

CHINESE ECONOMIC DIPLOMACY IN AFRICA: THE LUSOPHONE STRATEGY

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After decades of support for local communist leaders, there are clear signs that the traditional ideological motivation behind China's African diplomacy has been replaced by a much more pragmatic one founded in its economic needs. Beijing is developing very successful economic diplomacy through cooperation, investment and trade in the African continent and by doing so is simultaneously reinforcing its role in promoting South-South dialogue and its 'soft power' in international relations. Indeed, by further advancing South-South cooperation, China may become a very important player in Africa in the near future, especially if it succeeds as an agent of development, an area where Western countries have failed for decades. China cleverly plays its assets in Africa by concurrently developing multi-dimensional strategies. One important illustration of China's regional approach to Africa is its relations with Portuguese speaking countries of Africa, or APSC: Angola, Mozambique, Guinea-Bissau and Cape Verde. Through Macau, China has established a supple-

mentary link with these countries by using the Lusophone network left behind by the former colonial power, Portugal.¹

The Portuguese speaking world

The legacy of Portuguese colonialism is not comparable to that left by other former colonial powers such as the United Kingdom, France or Spain, but as it encompassed four continents and Portuguese, the world's fifth language, is spoken by more than 240 million people, its imprint is nonetheless significant. There are eight Portuguese speaking countries around the world—Angola, Brazil, Cape Verde, East Timor, Guinea-Bissau, Mozambique, Portugal and Saint Tomé and Príncipe—and a few territories where Portuguese or a Portuguese dialect is also spoken (such as Macau, Goa, Damão and Diu, Melaka, or Galiza). However, from a *Realpolitik* perspective, the importance of the Portuguese speaking 'world' at the beginning of the 20th century has less to do with language than with the economic performance and resources of some of these countries. Together with Russia, India and China, Brazil is one of the four major emerging economies in the world while Angola, which has vast oil and diamond resources, was one of the fastest growing economies in the world in 2006 and 2007.

Five of the eight Portuguese speaking countries are located in Africa and only became independent in the mid-1970s. The lingering resentment against the former colonial administration is one of the reasons that explains the late creation of the Comunidade de Países de Língua Portuguesa (CPLP,² or Community of Portuguese Speaking Countries) in 1996, under the initiative of a Brazilian diplomat, Ambassador J. Aparecido de Oliveira, and with the support of the Portuguese government. After ten years of existence, however, despite the common heritage and goals of member states, several factors have hindered the progress of this community.³ All member

1 São Tomé and Príncipe does not have diplomatic relations with China because of its diplomatic recognition of the Taipei government in 1997.

2 <http://www.cplp.org>

3 For a detailed analysis see Adelino Torres and Manuel Ennes Ferreira, 'A Comunidade dos Países de Língua Portuguesa no contexto de globalização:

states belong to different regional organizations, for instance, and those states that are expected to act as leaders cannot maximize their potential since they have diverse priorities (Brazil still faces serious issues with respect to its domestic development, while Portugal does not have extensive resources to propel its own development). Thus, the absence of political leadership and economic dynamism in a post Cold-War world framework dominated by 'market theology' mainly accounts for the modest achievements of this organisation.⁴

China's renewal of an old commitment

The end of the bipolar system of the Cold War had a deep impact upon foreign policy priorities, and one of the most obvious areas where this was apparent was the revitalization of economic issues.⁵ During the 1990s, world trade grew about twice as fast as world output and FDI flows grew twice as fast as trade.⁶ The process has been stimulated by new technologies that shrink distances and speed up transactions. Economies are losing their national character and public and private agents are becoming increasingly global, assembling a transnational system of production based on an international division of labour. In this new framework, economic diplomacy as a tool to promote and protect national interests has gained new importance in foreign policy strategies.

After more than two decades of economic reforms and phenomenal growth rates, China's economic diplomacy started making its first steps overseas through investment, and trade and by further regional and global engagement. China's status as a developing country and its history of exploitation by European powers, coupled with the fact that it does not attach any particular political conditions to its financial

problemas e perspectivas', in Adriano Moreira (ed.), *Comunidade dos Países de Língua Portuguesa - Cooperação*, (Coimbra: Almedina, 2001), pp. 23-119.

- 4 Adriano Moreira in a radio interview (TSF) on the 10th anniversary of the CPLP, 17 July 2006.
- 5 Although security issues have again become a matter of international importance after September 11.
- 6 Nicholas Bayne, 'Current Challenges to Economic Diplomacy', in Nicholas Bayne and Stephen Woolcock (eds), *The New Economic Diplomacy* (Hampshire: Ashgate, 2005) (3rd ed.), p. 86.

aid (with the exception of its 'one China' policy), gives Beijing a good hearing among African elites which regard the Chinese government as being more closely aligned to the needs of the Third World.

The new Chinese foreign policy engagement in Africa became more visible during President Jiang Zemin's tour of six African countries in May 1996. He proposed the development of a long-term, more structured cooperative relationship between China and African countries. This gave birth to the Forum for China-Africa Cooperation (FOCAC), formally institutionalized in Beijing in October 2000. The strong commitment of the Chinese central government in the creation of the Forum clearly illustrates the growing importance of economic affairs in China's relations with Africa at the beginning of the 21st century. FOCAC aims to promote cooperation in a wide range of fields: political affairs, peace and stability issues, multilateral cooperation, economic and social development.⁷ Economic matters, however, have been the strongest component of the Forum since its founding. In the first six years of existence, China cooperation has become widely visible all around Africa, particularly in agriculture, infrastructure construction, trade, investment, development aid, human and natural resources development and debt relief.

The Lusophone strategy within China's foreign policy towards Africa

The existence of FOCAC, however, does not constrain Beijing in developing additional strategies to deepen its relations with specific countries, and this is illustrated well in the case of the African Portuguese speaking countries: Angola, Mozambique, Cape Verde and Guinea Bissau. These countries, which are also part of FOCAC, in fact share a very old connection with China through the centuries of Portuguese colonial rule over the enclave of Macau that left behind a bond based on the Portuguese language and culture as well as administrative structures and a legal framework.

Portugal's African colonies were the last to achieve independence in Africa, right after the military coup in April 1974 that brought the

7 'China-African Forum reaches action plan', www.china.com.cn/english/international/82640.htm

dictatorship in Portugal to an end. China, however, did not accept the handover of Macau at that time. The Chinese leaders did not consider Macau to be a colony but a territory under foreign rule like Hong Kong, and favoured the handover of the British controlled territory first as it was more important to them. China's negotiations with Portugal to return Macau to Chinese sovereignty followed the pattern established by the China-Britain talks. Under the principle of 'one country, two systems', Macau's handover took place on 19 December 1999, two years after Hong Kong's.

The new executive government of Macau was initially very cautious in handling the Portuguese heritage and was afraid that it could somehow damage its relation with the central government in Beijing.⁸ In 2002, the Chinese central government itself directed Macau's Chief Executive to reinforce and take advantage of the Portuguese identity of the territory. In fact, it was under the initiative of the Chinese Ministry of Commerce that Macau became the headquarters of the Forum for Economic Cooperation and Trade between China and Portuguese Speaking Countries in October 2003. This new framework gave China the formal institutional means to maximize the potential of Macau as a special channel for cooperation and investment in those countries.

This trans-regional Forum aims at promoting mutual development by enhancing economic cooperation and trade between China and Portuguese speaking countries.⁹ Eight countries were present at the founding meeting that took place on 12-14 October 2003 in Macau: China, Portugal, Brazil, Angola, Mozambique, Cape Verde, Guinea Bissau and East Timor, plus Macau as part of the Chinese delegation. Each country was represented by a delegation composed by governmental and business representatives, with China represented by the Deputy Premier, Wu Yi, and the Deputy Minister for Com-

8 According to interviews conducted in Macau in April 2001 and September 2003 among relevant local Chinese Macanese and Portuguese personalities, for a research project on the first five years of Macau as a Special Administrative Region.

9 According to the Chinese Deputy Minister for Commerce discourse at the closing session of this first Ministerial Conference in October 2003. <http://www.ipim.gov.mo/pt/relation/r1.htm>

merce, An Min. The ministerial meeting approved an action plan based on information exchange, improving the investment environment, promotion of trade and joint ventures, and the diversification of cooperation to agriculture, infrastructure construction and natural and human resource development.¹⁰ It also decided that a ministerial meeting of the Forum would take place in Macau every three years and called for the creation of a permanent secretariat based in Macau, which came into existence in April 2004. The organizing committee was jointly presided over by the Chinese Minister for Commerce and Macau's Chief Executive.

The Permanent Secretariat (PS), based in Macau, is made up of staff from Macau's executive government and MOFCOM cadres and is responsible for the coordination and implementation of the agreements. The PS reports directly to Taiwan, Hong Kong and Macau Affairs department in MOFCOM and is headed by a Secretary General¹¹ (SG) appointed by the Ministry of Commerce in Beijing after consulting the PSC. The SG is assisted by a support office based in Macau and a Liaison Office in Beijing.¹² The support office reports to Macau's Executive Government through the Secretariat for Economy and Finance, from which it receives the funds to pursue its activities. The Support Office initiatives includes promotion of high level visits, entrepreneurial meetings, trade, investment and economic and technological cooperation, human resources training, and advertising of the Forum.¹³ Within the scope of this forum, the same kind of activities are also promoted from Beijing, in which case they are funded by the MOFCOM. In 2005 all member countries agreed on the need to create a fund within the Forum to finance development projects especially in the African Portuguese Speaking Countries and East Timor, which is now (2007/8) in the process of

10 This first action plan was adopted on 13 October 2003. Full text available online at: <http://www.forumchinaplp.org.mo>

11 Presently the Secretary General is Wang Cheng An, who is supposed to complete his term of office (three years) in early 2008.

12 Although there the coordinator has an office in the PS facilities in Macau.

13 Information concerning PS organization is according to the PS statutes (which are in process of revision, 2007/2008) and interviews conducted in the PS in Macau in September 2006 and October 2007.

being created through a consortium of private and public banks from all the member states.¹⁴

For both historical and practical reasons, Macau is a privileged platform to serve as the locus of this endeavour. This fact was underlined by most of the official representatives who attended the first meeting of the Forum.¹⁵ Since the 16th century, Macau has been the contact point between China and the Portuguese speaking world.¹⁶ It has accumulated human connections and trade networks that survived the handover to China. Portuguese language and culture have also left behind institutional ties: Macau retained its membership of the 'Union of Portuguese Speaking Cities', the 'Meteorological Organisation of Portuguese Speaking Countries' and the 'Association of Portuguese Speaking Universities'. Macau has also acted as an open gateway into China for several centuries, and today has a special relationship with the Central Government and large economic and political autonomy.

Macau owes much of its importance within the PRC to this pivotal role between mainland China and Portuguese speaking countries. Portuguese language and culture, even if not as well disseminated in Macau as in other former Portuguese colonies, have indeed acquired great importance for Beijing as a bridge to these countries. There are at present twelve universities in Macau. Most have established cooperation protocols with their counterparts in Lusophone countries for exchanges and also with universities in mainland China, mostly for Portuguese language teaching. This trend has become even more evi-

14 According to interviews conducted in Macau (October 2007) and among PSC embassies in Beijing (November 2007).

15 As stated in public declarations during the Forum meeting, namely, by the Chinese Deputy Prime Minister, Wu Yi; the Chinese Deputy Minister of Commerce, An Min; Macau's Chief Executive, Edmund Ho Au-wah; the Portuguese representative of the Portuguese Minister of Economy, Franquelim Alves. African representatives, not surprisingly, emphasized the role of Chinese assistance during the anti-colonial war. A complete collection of the discourses proffered during this first meeting in 2003 are available in a publication edited by the PS in Macau.

16 About Macau's historical role in linking China with the PSC see António Vasconcelos de Saldanha, *Estudos sobre as Relações Luso-Chinesas* (Lisbon: ISCSP, 1996); Jorge Alves, *Um Porto entre Dois Impérios: Estudos sobre Macau e as Relações Luso-Chinesas*, (Lisbon: IPOR, 2000); Ângela Guimarães, *Uma relação especial: Macau e as relações luso-chinesas, 1780-1844*, (Lisbon: 1996).

dent after the handover, much of it under the initiative of the Chinese authorities.

The second Ministerial Meeting took place on 24-25 September 2006 in Macau and was attended by the Ministers of Commerce from Angola, Mozambique, Cape Verde and Guinea Bissau and East Timor, the Brazilian Deputy Minister of Commerce, Macau's Chief Executive and the Chinese Minister of Commerce, Bo Xilai. The Minister of Commerce of São Tomé and Príncipe also attended the meeting as a special invitee, having the same category as the invited representative of UNCTAD. The Action plan adopted at this meeting further extended cooperation areas mentioned in the previous one to include tourism, transportation (aerial and maritime links), sanitary, science and technology, media, culture and the creation of its own financial cooperation mechanism.¹⁷

Despite the fact that during 2006 most of the member countries of this Forum established a resident representative in the Permanent Secretariat in Macau,¹⁸ this Forum is not a traditional multilateral organization so much as an instrument of Chinese foreign policy. While the Action Plans of the Forum are negotiated in a multilateral setting in Beijing or Macau¹⁹ prior to Ministerial Conferences (every three years), trade and cooperation agreements within this Forum are reached on a bilateral basis and China negotiates with each country separately.

The importance of Portuguese African countries for China

China's relations with the Portuguese-speaking world have been developing almost unnoticed by the rest of the world. The fact that

17 Full text available at: <http://www.forumchinapl.org.mo>

18 As of November 2007 the East Timor representative alone was missing, but was due to be nominated soon. Portuguese and Brazilian representatives, however, are not based in the PS facilities.

19 The ministerial meetings, held every three years, are preceded by talks between the MOFCOM (Department of Taiwan, Hong Kong and Macau affairs) and the ambassadors from the Portuguese speaking countries, and chaired by the General Secretariat of the Forum. Meetings at this level also take place to discuss other issues, namely the present revision of the PS statute which has been under discussion since early 2007.

Macau has been moving closer to CPLP since 2002 is full of significance given that despite Portuguese efforts during the last years of its rule, Beijing never allowed Macau to join the organization. This fact clearly reveals China's interest in pursuing a closer relationship with the Lusophone world.

China has, indeed, several reasons to foster its relations with the Lusophone world:

First and foremost is energy security. Over the past few years, energy security, particularly oil supply security, has become a priority for the Chinese leadership. More than 60 percent of China's crude oil imports come from the Middle East, and Beijing views this dependency as a strategic vulnerability because of ongoing political instability and US military preponderance in and around the region. China is, therefore, trying to diversify its energy imports away from traditional sources in the Persian Gulf. These include lusophone countries such as Angola, Brazil, Guinea-Bissau and Timor-Leste, [which, according to an online report by the British Petroleum company are among the countries that had the highest growth rate in production in 2005 (Brazil and Angola)]²⁰ (...) [Second], 220 million people represent a major market for Chinese manufactured goods. And finally, the Portuguese-speaking organization represents a diplomatic community, one that China can utilize to restrict Taiwan's international space.²¹

The total volume of trade between China and the APSC grew from US\$11 billion in 2003 to more than US\$34 billion in 2006,²² testifying to the impulse given by the Macau Forum. It is important, however, to stress that the volume of Chinese imports from the Portuguese speaking countries was much larger than its exports in 2006—US\$24.3 billion and US\$9.8 billion respectively, meaning a Chinese trade deficit of almost US\$15 billion.²³ If we take into account the fact that Brazil is responsible for more than half of that trade volume (over US\$20 billion in 2006)²⁴ and that it has a strong, established partnership with China (Brazil's third biggest commercial partner after the USA and

20 'Petróleos Lusófonos em crescimento', *Ponto Final*, Macau, 18 June 2006.

21 Loro Horta, 'China's Portuguese Connection', *Yale Global Online*, 16 June 2006.

22 MOFCOM Statistics online, <http://english.mofcom.gov.cn/column/statisticsie.shtml>, January 16, 2007.

23 Ibid.

24 Ibid.

Argentina), it seems reasonable to conclude that Brazil was not the main target when China first started to plan the Macau Forum.

Portugal, on the other hand, plays a minor role in real terms within China's Lusophone strategy. It is not a relevant trading partner for China, either within Lusophone countries or in the European Union. Its relevance to China is much more symbolic (historical and cultural links to Portuguese speaking countries) and instrumental, derived from its potential as an interface between the Lusophone community and the European Union. This approach is, indeed, the only explanation for Wen Jiabao having awarded Portugal the status of 'strategic partner' in December 2005 when he visited Lisbon.²⁵ What does matter for China, then, is the African Portuguese speaking countries and East Timor. Despite their small populations and weak or war-shattered economies, these represent a large pool of under-explored natural resources ranging from fisheries, agriculture, forestry and tourism to natural gas, coal, mining and oil.

Among the APSC Angola is undoubtedly China's most important trade partner, and is becoming China's key partner in the whole of the African continent. Bilateral trade grew from US\$1 billion in 2002 to US\$11 billion in 2006;²⁶ in that year it overtook South Africa as China's largest trading partner in the continent and Saudi Arabia as China's main oil supplier. Textiles, shoes and electrical equipment mainly constitute China exports but bilateral trade continues to be dominated by Chinese oil imports. China's second most important trade partner within the APSC is Mozambique. Bilateral trade experienced a fourfold growth after the creation of the Forum, rising from US\$48.5 million in 2002 to US\$197 million in 2006.²⁷ Cape Verde's bilateral trade with China grew from US\$2.75 million in 2004

25 Together with the UK, France, Germany and Spain, Portugal is one of the five countries that have been granted this status in Europe.

26 MOFCOM Statistics online, <http://english.mofcom.gov.cn/column/statisticsie.shtml>, 16 January 2007.

27 MOFCOM statistics online cited above. Maputo and Beijing established diplomatic relations on 25 June 1975, signed a trade agreement and an agreement on reciprocal investment protection and set up a joint economic and trade commission in 2001.

to US\$10 million in 2006.²⁸ Guinea Bissau²⁹ ranks fourth in this list, with US\$5 million in 2006,³⁰ and São Tomé and Príncipe is at the bottom with a trade volume of US\$1.22 million. Unlike Angola, in Guinea-Bissau, Mozambique, Cape Verde and São Tomé the trade balance is dominated by Chinese exports.

Chinese foreign direct investment in these countries has also increased sharply in recent years. The reasons why these countries are attracting public and private Chinese capital are related to the fact that all of them, despite having underdeveloped economies, are rich in natural resources. Angola is currently the second largest oil producer in Africa (after Nigeria)³¹ and has one of the world's largest diamonds fields, as well as such other resources as gold, uranium, phosphates; Mozambique has coal, titanium, semi-precious stones, food crops (including cashews, maize, cotton, sugar, copra), fisheries, and is believed to have large reserves of untapped natural gas and oil; Guinea Bissau has bauxite, phosphates and offshore petroleum, food crops and fisheries as well; and Cape Verde, the poorest, has salt, limestone, food crops and fisheries.³²

Apart from trade and investment, China has also been offering significant and much-needed financial assistance to these countries. Apart from debt relief (last time in September 2006, during the Ministerial Meeting in Macau), China is granting important financial aid and long-term loans at very low rates (grants, interest free loans and concessional loans through Eximbank), mostly for resource development and infrastructure rehabilitation.³³ China, however, is not

28 MOFCOM Statistics online cited above. China established diplomatic relations with the Republic of Cape Verde on 25 April 1976. In 1998 the two countries signed an investment agreement and a trade and economic cooperation agreement in 1999.

29 China and Guinea-Bissau established diplomatic ties on 15 March 1974. On 26 May 1990, however, the Bissau government set up diplomatic relations with Taiwan. Diplomatic relations with Beijing were restored on 23 April 1998.

30 MOFCOM Statistics online cited above.

31 Its production representing 1.6 per cent of world total output, according to BP data.

32 CIA, *The world fact book* online.

33 According to interviews with MOFCOM conducted in Beijing in November

motivated by philanthropic considerations as Chinese companies are providing the lion's share of goods and services as part of the loan deals. Indeed, not only Chinese enterprises but also Chinese labour have been leading the reconstruction projects, from schools and hospitals to roads, railways, dams, airports, refineries, social housing and telecommunications. By this means, Beijing is becoming a major cooperation partner of these countries and an influential agent within the Lusophone world, particularly in the African Portuguese speaking countries, using Macau as a hub to promote this purpose. Indeed, since 2003, China has been developing several initiatives to charm the CPLP, among them the creation of the Macau Forum, the Trade and Cooperation Agreement it signed with the CPLP that same year, the US\$1 million it granted to Guinea Bissau to host the 10th CPLP summit in July 2006, and the Chinese aid for Macau to host the first ever CPLP Games in October 2006.

Conclusion

Despite all the risks involved, China may have the means to 'kick start' Africa's development take-off. It has the resources, technology, expertise and goods and, most important, the political will to pursue this purpose. China and African countries also seem to have a lot in common: most are developing economies, were subject to European colonialism, and have opaque political systems and markets. Most of all, and despite this background, China has achieved extraordinary economic growth, making it a very attractive development model for African countries. Within this framework, China's approach to the Lusophone world is a very interesting case study for a variety of reasons. It offers a window through which to study China's relations with Africa, but also demonstrates how pragmatism and a comprehensive strategy may lead China to make better and more efficient use of a regional organization than those who were expected to be doing so, namely Brazil and Portugal, but seem unable to act because of lack of initiative or the ghosts of neo-colonialism. Indeed, after a decade of existence, CPLP can hardly be described as a successful

organization and the economic and political benefits for its member countries have been marginal at best.

Having only a fragile link to this community through Macau, China is ingeniously using its observer status to become the economic engine of the Lusophone community. On the one hand, it is charming the less developed countries of this community by offering them development opportunities in exchange for access to their natural resources; on the other hand, it is soothing Portugal's and Brazil's reservations by awarding them a privileged status on a bilateral basis and promising investment. Although the importance of Macau may ultimately be more symbolic than real, the fact that Beijing lined up this 'Lusophone strategy' is itself evidence of the strategic thinking that is contributing towards making China's economic diplomacy so comprehensive and, up to the present, so prosperous in Africa.

