China and African countries face significant challenges. China in particular might be reluctant to pursue an active trilateral strategy given that its foreign policy is predicated on non-interference and that it sees itself as a "developing country," similar to many in Africa. Trilateral cooperation also requires political will, which has yet to be effectively mobilized. Ambassador David Shinn (2011) reports of discussion between the U.S. and China in the areas of health and agriculture and cites lack of interest from key personnel in the field as the major factor for failed trilateral discussions. Finally, many Africans might see cooperation between the U.S. and China as an effort to exert leverage on regional governments and pressure African entities on American and Chinese goals in the region.

However, despite these reservations, partnership between Africa's two largest commercial partners holds unprecedented potential to support development in specific areas. Regional integration, corruption and economic development are shared concerns and development efforts should be coordinated to avoid duplication and other inefficiencies. As long as cooperation is closely aligned with African objectives and integrated with African partners, taking advantage of these overlapping interests can support regional development efforts and build trust between all partners.

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Response Paper 1: A Review of "The Commercial Relationship between the United States, China and African Countries: Areas for Trilateral Cooperation"

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There are three main points concerning the themes of the paper:

First, in terms of the current China-U.S. engagement in Africa, of course there is no doubt that China and the United States are now the two primary players in Africa. However, even though since 2009 China has surpassed the U.S. to become the biggest trade partner with Africa, China's influence in Africa in the areas of politics, military and security ties, local civil society links and others remains much weaker than that of the United States. In other words, while China's influence in the economy and trade in Africa is increasing, the U.S.'s influence in Africa is not decreasing. On the contrary, its military influence in the continent in particular has increased in the past years. For example, with the establishment of the U.S. Africa Command in 2007, America has accelerated its pace of gathering information, setting up small-scale military bases and directly participating in attacking extremist forces and terrorism in Africa. Given the different main areas of engagement areas in Africa, there is no significant competition between China and the U.S. in Africa. Even in the field of trade and investment, the mainstream competition is the kind of positive and good competition based on market principles that also welcomes and benefits African hosting countries. Actually, there is much talk of competition (sometimes even confrontation) in American reports and Congressional hearings; however, there are few similar writings published in China's media, and competition has never been mentioned in any official statement or official speech. In China, when the discussion goes to China-Africa relations, it is always analyzed from a bilateral perspective, focused mainly on the issues solely between China and Africa, rather than the third partner.

Second, in terms of the potential areas for tripartite cooperation, I agree that all three issues (regional integration, corruption, job creation and structural change in Africa) mentioned in the paper are important and worth pursuing. However, compared with education, health and agriculture (the three non-sensitive, traditional, long-discussed and consensus-reached areas), the three new areas mentioned in the paper seem more challenging and more difficult to bring the cooperation from words into action. I would like to reiterate here, that at the first stage, education and public hygiene could be a good entry point for proving that the trilateral cooperation could bring benefit to African people. China and the U.S. can cooperate in providing teaching equipment, teaching staff and teaching network construction in primary, secondary and tertiary education. They can also consider an arrangement whereby the U.S. provides capital for building hospitals, and China supplies medical professionals to train African doctors and nurses to fight disease.

Third, in terms of potential obstacles to collaboration, it is not fair to blame China's "reluctant attitude" or Africa's "suspicions or doubts." In fact, as I have argued in several articles before, the U.S. also should also take an inward-looking and self-critical attitude for finding out what has been going wrong with collaboration and cooperation. To my understanding, the essential element here is to create an atmosphere of friendship and mutual trust atmosphere surrounding the bilateral relationship between China and the United States. Each side should understand the other's presence in Africa from a historical perspective. In this sense, mutual respect rather than finger-pointing is critical for laying a foundation for any cooperation. The establishment of a friendly and mutual trust atmosphere needs to understand the different approaches of each other and to respect the different concern of each other as well. Labeling “neo-colonialism” to other’s approach in Africa is an easier but dangerous way for promoting cooperation. As I mentioned before, not only is there is little discussion about China-U.S. competition in Africa in China’s media and published writings, China has always stressed that its relationship with Africa is inclusive and open, and does not reject or target any third party. When Chinese leaders visit Africa, they never make any negative comments on other countries’ presence in Africa. This aspect of U.S. foreign policy indeed needs reflection and second thought, since we hear too often about U.S. high-ranking officials lashing out at China’s presence in Africa when they visit the continent.

Apart from the three main points, I would like to raise another new cooperative area for further discussion: security.

Actually, by taking a close look at the Obama administration’s new strategy toward sub-Saharan Africa and the five priority areas outlined by former Chinese President Hu Jintao at the 5th Forum on China-Africa Cooperation in Beijing, we can find some important areas for convergence in U.S. and China policy in Africa. The new U.S. sub-Saharan Africa strategy sets forth four strategic objectives: strengthening democratic institutions; spurring economic growth, trade and investment; advancing peace and security; and promoting opportunity and development. The five priority areas that China focused on in the coming three years are the following: increasing the investment; finance and development assistance aimed at improving African people’s livelihood; promoting African integration; strengthening people-to-people diplomacy; and advancing peace and security. Obviously, the African security issue stands out as a potential area for the U.S.-China-Africa trilateral cooperation.

Constrained by its “non-interference policy”, China’s involvement in the African security issue has long been limited to taking part in the U.N. multinational peacekeeping forces for missions in Africa. However, with China’s increasing presence in Africa, China now can feel more and more impact from African security challenges. For example, the Libyan war in 2011 forced the withdrawal of 35,000 Chinese personnel from that country, and the conflicts between various factions in Sudan led to the killing or kidnapping of some Chinese employees. These developments prove that Africa's security is closely related not only to local development, but also to the fate of Africa-based Chinese enterprises and their employees. Helping African countries create a peaceful and secure environment will benefit the continent's development. It will also serve the interests of China and be beneficial to peace and stability across the world.

Compared with China’s limited experience in the area of African security, the U.S. has long been involved directly and has abundant experience. China and the U.S. could first exchange intelligence and experience in conventional and unconventional security. They could also join efforts to help Africa build a strong peacekeeping force by cultivating each country's own comparative advantages in such areas as funding and training (the U.S.) and weaponry (China's conventional arms are effective and affordable).

After all, even though we face challenges ahead, where there is a will, there is a way. But before moving substantively toward trilateral cooperation, we should unload some historical burdens, build mutual respect for each other’s interests in Africa, and include African participation as much as possible in achieving development and prosperity in Africa.

Response Paper 2: A Review of "The Commercial Relationship between the United States, China, and African Countries: Areas for Trilateral Cooperation"

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The paper takes a critical look at the diversity in commercial interests by the United States and China in the African continent and the approaches needed to build a formidable trilateral cooperation. The paper is segmented into four parts: an introduction; American and Chinese trade and investment trends in Africa over the years; potential areas for tripartite cooperation; and potential obstacles to collaboration. In the introduction, the paper predicated America's recent undertaking of a series of policy initiatives on the African continent to shore up its competiveness against the backdrop of China's growing commercial engagement on the continent. It also notes the United States' long-standing criticism of Chinese partnerships and business practices in Africa, which is hinged on the fear that "differing approaches to transparency and international standards for commerce and trade damage U.S. development initiatives and diminish its role in the region." However, the introduction of the paper points out that there are prevailing opportunities where the United States, China and their African partners can work together in a cooperative fashion to strengthen not only their commercial trilateral interests, but broader relations. To this end, the introduction set out the paper excellently to examine the rest of its dimensions.

The analysis of the trade and investment trends of the United States and China show clearly that firms from these two countries possess idiosyncratic corporate capabilities; hence, they operate in different sectors in Africa. While the paper used the oil and gas sector to showcase the disparate operations of the American and Chinese firms in Africa, there are other sectors in which these disparities are manifest, but are not referred to, especially the involvement of different firms from these countries in certain mining activities. The paper could incorporate some of these sectors to broaden the scope of the disparate involvement of America and Chinese firms. It is also evident, under the trade and investment section of the paper, that the bulk of United States' (90 percent) and Chinese (91 percent) imports from Africa are petroleum-related products, minerals, ores and metals. Although African countries will earn some foreign exchange from the gargantuan exportation of such resources to the United States and China, the paper could touch a little bit on the negative implications of this trend in their commercial interests on other sectors in Africa. Particularly, it will be interesting to know whether with the implementation of the African Growth and Opportunity Act are American imports from other sectors in Africa, aside from the mineral resources sector, growing or not?

The paper advances three potential areas for tripartite cooperation: increasing regional integration, reducing corruption, and focusing on job creation and structural change in Africa. These identified areas are indeed fundamental to enhancing the gains that each country stands to make in the trilateral relationship. However, there are other equally overarching potential areas for this tripartite cooperation, which have not been addressed in the paper. The following areas should be considered by the paper:

Strengthening of democratic governance and institutions in Africa

There are several countries in Africa that are without either democratically elected governments or are experiencing political instability and weak institutions. These situations are of enormous concern to most African leaders and should also be the same to the United States and China because of their vested interests in Africa's natural resources. The paper should therefore reflect on how the tripartite cooperation between the United States, China and Africa can bring about political stability and the rule of law to all countries in the African continent.

Education and training

The paper identifies the lack of employees with specialized skills in many parts of Africa as a major concern for American and Chinese companies; however, it fails to highlight this weakness in the African continent as an opportunity for the tripartite cooperation. Unequivocally, the United States and China have advanced technologically in different ways than Africa. The paper should look at how a trilateral dialogue can fashion out ways and means to jointly train African workers to acquire skills in certain critical areas.

Strengthening the diversification of African economies

Having identified that industry continues to be based almost exclusively on primary commodity extraction, with limited or no manufacturing in the African continent, the paper shows that industrial development is stagnating. Meanwhile, the United States and China's bulk imports from Africa are petroleum-related products, minerals, ore and metals. Thus, the paper could consider how the strengthening the diversification of African economies can serve as an opportunity for the tripartite cooperation. Finally, the paper identifies potential obstacles to the realization of the trilateral engagements between the United States, China and African countries, which include China's reluctance, the lack of political will of governments, and Africa's perception of cooperation between United States and China as an effort to exert leverage on regional governments. The paper should also consider the lack of transparency and possibly the lack of mutual respect as the greatest threats to Africa-China-U.S. cooperation.

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A Trilateral Dialogue on the United States, Africa and China

Conference Paper 3 and Responses

The Role of China and the U.S. in Managing Ghana's

Nonrenewable Natural Resources for Inclusive Development

The Role of China and the U.S. in Managing Ghana's Nonrenewable Natural Resources for Inclusive Development

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Introduction

The influence of the United States in the world is undoubted. The U.S. plays a major role in global economic and political governance, and its relationship with Africa is cherished, especially after the introduction of the Millennium Challenge Account program. On the other side of the globe, China, in the past few decades, has grown in dominance in the global economy and continues to sustain record growth. Now, China is the world's second largest economy after 30 years of fast-paced economic growth (Lawrence & MacDonald, 2012). China's population is estimated to increase by approximately 123 million people by 2025 from a population of 1.3 billion people in 2008. However, it is feared that without sufficient minerals and natural resources coupled with sufficient economic growth, China will fail to meet its economic and social demands according to 2008 United States Census Bureau data (Butts & Bankus, 2009). The Chinese economy has been growing between 7 and 10 percent since the 1980s and has been doubling every decade. For China, maintaining this level of growth is imperative for keeping a grip on governance and shifting from inefficient, state-controlled industries (Butts & Bankus, 2009). Thus, like the U.S., an increase in economic growth in China means more demand for nonrenewable natural resources.

There have been several bilateral relationships between the U.S. and African countries, and, recently, bilateral ties between China and African countries have intensified. The U.S. and China maintain a bilateral relationship, which has expanded to encompass a broad range of global, regional and bilateral issues. The United States seeks China's cooperation in rebalancing the global economy and reigniting global growth. Therefore, to achieve these goals, both countries seek many of their mineral supplies from Africa (Sprance, 2008). Africa has been a reservoir of natural resources for several decades, and the recent discovery of oil in a number of African countries introduces new dynamics to the natural resource discussion.

The United States considers Africa as global partner, especially since it derives about 16 percent of its oil imports from the continent (Sprance, 2008). It is important to note that the strategic interests of the U.S. in Africa also transcend oil and other resources to include, but not limited to, preventing the spread of terrorism, strengthening good governance and democratic values, increasing trade, and addressing global health and environmental challenges.

Similarly, China has increased its presence in Africa for strategic reasons. The country seeks three things from Africa, namely, unimpeded and virtually exclusive access to natural resources, new markets for its export-driven economy, and increased influence among global political allies. There have been some positive outcomes emanating from these key strategic interventions by the Chinese government but these outcomes depend largely on clear government policy. Some examples of policy interventions are support for African commercial ventures, financing and tax rebates for Chinese firms operating abroad, and improved and better diplomacy towards the continent (DeLorenzo, 2007).

The quest for oil drives China's minerals and natural resource policy with Africa. In January 2006, China announced its desire to improve its cooperation with African countries. This desire was laid out in its white paper on China-Africa economic trade and cooperation, which is intended to guide relations with the continent by sticking to a "noninterventionist and non-ideological strategy" (AFRODAD, 2010). Even though China has received about 10 percent of her energy needs from Africa since 2006, the country still has energy security issues, with estimates showing that between 2002 and 2025, China's share of global fossil fuel consumption will increase between 7 and 12 percent (Kirchick, 2007).

These current trends have led to the evolution of the policy documents and the subsequent massive investment in Africa's natural resource exploration and management. Against this backdrop, China has invested heavily in several African countries including Nigeria, Sudan, Angola, Chad, Gabon, Mauritania, Kenya, Republic of Congo, Equatorial Guinea and Ethiopia for the exploration and extraction of oil resources (Timberg, 2006). Indeed, there are a lot of other natural resource endowments that China has exploited in Africa over the years. China is actively acquiring the strategic minerals cobalt, chrome and platinum from the Democratic Republic of Congo, Zambia, Zimbabwe and South Africa (Lee, 2006;).

If the relationship between these two giant economies can be extended to Africa, the new trilateral relationship can help enormously in ensuring that the extraction of nonrenewable natural resources is accomplished in an efficient manner and that greater benefits are achieved. However, the extent that this trilateral relationship can be developed and the benefits thereof have yet to be investigated, which raises the following questions:

- What challenges does the government of Ghana face in seeking to effectively manage nonrenewable natural resources and improve state services while navigating the interests of outside powers from the U.S. and China? Do these interests differ from country to country in Africa?
- What are the approaches of the corporate bodies from China and U.S. in the nonrenewable natural resources sector in Ghana and Africa as a whole?
- What negative or positive impacts do these corporate bodies' approaches have on the development of Ghana and which of them do policymakers engage?
- Would coordination between the U.S. and China on issues such as natural resource extraction be beneficial in meeting economic development goals?

This study seeks to examine the trilateral relationship between the United States, China and

Ghana on the management of nonrenewable natural resources. It specifically seeks to examine the engagement of the U.S. and China on the topic of nonrenewable natural resources (exploitation and management) in Ghana and Africa in general and the implications thereof.

Data that informed the analysis of the paper were derived from secondary sources (existing literature) and primary sources through interviews with personnel at the Ghana Chamber of Mines, Ghana Chamber of Commerce and Ghana Investment Promotion Centre.

The following sections of the paper look at Ghana's management of natural resources from a historical perspective (section 2) and compare the American and Chinese firms working in the sector in Ghana (section 3). Given the lessons learned from the historical perspective and knowledge about U.S. and Chinese firms, the authors address the implications for natural resource management (section 4) and conclude with policy recommendations (section 5).

Ghana's Nonrenewable Natural Resources

Ghana is endowed with large reserves of natural resources, both renewable and non-renewable. Renewable natural resources include agricultural land, wetlands, forest and forest land, fresh and salt water fisheries, and surface and underground water resources. Nonrenewable resources endowments include the mineral ores (gold, diamonds, bauxites and manganese) and petroleum. These nonrenewable natural resources, especially the mineral ores, have been the bedrock of Ghana's economic development for many years through revenue generation (GHEITI, 2009).

The extraction of mineral resources in Ghana is an age-old phenomenon. The country extracted an estimated 80 million ounces of gold between the first documentation of gold mining in 1493 up to 1997 (Kesse, 1985; Ghana Chamber of Mines, 1998). Ghana accounted for about 36 percent of total world gold output (8,153,426 ounces) between 1493 and 1600 (Tsikata, 1997). Indeed, Ghana has been an important player in mineral extraction and at one time was the second-largest gold producer in Africa, the third-largest African producer of aluminum metal and manganese ore, and a significant producer of bauxite and diamonds (Amponsah-Tawiah & Dartey-Baah, 2011).

Ghana's minerals have been an important source of foreign exchange since independence in 1957. In an attempt to provide employment, to control the rate of extraction and to generate foreign exchange, the state controlled the mining industry from 1957 to 1986 by owning over 55 percent of shares in the major mining companies (Tsikata, 1997). However, inadequate macroeconomic policies during the 1950s up to the 1980s, including an overvalued exchange rate, diminished the funds available to maintain and restructure the mining industry (Aryeetey, Harrington & Nissanke, 2000). The mining industry faced undercapitalization and low efficiency due to poor management, lack of technical deficiencies and weak mining skills. During this period, gold extraction was very low, decreasing from 915,317 ounces in 1960 to the lowest level of 287,124 ounces in 1986 (Akpalu & Parks 2007). The inception of the Economic Recovery Programme (ERP) in 1986, however, reignited the mining industry leading to phenomenal growth (Aryee & Aboagye, 1997). ERP resulted in a shift from state ownership to liberalization, deregulation and privatization of the mining sector. Hence, government's main objective at the commencement of the ERP was to quickly attract investments into the mining sector, along with other key sectors that had export potential, to help turn around the general economy of the country. Thus, measures were taken to optimize the national revenue including the promulgation of the Mineral and Mining Law of 1986 (PNDCL 156), which was later amended into Mineral and Mining Act 1994 (Act 476) to make special provisions for taxation (GHEITI, 2009).

Significant investment in the mining sector took place between 1983 and 1998, especially the astronomical increase in foreign direct investment (FDI) from $12.8 million in 1986 to $83 million in 1998 (Addy, 1998). This investment led to an trend of an increase in production: gold production, for instance, overtook the 1960 peak levels and reached a record high of 2,481,635 ounces by 1998 (Aryee, 2001). Diamond extraction also increased from 717,738 carats in 1996 to about 1,090,072 carats in 2001, and bauxite production significantly increased from 383,370 metric tons in 1996 to a record high of about 678,449 metric tons by 2001. The production of manganese also increased astronomically from 266,765 metric tons in 1996 to about 1,076,666 metric tons in 2001 (ISSER, 2011). These high production levels propelled the dramatic rise in Ghana's export earnings from 1992 to 2001.

In 2007 Ghana discovered oil and gas in commercial quantities in the Jubilee fields in the Western region of the country. Production of crude oil from the Jubilee fields started in November 2010 with 25,000 barrels of oil per day, increasing to 80,000 barrels per day by October 2011, however, this number was far below the projected figure of 120,000 barrels a day (GNPC, 2012). By October 2012, produced crude oil from the Jubilee fields had totaled over 46 million barrels. In 2012, a total quantity of 3,936,388 barrels was lifted with a net value of $433,212,905.10 (GNPC, 2012). Production from the Jubilee fields is expected to reach 120,000 barrels of oil per day in the first half of 2013 due to the expansion of Jubilee phase one plan through the drilling of additional eight wells and the installation of additional subsea facilities (GNPC, 2012). Aside from the Jubilee fields, 16 new oil fields have been discovered offshore of Ghana and are at different stages of appraisal and development.

Natural Resources and Governance

The mining sector in Ghana received priority attention under the ERP in 1983 (Aryee & Aboagye, 1997). Specific sector policy reforms and institutional development to promote investors' interest and confidence were initiated at that time (Amponsah-Tawiah & Dartey-Baah, 2011). These reforms included the repeal of the Mineral and Mining Law 1986 (PNDCL 153), which was replaced by the Mineral and Mining Act in 2006 (Act 703), and the introduction of the Internal Revenue Act (Act 592). This act offered special tax provisions and favorable incentives to the mining industry (GHEITI, 2009). Also, the establishment of the Minerals Commission in 1993 (Act 450), the promulgation of the Minerals and Mining Code of 1986 (PNDCL 153), the institutionalization of the Small Scale Mining Law in 1989 (PNDCL 218) and the establishment of the Environmental Protection Agency (EPA) in 1994 were all geared towards boosting the mining industry in Ghana.

At present, myriads of environmental and social standards have been fashioned by the Ghanaian government to shape economic activities within the policy environment. These standards are enshrined in the following documents and instruments: the National Environmental Policy of Ghana, which is complemented by the Environmental Protection Agency Act, 1994 (Act 490); Environmental Assessment Regulations, 1999 (L.I. 1652); the Forestry Commission Act, 1999 (Act 571); Ghana's Mining and Environmental Guidelines, 1994; Operational Guidelines for Mineral Exploration in Forest Reserves for Selected Companies, 1997; Environmental Guidelines for Mining in Production Forest Reserves in Ghana, 2001; Guidelines for the Preparation of Feasibility Study Reports, 2009; Mine Closure and Post-closure Policies; Guidelines for Corporate Social Responsibility in Mining Communities; and Compensation Policy and Regulations (a draft of the National Mining Policy of Ghana). In addition, other guidelines are under development to improve the standards of environmental stewardship and sustainable development.

Institutionally, the EPA; Ministry of Environment, Science and Technology; Ministry of Finance, Ministry of Lands and Natural Resources; Ghana Revenue Authority; Bank of Ghana; Minerals Commission; Forestry Commission; Water Resources Commission; Lands Commission; Administrator of Stools Lands; District Assembly; Ghana Chamber of Mines; Ghana Investment Promotion Centre; traditional rulers; Ghana Immigration Service; and others have oversight responsibility in regulating the mining sector in Ghana.

With respect to the petroleum sector, the primary oversight responsibility rests with the Ghana National Petroleum Corporation, the Petroleum Commission and other state institutions. The legislative instruments shaping the operations in the petroleum sector are the Ghana National Petroleum Act 1983 (PNDCL 64), Petroleum Income Tax Law 1987 (PNDCL 188), and Petroleum Revenue Management Act 2010 (Act 815).

The structure of Ghana's nonrenewable natural resources industry appears pyramidal: A few large companies occupy the apex with numerous small scale players lay at the base. About 85 percent of the natural resources industries in Ghana are owned by foreigners while the rest are owned by the government of Ghana and several small-scale Ghanaian operators. Small-scale mining is restricted to nationals (Akabzaa & Darimani, 2001). Table 1 below displays the big players, including oil exploration and extraction companies, in the natural resources sector.

Table 1: Major Mineral Producing Companies in Ghana

Company	Location	Natural Resource
Anglo Gold Ashanti	Obuasi, Ashanti region	Gold
Anglo Gold Ashanti	Iduaprim, Western region	Gold
Abboso Goldfield Ltd	Damang, Western region	Gold
Central African Gold	Bibiani, Western region	Gold

Chirano Gold Ghana Mine	Chirano, Western region	Gold
Goldfield (Ghana) Ltd	Tarkwa, Western region	Gold
Golden Star Resources (Wassa) Ltd	Akyemprim, Western region	Gold
Golden Star Resources (Prestea/ Bogosu) Ltd	Prestea/ Bogosu, BrongAhafo region	Gold
Newmont (Ghana) Ltd	Kenyasi, Brong-Ahafo region	Gold
Ghana Manganese Ltd	Nsuta, Western region	Manganese
Ghana Bauxite Company Ltd	Awaso, Western region	Bauxite
The Great Consolidated Diamond Ghana Limited (GCDGL)	Akwatia (Eastern region)	Diamond
Kosmos Energy	Western region	Crude Oil
Tullow Oil Plc	Western region	Crude Oil
Vanco Energy	Western region	Crude Oil
Lukoil	Western region	Crude Oil
Hess Exploration	Western region	Crude Oil
Vitol Upstream	Western region	Crude Oil
Tap Oil	Western region	Crude Oil
Oranto Oil	Western region	Crude Oil
Lusheternit	Western region	Crude Oil
Afren Plc.	Western region	Crude Oil

Source: GHEITI, 2009 and GNPC, 2012.

The landscape of the United States' and China's operation in the nonrenewable natural resources' sector in Ghana[4]

This section tracks the trajectories that American and Chinese corporate bodies pursue in their

[4] Analyses in sections 3, 4 and 5 have been informed by the inputs from personnel at the Ghana Chamber of Mines, Ghana Chamber of Commerce and Ghana Investment Promotion Centre.

engagement in the nonrenewable natural resources sector in Ghana. It also examines the nuanced political strategies used by each country to influence the nonrenewable resources sector. An understanding of the features of the entrepreneurial activities of these corporate bodies from the two countries is imperative for Ghana as it strives to develop.

Fundamentally, there are a few similarities between American and Chinese corporate bodies in the nonrenewable natural resources sector in Ghana. The U.S. and China are both nonrenewable natural resource-seeking countries because of their burgeoning economies. Second both countries export the nonrenewable natural resources from Ghana and Africa as a whole unprocessed or in the raw form. The manifold disparities between the corporate entities from the U.S. and China in the nonrenewable natural resources sector are below.

Scale or Size of Corporate Bodies and Value

A prominent difference among the firms from the U.S. and China operating in the nonrenewable natural resources sector in Ghana is differentiated sizes of the firms. Characteristically, the firms from the U.S. are large multinational companies and few in number. On the other hand, the firms from China are very small in size, mostly owned by individuals and very profuse. Indeed, the totality of Chinese firms in Ghana outweighs those from the United States. However, in terms of value, U.S. firms are dominant compared to the Chinese firms. For example, while China topped the list of registered projects (56) in 2012 compared with 17 from the U.S., in terms of FDI value, the U.S. was third ($500 million) while China was seventh ($67.88 million) (GIPC, 2013).

Operational Focus of Corporate Bodies

Another distinguishing feature between the corporate bodies from U.S. and China in the nonrenewable natural resources sector in Ghana is their disparate foci. The diversity in operations is informed partially by their scales. Large American corporate bodies focus primarily on the exploration and extraction of mineral resources on a large scale in the country. By virtue of their small scale, Chinese corporate bodies are unable to embark on large mineral exploration and extraction. Rather, these corporate bodies focus extensively on providing services, to the big corporate bodies in the extractive industry. The service provisions by Chinese corporate entities are, however, bedeviled with illegalities because most of them provide services to small-scale miners, contrary to the rules and regulations in Ghana: The rules and regulations in Ghana are very explicit regarding the non-involvement of foreigners in the small-scale mining process, whether directly or indirectly. However, Chinese companies that harbor the intention of going into this illegal undertaking usually register with the Ghana Investment Promotion Centre (GIPC) under the guise to offer services to either the construction industry or large-scale miners, but end up operating in the small-scale mining sector. The destructive nature of these illegal mining activities is very pervasive and has grown in proportion over the years in the Ashanti, Eastern, Central and Western Regions, which are considered the mining enclaves of Ghana. The most devastating effects of these illegal mining activities (popularly known in Ghana as “galamsey”) include the destruction of rivers and streams, which serve the water consumption needs of both urban and rural dwellers. For instance, sections of major rivers such as Ankrobra, Bonsa, Pra, Offin, Butre and Birim have been polluted as a result of dredging by the "galamsey" operators and the use of toxic mercury and cyanide (Masahudu, 2013). Boxes 1 and 2 encapsulate media stories on the dynamics of the illegal mining activities in Ghana.

Box 1

Rivers, Ponds Sold to Chinese Miners

"It has emerged that some Ghanaians have claimed ownership of rivers and ponds, and sold them out to Chinese illegal small scale miners for their activities. Mr. Stephen Piadu, Chief Inspector of Mines revealed this when the Minister of Lands and Natural Resources, Alhaji Inusah Fuseini paid a day's visit to the Minerals Commission of Ghana, on Monday. This has resulted in the massive pollution of some water bodies in the country, thus putting the lives of consumers of these water bodies in danger."

"He therefore, made a passionate appeal to Alhaji Inusah Fuseini to use his good offices to investigate the issue. On his part, the minister said foreigners were not allowed under the country's laws to engage in small scale mining and, pledged to join the fight against illegal mining in their respective areas," (Zangina-Tong, 2013).

Box 2

Five Chinese Galamsey Operators Arrested

"Five Chinese illegal small scale miners (galamsey operators) were arrested by the Eastern Regional Police Command at Sarkonadese in the Atiwa District at the weekend. The five whose names were given as Han Jun, 38, Meng Guang Heng, 64, Lu Hibo, 42, Zhang Bao, 30 and Xia Zhi, 50, were arrested at the camp where they had built houses and mounted their mining equipment. Nine others whose identities are not yet known are currently on the run. The unannounced swoop was embarked upon following a tip off the Police received from an

<u>Compliance and Noncompliance of Established Rules and Regulations</u>

The Ghanaian government's policy is to create an enabling environment for investors. In return, all investors are to respect the laws of the sectors in which they engage. Unfortunately, investors from the U.S. and China are different as far as complying with the laws in the nonrenewable natural resources sector is concerned. While American firms strictly adhere to the laws, many Chinese corporate organizations have defaulted. It is, however, important to point out that all illegal activities undertaken by Chinese firms, especially in the mining sector, are done in close collaboration with an individual Ghanaian or a group of them. A recent example, testifying to this illegal collaboration, is the case of the Hansol Mining Company. Not only did this company obtain a loan and heavy machinery from Chinese investors for the small-scale mining activities, but the

Chinese were also involved in the mining activities until the Ghana Immigration Service arrested them.

In the wake of the upsurge in the “galamsey” activities by some Ghanaians and Chinese, the President of the Republic of Ghana John Dramani Mahama recently inaugurated a five-member high-powered Inter-Ministerial Taskforce to get rid of Ghanaians and non-Ghanaians perpetrating illegal mining activity in the country (Musah, 2013). This taskforce includes: Chairman Alhaji Inusah Fuseini, the minister of lands and natural resources; Kwesi Ahwoi, the minister of the interior; Mark Woyongo, the minister of defense; Hannah Tetteh, the minister of foreign affairs and regional integration; and Joe Oteng-Adjei, the minister of environment, science, technology and innovation. The mandates of the taskforce include working in close collaboration with the country’s security forces (military and police) to arrest and prosecute Ghanaians and foreigners engaged in illegal mining as well as deport foreigners involved in the illegal act; ensure the strict and full enforcement of laws on small-scale mining; seize equipment used by those who fail to comply with new directives for obtaining or renewing licenses; and revoke the licenses of Ghanaians who have subleased their concessions to foreigners and those who have engaged the services of non-Ghanaian miners in the small-scale mining sector in ways that are contrary to the rules. In addition, the taskforce has been empowered to assess the effectiveness of the metropolitan, municipal and district chief executives (MMDCEs) and their respective District Security Committees (DISECs) in the removal of any illegal mining activity in their areas of jurisdiction. The outstanding feature of the taskforce is its all-encompassing nature—it comprises of institutional structures at the national, regional and local levels taking into account the involvement of sectoral ministers, regional ministers and MMDCEs.

At the bilateral level, two important meetings have been held between the government of Ghana and two separate delegations from the Chinese Ministry of Foreign Affairs and from the Guangxi province in April 2013 and May 2013, respectively. In the meeting between the representatives of the government of Ghana and the Chinese Ministry of Foreign Affairs, parties resolved to establish a high-powered working committee to examine the circumstances that underpin the influx of illegal Chinese miners to Ghana in order to fashion out an integrated roadmap to bring an end to the situation (Wereko, 2013). The second meeting took place between the delegates of Guangxi province and the country’s Inter-Ministerial Taskforce on illegal mining. Guangxi has been identified as the province from which the majority of the illegal Chinese miners in Ghana hail; thus, delegates from the Guangxi province requested the meeting with the taskforce to examine possible solutions to halt the problem of the illegal small-scale mining by a considerable number of Chinese in Ghana (Bonney, 2013).

Diversity in National Approaches

Politically, United States and China are adopting different approaches to influence the nonrenewable natural resources sector in Ghana. While the U.S. concentrates on supporting the building of strong institutions and democratic governance, China’s approaches include the building of physical infrastructure and, very recently, the lending of loans. For instance, Ghana recently received a $3 billion loan from the China Development Bank (CDB) to develop oil and gas infrastructure. One of the measures to redeem this loan is the allocation of some quantity of the oil and gas resources from Ghana to China. The loan disbursement is in two tranches. Each tranche is $1.5 billion with different terms. The servicing of the first tranche of this loan encompasses a five-year grace period, 15-year repayment period, commitment fee of 1 percent flat rate, an interest rate of 2.95 percent and six months LIBOR (London Inter-Bank Offer Rate) and an upfront fee of 0.25 percent flat. The second tranche is allotted a grace period of five years, 10-year tenure interest rate of 2.285 percent and six months LIBOR, 0.25 percent upfront fees per annum and a commitment fee of 1 percent per annum (*Ghana Business News*, 2013). The repayment terms include Ghana's commitment to sell oil to China to offset the loan. In other words, the Ghana National Petroleum Company must commit to sell oil to the Chinese off-takers.

Implications and Lessons Learned

Several implications and lessons emanate from the disparate engagements of U.S. and Chinese firms in the nonrenewable natural resources sector in Ghana and Africa as a whole. While Ghana and the African continent stand to benefit immensely from increased investment from both countries in the sector, unequivocally, certain risks and challenges are inevitable, and therefore need to be circumnavigated or addressed.

The existence of the two powerful countries in the nonrenewable natural resources sector in Ghana brings pluralism and enables healthy competition in the sector. This competitive spirit takes away the possibility of monopoly and gives the country the leverage to negotiate and bargain for better economic deals for these natural resources.

Economic complementarities are derived between Ghana and the two countries, especially in the dimensions of market opportunities, job creation and revenue generation for Ghana. The U.S. and China can use the resources to fortify their economies. Although very minimal, this trilateral relationship enhances technological and human capacity development in Ghana.

The benefits notwithstanding, this trilateral relationship is engulfed with myriads of challenges. Particularly the proliferation of illegal small-scale mining activities and the supply of services to the small-scale miners by some Chinese mining enterprises are very worrisome. It has been realized that the small-scale nature of Chinese enterprises is one of the reasons they are able to indulge in these illegal acts. Apart from destroying the environment through utter disregard for the laws, these illegal activities also lead to the loss of revenue for the nation through tax invasion.

It has also been realized that in Ghana and other African countries such as Angola and Zambia, the importation of Chinese labor force and the use of predominantly unskilled instead of skilled labor force from Africa are some of the hallmarks of Chinese companies (Kamwanga, Koyi & Bwalya, 2009). The defects of this approach include the downsizing of the recruitment of indigenous skilled labor, which goes a long way in diminishing local technical capacity development. According to Baah, Otoo, & Ampratwurm (2009), "Chinese investors use Chinese labour in most of the infrastructure projects that are financed by China and for which the skill requirements are relatively higher. For example, as many as 150 Chinese 'experts' were employed in the construction of Essipon Stadium in Sekondi-Takoradi which was financed by China." Also, as of July 2008, in the course of constructing the Bui hydroelectricity dam project in Ghana by SinoHydro Corporation Ltd. of China, there were 560 and 110 Ghanaians and Chinese employees, respectively (Baah et al., 2009). Even though the Ghanaian employees were more than the Chinese, it became clear that most of the Ghanaian workers were unskilled and primarily undertook the construction of temporary structures (ibid). Moreover, in Angola, the construction of the Kilamba Kiaxi social housing project, the largest social housing project in that country, is replete with evidence of the great use of Chinese employees in Africa by companies with China orientation. Accordingly, as of 2011 there were about some 10,000 Chinese workers compared with 5,000 Angolan workers in this project (Bingfei, 2011).

In addition, the high interest of these two countries in nonrenewable natural resources limit to some extent economic diversification in Ghana and that can, in turn, create Dutch disease problems in the economy. Currently, much attention from investors is geared towards the oil and gas resources to the neglect of other equally important sectors that need to be developed to increase exports to boost economic growth.

Another critical lesson learned in this paper is the facilitating role played by citizens of Ghana in fomenting the illegal extractive activities undertaken by some Chinese companies. Small-scale mining can only be undertaken by Ghanaians, by law. However, leases are acquired by Ghanaians and are either subleased to Chinese companies or illegally involve Chinese experts in the activities.

Conclusions and Policy Recommendations

In sum, findings in this paper reveal that evidence abounds testifying to the benefits and costs associated with the activities of the U.S. and Chinese corporate bodies, especially in the nonrenewable natural resources sector in Ghana and, by extension, Africa. It is therefore imperative that Ghana and other African countries position themselves in a bid to consolidate the gains emanating from this trilateral relationship and to circumnavigate the challenges for enhanced and inclusive development. Achieving such win-win situation demands changes within the policy landscapes and internal social dynamics in Ghana, U.S. and China.

Against that backdrop, the following policy recommendations are advanced in this paper:

- *Sustainability features should be added to inter-ministerial taskforce.* Although the Inter-Ministerial Taskforce is in full operation at the moment, it is imperative to instill sustainability features into it. Often times, such committees become moribund when the supply of supportive logistics is sporadic or certain key actors fail to discharge their duties properly. The complex nature of the illegal small-scale mining in Ghana, however, is an indication that nothing short of a resolute taskforce with a sustained monitoring approach can nip it in the bud. Thus, in order to ensure the sustainability of this taskforce, the government of Ghana should take pragmatic steps to establish a Mineral Revenue Fund, part of which will be used to finance the Taskforce's activities. In addition, the Taskforce should be independent and devoid of political interference as it discharges its mandates.

- *China and the U.S. should support surveillance and tracking.* Also, the Chinese Ministry of Public Security should support the Ghana Immigration Service and police in tracking both the initial plans and operational activities of networks of Chinese and Ghanaian illegal mining organizations. The U.S. could also support the surveillance of illegal mining activities in Ghana with technology such as unarmed and unmanned drones that can enhance the mapping of locations where these activities are taking place.

- *The Ghanaian government should educate Ghanaians on the impacts of illegal mining on the environment.* The education of Ghanaians on the impacts of environmental degradation through illegal mining extraction activities and the cultivation of high disciplinary standards should be intensified. Awareness of the impacts of such illicit activities and the development of a high level of discipline will help curb the proliferation of joint illegal mining activities between Ghanaians and foreign companies. In the same vein, all expatriate investors should be educated appropriately to adhere to the laws and regulations of the sector as well as the accompanying sanctions in the event of default. These sanctions should be deterrent in outlook.

- *The government of Ghana should expedite action in approving all draft policies*. These policies include the draft mining policy and revised draft environmental policy that aim to enhance the work of the various institutions. In addition, other outdated policies should be revised to incorporate relevant provisions that will enhance the welfare of the indigenous people and the smooth operation of the institutions connected with them.

- *Ghanaians should improve their capacity through training in oil and other natural resource management skills*. Additionally, Ghanaians should position themselves in strategic investments to ensure that the benefits from local participation in the nonrenewable energy sector are enhanced. Government should also play a key role by offering scholarships to selected Ghanaians to acquire relevant skills especially in the oil sector.

- *The Ghanaian government should enhance inclusive development in Ghana while not affecting the development strives of the U.S. and China.* The three countries should encourage investors from the latter two countries to diversify their investment portfolios. Besides encouraging investors to set up industries to process nonrenewable natural resources in Ghana instead of exporting them in the unprocessed form, investors should also undertake more activities in the agricultural and manufacturing sectors. Setting up industries will not only create more jobs, but will enhance technology transfer, capacity building and returns from the processed nonrenewable natural resources.

- *Civil society groups and the media should take an active part in discussing and investigating the activities of foreign investors in the nonrenewable natural resources' sector in Ghana*. Civil society can bring about transparency and sustainable development. In other words, they should play watchdog roles to complement the efforts of other institutions.

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Response Paper 1: A Review of "The Role of China and the USA in Managing Ghana's Non-renewable Natural Resources for Inclusive Development"

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The paper by the five ISSER scholars presents a highly comprehensive picture of Ghana's non-renewable natural resources industry and the involvement of the United States and China in this field. The authors compare and analyze the differences of the nature, magnitude, behavioral pattern and corporate compliance of American and Chinese companies and offer valuable observations on how the Ghanaian government should craft effective policies to maximize the long-term benefits from the American and Chinese investments. The paper makes a great contribution to the ongoing dialogue on how African countries could and should better manage the international investors' interests in their natural resources and translate them into long-term, sustainable development outcome.

The authors keenly point out some major problems with China's engagement in Ghana's non-renewable natural resources. On the corporate level, compared with the large, law-abiding American multinational companies, Chinese companies operating in Ghana are "small in size, owned by individuals and very profuse." They focus primarily on providing services to small extractive companies and engage pervasively in "galamsey"—illegal mining activities. On the national level, the U.S. emphasizes building strong institutions and democratic governance, while China relies on infrastructure projects and loans to extract oil and gas resources from Ghana.

The irregularities and illegalities of China's behaviors in Ghanaian's natural resources industry are a key issue for the country and the future of the Sino-Ghana bilateral relations. It would be interesting for the authors to offer some in-depth analysis on the behind-the-scene stories of the Chinese patterns of operations. A differentiation might be made between the Chinese government and Chinese companies and individuals so as to avoid an oversimplified generalization of "China's" policy.

Since the Chinese irregularities and illegalities have become a major concern of the local population, it might be worth exploring what discussions Accra has engaged Beijing on the bilateral level and what China's responses and constructive adjustments (or the lack thereof) have been. In addition, readers will be interested in the internal contemplation and domestic measures taken by the Ghanaian government to tackle the challenges posed by the Chinese activities. For example, given the prevalence of illegal Chinese mining activities, are there any particular local political or social conditions that fostered the growth of the problem, such as systematic deficiency, corruption or poor governance? What is the government doing to address these deeper roots?

These discussions lead to the broader question on how to regulate Chinese behavior inside Africa. Simply expecting the Chinese to change their behavior or for Beijing to manage the booming number of actors would be far from enough given China's policy inertia and capacity constraints. China will rely on local African governments to dictate and enforce the rules they play within. Moreover, it is the job of the African governments to educate China about the broader negative consequences of the irregularities and illegalities and the benefits of better compliance. Thus, internally, the Ghanaian government would essentially be the primary party responsible.

The responsibility of the Ghanaian government to regulate the natural resource sector touches on the key problem faced by many African countries: How might they construct an effective natural resources governance and management system that is transparent, reliable and accountable? This goal is also precisely a fundamental policy objective of the United States inside Africa. It would be extremely valuable if the authors could provide an analysis of the obstacles the government faces in the process as well as targeted recommendations on how the U.S. could contribute.

Last but not least, the authors rightfully pointed out the benefits of U.S.-China competition for Africa, especially on how it prevents monopoly by one single country and offers better economic deals, market opportunities, job creations and revenues to African governments. While African countries might see the competition as desirable, it is worth considering whether there are fields where U.S.-China cooperation might be useful in promoting better economic development of Africa, such as on training, education or on the development of industries other than those related to the natural resources. In the past 12 months, Beijing pronounced that it would enhance its input to the development of agricultural and manufacturing industries in Africa as a policy priority. Might the authors see any opportunities there given the different strengths and advantages of the United States and China?

Response Paper 2: A Review of "The Role of China and the U.S. in Managing Ghana's Nonrenewable Natural Resources for Inclusive Development"

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I would like to begin by acknowledging Professor Clement Ahiadeke and other co-authors' fine work.[5] Their paper, "The Role of China and the U.S. in Managing Ghana's Nonrenewable Natural Resources for Inclusive Development," has examines the engagement of China and the United States on the issue of nonrenewable natural resources in Ghana. The report analyzes the implications and lessons of U.S. and Chinese engagement in Ghana, and provides some useful policy recommendations, especially from Ghana's position. The authors' detailed analysis of the United States' and China's operations in nonrenewable natural resources will not only contribute to our understanding of complicated trilateral relations between China, the U.S. and Ghana, it will also give us a typical example that reflects the general realities of China's involvement on the African continent. This involvement has attracted a lot of international attention, encountered increasing difficulties and suffered many criticisms.

The paper compares the similarities and disparities between the activities of U.S. and Chinese corporate bodies in the nonrenewable natural resources sector in Ghana. However, it is deserved to point out that the activities between enterprises and governments are not equal, which means that enterprises are not the instrument of the government, and they may not follow government policies of their home countries. There is usually some consistency between the activities of enterprises and the policies of government, but for most of Chinese enterprises they will not make an investment into Ghana's nonrenewable natural resources sector if they cannot earn money, even though their government encourages them to do it because the goal of enterprises is to maximize profit. Undoubtedly, the United States' and China's governments both support their own enterprises to make investments in or import nonrenewable natural resources from Ghana. But it is the relative enterprises that make their own decisions. Superficially, these similarities between United States' and China's national interests will make them compete for nonrenewable natural resources in Ghana. However, from the disparities of United States' and China's enterprises in Ghana, the inference that they will be in direct competition is not reasonable. The corporate organizations from the U.S. are large multinational companies and the corporate bodies from China are very small in size, which means China's companies are lacking in the capabilities to compete with the United States. What is more, because China's companies are latecomers while American companies are first-comers, there is only a little room left for the China. However, fundamentally, it is because China's companies lack of advanced offshore exploration and development technologies in the oil and gas sector that the companies are no match for their U.S. counterparts. So there should be no conflicts between Chinese and American companies.

On the contrary, they can cooperate with each other. For example, Chinese companies can

[5] The authors of "The Role of China and the USA in Managing Ghana's Nonrenewable Natural Resources for Inclusive Development" include Clement Ahiadeke, Peter Quartey, Simon Bawakyillenuo, Patricia Aidam, and Mustapha Mensah.

provide some services and help to build some critical infrastructure like oil and gas pipelines, which maybe American companies are reluctant to provide for Ghana. In the case of the $3 billion loan from the China Development Bank to Ghana, it should be thought of a good thing for everyone (maybe except for China) because the interest rate is significantly low compared to Ghana's domestic loan interest rate, which is currently about 12.5 percent to 20 percent. Given the approximately 10-20 years repayment period, the China Development Bank will take a huge risk, so we should see the allocation of some oil from Ghana to China as to some extent a guarantee. China's government agreed to loan this huge sum of money to Ghana in part because Ghana is a politically stable democratic nation, so supporting the building of strong institutions and democratic governance in Ghana is also in the economic interest of China, not just in the interest of the U.S. and Ghana.

This paper has also provided some policy recommendations to solve the problem of illegal mining extraction activities and Chinese miners, including improving education and using sanctions. The paper was correct to state that the way to solve the problem is for Ghana's government to educate the local residents or punish illegal mine operators. According to some reports, some Chinese individuals and companies were also victims of the illegal mining extraction activities because they were deceived to believe that they were engaged in legal mining extraction activities by some locals. At the same time, China's government has taken some precautionary measures, including risk disclosure, education and training. Also, according to Yu Jie, the political director at the Chinese embassy in Accra, China's government wants to cooperate with Ghana to solve the problem of illegal Chinese miners.[6] Through intense bilateral cooperation between China's and Ghana's governments this issue can be solved even though there are some difficulties in the short term. Compared to this problem, the problem of importation of the Chinese labor force is a much more difficult dilemma with which to deal. There are two reasons why this is so difficult: First, Ghana and other African countries lack the qualified laborers or engineers that China's companies need. Second, China has an abundant supply of qualified labors that can meet Chinese enterprises' needs in Ghana or other African countries. What is more, even though African countries can supply qualified laborers for Chinese firms it will be a long time before China's companies learn how to localize hiring in the host country. Chinese companies need to learn from the failure and success of internationalization and management of local workers.

Finally, let me mention some facts about Ghana's oil industry. Although Ghana has been an oil producer since 2007, according to the CIA World Fact Book, it is a net crude oil importer (that is 29,000 bbl/day in 2011) and its proven oil reserves are only 660 million barrels. We do not know when Ghana will become a net crude oil exporter because its oil demand is increasing rapidly yet the growth rate of its oil production is uncertain. So in case of Ghana, we cannot assert that the quest for oil drives China's foreign policy toward Ghana.

[6] Rice, Xan. (2013, January 8). Chinese miners flock to Ghana gold boom. *Financial Times*. Retrieved from, http://www.ft.com/cms/s/0/35a8f4b2-58ca-11e2-bd9e-00144feab49a.html#axzz2SO1oMHZl

A Trilateral Dialogue on the United States, Africa and China

Conference Paper 4 and Responses

Perspectives on China-Africa Oil Ties

Perspectives on China-Africa Oil Ties[7]

Luo Zhenxing, Professor, Institute of American Studies, Chinese Academy of Social Sciences

Introduction

As China continues to rise, its demand for oil will grow rapidly. In order to ensure its oil security, China has to acquire oil from the global world because its domestic oil resources are not enough to meet the thirsty appetite of its rapid economic growth. Whatever path toward growth China takes, its huge oil demand will impact the world oil market and influence the existing international oil order and system. As part of its energy strategy, China's enterprises have gone to almost every corner of the world to buy oil or make investments in oil fields where there are opportunities, disregarding the potential for huge risks in some places. Among the activities of China's national oil companies their investments in some African countries are very outstanding, and apparently China's large imports of oil from Africa have also attracted the world's eyes. Thus, China-Africa oil ties based mainly on oil purchases from and oil investments in Africa are increasingly of concern to many policymakers and experts, especially in the United States, Europe, China and African oil-producing countries.

China-Africa oil ties as well as China's other activities in Africa have been rapidly deepening and expanding since 1995. This growing relationship has become the subject of debates and international attention, especially in the press and popular journals. Many have argued that China's involvement in Africa has eroded Western, developed countries interests and influence on the continent. Some criticize China's oil companies, which are viewed as the instrument for implementing China's concerted energy strategy and have been supported by Chinese government, as undermining American and European efforts to maintain a level playing field for foreign investors as well as promote good governance and human rights (Gill, Huang & Morrison, 2007). On the other hand, some experts insist that China's internationally exploitative activities increased the total oil supply and contributed to the mitigation of the intense situation in the world oil market and improve the global energy security (Downs, 2007a; Downs, 2007b). In addition, some people argue that China's engagement with Africa has facilitated Africa's economic growth and increased their abilities (Foster, Butterfield, Chen, & Pushak, 2009).

This paper examines various views on China-Africa oil ties. Section 1 describes some typical facts about China-Africa oil ties and other relative energy relations. Section 2 analyzes the differences between two important views that make some opposite policies suggestions because they may bring about some significant results and will influence relevant parties seriously if they are accepted and implemented. Section 3 explains what we

[7]This paper has been referred to be discussed during the May 13th forum on trilateral relations between the U.S., China, and Africa, co-organized by the Brookings Institution, the Institute for Statistical, Social, and Economic Research and the Chinese Academy of Social Sciences. The author would like to thank Erica Downs, Clement Ahiadeke, et al., and others for their comments on earlier drafts of this article.

can infer from the typical facts and trends. Section 4 makes some analysis of the two views.

Stylized Facts about China-Africa Oil Ties and the World Oil Market

There are some stylized facts that should be attached to China-Africa oil ties and other energy relations.

Oil for transportation is very difficult to substitute for another kind of energy for a variety of reasons, including its high energy density and transportability. The world's transportation system is fueled almost entirely (95 percent) by liquids (Newell & Iler, 2013). The transportation sector accounts for 70 percent of the U.S. oil consumption and is fueled almost entirely by petroleum (93 percent) (EIA, 2012). More and more oil is used in the transportation sector in China (40 percent) as the number of passenger cars and commercial trucks increase rapidly; however, the other 60 percent of China's oil consumption is used in industry and other sectors (Department of Energy Statistics, 2012)

The world oil market is globally integrated and other energy markets such as natural gas, coal, etc., increasingly interact with and are affected by it, which means that no country can become an "isolated island" immune from the impact of oil markets.

The spatial distribution among the reserves, production and consumption of oil across the world is unbalanced. More than 60 percent of the world proved oil reserves is concentrated in Middle East, and about 81 percent was concentrated in OPEC in 2011, while the region's share of world oil production and consumption in 2011 was about 33 percent and 9 percent, respectively (BP, 2012). Africa accounted for 8 percent, 10 percent and 4 percent of world oil reserves, production and consumption in 2011, respectively (BP, 2012). On the contrary, countries like the U.S. and China hold fewer oil reserves than they produce and consume. In 2011 the oil production of China and the U.S. accounted for around 5 percent and 9 percent of total world oil production, respectively—although these two countries possessed less than 1 percent (China) and 2 percent (U.S.) of the world proved oil reserves in 2011 (BP, 2012). The U.S. consumed 20 percent of world oil in 2011, while China consumed about 11 percent (BP, 2012). Both are among the biggest oil producers in the world and the U.S. is the largest consumer of oil, while China is the second. Thus, both countries have a significant influence on the world oil market.

Similarly, the United States is the biggest net oil importer and China is the second. In 2011, U.S. imported crude oil reached about 8.9 million barrels per day, of which about 50 percent came from the Western Hemisphere and 20 percent came from the Middle East (BP, 2012). American oil imports from Africa, mainly from North Africa and West Africa, totaled 2.3 million barrels a day in 2011, which accounted for about 20 percent of the United States' total imported oil (BP, 2012). In the same year, China imported crude oil reached almost 5 million barrels per day, of which almost 50 percent and 20 percent came from Middle East and former Soviet Union, respectively (BP, 2012). In addition, China's imported crude oil from Africa totaled 1.23 million barrels a day, which accounted for about 20 percent of the China's total imported crude oil (BP, 2012).

National oil companies (NOCs) control most of the world's proven oil reserves and dominate the world oil production. Approximately 77 percent of the world's proven oil reserves are under the control of NOCs with no equity participation by international oil companies (IOCs). Western IOCs now control less than 10 percent of the world's oil and gas resource base. What is more, of the top 20 oil producing companies in the world, 14 are NOCs or newly privatized NOCs (Jaffe & Soligo, 2007).

Most oil producing countries in Africa are still open to foreign investment for exploration and production because they lack money, technology, skill and experts in these areas. In contrast, most of other major reserve holders in the world's other regions don't allow foreign oil companies to have access to their oil resources or limit the opportunities and incentives for foreign investors (Downs, 2007). Thus, almost all of the main international oil companies come to the African continent to compete for its oil resources.

China has overtaken the U.S. to become Africa's largest trade partner. In 2012, trade volume between China and Africa totaled nearly $200 billion (Xinhua, 2013). The majority of Africa's exports to China and the U.S. are oil and other primary commodities.

There are some important trends in the world oil market. World oil demand will continue to grow by more than one-third over the period to 2035 with China, India and the Middle East accounting for 60 percent of the increase according to the International Energy Agency's New Policies Scenario (2012). China's oil demand will increase during this period and oil imports will continue to grow, which means that China will overtake the U.S. to become the largest oil export destination. According to the IEA's prediction, China will become the world's largest net importer of oil by 2020, reaching around 13 million barrels a day of net oil consumption by 2035, which means nearly 80 percent of its oil consumption will depend on imported oil. On the contrary, U.S. oil demand may reduce or remain unchanged, so U.S. oil imports will continue to fall to the extent that North America becomes a net oil exporter around 2030 (IEA, 2012). With the continued increase in U.S. oil production (since 2008), by around 2020 the United States is projected to become the largest global oil producer (IEA, 2012). Oil demand is expected to peak just before 2020, and by 2035 will be almost 13 million barrels per day lower, a reduction equal to the current production of Russia and Norway combined, easing the pressure for new discoveries and development (IEA, 2012).

Two Different Views of China's Engagement in Africa

China's deepening engagement with Africa has caused an intense debate among international observers, policymakers and pundits. The core of the debate lies in how to evaluate China's new role in Africa's development and how to respond to China's different ways or models through which China builds consolidated bilateral and multilateral relations with many African countries. There are two opposing views concerning the China-Africa oil ties. The "negative side" opposes and disapproves of China's model. The "positive side" maintains supportive views and appraises China's approach to secure African oil.

The negative side emphasizes that the activities of China's oil companies in Africa threaten Western interests, cause various new problems and intensify the existing perplexing difficulties in African oil-producing countries. Most advocates of the negative side are U.S. policymakers, international observers, experts and some critics in environmental protection and human rights NGOs who view China as a threat to the Western world.

Proponents of the negative side maintain four main arguments. First, China's acquisition of African oil not only threatens Western oil interests, but also erodes their influence on Africa, especially America's hegemony. Some analysts believe that the African continent has now become a vital arena of strategic and geopolitical competition for old and new powers because it is one of the most promising regions of the world for future oil production (Klare & Volman, 2006). China's quest for Africa's oil may undermine American oil interests in the region. Some U.S. governmental reports note that China is following a mercantilist policy, trying to "lock up" oil supplies around the world by seeking close ties with major oil producers, including Angola and Sudan. China's oil diplomacy in Africa is challenging U.S. foreign policy, economic and security concerns (DoD, 2005; USCC, 2004; White House, 2006). Iran Taylor, a China-African expert in University of St. Andrews, argues that China's oil quest in Africa is provoking particular concern in Western capitals and China's particular focus on African oil is potentially problematic. He notes that China's policy is based on the desire to circumvent an overreliance on the global oil market through either actually acquiring major stakes in Africa's oil fields or safeguarding access to them. Because Chinese oil companies are state-owned, China's quest for oil overseas may have less to do with Beijing's energy security than with other long-term considerations. Taylor (2006) even conjectured from the upsurge in Chinese oil diplomacy that the first priority of Chinese strategists is "the long-term goal of being in charge of oil resources at their source to enable them to manipulate future prices." Stéphanie Giry, a senior editor at *Foreign Affairs* magazine, insists that China's efforts don't bode well for Washington because, although China's hunt for African resources is not a direct threat to U.S. energy security, it is, however, a threat to other U.S. interests on the continent. At worst, it will hurt the fight against terrorism and weapons proliferation (Giry, 2004).

Second, the negative side argues that the nature of China's oil expansion in Africa is neo-colonialism. Charges of Chinese neo-colonialism in Africa have been made by some Western journalists and high governmental officials. For example, Jack Straw, former British Foreign Secretary, stated in 2006, "Most of what China has been doing in Africa today is what we did in Africa 150 years ago" (Stevenson, 2006). At the same time, Secretary Clinton has stated, "We don't want to see a new colonialism in Africa" (DoS, 2011). According to the criticism, China's hunt for Africa's oil is not based on fair and moral approaches, but is dependent on exploitation and deepening African dependency on China. Some have depicted China's actions as "unbridled plunder of African raw materials and natural resources driven by narrow commercial interest" (Sautman & Yan, 2006).

Third, the negative side says that the activities of China's oil companies in Africa have undermined Western efforts to promote good governance and improve human rights in Africa, damaged the local environment, and weakened the emergent international regime. China's oil companies operate in some problematic or unstable countries, like Sudan and Angola, in which there have been serious human rights violations and corruption. Some analysts caution that China currently has adopted a discourse in Africa that effectively legitimizes human rights abuses and undemocratic practices under the guise of state sovereignty and "non-interference" (Taylor, 2006). Stéphanie Giry (2004) claims that China's efforts do not bode well for African democracy, which at best complicate African and U.S. efforts to bring good governance and respect human rights to the continent. Other observers have criticized that China's actions, including China's oil purchases and arm sales, have intensified Africa's unstable regional situation. Some analysts have criticized the negative effects of Chinese investment on Africa's local environment and communities, effects which have appeared in some cases of mineral exploitation and timber extraction (Mohan, 2008).

Fourth, the negative side maintains that governmental support for China's oil companies through oil diplomacy, finance, foreign aid and concerted government strategy is unfair to Western oil companies competing for acreage in Africa. Some analysts have pointed out that China has pursued Africa's oil by offering integrated aid packages. For example, in order to get oil deals, China extended large oil-backed loans, helped build infrastructure and trained workers for the Anglo corporation (Campos & Vines, 2008). Similarly, Herman and Ming-Yen (2011) state, "An economic approach focusing on enlarging its commercial interests is the driving factor for China's engagement with petroleum producing states." Some observers believe that China has a comprehensive energy strategy and highly coordinated policies to support the action of China's oil companies in Africa. Also, some have stated that, due to the many Chinese high-level official visits to Africa, China has a grand Africa strategy of acquiring a big share of Africa's oil accounts (Taylor, 2006).

On the other hand, many policymakers and pundits in China and Africa, many energy exporters and some international observers take a different stance: the positive side. In general, the positive side touts the potential for increasing the world oil supply by the activities of China's oil companies in some unstable oil-producing countries in Africa, which at the same time helps promote Africa's development and create economic opportunities for China and oil-producing countries. For example, Peter Brookes (2007) has indicated, "While some are critical of China for seeking exclusive access to oil and gas supplies in Africa, others applaud Beijing's willingness to take risks in markets where some Western energy firms can't—or won't—go for a variety of reasons, arguably adding to world energy supplies, lowering prices, and benefiting consumers." Positive proponents argue four main points.

First, China's oil companies' overseas investments in oil fields are actually increasing the world oil supply, helping stabilize the world oil market, mitigating the upward pressure of oil prices, and improving world oil security—all of which shouldn't be thought of as a threat to American interests. Erica Downs argues that China's oil companies' expansion has positive impacts on world oil markets by pumping oil abroad, especially in oil fields in which other companies are unable or unwilling to invest. She also says that Chinese oil companies are driven primarily by reserves and profits—which is as same as international oil companies—and their activities are not a threat to American energy security (Downs, 2007a). Some specialists have challenged the existence of a "New Scramble" or a U.S.–Chinese race in Africa and the significance of U.S.–Chinese rivalry or, more generally, a commercial race for Africa's resources. In addition, specialists have emphasized that African countries tend to be in the driving seat today and can independently attract the desired external sources of investment and political support. Chinese loans and investments in particular have opened new policy options to African leaders (Frynas & Paulo, 2007). Undoubtedly, most Chinese officials and scholars admit that China's oil companies have no competitive advantages over international oil companies in Africa, whether in technology or international operating experiences. They also regard China's oil companies' engagement with Africa as good for China and Africa's oil-producing countries (Information Office of the State Council, 2010).

Second, the positive side says that the expansion of China-Africa oil ties plays an important role in promoting Africa's economic development. Deborah Brautigam (2009) argues that the quest for oil by the "package" approach that China has learned from Japan is "win-win" for Chinese and African oil-producing countries. China extends very large credits to some oil-producing countries, credits that are tied to Chinese machinery, equipment and construction services with repayment in oil or other resources. This approach provides a new opening for the construction of badly needed infrastructure and is a practical way to address the "natural resource curse" that plagues so many African countries (Brautigam, 2009). A World Bank report also has concluded that "Chinese finance is on a scale large enough to make a material contribution toward meeting Africa's vast infrastructure needs. As such, it offers an important development opportunity for the region" (Foster et al., 2009). Similarly, Friedman (2009) has found that China is already in the process of transforming Africa and plays an important role in ending Africa's poverty.

Third, proponents of the positive side argue that charges that China's acquisition of African oil by "non-interference policy" hurts Western efforts to strengthen democracy, human rights and governance of African countries are unfair and neglect other much more important factors. The behavior of Chinese oil companies is the same as that of international oil companies that have operated in Africa for more than 50 years. What's more, China's oil companies are not only latecomers but also relatively small players in Africa. Thus, some specialists have argued that only focusing on China's oil companies is unfair and that international oil companies should set a good example for others. At the same time, Erica Downs notes that "Many of the concerns expressed by American policymakers and pundits about what China is doing to meet its oil requirements are things that the U.S. itself has done." (Downs, 2007b, p.55). Furthermore, she remarks, "Narratives about how China's search for oil is seriously threatening Western interests and influence on the continent overlook the role of other, more powerful factors"(Downs, 2007a, p.63).

Fourth, positive side proponents state that China's governmental supports for its oil companies are exaggerated and overemphasized. After examining the roles of China's oil companies and government in its “go global” strategy, many energy specialists have found that China’s oil companies are not arms of its government and that the motivation of the “go global” strategy is driven by profit, making them act like international oil companies. What’s more, China does not have a comprehensive and concerted energy strategy. Also, China’s government agencies—which are understaffed and underfunded,—can’t effectively implement and coordinate national energy policies because those agencies lack adequate legal authority and sufficient information. In fact, China’s oil companies rely on their government for diplomatic support of foreign acquisitions, which is not different than companies around the world (Downs, 2007b).

What can be Inferred from the Stylized Facts and Trends?

Before a review of the views above, I should warn that the dichotomous approach is not perfect and cannot accurately reflect everyone’s opinions because I have simplified or dropped some supportive evidence and summarized the main opinions. But one can take these opinions as the starting point for further analysis.

Each of the two sides tries to persuade the public and policymakers to believe what they say is true. But unfortunately it is very difficult to make clear judgments between their personal preferences and motivations. At the same time, to some extent, everyone’s opinions or conclusions are based on some facts, fictions and implicit preconditions, which are necessary to discern very carefully. So which point of view is much closer to the facts? How receptive will the public be to both arguments? Can we reach, at least to some extent, a consensus so that we can give some relative targeted policy recommendations to policymakers?

In order to answer these questions, the next step is to use the stylized facts, which are accepted by majority of the public, policymakers and academia, to link some preconditions and IEA’s predictions, and thereby infer a conclusion.

China, like the U.S., will continue to ensure its oil security by increasing domestic exploration and development as well as securing overseas oil through trade and investment—the important element of its energy strategy.

From this trend, coupled with the facts that oil is expensive to transport and that China is the world’s second largest oil importer, we can infer that China has the right to use overseas oil resources to meet its demand by fair trade and investment. Although, as a result, China’s oil demand may create pressure on the world oil market and lead to increasing oil prices. These results are the cost of China’s entry into the world market; we should prepare for and accept this reality. So the core of solution lies in how the global oil system should be adjusted to respond and adapt with this new situation. Since the oil market is globally integrated, maintaining the stability of global oil market and ensuring the free flow of the world oil are critical common interests for China and the U.S., even if the U.S. becomes the largest oil producer, and North America becomes a net exporter in the future. China can take some measures to reduce, restrain or slow down its oil demand growth rate, such as economizing oil, improving fuel economy standards and increasing alternative energy production. China should also strengthen international cooperation with other major oil-producing and oil-consuming countries to mitigate the negative impact of China's engagement on the world oil market and highlight the positive influence of China's entry on the world oil-producing countries. The world oil system has experienced the impact of new entrants before; for example, French and Italian oil companies, followed by Japanese ones, began to enter into international oil-producing regions after World War II. Also, since World War II some small U.S. domestic oil companies have grown into big oil companies by internationally competing with international oil companies in Libya and other oil-rich regions.

Africa's oil resources have a different importance to China and the U.S. and should play different roles in each country's energy strategy in the future, which means that Africa's oil-producing countries should carefully treat the involvement of China and the U.S.

How did Africa transform into "the hopeful continent" from "the hopeless continent," which it was labeled by the same magazine, *The Economist*, 12 years ago? Ironically, when we talk about "the hopeful continent" to some extent we also implicitly refer to "the most undeveloped continent" and its huge potential for future development. Africa suffered the "lost 10 years" in the 1980s, in which many Western companies felt very pessimistic about the future of Africa and retreated from the continent. However, Chinese enterprises and foreign traders, as newcomers, renewed the hope of Africa by gradually entering into Africa in the 1990s to pursue profits. The deepening division of labor in the world makes China and Africa complementary partners in globally integrated supply chains. Both the Chinese and American governments become to be interested in Africa their interest seemly focused on Africa's oil, but actually Africa's oil resources have apparently different meanings for China and the U.S.

How important are Africa's oil resources to China and the U.S. respectively? U.S. merchandise imports from sub-Saharan Africa during 2011 were $74.2 billion, of which crude oil imports totaled $59.8 billion and accounted for more than 80 percent of total merchandise imports. From 2000 to 2010, petroleum products accounted for roughly 89 percent of U.S. imports from Africa. No less than 40 percent of Nigeria's oil exports head westwards to the United States. In contrast with the U.S., in 2011, about 62 percent of African exports to China consisted of crude oil while Africa-China bilateral trade reached $166 billion. These numbers imply that, the U.S. wants mostly oil from Africa, but China wants more goods than oil. Even the small volume of non-oil goods that Africa exports to the U.S. can be substituted by other regions' similar goods.

Thus, African oil resources will play a less and less important role in U.S. energy strategy. Similarly, bilateral trade between U.S. and Africa will be favor of U.S., reducing the strategic economic value of Africa for U.S. and creating a situation where Africa cannot acquire or win the equal economic position in the future. On the contrary, Africa oil resources will play more and more important roles in China's energy strategy. Bilateral trade between China and Africa will be interdependent, which means that Africa will have more voice and initiatives.

In other words, the economic relations between Africa and China will be more equal.

Since the oil market is globally integrated, the spatial distribution of oil is unbalanced, and China is the second largest oil importer, China is and will be a stable and large oil demander: For oil exporters China is a desired destination. In addition, the world oil market always experiences boom and bust cycles. With the supply excess of demand, China, as the largest net oil importer in the future, will acquire much more market power. Africa, whose strategic value of oil resources is less important than that of Middle East, should keep good relations with China.

There will be more and more oil companies that will be engaged with Africa's oil because African countries are still open to foreign investment. All oil companies will try their best to look for oil if they can make huge profits. Exploration and development can make a lot of money, given high oil prices and growing oil demand. Many oil companies, including China's, will compete against each other for Africa's oil for a long time.

4. Analysis of the two views

These conclusions allow a review of the two views above. The negative side has committed some incorrect conclusions. First, the negative side does not distinguish between the goal of China's government policy and oil companies' behavior, which has led to the false conclusion that China's oil companies are arms of China's government. For China's government, the primary goal of its oil strategy is to ensure a stable, reliable, affordable and adequate oil supply by keeping the free flow of oil and maintain the world oil order. Also, oil security is only part of China's national interests; there are other more important national interests, such as sovereignty and disputed territories. For China's oil companies, the primary goal of "going out" is to make as much profit as possible. Both goals have not always kept pace with each other. For example, when China's oil companies compete against each other on bids for oil in some countries, like Iran, it may bring a negative impact on China's foreign policy.

Second, some of the negative conclusions are inferred from anecdotes, fictions and implicit assumptions, most of which are built on unverified reference points. For example, they often suppose that Western oil companies and countries have good records on improving Africa's human rights, governance and democracy. They do not notice the many cases of bribery among the Western oil companies in Africa. Negative critics have a prejudice against China and have been concerned with China's rise. In their eyes, China is a troublemaker who is always scuttling Western efforts. With their biases, compared with international oil companies that have operated in Africa since 1908, the impacts of some sporadic bad events caused by Chinese oil companies on local communities, the environment and laborers have been exaggerated. Many international oil companies in Nigeria have seriously damaged the local environment (Vidal, 2010; Essential Action and Global Exchange, 1999; Opukri & Ibaba, 2008). What is more, IOCs seldom think about what African people really want and how the local residents evaluate the influence of Chinese oil companies.

Third, the negative side's criticism of China's "non-interference policy" has imposed their criterion of high governance standards on China's foreign policy. Every state has its own priorities of foreign policy that can change as time passes. Is China qualified to require that African oil-producing countries improve their human rights, governance and democracy? If it does, how should it address the unexpected domestic repercussions or negative impacts on domestic political stability? At present, China's decision to make its economic interests a priority of its foreign policy is to some extent reasonable and practical. The U.S. priority for foreign policy in Middle East is to ensure energy security, which makes the goal of improving democracy much less important than keeping good relations with Saudi Arabia. Even in Africa, the U.S. is keeping good relations with some oil-producing countries that have seriously violated human rights in spite of its domestic pressures. Undoubtedly, the priority of U.S. foreign policy toward some countries is to improve human rights, governance and democracy because the U.S. government must suffer domestic criticism and maybe produce negative political results if it cannot do this. China and U.S. do not have fundamental differences in this regard.

Fourth, their criticisms about the Anglo corporation neglect two things. On the one hand, Anglo has independent, full sovereignty and can make its own policy without external interference; otherwise its policy discriminates against some foreign oil companies. On the other hand, the package of loans designated to build infrastructures may be better than a situation in which we don't know how and where the oil revenues will be used.

The positive side also has some deficiencies.

First, although the positive side proponents refute many fallacies of the negative side using detailed facts and data, they neglect much more important facets. Indeed, Western oil companies have behaved badly, such as bribing local officials and polluting the local environment, but this does not mean China's oil companies can shirk their own social responsibilities. It is simple, if someone commits a fault it does not mean you should do the same thing. So, the core of the question lies in how to make reasonable rules to regulate the action of all companies.

Second, the positive side does not take into account the position of Africa's oil-producing countries. Today's friend may become tomorrow's enemy. For example, Iran in 1977 was still America's ally, but soon became its deadly enemy. Before 2011, Libya was considered stable, but soon the regime of Muammar Gaddafi was overthrown. "Non-interference policy" in theory is beyond reproach, but how it can adapt or address political risks to protect China's overseas economic interests, this may need more thinking. "Non-interference policy" should undergo many great shocks from political risks. If we want to reach this goal, there are a lot of jobs to be done, including adjusting China's domestic policy.

Third, the competition among all oil companies for Africa's oil is real. From the perspective of African oil-producing countries, the entrance of China's oil companies into rivalries with other oil companies provides them with more choices. But for China and other countries, how to evade cut-throat competition is a critical problem, which should be carefully dealt with because they may damage the existing world oil order and get all stakeholders into trouble.

In conclusion, the "positive side" is closer to the reality of China-Africa oil ties. Also, it is more easily accepted by African leaders and the public in China. But it is necessary to make some targeted adjustments of China's policy so that it can adapt to a more complicated world. The road to consensus is based on facts and data, not personal preferences, experiences and anecdotes.

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Response Paper 1: A Review of "Perspectives on China-Africa Oil Ties"

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The paper examines the varied views and debates pertaining to China-Africa oil ties. In the introduction, the paper links the rapid growth in China's oil demand to its rapid economic growth. It further noted that, due to scarce domestic oil resources, China has strategized to satisfy its high oil demand from many countries all over the word, including African countries. With respect to Africa, the paper notes explicitly that China-Africa oil relations began to deepen in 1995, which attracted intentional attention and the various debates. From this introduction, the chapter then expanded upon the following sections.

Under the section, "Basic Facts about China-Africa Oil Ties and the World Oil Market," the paper enumerates and describes ten basic facts that should be attached to China-Africa oil ties and other energy relations. Succinctly, these are (1) oil for transportation is very difficult to be substituted by other kind of energy; (2) integration of world oil market; (3) unbalanced spatial distribution among the reserves, production and consumption of oil across the world, (4) America is the biggest net oil importer and China is the second biggest; (5) national oil companies (NOCs) control most of world proven oil reserves and dominate the world oil production; (6) most oil producing countries in Africa are open to foreign investment in exploration and production because they lack money, technology, skill and experts; (7) China has overtaken America to become Africa's largest trade partner; (8) world oil demand will continue to grow by more than one third over the period to 2035 with China, India and the Middle East accounting for 60 percent of demand; (9) America is projected to become the largest global oil producer in 2020; and (10) oil demand would peak just before 2020 and would be almost 13 million barrels per day lower by 2035.

In the section, "Two Different Views of China's Engagement in Africa," the paper gives an exposition on the two opposing views (negative and positive) on China-Africa oil ties. The paper classifies views that oppose or disapprove of China's model as belonging to the "the negative side" and views that usually maintain support and praises for China's approach to secure African oil as "the positive side." In the subsection on "What can We Infer from the Basic Facts and Trends?" the paper makes inferences from the typical facts and trends and ends the paper on the section under "Analysis of the Two Views."

It is very intriguing to read the two perspectives on the topic and the author's analytical position. However, the following observations denote areas for improvement of the paper.

First and important for the contextualization of the paper is the examination of the level of transparency between U.S. and Africa oil deals vis-à-vis China and Africa oil deals. Discussion of this issue will further enhance the analysis on the “negatives” and “positives” of China’s oil ties with Africa.

Second, it is important for the paper to spell out the very drivers that will underpin China’s rise to become the world’s largest importer of oil by 2020 as well as why American oil demand will reduce or remain unchanged per the International Energy Agency’s (2012) prediction. Will the United States drastically diversify its energy consumption sources to include renewable energy, etc.?

Third, it is true that African countries are currently open and welcome to foreign oil companies due to low technical expertise. However, the paper should note that this trend will certainly change as many African countries are working to train citizens to acquire skills in petroleum production as well as to encourage local companies to start working in the oil industry.

Also, the paper noted under the section, “Analysis of the Two Views” that some of the impacts of sporadic bad events on local communities, the environment, etc., in Africa as a result of China’s engagement in the oil and other natural resources exploitation are exaggerated. Without giving examples or getting the African version, this conclusion is incorrect. Indeed, most of the negative aspects of Chinese companies in Africa, especially on the environment, are not exaggerated.

Additionally, it will be important for the paper to touch on measures, which China has come up with to deal with the actual “negatives” that have emerged or are emerging as far as China’s engagement in the oil industry in Africa is concerned. For instance, the paper concludes in the last paragraph under the “Analysis of the Two Views” section that “the positive side is closer to the reality of China-Africa oil ties.” This statement therefore implies that some of the issues under the “negative side” are true, hence, the need for the paper to highlight measures that China has undertaken to address them.

Response Paper 2: A Review of "Perspectives on China-Africa Oil Ties"

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Professor Luo Zhenxing provides a very thorough and comprehensive review of the debate over China-Africa oil ties in the past decade. In his assessment, both the positive applauds and the negative criticisms of China's energy engagement with Africa have neglected some important aspects of China's policies, behaviors and future orientations. The efforts to achieve a balanced and objective evaluation of China's oil ties with Africa deserve serious appreciation and consideration because the trends, strengths and weaknesses we identify today will have a long-term impact over its future.

One interesting theme resonating throughout Professor Luo's paper has been the irrepressible comparison between China's oil engagement with Africa and that of the United States. Given China's foreign policy priority, such a comparison is understandable. However, one inevitable tendency stemming from this comparison is that as long as there are ample cases of similarities, China's policy would be as legitimate and acceptable as that of the United States. For example, professor Luo pointed out that the vast majority of the imports by both China and the United States from Africa consist of energy resources, and western companies, just like the Chinese companies, have engaged in considerable irregularities such as the corruption or bribery in Africa. The implied message lies in that since China's behavior is not that different from others, China should not be singled out or the western criticisms are simply "biased" or "one-sided".

Understandable as this might be, China might want to reconsider this mentality and approach. The policy of the United States toward Africa is certainly not free of controversy or criticisms. Justifying China's policy by making it comparable with the United States' policy might be a good argument on a bilateral level when Beijing is in conversation with Washington, but it is hardly a convincing story to tell to the rest of the international community, African countries and local people. The approach undercuts China's ability to craft new models to help Africa handle the difficult, but intrinsic dilemma between the short-term oil revenue and long-term sustainable development. If the fact is that neither China nor U.S. is playing enough of a role in creating the long-term future for Africa while exploiting the continent's energy resources, finger-pointing each other does not improve anything.

Professor Luo wisely pointed out the differences between the behaviors of the Chinese government and those of the Chinese companies involved in China's oil ties with Africa. This is a tremendously valuable point in that given the proliferation of Chinese foreign policy actors and China's "economy-oriented" foreign policy; commercial actors from China have enjoyed an unprecedented level of autonomy to operate beyond the reach of the traditional supervision and management by the foreign policy apparatus. In fact, the conflict between the narrow economic pursuit of Chinese companies and the bigger national strategic agenda has been criticized as the single most problematic aspect of China's overall Africa strategy.

However, by simply denying that there is any relationship between business actors and Chinese government, Professor Luo unavoidably opened the door for many questions. Although there is a wide acknowledgement that not all Chinese companies and individuals on the ground in Africa represent Beijing's policy, many of them do. This is particularly true for the energy sector in Africa because state-owned enterprises almost monopolize the trade and investment in this field due to the capacity requirements of this industry. It would be extremely difficult to deny the government's strategic thinking behind these companies' endeavors. Most importantly, the "going out" strategy itself was Beijing's own creation to exploit "both foreign and domestic markets and natural resources" to foster domestic economic growth. It is under this strategy that these government owned companies launch steadfastly into Africa with government's financial support.

There is no denying the fact that these companies' energy endeavor in Africa also meets their own commercial interests and their decisions are based on sound and comprehensive business feasibility studies to prove their profitability. However, this does not necessarily indicate that their business decisions are not in line with the government policy or not supported by Beijing. The strategic and economic aspects of their behaviors in many cases overlap.

Furthermore, even if Beijing could claim innocence in front of the irregularities by smaller Chinese companies or individuals, it nevertheless reveals the problems with Beijing's approach: Beijing would be guilty of its inaction to address these specific problems associated with Chinese actors in Africa. There are ample channels for Beijing to manage the proliferation of actors, through immigration controls, legal prosecution or better cooperation with local Africa authorities. But Beijing so far has failed to deliver a satisfactory answer to this concern. One commonly cited excuse is that China does not have enough foreign policy or domestic resources to enhance these measures. Unfortunately, that only reveals the low priority of these issues in China's overall Africa policy.

Other than finger-pointing at other countries, defending China or finding excuses for China's problematic approaches, more efforts should be spent on analyzing the strengths and weaknesses of Chinese oil trade with and investment in Africa and the long-term impact on both.   Only by focusing on Africa will China be able to deliver more satisfactory solutions to the problems on the ground. While fair oil trade and investment are legitimate and should be embraced, if China does harbor the aspiration to be the benign, responsible power, the path is long and there remains much more to do.