

ASSESSING CHINA'S ROLE AND INFLUENCE IN AFRICA

HEARING BEFORE THE SUBCOMMITTEE ON AFRICA, GLOBAL HEALTH, AND HUMAN RIGHTS OF THE COMMITTEE ON FOREIGN AFFAIRS HOUSE OF REPRESENTATIVES ONE HUNDRED TWELFTH CONGRESS

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THURSDAY, MARCH 29, 2012

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON AFRICA, GLOBAL HEALTH,
AND HUMAN RIGHTS,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:00 p.m., in room 2172, Rayburn House Office Building, Hon. Christopher H. Smith (chairman of the subcommittee) presiding.

Mr. SMITH. The subcommittee will come to order. And good afternoon to everyone.

Today's hearing focuses on U.S. policy regarding China's evolving role in Africa. China has become America's premier economic competitor in Africa, providing loans and making investments far beyond what the United States is currently prepared to provide.

China has been engaged with African governments since the 1950s and has always portrayed itself as a fellow developing nation that was interested in solidarity with the prospective development partners. In reality, the Chinese Government always had plans to gain the support they hoped to create among the newly independent African governments. The stadiums, other buildings, and roads constructed by the Chinese were intended to build support for China among the African bloc of developing nations in its competition with the then-Soviet Union.

Later, the goal was building support for the People's Republic of China, replacing Taiwan as the sole China in the United Nations. Now they no longer have to compete with the Soviet Union, and they have their seat on the U.N. Security Council, from where they protect dictators such as Omar al-Bashir and Robert Mugabe.

So what is their aim in their African policy now? Is China a development partner for Africa?

In 2005, the China Development Bank created a \$1 billion Africa Trade and Investment Fund, but the trade and investment initiatives funded cannot take place without the significant involvement of Chinese suppliers. It is difficult to quantify Chinese development aid to Africa because they refuse to disclose how much aid and investment goes to specific countries, although we do know that Chinese investment in Africa is estimated to exceed \$10 billion. Because the loan details are not open to public scrutiny, it is feared that these loans may pose a danger to the debt sustainability of African governments.

Is China an economic competitor to African countries? Many believe that China is engaged in a short-term resource grab which takes little account of local needs and concerns, whether developmental, environmental, or with respect to issues like human rights. Coupled with Chinese manufacturing and trade efficiency, this approach suggests that African development gains are being challenged, if not undermined, by Chinese competitiveness.

China, which has increasingly attempted to lock up much of the supply of strategic minerals from African countries, is now the leading producer of what are known as rare earth elements or rare earth metals, which are used in various technological devices, such as superconductors, electronic polishers, refining catalysts, and hybrid car components. As time goes on, these minerals will increase in importance in the 21st-century economy.

South Africa used to be the world's leading source for these minerals, but its production is dwarfed by what China produces, which now represents 95 percent of rare earth supplies. Chinese production often releases toxic waste into the general water supply, and that would tend to discourage increased South African production absent what could be expensive environmental safeguards.

Is China the new colonizer of Africa? Some would say that label is an exaggeration. However, China exports small businesses and labor to Africa. There are an estimated 800 Chinese corporations doing business in Africa and 750,000 Chinese working or living for extended periods in African countries. When their original assignments are completed, these Chinese workers become entrepreneurs, selling subsidized Chinese products to out-compete their African counterparts.

I would note parenthetically that Greg Simpkins and I, when we were in the Democratic Republic of the Congo on one trip en route to Goma to visit healthcare facilities there, as well as the U.N. deployment, I was quite dismayed at a project where there were large numbers of Chinese laborers who seemingly were under a lock-and-key-type of situation. I actually asked a number of questions whether or not those individuals might be gulag labor, people brought from the laogai to this particular heavily intensive—it was a building project, in order to do the work. No one knew. No one could have contact with those individuals. It was very, very strange and bizarre, and they had no contact with the locals.

An increasing number of Africans are skeptical of Chinese behavior in their countries. For example, the issue of Chinese business practices became an issue in the 2011 elections in Zambia. Some Zambians felt the Chinese were worse than the British colonialists in their behavior toward workers. Following the election there, incoming President Michael Sata said to the Chinese investors, “We welcome your investment, but as we welcome your investment, your investment should benefit Zambians, not the Chinese.”

One of the most prevalent charges against China's involvement in Africa is that they don't support international conditionality on aid to African countries. Therefore, Chinese involvement is seen as undermining the concept of tied aid that is intended to promote good governance models.

Chinese officials counter that they prefer not to interfere in the internal affairs of African governments. And, of course, who can

blame them, with one of the most egregious human rights policies within their own country to defend? They are in perhaps no position to lecture African governments. But that also, then sends an example that some, like in Sudan and elsewhere, might want to follow, and that would be a further disaster.

While much of the rest of the international community regards Sudan as having committed genocide or at least crimes against humanity in its Darfur region—we certainly do, my distinguished ranking member and I, and most, if not all, of us in Congress—China, a major economic partner with the government in Khartoum, refused at first to join in sanctions against Sudan. China abstained from the vote in September 2004 when the U.N. Security Council passed Resolution 1564 condemning the mass killing of civilians in the Darfur region, even though the measure stopped short of imposing oil sanctions. China even threatened to veto any further move to impose sanctions. It took concerted international pressure prior to the 2008 Beijing Olympics to force China to move closer to the international position of pressing Sudan to end its human rights abuses.

In a 2006 background report entitled, “China’s Influence in Africa: Implications for the United States,” The Heritage Foundation stated that China has provided weapons that have prolonged African conflicts or entrenched dictatorships. In 2003, several Hong Kong firms were accused of smuggling illegal arms, including Chinese-made AK-47s, machine guns, and rocket-propelled grenade launchers, into Liberia and neighboring Sierra Leone and Cote d’Ivoire, where rebels and mercenaries were involved in civil wars.

“In 2004,” the report continued, “China sold Zimbabwe fighter aircraft and military vehicles for \$200 million despite the U.S. and EU arms embargo against Zimbabwe. China has also provided a military-strength radio-jamming device, which the Harare government used to block broadcasts of anti-government reports from independent media outlets during the 2005 parliamentary election campaign.”

So what really are China’s goals for its African engagement? We hope to at least begin to understand this.

And I would point out to my colleagues, as I know so well, that this is a hearing that is in a series of hearings over the last several years looking at China’s influence, bad or good, in Africa.

I yield to my good friend and colleague, Ms. Bass, the ranking member of the subcommittee.

Ms. BASS. Thank you, Chairman Smith, once again for calling this important hearing to examine China’s economic and political impact in Africa.

In part of your opening statement, you described or raised the question as to whether or not China should be viewed as a new colonial power within the continent of Africa, and I am very much concerned about that as well, especially with regard to labor, given the need for employment on the continent. And then you raised today even the question as to who those laborers are who are Chinese. And so I think you raise very critical questions.

I hope that our discussion today will shed light on areas of common interest between the United States and China in Africa that could provide the basis for enhanced bilateral and multilateral co-

operation, particularly on important conflict-mediation priorities in Sudan and South Sudan, as well as Somalia. And I am very interested to learn about China's expanded economic reach in Africa and the impact on U.S. trade and investment.

I have initiated dialogue with some African ambassadors here in DC, and one of the key discussion points that are of interest to myself as well as the ambassadors is getting additional U.S. companies to do business in Africa, on the continent, highlighting China's multi-million-dollar investment projects as if to say to us that this is what American businesses are missing out on. One ambassador told me he wanted to attract the movie industry to his country, as well as the green vehicle industry. And given that I represent Hollywood, I naturally have that same kind of interest.

My goal for this hearing is also to examine meaningful policy options to ensure the U.S. Government, our businesses, particularly small- and medium-size enterprises, are not missing out on valuable opportunities in Africa.

Chairman Smith, the legislation that you and Representative Bobby Rush introduced last week is one such policy option that I hope to join you on. I want to thank you, Representative Rush, Senators Durbin and Coons for initiating this legislation. The legislation is also an important vehicle for promoting U.S. minority-owned enterprises, particularly businesses that are owned by African Americans in the U.S.

We should remember that as we seek to promote U.S. trade and direct investment in Africa, we are also creating opportunities for African growth so that the African middle class can help create societies that are no longer dependent on foreign aid. I look forward to hearing from our distinguished witnesses how the United States can achieve these objectives.

Thank you, and I yield back.

Mr. SMITH. Thank you, Ranking Member Bass. Thank you very much.

I yield to the vice chairman of our subcommittee, Mr. Fortenberry.

Mr. FORTENBERRY. I thank you, Mr. Chairman, for convening this hearing, which is a continuation of an important debate that we held last year during the State Department authorization.

To the United States, Africa is becoming a lost continent. She is becoming lost to us diplomatically and economically to other international players who do not have the same regard for human rights as we do. This is clearly the case with China.

Over the last several years, China has become the world's largest investor in Africa. Direct investment in Africa rose by 87 percent last year. One million Chinese nationals are now doing business in Africa, and around 300,000 live in South Africa. Bilateral trade deals have been signed between China and 50 African countries, and direct Chinese investments in Africa have been projected to rise by another 70 percent in the coming months.

As has been noted, China even bankrolled and built the seat of African diplomacy, the lavish new African Union headquarters in Addis Ababa. This is "China's gift to Africa," according to Hu Jintao, though another nickname has stuck: Africa's Hall of Shame.

China is aggressively dominating the most high-conflict areas of Africa, exploiting natural-resource-rich regions for its own mercantilistic agenda, even as African Union Commission Chairman Jean Ping opined for the adoring Chinese press, "African people will never forget China's important role in promoting peace, stability, and development within Africa."

All three of these claims are extremely suspect. In terms of development, is the goal of China's natural-resource exploitation Africa development? I ask this as the Associated Press reports that PetroChina, the state-owned oil firm that exists for the sole function of fueling China, has overtaken Exxon as the world's largest publicly trade oil producer. China's Minmetals Resources also announced today that it would be rapidly expanding copper mining in central and southern Africa this year. China's Guangdong Nuclear Power Corporation has aggressively taken control of uranium mines across the continent, and it is nearing a multi-billion-dollar deal on the world's second-largest uranium mine in Namibia.

Opportunities are booming for China in Africa, clearly. But will they benefit Africa?

And what about China's role in promoting peace and stability? Recently, China's relationship with Northern Sudan has given the international community particular concern. China shares a deep and profound friendship, according to China's foreign ministry spokesman, with Sudanese war criminal Omar al-Bashir. What is this friendship?

China has been Sudan's biggest arms supplier. China continues to be criticized by human rights observers for supplying weapons in violation of a U.N. weapons embargo over Sudan. China also imported nearly 70 percent of Sudan's oil and was the largest shareholder of the two biggest oil corporations in Sudan. Serious questions remain over Chinese complicity in Darfur, in which many innocent people died at the hands of Chinese weapons and planes.

With the prevalence of geopolitical conflict in this area of the world, we must have a firm understanding of China's rapid expansion in natural-resource-rich areas that are in high conflict on the continent. I am pleased to note that the Foreign Affairs Committee unanimously passed an amendment to the State Department authorization last year to quantify and help do just that.

But on a broader human rights scale, we need to have a very honest discussion here about Chinese industrial virtues. In a new interview with *The Wall Street Journal*, China's special envoy for African affairs discussed how China deals with "differences in corporate culture and the degree of openness to the outside world," noting that, as it does business, Chinese companies always take domestic business practices with them.

Let's talk about those domestic business practices for a moment: Fertility monitors on factory floors invasively examining female employees for pregnancy and reporting pregnant women to the Chinese family planning police, who drag offending women away for violating this and for forced abortions. There are tragically high suicide rates for workers in China who view suicide as their only means of collective bargaining against dire and oppressive labor violations that happen—you saw an example of this earlier in China this years.

Are these the domestic business practices that China is taking to Africa? This question is extremely pertinent, with news reports that South Africa, a country that still has its sea legs when it comes to human rights protections, has been sending government officials to Chinese Communist Party training schools to learn their business practices.

China has a choice: It can join the responsible community of nations to aid and do business with Africa in an ethical fashion or stand by its "friendship" with despots and tyrants as countless more lives are lost across the continent.

Thank you, Mr. Chairman, for holding this important hearing today, and I look forward to the testimony of our witnesses.

Mr. SMITH. Thank you, Mr. Fortenberry, very much. Very eloquent statement.

I yield to Congresswoman Jackson Lee and thank her for joining us today.

Ms. JACKSON LEE. Thank you, Mr. Chairman. I realize, I think there is a vote on, and I will be judicious. And thank you for your kindness.

And it is a delight to be here with our new ranking member on the subcommittee, Congresswoman Karen Bass, who I count already as one of my dear friends.

And I would say, since this is the first time, Congresswoman and Congressman Smith, that I have been at this table since the loss of our dear champion, I know that he is looking well at these hearings that you are holding. The two of you are two champions on human rights, and I join you in that as a member of the Human Rights Caucus.

And I will simply say these points to the Secretary. This is not about spoiled grapes. This is not about being selfish on the part of the United States or this subcommittee, I know. It is truly about friendship with the continent, with Africa, not missing the opportunities for collaboration, and having a country that is vested in the principles of democracy, like the United States, to be able to befriend those who desire our friendship. We have no burden of enslaving Africans in terms of, when I say that, in colonization. We have a history of slavery but not in colonization.

I say these points. I have seen firsthand the businesses of China come to the continent and use Chinese workers and not the indigenous workers, not training them, not making them managers, not helping them enhance and build the economy on the continent. I have seen the byproduct of these construction projects that have deteriorated in a matter of years.

And, finally, I have firsthand knowledge on the issue of Darfur, when we asked collectively for China to join us in sanctioning the leadership in Khartoum, asked them to join us in declaring genocide in Darfur, and they refused time after time after time.

We cannot have this imbalance in the treatment of the continent by any of our friends. And we certainly can't be blocked from a nation that has the democratic principles that we have of doing business, of building upon human rights, and helping Africa build its economy.

I think this is an important hearing, and I yield back.

Mr. SMITH. Thank you very much, the distinguished gentlelady from Texas.

Ambassador Yamamoto, we do have a vote on the floor. We will have a very brief recess. The members will return, and we look forward to your testimony. And I apologize for the delay.

We stand in recess.

[Recess.]

Mr. SMITH. The subcommittee will resume its sitting. And, again, I apologize for the delay.

I would like to welcome to the witness table and thank him for a return visit to our subcommittee, Ambassador Yamamoto, Donald Yamamoto, who is no stranger to this committee and to the full committee, having testified before us on several occasions last year and once already this year. He has served since 2009 as the Principal Deputy Assistant Secretary for the Bureau of African Affairs at the Department of State. His prior assignments include serving as U.S. Ambassador to Ethiopia from November 2006 to July 2009 and as Deputy Assistant Secretary of State in the Bureau of African Affairs from 2003 to 2006.

Ambassador Yamamoto, the floor is yours.

STATEMENT OF MR. DONALD Y. YAMAMOTO, PRINCIPAL DEPUTY ASSISTANT SECRETARY, BUREAU OF AFRICAN AFFAIRS, U.S. DEPARTMENT OF STATE

Ambassador YAMAMOTO. Thank you very much. Chairman Smith and Ranking Member Bass, and the honorable members of this committee, it is a distinct honor to appear before you once again on this very important issue.

And on behalf of my colleagues, Congresswoman Karen Bass, as the ranking member, we welcome you and we congratulate you on your new appointment. And your commitment and dedication will surely inspire us as we focus on our work.

I also want to take this time to really express my deep personal sorrow to you, Mr. Chairman, and to the members on the loss of Donald Payne, who was a defender of truth, an advocate of just and honorable causes, and, above all, a man of great courage, wisdom, and dedication. And it is really with appreciation and gratitude that I was able to know and to learn from Representative Payne—indeed, a true friend for all of us.

Mr. Chairman, is China a competitor or a partner? A positive influence or a detractor to development in Africa? Or, more important, can China work with us on shared objectives?

China is an important part of Africa's future. And like Africa's other major partners—and that is the European Union, India, Japan, Korea, Brazil, Turkey, the United States, and other countries—the United States seeks to shape a more cooperative and productive relationship while eliminating that which undercuts Africa's development and our interests.

China's interest in Africa reflects its needs for access to resources and markets, its desire to promote cohesive South-South relations, and a desire to demonstrate leadership in the developing world. China has emerged as a leader in trade and investment in Africa, and its activities in Africa offer important opportunities for the con-

continent, though there are major interests where our interests do not align, as you and others noted, Chairman Smith.

Secretary Clinton, in a major speech in March, stated that, “We are a country that welcomes others’ success, because we believe that it is good for everyone when people anywhere are able to work their way to better lives. If China’s rise means that we have an increasingly capable and engaged partner, that would be good news for us.”

We hold regional dialogues on Africa with China, as well as with other countries and organizations. Assistant Secretary Johnnie Carson led our talks in Beijing in November 2011, focusing on political and security issues, highlighting challenges, noting successes, and underscoring future cooperation.

In 2010, China-Africa trade stood at about \$127 billion and provided \$2 billion in foreign assistance to Africa in 2009. Yet China also provided concessionary funding for infrastructure projects. While important, it poses challenges for Africa on repayment of loans. China’s foreign direct investment flows to Africa have quadrupled, from about \$2 billion in 2000 to now almost \$9 billion in 2009.

On the downside, China undermines international efforts to promote good governance, revenue transparency, and responsible natural resource management. Corrupt activities by Chinese firms result in poor-quality goods and services. We are pushing China to accede to the OECD Anti-Bribery Convention. Chinese foreign assistance is a trade tool favoring Chinese businesspeople in project bidding and undercutting transparency and fairness. Chinese labor practices and lack of technology transfer and advance training also does not help Africa.

On the positive side, its infrastructure development has helped stimulate progress in health, agriculture, and water sectors. Politically, China shares common views on Sudan, worked with us in supporting AMISOM with \$4 million of needed equipment, and expanded the peacekeeping footprint to 1,500 troops. We are working cooperatively with China on eradicating malaria, polio, and other endemic diseases. In Gabon and elsewhere, we work with China on improving health care and training healthcare workers and providing medical equipment.

We will continue to dialogue with China and seek areas of cooperation that will lead to greater prosperity, political openness, and hope for Africa’s people and future generations.

Mr. Chairman, I welcome your questions.

Mr. SMITH. Thank you very much, Mr. Ambassador.

[The prepared statement of Mr. Yamamoto follows:]

**Testimony of
Principal Deputy Assistant Secretary Don Yamamoto,
The Bureau of African Affairs
U.S. Department of State
before
The House Foreign Affairs Committee
Subcommittee on Africa, Global Health, and Human Rights
“Assessing China’s Role and Influence in Africa”
March 29, 2012**

Mr. Chairman and Members of the Committee, thank you for the opportunity to address the subject of China’s engagement with Africa and its ramifications for U.S. foreign policy.

China’s interests in Africa have grown dramatically over the past thirty years. In the last several years the significance of this growth has been the focus of discussions in many quarters. China’s interests in Africa reflect its need for access to resources and markets, its desire to promote cohesive South-South relations, and a desire to demonstrate leadership in the developing world. China has emerged as a leader in trade and investment in Africa, surpassing the United States for the first time as a trading partner for the region in 2009. China’s activities in Africa offer important opportunities for the continent though there are major areas where our interests do not align. In a major speech on China in March, Secretary Clinton emphasized that “We are a country that welcomes others’ success, because we believe that it’s good for everyone when people anywhere are able to work their way to better lives. If China’s rise means that we have an increasingly capable and engaged partner, that’s good news for us.” Our efforts across the continent seek to leverage the positive aspects of China’s increasing

engagement, while minimizing the negative implications for U.S. interests.

China has become an influential development actor, and directly impacting developing countries in Sub-Saharan Africa. We feel that in order to serve the people on the African continent more effectively, China and the United States should work together, as we can achieve more with our collective resources. We are actively looking for areas of development cooperation with the Chinese, while engaging at multiple levels on our differences in approach on specific issues. For example, in partnership with the World Bank, the United States and China have identified the Liberian health sector as an area for joint collaboration to support global poverty reduction and development. It is important for the United States and China to cooperate in areas of mutual interest for the benefit of Africa as a whole.

We hold many regular high-level dialogues with China, including the “Strategic and Economic Dialogue,” jointly led by the Secretary of the Treasury and the Secretary of State, which addresses bilateral and global economic and strategic issues. In particular, the State Department holds a regional sub-dialogue on Africa, led on our side by Assistant Secretary Johnnie Carson and focusing on political and security issues. In November 2011, Assistant Secretary Carson traveled to Beijing for the 5th sub-dialogue since 1995. These discussions focused on a review of our policies regarding key issues in Africa, our development goals, and areas where we can work together. We are particularly focused on the situation in the Horn of Africa, the ongoing disputes between Sudan and South Sudan, and on security concerns in the Sahel region in the aftermath of the Libya crisis.

China's engagement with Africa has had a long history, originally focused on its competition with Taiwan for international recognition and characterized by large-scale infrastructure projects. However, this dynamic is changing. At present, roughly three-quarters of China's imports from Africa are in fuels and minerals; over 90 percent of Africa's imports from China are manufactured goods. China's imports from Africa are concentrated in a few resource-rich countries that generally have a trade surplus with China; most other African countries have a significant trade deficit. China's trade is primarily with a few countries, such as Angola and South Africa. In recent years China shows a growing willingness to channel more development resources through multi-lateral aid efforts and to participate in greater debt relief initiatives.

Over the past few years, China has emerged as the clear leader in trade and investment in Africa. In 2010, China-Africa trade stood at \$127 billion, a dramatic increase from 2000, when it stood at \$10 billion. It is estimated that China provided \$2 billion of foreign assistance to Africa in 2009.

China's trade and aid investment in Africa should be understood from a comprehensive perspective. China's no-strings-attached approach to investment and aid often undermines international efforts to promote good governance, revenue transparency, and responsible natural resource management. At the same time, China's growing economic presence in Africa has in many ways been positive for the continent's development. For example, China has done much to improve infrastructure and roads in many countries and recently completed the new African Union headquarters

building, at a reported cost of \$160 million. In addition, China has invested millions of dollars throughout the continent, specifically on infrastructure in the health, agriculture, and water sectors.

China's long-stayed policy has been to avoid "interference" in internal African affairs, as with other parts of the world. However, it has recently engaged productively in the tense situations affecting both the Horn of Africa and Sudan and South Sudan. China has been a contributor of humanitarian assistance in response to the Horn of Africa crisis, to which it recently donated \$90 million, and has played an important role in international counter-piracy efforts in the Horn as well. The United States and China share a common vision for Sudan and South Sudan, of two viable states at peace internally, and with each other. . We are working to deepen our cooperation with China in engaging Sudan and South Sudan. President Obama and President Hu agreed in Seoul this week to stay coordinated in our approach, and to send a clear message to both parties that they need to reach a negotiated settlement that ends the violence that is taking place in the border areas and to conclude an oil revenue-sharing agreement.

On peacekeeping, China recently provided AMISOM with \$4 million worth of much needed equipment. Beyond this, China continues to expand its own peacekeeping footprint in Africa, with nearly 1,500 troops spread across the different UN peacekeeping missions on the continent.

China's increased engagement in Africa has included significant increases in two-way tourism, academic and non-governmental exchanges, and diplomatic initiatives. China has modeled some of its engagement

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

Notwithstanding this positive news, China’s practices have in some cases undermined efforts to promote progressive business practices, democracy, and good governance in Africa. Specifically, some Chinese companies either refuse to hire local labor, or sharply limit such hiring, preferring instead to bring in labor, skills, and sometimes raw materials from China. Such practices do little to build local capacity and create local employment. Although China enacted legislation criminalizing bribery of foreign public officials in 2011, some Chinese companies continue to undermine accountability and good governance by engaging in corrupt practices to win contracts and bids in Africa. Corrupt activity by Chinese companies also disadvantages U.S. companies who compete on the merits and do not engage in such illegal behavior (which is prohibited under domestic bribery laws in Africa as well as under the U.S.

Foreign Corrupt Practices Act). The United States encourages China to rigorously enforce its anti-bribery laws, accede to the OECD Anti-Bribery Convention, and subscribe to international development practices. The U.S. will also engage African leadership to hold China accountable to adhere to national and international standards and regulations.

As Chinese companies' presence on the continent expands, they will face increasing pressure to bolster indigenous capacity and contribute to long-term development. The U.S. government would like to engage the Chinese on ways that their economic policies in Africa can produce better results for sustainable economic development by conforming to the international community's broader initiatives for Africa, while making clear that negative business practices undermine long-term growth. We remain steadfast in our belief that strong, democratic institutions and protection of universal human rights are the foundations for sustainable economic growth.

We remain concerned with the general lack of transparency regarding China's foreign assistance and commercial trade practices in Africa, and are encouraging Beijing to more fully engage with other bilateral and multilateral actors to ensure that aid supports the efforts of African governments to be responsive to their people's needs. By its reluctance to coordinate with groups like the IMF and World Bank, we believe China misses an opportunity to make the most of its aid, loans, and investment in Africa. On occasion, it appears that China's policies undercut the efforts of others to use investment and development assistance to improve governance, which is essential to long-term, stable economic growth.

The international community has expressed similar concerns about the Chinese use of foreign assistance as a trade tool, as when African governments grant favorable treatment to Chinese project bids because such bids are tied directly to Chinese government assistance packages. It is in China's interest to demonstrate to the international community that its policies in Africa are not driven solely by the desire to secure natural resources and access to markets and major infrastructure projects, and that the Chinese government is committed to improving the long-term welfare of people across the continent. Greater transparency with respect to Chinese foreign assistance and bids would go a long way in this regard.

Africans themselves will, of course, largely shape the terms of their relations with China. While welcoming increased Chinese engagement, Africans have also signaled the importance of business practices that reinforce African Union and New Partnership for African Development principles on good governance. Chinese labor, environmental and quality-control standards have drawn extra scrutiny from many Africans. Some African leaders are increasingly wary of China's growing economic influence, and have indicated a desire to see increases in investment from other regions – including the U.S. – in part to avoid a dependence on Chinese financing. The public views of Africans are more varied, with rising negative views of Chinese investment and business practices becoming more prevalent in many countries. In addition, many African entrepreneurs worry that the influx of low-cost goods from China undercuts their indigenous industry and manufacturing capacity.

Within the context of our senior- and policy-level discussions with the

Chinese, we have identified a number of areas that would benefit from additional cooperation and burden-sharing. For example, with nearly 1500 Chinese military, police, and observers serving on peacekeeping missions throughout Africa, China could coordinate with us to a greater degree on post-conflict security sector reform activities and in equipping and supporting African peacekeepers.

In non-security areas such as health, China and the U.S. are pursuing potentially complementary programs to eradicate malaria, polio, and other endemic diseases. In Gabon, for example, we are hoping to work trilaterally on a research partnership involving U.S., Chinese, and Gabonese public health experts to address the threats posed by the emergence of new deadly infectious diseases in Gabon. In Liberia, ongoing collaboration within the agricultural sector is a highlight of our overall trilateral engagement. We have encouraged our Embassy teams all over Africa to identify potential areas of cooperation and engage with Chinese counterparts to the benefit of African populations.

International concerns about China's increasing commercial and diplomatic presence in Africa must be considered within the wider context of questions about the ramifications of China's rise as a global economic and political actor.

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

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

Mr. SMITH. Let me just ask you, you know, I made reference to it in my opening comments about the use of gulag labor or the potential use of it on the continent of Africa. Have we, from a human rights perspective, have our Embassies investigated or looked into that as something that could be of concern? Because, again, if they are bringing over Falun Gong and underground and persecuted Christians and others, Buddhists, I mean, that would raise serious red flags.

And if you could speak to the issue of importing Chinese laborers to do work that otherwise could be done and accomplished by indigenous Africans.

Ambassador YAMAMOTO. Thank you very much, Mr. Chairman.

I note that in your second panel you have experts, Ambassador Shinn and Peter Pham and others, who have researched this area quite extensively. And, actually, we refer to their research, as well.

We have asked our Embassies to look at the whole context of trade, not just with China but with all the countries that are dealing in Africa, to see areas of cooperation and also areas where we need to work with in order to moderate excesses or to correct behaviors or problems. We looked at labor, and we have talked to leaders throughout Africa on these issues.

You know, the issue that comes in is that we still need to do more research. We need to still look at and examine the issues more carefully.

I think in some countries, like Ethiopia, they have made restrictions on labor. In some areas where they have had Chinese labor, especially in the Congo where they are doing predominantly a lot of the work, we are looking to see how that impacts on local communities.

What we want to do, essentially, is to see how we can elevate and raise the quality and technology and technical level of African workers. And if you look at how the United States handles it, how we do training programs, how we look at areas where we can make a difference, those are the same things that we have been discussing with the Chinese that they need to do, not only at the basic, low-level technical factors, but also much more advanced technology transfers.

And I think the record is still out. We are still investigating. But those are areas that, you are absolutely correct, we need to discuss much more with the Chinese, and we are, in our dialogues.

Mr. SMITH. Can I just ask you—I happen to be a pro-labor Republican. I get endorsed by the AFL–CIO because I believe passionately in the right to collective bargaining and other core elements of unionized labor.

China is the quintessential example of an anti-labor country. I am chairing a hearing in a few days on the exploitation of labor as an unfair trading practice. I, frankly, have been very disappointed that the administration, under the USTR, has not initiated a complaint or at least an investigation against China. We did so when Bush was President, and I even was a signatory to the request. It was denied. But it has not happened under the Obama administration either.

And it is a fact that laborers in China get 10 to 50 cents per hour. There are no OSHA regulations at all. If there is any kind

of compliance with best practices when it comes to occupational safety and health, it usually is something that is being imported by a U.S. corporation. And some do it and do it very well, but, by and large, it does not happen.

There are problems with arrearage. If you do engage in collective bargaining in China, you are arrested, you are incarcerated, you are tortured. And I have actually had, right where you sit, Mr. Ambassador, Chinese political labor activists who then, the lucky ones, in the sense that they are out of prison and they have been expelled—not lucky from that point of view—telling their story of how they are trying desperately to form at least some kind of labor organization that is compliant with ILO standards.

Now, the reason for raising all of this—and I will be having that hearing shortly as chairman of the China Commission—that practice, or that worst practice, is being exported to Africa as part of their labor practices. You know, we are all concerned about the bad governance model that China, you know, then provides by way of example and other ways to African countries. But now even on labor practices they are egregious violators of ILO conventions.

And I am wondering what your take on that is, if you could, and what can be done to combat that.

Ambassador YAMAMOTO. Thank you, Mr. Chairman.

You know, the conditions in China, even though I was a human rights officer back in 1989 in China and really looked at a lot of those issues that you have raised, I think I would rather defer to my colleagues who are specialists in China to say the conditions there.

In Africa, we—

Mr. SMITH. But I am talking about the exporting of that mindset that obviously follows with investment and with, obviously, people who will now be doing business in China, setting up shop in China, sans labor unions or anything that even comes close to it.

Ambassador YAMAMOTO. Right. And we are looking into that.

You know, statistics and information is very hard to come by, but we have looked at what China is doing in Africa, and we have looked at projects. In other words, a couple years ago, there were 30 major projects by China taking place in Africa. That has risen to about 35 last year. And so we are looking at how China looks at programs and projects, how they implement projects, and are they abiding by standards.

One of the things that we have been pushing the Chinese on in our discussions has been their accession to the anti-bribery and better business practices of the OECD. But more important is basic labor practices. Because, as you cited, Mr. Chairman, in your opening statement, Michael Sata in Zambia, who had complaints about Chinese labor, well, he is now the leader of Zambia through a free, democratic, open election, and he is addressing those issues.

Again, I have spoken personally to some of the leaders in Africa, and they, too, are looking at Chinese labor very carefully and making decisions on how to monitor, regulate those issues. And so I think we would defer to those leaders and to work with them. But on our own side, we are also looking at how China does labor issues.

For us, too—I just want to do a sidenote—for us is that we are trying to push the Chinese much more on transparency, openness, looking at how they do the bidding process. As you know, as I said in my opening statement, they have about \$2 billion in investments. And, of course, that and their aid goes to help Chinese businesses. Why can't they be much more transparent and open? And those are things that we are working on with the Chinese to address through our dialogues.

But you do raise a very good question, Mr. Chairman, and it is an issue that we are focused on.

Mr. SMITH. Could you get back to us as to—

Ambassador YAMAMOTO. Yes, I will.

Mr. SMITH [continuing]. What exactly we are doing relative to ILO standards as it relates to unions and collective bargaining, the absolute absence of it in the PRC itself, and whether or not that is having an influence on Chinese businesses and their practices as they emerge and evolve.

Let me ask you just a couple of final questions and then go to Ms. Bass.

With regards to infrastructure, China's investment is very heavily tilted toward infrastructure projects. I remember on one trip, again, to the Democratic Republic of the Congo, I talked to a member of their Parliament who is a farmer. And I remember he said, "I can grow anything, but I can't get it to market." But he also said the Chinese have come in, gotten huge road and building projects, but always with the caveat that anything on the right and on the left that happens to be a mineral or something that can be exploited becomes theirs. And he said, you know, we are giving away the minerals and the wood and the other wealth of Africa to the PRC. He was very upset with it.

And I am wondering, you know—the Millennium Challenge Account has been an excellent way of trying to help infrastructure. You know, we have good governance that goes along with that, and other criteria. The Chinese say, "We want this, and we want that," and they take it. You know, could you speak to that issue?

Secondly, the larger issue of the exploitation of minerals, oil, and gas. We know that Bashir—and I have met with him. I argued with that man. He ought to be at The Hague for crimes against humanity and genocide. But, you know, all he was concerned about was lifting the embargo, when I talked to him. That was all he cared about, rather than the loss of life. But he gives oil in exchange for weapons. That is a terrible, terrible exchange between Beijing and Khartoum.

On the issue of child limitation—and Mr. Fortenberry, I think, was alluding to it, in part. Part of the Chinese model is to enforce the one-child-per-couple policy at the factory level. They monitor women's menstrual cycles. Women are forcibly aborted. They incentivize the catching of a woman who might have a pregnancy that has not been agreed to by the government. They are only allowed one; brothers and sisters are illegal in China.

And why do I bring all this up? Because they have had that since 1979, and China is on the precipice of imploding in the near future because they are graying and because they are missing girls. The estimates are approximately 100 million missing girls. Forty mil-

lion to fifty million men can't find wives because they have been killed by sex-selection abortions.

That said, it is being exported, or at least that mindset, to Africa. The Chinese State Family Planning Commission and the UNFPA invited the health ministers of all sub-Saharan African countries for a week in Beijing about 3 years ago to tell them, if you want economic growth, you need child limitation. Paul Kagame said, "Oh, we need a three-child-per-couple policy, we want to follow the Chinese model," which means that women are forcibly aborted or at least coerced in some way not to have children. So children, or the lack of children, are the impediment to economic prosperity.

Many came back talking that; not all of them, thankfully, have implemented that. But it goes back to a book that was written by Margaret Sanger called "Child Limitation." It is actually called that. I read it. And it posits that, if you want economic growth, get rid of the kids.

And, you know, in China, with a graying society—and we have all the numbers; I actually had a hearing on it—they are in trouble by 2020, 2030, as they have this huge bulge of senior citizens and no workers. And they are all males because the women have been executed through forced abortion.

That is coming along with the bad governance model and the economic policies of China. Do you see that? Is anybody looking at that, Mr. Ambassador? Because, again, there needs to be warning bells about what that will do to the women of Africa as well as their babies.

Ambassador YAMAMOTO. Thank you very much.

On trade and investment, you know, if we look at the content of trade, you are absolutely correct. If you look at it, 70 percent of China's trade or, actually, imports out of Africa are in natural resources. And the issue comes in, are those in conflict minerals? Are those in illegal logging? Is it those issues that we are monitoring?

But the question that comes in, I think, for China is, can they be a responsible trading partner with Africa? Can they in their trade help elevate and develop Africa? And that is the bottom line that has consumed and become the underlying guidelines and goals in our discussions with the Chinese, that is how do you make trade in Africa help promote prosperity, help education, help health care, et cetera, in the continent.

Going to the child labor, I think the issue is that we are looking at a whole wide range of human rights issues, from our child soldier issues, trafficking in persons, looking at the status of women, LGBT issues, et cetera. And one of the things is, if child labor or the one-child policy is being exported to Africa, that is an area that we probably would need to focus on more.

But one thing that we have discussed with the Chinese in our discussions is, how do you get development? Development is not limiting children. Development is through the respect of women. By raising the status of women, we have found that development in Africa exponentially increases, far greater than anything we can do. And look at the population growth rates in Africa and other areas. I don't think that the one-child policy has held or been influenced throughout Africa.

But the area for development and the one area that we have discussed is that by raising the status of women, raising educational and healthcare issues, mitigating conflict, we are going to have better development. And those are areas that, in many respects, the Chinese do agree with.

On health care, they have been cooperating with the United States in funding healthcare programs. We have been doing it in Liberia, in Ghana. We are doing it in Ethiopia, Gabon. We are looking at also economic cooperation on how to do development in Angola and Mozambique and other places.

So those are things that we are trying to work on. But on your question, we will pay a lot more closer attention and look at it, and we will give you a report back.

Mr. SMITH. Ms. Bass?

Ms. BASS. Thank you, Ambassador. I actually have several questions I want to ask you. And you have been deferring some questions to later panels, so, you know, you should tell me in terms of the category, are questions related to governance okay and the other trade and business issues to the other panel? That was a question for you.

Ambassador YAMAMOTO. On governance, well, on areas where we have differences is on good governance and transparency. The basic fundamental pillar of our policy has been articulated by President Obama in Ghana 2 years ago, and that is good governance and democratic values. Holding governments accountable to the people is important because that underscores that they will be stable, and in stability they will have better economic development.

Ms. BASS. So my question was, because you made reference to—and I just wanted to know if you could give me some specific examples—you made reference to China undermining good governance in Africa. And I was wondering if you could give me specific examples and specific countries.

Ambassador YAMAMOTO. When we say “undermine,” the issue that comes in is that they do not share a lot of the areas that we have advocated.

For instance, in the vote on Sudan that the chairman raised, one of the issues that he had raised was the sale of arms, which was declared illegal under the U.N. investigation, that the arms flows into Sudan had been illegal, and those are areas that we have been discussing with the Chinese.

The other areas, too, that we have discussed in private with the Chinese has been the issue of declaring countries that are in coup status and working with those countries to say that this is a detriment not only to the country but also to the regional states. And I look at Libya as one example, where we had worked with the Africans to pass legislation on Libyan issues.

The other areas, too, that China has raised for us is concerns that they have raised on whether or not imposing sanctions on specific countries for specific human rights violations is necessary or appropriate.

One of the differences that we have with the Chinese—and let me give you one example. During our discussions, the Chinese have told us, “Well, you know, you, the United States, looks at a specific regime. You need to look at a country over a long-term basis, for

50 years or 100 years.” Our response has always been, we do. But in order to make——

Ms. BASS. Who says that, that we need to look at it over 50 years? The Chinese say that?

Ambassador YAMAMOTO. Our Chinese colleagues. They say, look at the country——

Ms. BASS. Some of the countries are——

Ambassador YAMAMOTO [continuing]. Look at a country or, let’s say, Zimbabwe or Sudan over a 50- or 100-year process. Our response is that we do, but that process starts now. Because if we can’t get countries to respect not only the human rights issues but, more important, the rule of law, then what is that going to mean 50 years or 100 years from now? And so those are the questions and issues that we are discussing.

And in that context, let me just say that our discussions with China on Africa have been very cooperative. And we have made a lot of progress in looking for areas where we can work together cooperatively to make a difference in the lives of the people in Africa.

Ms. BASS. So let me give you an example that I heard, and maybe you can tell me if there is any legitimacy to it. And that is when a company goes in, when there is an initiative, an infrastructure project or some other project like that when the Chinese go in, where you might have a country that is trying to deal with their governance issues, and the Chinese will go in and just bribe everybody. And then, you know, the issues related to the workforce or whatever then get bypassed. So when the African nation tries to push back, if the Chinese are there handing out, you know, currency, then they bypass even their attempts for good governance.

So is that true, or is that just rumors?

Ambassador YAMAMOTO. You know, I mean, obviously, if we look at specific issues—but, you know, to say that, let’s say, Chinese firms or whatever are singularly the only companies that would engage in, let’s say, nontransparent practices is probably not completely accurate, because other countries——

Ms. BASS. I didn’t say the only country. We were just talking about China today.

Ambassador YAMAMOTO. And, sure, certainly, in some instances, and I would look for examples, maybe telecom, energy sectors, sure, that is possible.

Let me just tell you, Madam Representative, is that one of the areas that we have asked our ambassadors to look at, to really look at how to expand trade investment is, what is one of the main problems in Africa today? And that is interstate trade is at less than 10 percent. And why is that? Because not only of internal problems within the countries of tariff and non-tariff trade barriers, but also because of internal problems.

We have asked and looked at opening the sectors in telecom, energy, banking, financial services, and energy sectors. By opening them up and being more transparent, you will not have—or you have less likelihood of having—the issues of bribery or nonproductive business practices. And holding all companies which are engaged in those countries in bidding processes to accede to the OECD anti-bribery practices, that is important.

The other area, too, is, between states, is that, were a country to increase its wealth, if we can decrease these tariff and non-tariff barriers, we can increase interstate trade and therefore wealth. In that context, too, is that it becomes more transparent in our processes. And so that also becomes a barrier to bribery and becomes a check on it.

Ms. BASS. Thank you. And, actually, I need to say that a vote has been called, so maybe we can—I have additional questions, but they could wait until after.

Mr. SMITH. I yield to Vice Chairman Fortenberry.

Mr. FORTENBERRY. Thank you, Mr. Chairman.

Mr. Ambassador, you are probably not going to like the characterization of what I am interpreting as a good summary of what you said, but basically the Chinese take the stuff and we beg them to help the people in Africa.

When I was on a House Democracy—we used to call it—Partnership Commission trip to Liberia, we flew into the airport there, which was a staging base for our troops before the invasion of North Africa in World War II. We were going down the road in the beautiful, lush, tropical African scenes. And on the outskirts of Monrovia rises this large, shiny, brand-new soccer stadium, a gift of the Chinese Government to the people of Liberia.

Now, here we are in Liberia with military assistance, helping them rebuild their basic governing structures to protect the President and provide some stability in the wake of their horrific civil war. We provide U.S. tax dollars to help integrate child soldiers back into normalcy in society. We have microfinancing programs to help women entrepreneurs. And the Chinese are building soccer stadiums for the explicit purpose, not of humanitarian help or good governance structures, but to have access to their mineral resources and then access to their market for the sale of goods. I mean, that is the motive there. And the way they get there is through connivance and other practices that our companies hopefully never engage in.

The Chinese have lax labor standards, they have lax environmental standards, they manipulate their currency. And, consequently, we have a huge trade imbalance with them. In fact, I asked a gentleman from Liberia one time, why do you do so much trading with the Chinese? And he said, we are waiting for you.

In other words, American companies are at a disadvantage because we are not going to play by those same rules. We are at a disadvantage because we ship so much manufacturing over there, and the Chinese can produce things supposedly cheaper without worrying about these essential externalities that we do in our own country.

So there is the root of the problem, I believe. But I think what we need to do is explore what the answer is. I mean, I understand your position. You are trying to dialogue with them; you are an important diplomatic figure in our Government, and that is your job. But when we are investing in Africa, again, for the benefits of cultural and economic exchange to America, the purposes of humanitarian help and relief, and potentially our own national security through developing good governance structures for international

stability, as you suggest, this is being undermined by Chinese business practices.

Other than the dialogue—I am not discounting your role in trying to develop the relationships to move them toward more acceptable positions—what can American policy do to stop this unfair overrun of the continent of Africa by people who aren't invested in the wellbeing of Africans?

Ambassador YAMAMOTO. I think I can answer that probably in two ways. The first is that, when we see wrong, we call it. If there is an area that is against democracy or inhumane, we raise it. And I think our positions, let's say, in five coups in the last 2 years have kind of underscored our position on dedication to good governance and democracy. Our position in pointing to countries that have violated the arms embargoes to Sudan have done that.

But second is, in the case of Liberia, I don't think a soccer stadium would probably sway a Johnson Sirleaf at all or to get her resources, a Harvard-educated person. And her government has been doing the right thing on anti-drug confiscations, working on governance and democracy issues, working on development.

And in our discussions not only with her but also of other countries—and there are over 20 countries in Africa that are democratic-leaning—I think the fundamental objective of these leaders is to look at how to improve accountability, democratic values, commitment to human rights.

Yes, China is engaged in resources, but how do you limit or eliminate the excesses? How do you guarantee that it be will be transparent and in accordance with the values that you have expressed, Mr. Congressman, that you are so passionate and dedicated to? And we share those values. We believe, as you do, that these are issues that we have to keep very close track of, and when we do see problems, we highlight them.

I think in our dialogue with the Chinese, now entering our sixth year, in some cases it has been very heated when we have raised these issues. In other areas, we have looked at potential for making the lives of Africans more—

Mr. FORTENBERRY. Let me follow up right quick before we have to go. Are there some trade practices or business constraints that we could re-examine that, again, would put us on a better competing field for African commerce? Which should carry with it the set of cultural mores and values that you would think, and I believe, most African people do want. But when you have proximity to leaders in China who are pursuing mercantilistic ends only, it is easy to—well, it seems easier to buy off the system and integrate without having the broader humanitarian goals in mind that can come from the benefit of sustainable production and appropriate environmental stewardship of natural resources.

I think that that is a deeper policy question, and I think it is important for us, if we can't do it in the next 30 seconds, that we have to think through, because that is a way to reintegrate an American presence appropriately that would benefit us as well as Africans and bring along with it a new vision of the ideals that make us free and give us opportunity that I think most Africans long for.

Ambassador YAMAMOTO. Uh-huh. Well, I think we can come back after the vote, but—

Mr. FORTENBERRY. Yeah, I will just pause there. Thank you.
Ambassador YAMAMOTO. Okay.

Mr. SMITH. We will stand in brief recess.

And I would ask you, when we come back, if you could, if there is any policy that would be the equivalent to the Foreign Corrupt Practices Act, which, not only do we take into consideration the environmental degradation that our investments might have and all the other important human rights and humanitarian concerns, but—you know, it used to be that businessmen from the United States bought off people. Well, now if they do, they can be held to account and go to prison for it.

We actually are crafting our Global Online Freedom Act to some extent on the idea of accountability, and we just marked it up in our subcommittee just a few days ago, on the idea that American businesses should be shining lights overseas, at least on some issues like foreign corrupt practices or whether or not we are aiding and abetting dictatorships with our technological capabilities that IT companies certainly have.

So we will—I again apologize to our distinguished panelists. We do have another vote, and Ms. Bass said she had some additional questions for Ambassador Yamamoto. So we stand in recess for just a few minutes.

[Recess.]

Mr. SMITH. While we are waiting for Ms. Bass to come back and ask questions, I would ask you, if I could, Mr. Ambassador—and say to our distinguished witnesses, that was the last vote, so we won't be interrupted anymore by House business.

The administration has, as we all know, Mr. Ambassador, especially the State Department, expressed interest in enhancing U.S.-African trade under AGOA. How do you see the increasing Chinese investment in Africa affecting the U.S. ability to expand trade?

And, as you know, mention was made earlier, I, along with Bobby Rush, Congresswoman Bass, and Mr. Fortenberry, introduced legislation called the "Increasing American Jobs Through Greater Exports to Africa Act of 2012." And it is a very comprehensive bill. It seeks to significantly boost our ability—American businesses' ability, particularly small- and moderate-size, to actually sell their products in Africa, believing that that creates that two-way street that we all want to happen.

Have you been able to take a look at that legislation? It has been introduced on the Senate side by Senator Durbin and a bipartisan coalition. They are identical bills; they are companion bills. Your thoughts on that legislation and on the first part of the question about AGOA?

Ambassador YAMAMOTO. First, on AGOA, as you know, AGOA will expire in 2015, and one of the major aspects that we are trying to get extended would be the third-country fiber, for the textile purpose, because it expires this August and we want to extend it at least through 2015.

That will help as far as promoting exports by textile-producing countries in Africa, but, more important, it hopefully will help expand capacity and capability in those countries where we are trying to focus. And the countries that really benefit: Of course Mauritius and Lesotho, Rwanda, and other countries. And so those are

countries that I think the Africans are pretty unified on trying to get us to extend the third-country fiber legislation for support.

As far as the Chinese trade affecting AGOA, I think one of the things that—we can answer in a couple of ways—is, number one, their focus on infrastructure development, on roads and other infrastructure projects helps, actually, on promoting trade and development.

The other area, too—and I think this will go back to Congressman Fortenberry's comments, and we can comment when he returns—is that hopefully we can get more American companies to operate and trade in Africa. I think that, in many ways, is the best solution for putting all the trade in perspective, expanding American values and openness and transparency and also good practices.

One example is Boeing aircraft. Great company. They have been able to expand sales of airplanes on the continent. For instance, Ethiopia, a very poor country, just bought something like \$4 billion in Boeing aircraft. That means they just preserved or created something like 30,000 American jobs, as well as jobs in other countries, that help produce the 787 and the 777 long-range.

And so those are very good, but it also extends not only a quality of product, quality of service, but also good, open, transparent, good business practices. And I think if we can increase that—and I know, you, Mr. Chairman, have been so dedicated to expanding American trade.

On the legislation itself, we have read it. We would welcome—let me defer to our experts in the administration to look at the legislation to see how we can respond and to comment on it. But I agree with your premise that we need to expand commercial trade relations. And your next panel has Mr. Steve Hayes of CCA, who has a very good, objective view about how to expand American business presence on the continent.

Mr. SMITH. I appreciate that.

I know Ms. Bass had some additional questions, so I—no?

If you could get back to us on that earlier line of questioning with regard to the child limitation initiatives and China's, I would call it, complicity in that mindset which renders children to be expendable.

Again, and I would reiterate because I think it bears underscoring, it was the UNFPA and China that invited all of the health ministers to Beijing to discuss the alleged blessings of limiting children to one or two or three as a path toward economic growth.

And, again, the evidence about China itself is that it is a matter of when, and not if, that a sinkhole is established because of too few workers caring for too many graying Chinese families or people. And then, of course, the terrible missing daughters that has occurred as a result of the one-child-per-couple policy. It is very predictable. But if you can get back to us on that one, as well.

I think I am going to have to move to our next panel out of deference, so I apologize to Ms. Bass, but—

Ambassador YAMAMOTO. Can I just respond to one of the questions that—

Mr. SMITH. Yes. Please.

Ambassador YAMAMOTO [continuing]. And then I kind of will close it. It is a response to the questions by Congressman Fortenberry and, of course, you and Congresswoman Karen Bass.

The area is, as I think Representative Fortenberry said at the end of his questioning, is how do you expand, you know, good governance, but more important is U.S. practice. And I think one of the answers has to be increasing the U.S. business presence on the continent.

Right now it has been very difficult to attract American businesses to come to Africa to trade. But I think the more we get, the more that you will see the good business practices and also expand American values and business practices. The area that we are looking at, too, is how you do this. We have been trying to expand American Chambers of Commerce. We are now up to eight. That is an increase out of four when we first came 3 years ago. And we thank the American Chambers. We also thank Steve Hayes at CCA for really helping to promote a lot of innovative approaches to bring American practices to Africa.

The second thing, too, is to expand greater, you know, dedication to good governance and democratic values. I think Secretary Clinton, has made it a point in her speech recently on increasing engagement, building trust, expanding relationships, but also to work with China on areas where we have differences to eliminate those practices.

And one of the things that Congresswoman Karen Bass has said is, give examples where governance has been on trial. And we don't have specifics, but anecdotal. And I will give you one example is my frequent trips to the Congo, where we did see Chinese businesses taking resources out of the Congo. Was that through illegal means? Was that through legal means?

And the area comes in is that, where we have countries which are democratically elected, have commitments to democracy and human rights—and there are over 20 countries in Africa—those countries are really the best guide to stop any illegal practices by other countries or by companies or organizations. And so I kind of think what Congresswoman Bass was trying to get at is that those are things that we are trying to work on and to try to expand.

And so where areas like the Congo, which has promising capacity and capability, by building that capacity, by building capability, by building democratic institutions, that becomes the greatest deterrent toward those bad practices.

And, finally, it is to hold China and other are countries to abide by international agreements and have them accede to things like the OECD.

So thank you, Congressman.

Mr. SMITH. Thank you very much, Mr. Ambassador. And we look forward to the written submissions and answers, as you say, to questions posed.

[The information referred to follows:]

U.S. Efforts to Support International Labor Rights in Africa: In terms of reporting and analysis, the Department of Labor (DOL) and the Department of State collaborate to produce three distinct, Congressionally mandated reports on the worst forms of child labor and on goods produced with forced labor, child labor, and/or forced child labor. In each of these reports, cables and data provided by U.S. embassies serve as primary sources of information and contribute to enhanced awareness and understanding of abuses of international labor standards in sub-Saharan African countries, particularly on forced and child labor. In addition, U.S. Embassies report on labor standards and practices, as well as on labor-related events and issues, e.g., worker strikes and government repression of workers' rights.

DOL's Bureau of International Labor Affairs (ILAB) provides funding and support to partners working to promote, raise awareness of, and build capacity to meet international labor standards across sub-Saharan Africa. Since FY 2000, ILAB has provided more than \$221 million to support 64 distinct projects in every region of the continent. In addition, State works to promote and advance labor standards and workers' rights through a several capacity-building programs in Africa.

In addition to these reporting and programming activities, State assigns two regional labor officers—one in Nairobi and one in Johannesburg—who focus full-time on labor conditions and standards across the broader region. These Regional Labor Officers liaise and coordinate with representatives of the International Labor Organization and other partners and stakeholders, and act as points of contact and expertise for USG agencies that may not have expertise or experience in labor issues. In addition, State discusses and promotes workers' rights within the broader corpus of human rights and thus encourages bilateral and multilateral partners on the continent to recognize and meet international commitments with regard to labor standards and workers' rights.

Mr. SMITH. I would like to welcome our second panel—so thank you again, Mr. Ambassador.

Ms. Carolyn Bartholomew, who is with the United States-China Economic and Security Review Commission, long-serving member on that commission. She has held numerous senior staff positions in the United States Congress, working in leadership offices and the intelligence committee in the House.

She has particular expertise on U.S.-China relations and was a member of the first Presidential delegation to Africa to investigate the impact of HIV/AIDS on children, as well as the Council on Foreign Relations Congressional Staff Roundtable on Asian Political and Security Issues. She also serves on the board of directors for several non-profit organizations, including the Polaris Project, a project that I know so well, works on the issue of human trafficking.

She has testified before this committee before, in 2005 to be exact. And we welcome her back.

STATEMENT OF MS. CAROLYN BARTHOLOMEW, COMMISSIONER, UNITED STATES-CHINA ECONOMIC AND SECURITY REVIEW COMMISSION

Ms. BARTHOLOMEW. Thank you very much, Mr. Chairman. And it is an honor to actually speak after Ambassador Yamamoto, who is one of the unsung heroes of the U.S. Embassy during Tiananmen Square. So thank you very much for inviting me today to speak.

Like others before me, I want to express my condolences on the loss of Congressman Payne. Like you, Mr. Chairman, his leadership has touched millions of lives, many of whom will never know that he has improved their lives, but his loss is deeply felt.

The U.S.-China Commission was established by the Congress in 2000 to advise Congress on the national security implications of the U.S.-China economic relationship. We monitor, among other things, the implications for the United States of China's increasing global presence. Over the years, we have looked at various aspects of China's role in Africa, including our research report on 88 Queensway.

While I will reference some of the Commission's work, the views I express today are my own.

In 2005, as you noted, Mr. Chairman, I testified before this subcommittee and expressed concern about the nature and implications of China's approach to its economic and diplomatic relations in Africa. In the ensuing years, as China's footprint in Africa has grown, so, too, have my concerns.

We should expect that China, like many other countries, would have a number of interests in engaging African countries. What is troubling, however, is the way China does business in Africa, the impact it is having, and the precedent it may be setting.

China's no-strings-attached assistance undermines global efforts to make foreign aid more effective and sustainable. President Hu Jintao in 2004 explicitly stated, and I quote, "Providing African countries with aid without any political strings within our ability is an important part of China's policy toward Africa."

The Chinese Government does expect beneficiaries to meet some of its own standards, such as diplomatic loyalty on issues relating to Taiwan and Tibet. And as someone, like you, Mr. Chairman, who has spent decades focused on human rights in China and Tibet, I find it particularly chilling that China's official paper, "China's African Policy," published in 2006, pledges to boost military aid and fight crime by assisting judicial and police forces in Africa. Something for us to be concerned about.

China actually does expect something in return for its assistance: Primarily, access to the natural resources it seeks.

OECD guidelines and the establishment of new foreign aid mechanisms, like the Millennium Challenge Corporation, are designed to promote transparency, accountability, and good governance and to promote basic human rights. Much of China's investment in Africa can only be accomplished in violation of those principles. The dealmaking is often done between corrupt government officials, where the public has no access to information about those deals.

The Chinese Government's support for its state-owned and state-connected enterprises, its deep pockets, and its willingness to bring to the table a wide range of incentives has created barriers for U.S. participation in countries across the continent.

Mr. Chairman, I was pleased to hear you express support for the Foreign Corrupt Practices Act. I know that is one of the things that people like to point to as hindering U.S. business practices or U.S. business participation, but I think it is an important standard that we set, and I would be very disappointed if we lowered the bar on those issues.

China's economic goals are clear. Through its series of 5-year plans, now in its 12th iteration, the Chinese Government lays out its plans, identifying national champions which are the pillars of its economic growth and sectors in which it intends to focus all of

its efforts. Its foreign aligns with these plans and is heavily focused on infrastructure development.

Vast swathes of the Chinese economy and the businesses in key sectors are either state-owned enterprises or state-controlled companies, including defense, communications, transportation and utilities, natural resources such as oil, mineral, and metal, and construction trade, and other industrial products.

The Chinese Government supports its companies by employing its varied and deep resources—infrastructure development, arms sales, telecommunications, among others—to land business deals in Africa, which allow it to acquire natural resources.

Among the incentives China uses to sweeten the pot and close a deal are arms sales. In my written testimony, I list a number of the countries where China has sold arms. China is also the largest provider of arms to both Sudan and Zimbabwe. According to news reports, China provided 20,000 AK-47 assault rifles and 21,000 handcuffs to Zimbabwe in the period leading up to its election. So that information is also included in my testimony.

One of the challenges is it is very difficult to know just how much money China is providing to African countries and the mechanisms through which that assistance is being provided—aid, tied aid, concessionary loans, loans, foreign direct investment. And it is also difficult to know who the players are. The Chinese Government does consider its foreign aid spending a state secret. And in terms of the players, there are just lots of questions about who they are representing and whose interests they are serving.

In 2009, three of our commission staff, of whom we are very proud, embarked on a research project to investigate whether investments in Africa by Chinese companies were state-directed and made for strategic purposes or commercially oriented and profit-driven. They focused on Angola, both because, at the time, of its recent emergence from three decades of civil war and because of its wealth of natural resources.

Our staff discovered a consortium of over 30 companies controlled by a handful of Chinese investors nominally located in Hong Kong. For simplicity's sake, we have labeled it the "88 Queensway Group" because that is their corporate address. But the group's origins are imprecise, the source of its startup capital is unknown, and its power structure and relationship to the Chinese state remain unclear. The group's companies are often classified as private, but there is evidence that several of its key personnel have ties to Chinese state-owned enterprises and government agencies, including possibly China's intelligence apparatus.

The 88 Queensway Group companies conduct public-works-for-resources deals in countries around the world, including Angola, Guinea, Tanzania, Zimbabwe, also in Venezuela and Indonesia. 88 Queensway may also be active in Cote d'Ivoire, Mozambique, Nigeria, North Korea, and Russia. And just for the record, closer to home, the consortium actually has bought buildings in the United States, including the JPMorgan Chase building on Wall Street.

The lack of transparency and public accountability surrounding the 88 Queensway Group should be a major concern to the U.S. The deals it makes in developing countries are shrouded in secrecy and conducted at the highest level of government.

One thing the 88 Queensway research demonstrated is the increasingly complicated set of actors involved in China's "going out" strategy. In our 2011 reporting cycle, the Commission examined the many actors in China's foreign policy. In terms of China's policies toward Africa, there is a tangled web of players. The Ministry of Foreign Affairs has the official responsibility of overseeing policies, but the Ministry of Commerce has the most influence. The Ministry of Commerce guides investment, manages foreign aid projects, and handles economic cooperation. MOFCOM is also responsible for screening Chinese companies, most of whom are large state-owned enterprises, bidding for concessional loans to finance projects.

As China's state-owned enterprises stretch their wings on the global stage, the tension between investing for profit and investing for other purposes will only become more difficult for the central government to manage. If you all have not seen it, this past Saturday there was a fascinating article in *The Washington Post* about Sudan and how China is trying to manage its relationship both with Sudan and the new nation of South Sudan. Certainly, the participation of CNPC, the Chinese National Petroleum Company, is a part of that.

No discussion of China and Africa—and some of have you made reference to this today—would be complete without mentioning the new African Union headquarters in Addis. The \$200 million building was fully funded by the Chinese Government, designed by Chinese architects, built of material mostly imported from China, built primarily by Chinese laborers, and will be maintained by Chinese workers. It is very difficult not to think of all of the lost opportunities in the way this project was carried out.

But there is hope. While many African leaders like China's no-strings-attached investment policies, those policies may not be as popular with African people. Public skepticism of China's increasing presence has resulted in the growth of opposition movements in some countries. There are regular reports of local discontent with Chinese projects. Zambia has been mentioned. The Commission, actually its staff, did a research paper on Chinese foreign aid and documents some of the complaints about Chinese laborers displacing local workers, lax safety regulations, frequent workplace accidents—the list goes on and on.

So I encourage the subcommittee to work with the administration, the development community, and the U.S. private sector to recommit the U.S. to a strong presence in Africa. If we do not do so, we will continue to lose ground to the Chinese economically and diplomatically, and we will be doing a disservice to the vast majority of Africa's people, whose natural resources are being exploited while their entrepreneurial talent is still untapped, and whose aspirations for good governance and basic human rights are still unmet.

Thank you very much for the opportunity to testify today.

Mr. SMITH. Thank you very much, Ms. Bartholomew, for your leadership over the years, working on all issues related to human rights and democracy-building in Tibet as well as mainland China. It has always been an honor to work with you.

[The prepared statement of Ms. Bartholomew follows:]

Testimony of Carolyn Bartholomew

Commissioner, U.S.-China Economic and Security Review Commission

March 29, 2012

Hearing on “Assessing China’s Role and Influence in Africa”

House Committee on Foreign Affairs,
Subcommittee on Africa, Global Health, and Human Rights

Chairman Smith, Ranking Member Bass, and other members of the Subcommittee, thank you for the opportunity to testify today. Before I begin, I would like to express my condolences on the loss of Congressman Payne. As with you, Mr. Chairman, his leadership has touched millions of lives, many of whom will never have had the direct benefit of knowing him or working with him. His loss is deeply felt.

The U.S.-China Commission was established by the Congress in 2000 to advise you on the national security implications of the U.S.-China economic relationship. We monitor, among other things, the implications for the United States of China’s increasing global presence. Over the years, we have looked at various aspects of China’s role in Africa, including our research report on the 88 Queensway Group. While I will reference some of the Commission’s work, the views I express today are my own.

In 2005, in testimony before this Subcommittee, I expressed concern about the nature and implications of China’s approach to its economic and diplomatic relations in Africa. In the ensuing years, as China’s footprint in Africa has grown, so too have my concerns. We should expect that China, like many other countries, would have a number of interests in engaging African countries. What is troubling, however, is the way China does business in Africa, the impact it is having, and the precedent it may be setting.

China's no-strings-attached assistance undermines global efforts to make foreign aid more effective and sustainable. OECD guidelines and the establishment of new foreign aid mechanisms, like the Millennium Challenge Corporation, are designed to promote transparency, accountability, and good governance and to promote basic human rights. Much of China's investment in Africa is accomplished in violation of those principles. The deal-making is often done between corrupt government officials. The public has no access to information about those deals.

The Chinese government's support for its state-owned and state-connected enterprises, its deep pockets, and its willingness to bring to the table a wide range of incentives, has created barriers for U.S. business participation in countries across the continent. Corruption is a serious problem. We should be proud of the standard set by the Foreign Corrupt Practices Act (FCPA). Yet, when Chinese partners are willing and able to offer new palaces, military equipment, sports arenas, and a host of other "gifts," American companies cannot compete.

China invests in Africa for several reasons, including acquisition of natural resources and diplomatic influence. The Chinese government has placed relationships in Africa high in its foreign policy priorities. For the past three years, China has been Africa's largest trading partner. President Hu Jintao has made six trips to Africa. Delegations of business leaders and government officials visit the continent regularly.

Many aspects of Chinese government action are shrouded in mystery. It is, for example, very difficult to know just how much money China is providing to African countries and the mechanisms through which that assistance is being provided. According to a research paper by Commission staff, citing other sources, the Chinese government considers its foreign aid spending a state secret, in part to avoid domestic criticism. In a country with a large population still living at or below poverty, sending money to assist other countries may be quite unpopular.

On several fronts, though, there is great clarity. President Hu Jintao, in 2004, explicitly stated, "Providing African countries with aid without any political strings within our ability is an important part of China's policy toward Africa." The Chinese government does expect beneficiaries to meet some of its own standards, such as diplomatic loyalty on issues relating to Taiwan and Tibet.

As someone who has spent several decades focused on human rights in China and Tibet, I find it particularly chilling that China's official policy paper, China's African Policy, published in 2006, pledges to boost military aid and fight crime by assisting judicial and police forces in Africa.

China is also clear on the economic front. Through its series of 5 year plans, now in its 12th iteration, the Chinese government lays out its economic goals and plans, identifying national champions, which are the pillars of its economic growth and sectors in which it intends to focus many of its efforts. Its foreign assistance aligns with these plans. It is heavily focused on infrastructure development, such as railroads and ports used to ship oil and other commodities back to China; expanding access to oil, gas, and other natural resources; and increasing market access for Chinese products and services.

Many American companies, in spite of their innovation and efficiency, have trouble competing in the United States and China with Chinese companies which tend to be heavily subsidized by the Chinese government. The same competitive disadvantage arises for U.S. firms seeking to do business in Africa.

Vast swathes of the Chinese economy and the businesses in key sectors are either State-owned enterprises (SOE's) or State-controlled companies. The State-owned Assets Supervision and Administration Commission (SASAC) companies operate in the defense, communication, transportation and utilities, natural resources, construction, and other industrial sectors. Most of China's major investments in Africa fall into those categories. The Chinese government supports its companies by employing its varied and deep resources – infrastructure development, arms sales, telecommunications, among others – to land business deals which allow it to acquire the natural resources and consumer markets it seeks.

While it is difficult to know how much the Chinese are providing to Africa through development assistance, foreign direct investment, concessionary loans, and other mechanisms, it can also be difficult to determine who the players are, who they are representing and whose interests they are serving. In 2009, three Commission professional staff members embarked on a research project to investigate whether investments in Africa by Chinese companies were state directed and made for strategic purposes or

commercially oriented and profit driven. They focused on Angola, both because of its recent emergence from three decades of civil war and its wealth of natural resources.

During their initial research, they discovered a consortium of Chinese investors nominally located in Hong Kong. A handful of Chinese individuals control over thirty companies located at 10/F Two Pacific Place, 88 Queensway, Hong Kong. For simplicity we named this consortium the 88 Queensway Group. The Group's origins are opaque, the source of its start-up capital is unknown, and its power structure and relationship to the Chinese state remain unclear. The Group's companies are often classified as private, but there is evidence that several of its key personnel have ties to Chinese state-owned enterprises and government agencies, including China International Trust and Investment Company (CITIC) and China National Petrochemical Corporation (Sinopec) and, possibly, China's intelligence apparatus.

While Chinese official state-controlled lines of credit for the financing of construction and resource extraction projects in Angola are provided through the Export-Import Bank of China, the 88 Queensway Group has also provided a significant amount of financing and investment there. One of their companies, the China International Fund Limited (CIFL) finances and manages construction projects and has promised at least \$2.9 billion to Angola for infrastructure development. Another of their companies, China Sonangol, is a joint venture with Sonangol, Angola's national oil company. China Sonangol has also established a joint venture with Sinopec, a Chinese state-owned enterprise, for oil exploration in Angola.

The 88 Queensway Group companies conduct public works-for-resources deals in countries around the world including Guinea, Tanzania (including a project in which 1,300 families were evicted from their homes and compensated only 50% of the value of their former homes, all for a project that has since been abandoned), Zimbabwe, Venezuela, and Indonesia. They may also be active in Cote d'Ivoire, Mozambique, Nigeria, North Korea, and Russia. And closer to home, the consortium has bought buildings in the United States, including the JP Morgan Chase Building on Wall Street.

The lack of transparency and public accountability surrounding the 88 Queensway Group should be a major concern to the U.S. While it claims to be a private firm, it has an exceedingly complicated organizational structure

that makes it impossible to know whether or how it is connected to the Chinese government, particularly the intelligence community.

The deals it makes in developing countries are shrouded in secrecy and conducted at the highest levels of government. According to Judith Poultney, of Global Witness, “This is the new face of competition for natural resources... African elites are using complex offshore structures to cut themselves a personal slice of resource deals with Asian entrepreneurs... And like the old scramble for Africa by the West, it is the ordinary African citizen who loses out.”¹ An August 13, 2011, article in the *Economist*² is illustrative:

“The terms under which China Sonangol buys oil from Angola have never been made public. However, several informed observers say that the syndicate gets the oil from the Angolan state at a low price that was fixed in 2005 and sells it on to China at today’s market prices. The price at which the contract was fixed is confidential, but Brent crude stood at just under \$55 a barrel in 2005; today it is trading above \$100.”

Additional research by outside groups has raised a number of serious questions about the 88 Queensway companies, their connections, including Robert Mugabe and Eduardo dos Santos, and practices in countries such as Guinea, where China International Fund Ltd. signed a deal with Guinea’s mining minister just 12 days after the Guinean military opened fire on a peaceful protest against the regime, at which 150 people were killed, over 1,200 wounded, and hundreds of women were raped. While that deal ultimately fell through, according to the *Economist*, “the 88 Queensway syndicate was so pleased that it reportedly gave Guinea’s military ruler a helicopter as a present.” Similarly, a joint venture was created between an 88 Queensway company and the government of Madagascar after the coup there.

¹ Judith Poultney quoted by Beth Morrissey, Himanshu Ojha, Laura Rena Murray and Patrick Martin-Ménard, “Incomplete promises of public works cast doubt on Chinese firms” *Center for Public Integrity iWatch News*, November 9, 2011.

² “The Queensway syndicate and the Africa trade” *The Economist*, August 13, 2011.

Although 88 Queensway has benefited handsomely from its deals, its performance in building the public works projects it promised in many countries is abysmal. Because so many of the national leaders in countries in which it works are financially benefitting from the transactions, there is little recourse for the people there.

One thing the 88 Queensway research demonstrated is the increasingly complicated set of actors involved in China's "going out" strategy. In Angola alone, Chinese government agencies, state-owned enterprises, and private investors are active in Angola's energy and infrastructure sectors. Angola has received loans from three Chinese policy banks and investments from numerous Chinese state-owned companies. In addition, the 88 Queensway Group has created a financing structure for projects in Angola's construction sector comparable to, but separate from, the China Ex-Im Bank credit lines.

In our 2011 reporting cycle, the Commission examined the many actors in China's foreign policy. We wanted to understand better who is in charge of foreign policy. Overall, the Chinese Communist Party's elite, the party's Politburo Standing Committee, continues to exert overarching control. However, there are many other party and government entities, including the Ministry of Foreign Affairs, the Ministry of Commerce, and the People's Liberation Army, which are involved.

In terms of China's policies toward Africa, there is a tangled web of players. The Ministry of Foreign Affairs has the official responsibility of overseeing policies, but the Ministry of Commerce (MOFCOM) has the most influence. MOFCOM guides investment, manages foreign aid projects and handles economic cooperation. MOFCOM is also responsible for screening Chinese companies, most of whom are large state-owned enterprises, bidding for concessional loans to finance projects. MOFCOM oversees grants and zero interest loans, while China Ex-Im Bank and the China Development Bank provide the bulk of overseas finance.

As China's state-owned enterprises stretch their wings on the global stage, the tension between investing for profit and investing for other purposes will only become more difficult for the central government to manage. Already, problems are visible. This past Saturday, the Washington Post carried a fascinating article by Sudarsan Raghavan and Andrew Higgins about China's difficulties in managing its relations with Sudan and the new nation

of South Sudan. According to that article, the state-owned China National Petroleum Corporation (CNPC) has a huge stake in most of the biggest oil concessions in the two countries. Essentially, though, the Chinese government bet on the wrong horse in the war between Sudan and South Sudan, supporting and arming Sudan's president Omar Hassan al-Bashir, an indicted war criminal, in his crusade to stop the south from seceding. Officials in South Sudan are looking to see if Beijing will realign itself with their proud new nation. If not, they have indicated that they will open up opportunities for U.S. and other western oil companies.

Among the incentives China uses to sweeten the pot and close a deal are arms sales, including to repressive regimes. From 2006 to 2010, according to the Stockholm International Peace Research Institute (SIPRI), China was the largest source of arms imports for sub-Saharan Africa, accounting for 25% of the region's total. China has sold arms to, among others, Benin, Burundi, Chad, Gabon, Equatorial Guinea, both Eritrea and Ethiopia, Kenya, Namibia, Niger, Nigeria, Republic of Congo, Rwanda, Sierra Leone, Sudan, Tanzania, Uganda, Zambia and Zimbabwe. China is the largest foreign supplier of arms to both Sudan and Zimbabwe. According to news reports, China provided 20,000 AK-47 assault rifles and 21,000 handcuffs to Zimbabwe in the period leading up to elections. This equipment is in addition to deliveries of ammunition, mortars, and rockets, in violation of sanctions on Zimbabwe. During the Libyan conflict in 2011, Chinese state-owned weapons manufacturers were suspected of making arrangements to sell \$200 million in arms to the Gaddafi government in violation of sanctions then in place against the regime.

Also according to SIPRI:

"...arms sales to Africa are likely to be part of broader policies for gaining access to natural resources in the recipient countries. This is particularly true for China...some observers have argued that Chinese arms transfers to Nigeria, Rwanda and Zambia have been an instrument to improve relations in order to ensure China's access to oil, tin and tantalum in these countries."

SIPRI goes on to use as an example NORINCO (China North Industries Corporation), one of China's leading arms exporting companies, which has

cited the “spillover” effect of military trade in efforts to get contracts in Angola for its subsidiary, Zhenhua Oil Company.³

No discussion of China in Africa would be complete without mentioning the new African Union headquarters in Addis Ababa. The \$200 million building was fully funded by the Chinese government, designed by Chinese architects, built of material mostly imported from China, built in part or mostly by Chinese laborers, and will be maintained by Chinese workers. Think of all of the lost opportunities in this project. There are qualified African architects; there is good African construction material; there is a plentiful African labor force. When projects are built by Chinese labor in Africa, they deprive local people not only of wages, but also of the skills and experience they would garner working on the projects.

Some African leaders think China’s provision of the AU headquarters is a good thing. Ethiopian Prime Minister Meles Zenawi has gone so far as to suggest that adoption of China’s state-led economic model is preferable. AU Chairman and President of Equatorial Guinea Teodoro Obiang is quoted as saying that the new headquarters was “a reflection of the new Africa.”

Fortunately, not everyone is as smitten. An anonymous delegate to the AU said, “This should be a symbol of Africans pulling themselves up. But instead it looks like China is doing it for us.” The delegate likened the headquarters to a new form of colonialism. And, a Nigerian scholar wrote, “It is an insult to the African Union and to every African that in 2012 a building as symbolic as the AU headquarters is designed, built and maintained by a foreign country.”⁴

There is hope. While many African leaders like China’s no-strings-attached investment policies, those policies may not be as popular with African people. Public skepticism of China’s increasing presence has resulted in the growth of opposition movements in some countries. There are regular reports of local discontent with Chinese projects. These reports, documented in the Commission staff’s research paper on Chinese foreign aid, include complaints about Chinese laborers displacing local workers; lax safety regulations and frequent workplace accidents; cheaper Chinese

³ Pieter Wezeman, Siemon Wezeman and Lucie Beraud-Sudreau, “SIPRI Policy Paper 30: Arms Flows to Sub-Saharan Africa,” December 2011

⁴ Chika Ezeanya, “Tragedy of the new AU headquarters,” *Pambazuka News*, January 26, 2012.

products displacing locally made goods; shoddy building standards and corrupt deals between Chinese officials and local officials.

Human Rights Watch released a report late last year documenting labor abuses in Chinese state-owned copper mines in Zambia. In addition to the complaints listed above, Zambian miners spoke of being forced to work long hours in excess of Zambian law and Chinese efforts to break labor unions, which have been a strong part of Zambia's mining tradition. In a surprising move, the China Non-Ferrous Metals Mining Corporation (CNMC), has responded to a letter sent by Human Rights Watch about the abuses documented in the report, perhaps providing an opening for improvement. Only time will tell. China's companies are in a difficult position. If they improve the working conditions in their facilities in Africa, they may face questions from their workforce in China about their own working conditions.

I encourage the Subcommittee to work with the Administration, the development community, and the U.S. private sector, to recommit the U.S. to a strong presence in Africa. If we do not do so, we will continue to lose ground to the Chinese economically and diplomatically, and we will be doing a disservice to the vast majority of Africa's people whose natural resources are being exploited while their entrepreneurial talent is still untapped and whose aspirations for good governance and basic human rights are still unmet.

Thank you for the opportunity to testify today.

Mr. SMITH. I have just a few questions.

You know, we know that the Chinese Government, when it provides any kind of aid, including economic aid or at least cooperation, extracts a very serious price.

I remember working with the Human Rights Commission and then the Human Rights Council, but especially the Commission, on issues related to China. And many ambassadors, including African ambassadors, would tell me that it put at risk their foreign aid in the building of a new stadium, for example, and things of that kind, to take a human rights position that is principled against Beijing.

China has managed to turn all but four African countries against the recognition of Taiwan.

You know, money buys a whole lot of influence. And I am wondering if you could just elaborate, if you will, on how this distorts the work of the Human Rights Council current-day, other treaty bodies at the U.N., when money is flowing their way, to go silent or take a walk when those crucial votes occur.

Ms. BARTHOLOMEW. Yeah, Mr. Smith, that is a really important thing that we are seeing. It is very tempting for us to say China is only engaged in Africa because of the natural resources that it is seeking. That it is a major priority. But it is, as it is advancing on the global stage, working to increase its own power, particularly in multilateral organizations.

And, you know, unfortunately, a lot of times, money talks. What we are seeing in Africa, though, is it is sort of a layer of the elite who are benefiting from these resources that are done, but they are also the people who often either are in power or have access to power. So the Chinese are building a wellspring of support for their positions on issues relating, certainly, to condemnation, potential condemnation, of their own human rights abuses.

But you can watch them struggling now as they are trying to balance some of the competing issues and also with more attention. The more they are engaged, the more attention that is being focused on them. So I think it was really public pressure on them about Sudan that forced them to start reconsidering their position in Sudan. And, obviously, right now, with what is going on in Syria, the position that they have taken with Russia on Syria, it does not play well on the global stage.

So I think what we really have to do is, we are going to have to count on transparency and access to information, both for people in Africa and elsewhere around the world, so they see what the Chinese Government is doing when these votes are coming up. They can, I believe, be swayed, but they are also struggling—Ambassador Shinn and I were talking just during the break earlier. You know, they are really struggling with, kind of, who is in charge of Chinese foreign policy and what does it mean when a state-owned enterprise goes out there, allies itself with unsavory characters in a country, and how does that fold back.

So I think it is something—you know, again, the temptation is always to say, well, you know, we really shouldn't be pushing, or money matters more than anything else. But this country, our country, has really been a beacon of freedom on all of these issues,

and I think it is important for us to work together and figure out ways to counteract these diplomatic initiatives.

Mr. SMITH. You know, Dr. Peter Pham makes an important point, pointing out the contrast of President Obama's less than 24 hours on the ground in sub-Saharan Africa since taking office. He points out that, in general, American interests seem to have pushed Africa to the margins of its foreign policy interests, whether economic or political, except, you know, when it comes to things like al-Qaeda and al-Shabaab, as well.

How do you respond to that? I mean, 24 hours on the subcontinent seems to me precious little time for an American President.

Ms. BARTHOLOMEW. Yes, well, I would hope that the administration would be able to dedicate more time both to issues in Africa and other places in the world. I think they have been struggling, frankly, with an awful lot of issues that have come up along the way that they have had to deal with.

But, you know, Africa has not received the attention that it has needed from a number of administrations. I think when we pay attention to it, we often pay attention to it for humanitarian crises—which are important. I will commend President Bush for the work that he did on global AIDS. I will commend you, Mr. Chairman, for the work on global AIDS. But it isn't just a continent of humanitarian crises. And, frankly, if we ever want to get control of the humanitarian crises, we have to deal with some of the underlying issues.

So I would hope that the Obama administration would be able to dedicate more time to dealing with Africa, and would encourage any administration to really learn about the potential. There is a vast, untapped potential with the African people that we all stand to benefit from, not only economically but just—when I think of children who don't get access to education, I think of that lost potential. It might be somebody who could find a cure for cancer or another Shakespeare. So this is something that everybody needs to be engaging more on.

Mr. SMITH. If you could, and you might just want to take this back or respond to it, but I would hope that the Commission would take a look at the devastating and absolutely corrosive impacts of the one-child-per-couple policy and its possible extension, in a two- or three-child configuration, to the Africa continent. We know that the Philippines is looking and may even adopt an UNFPA-inspired two-child-per-couple policy. Vietnam already has it.

Valerie Hudson testified at a hearing that I chaired on September 22nd—and she wrote a book called “Bare Branches: The Security Implication of Asia's Surplus Male Population.” She pointed out in her testimony that the projected 2.5 young to elderly, 1.6 by 2050, and the missing girls I mentioned earlier, approximately 100 million missing girls because of sex-selection abortions. And she talks about these bare branches, the fact that many of these men will never find wives. And that model is being pushed by bad governance models and perhaps by the economic equation or partnership in sub-Saharan Africa.

And there are many African leaders who are ultimately talking about a child-limitation policy, perhaps not realizing that China is

about to go off the cliff. And it is maybe a decade or two away; it is going to happen—

Ms. BARTHOLOMEW. Yeah, they certainly—

Mr. SMITH [continuing]. Based on a demographic problem that they have crafted themselves, with the U.N. Population Fund.

Ms. BARTHOLOMEW. Yes. Mr. Chairman, I actually wasn't aware of the potential application of this in Africa, but we will certainly ask the Commission staff—

Mr. SMITH. Please take a look at that.

Ms. BARTHOLOMEW [continuing]. To seek out more information on that.

Mr. SMITH. Because with those child limitations comes coercion. It starts off with disincentives. That is what China always does. It provides huge, draconian fines on women who have children who have not been authorized, up to 10 times the salary of the mother and father. And there are no children—no, I should say, unwed mothers who give birth to children, it just doesn't happen, it is illegal, unless they have the child on the run.

Well, that kind of model is being sent to Africa. Remember, they invited everyone to the health ministry in Beijing for a week, and they crafted it as a way of promoting economic growth. And, you know, there is a surface appeal to that that fades and evaporates very quickly under scrutiny. So if you could take a good look at that at your commission.

And let me ask finally, in regards to the issue of—and you mentioned the Foreign Corrupt Practices Act. As Ambassador Shinn points out, there are persistent reports, which are very difficult to prove, that Chinese companies are prepared to pay bribes. How good or not good are we at trying to look into that issue, to raise that issue?

I know Ambassador Yamamoto talked about transparency. It doesn't exist. But how hard are we pushing it to find out whether or not those bribes are being paid? Because, you know, when suitcases of money show up, it is a lot harder for our businesses to compete. But he does point out, "While this probably ensures consummation of a deal in a few cases, the far more important reason for the success of Chinese companies is direct assistance provided by the government to finance projects or sales."

And as we were talking about that new place that has been constructed in Addis, Ms. Bass leaned over and said, you know, "How many listening devices are there?" And that is a very, very important point.

And I would add to that, since just 2 days ago we marked up the Global Online Freedom Act, my bill that tries to combat the misuse of IT companies and the Internet and would mean that Baidu and others who list on the U.S. Stock Exchange have to open up to the SEC their due diligence, or lack of it, with regards to human rights.

I have been in those Internet cafes in Beijing. They censor everything you say, everything, is monitored by the cyber police. Now, if Africa is now picking up that same bad governance model, which is also a company model, I think we are in trouble. And I would suggest, as we are talking, that anything that goes on in that building will be surveilled ad nauseam by Beijing.

Ms. BARTHOLOMEW. I actually have thought about that, myself, as I have read that. And, in fact, that building is supposed to—

Mr. SMITH. Like TOPHAT, remember—

Ms. BARTHOLOMEW [continuing]. Is supposed to be maintained—

Mr. SMITH [continuing]. The Embassy in Russia?

Ms. BARTHOLOMEW. Right. The building is supposed to be being maintained by Chinese technicians. So if we have any questions about that.

One of the things that I found interesting, associated with the African Union headquarters, is there is a debate going on even among African leaders. There are some, like President Meles Zenawi, who, I am sorry to say, has gone so far as to suggest that adoption of China's state-led economic model is the preferable model, and that the AU chairman and the President of Equatorial Guinea was quoted as saying that the new headquarters was a reflection of the new Africa.

But, fortunately, there are other people, who have had to stay anonymous—an anonymous delegate to the AU said, "This should be a symbol of Africans pulling themselves up, but instead it looks like China is doing it for us." And there was a Nigerian scholar who did a blog posting, who wrote, "It is an insult to the African Union and to every African that in 2012 a building as symbolic as the AU headquarters is designed, built, and maintained by a foreign country."

So there are diverging voices. I think it is really important that the subcommittee work with the administration to bolster support for the voices of people who want to see a different future unfold.

Mr. SMITH. Ms. Bass?

Ms. BASS. Yes. Thank you very much for your presentation.

And in the same vein in which the chairman was talking, I did want to go right to those questions. So I wanted to know, if you were aware, how extensive is the sale by China to African countries of Internet filtering, cell phone interception, radio jamming technologies.

Ms. BARTHOLOMEW. I think, Congresswoman Bass, I am going to have to get back to you on the specifics on that.

But as you were mentioning the security issues on the African Union headquarters, China's telecommunications companies are really starting to consolidate their power over the telecommunications system in Africa, including Huawei, about which there are serious questions about at what level we would allow them to be participating.

In terms of Chinese Internet filtering, we will get back to you on that—

Ms. BASS. Okay. Alright.

Ms. BARTHOLOMEW [continuing]. The purchase of that equipment.

Ms. BASS. I appreciate that.

And since I came in during your presentation, you might have mentioned some of these other points. So if you have, you know, sorry about that.

But I know that periodically there are exchanges with African leaders and the Chinese Communist Party, going to China. And I

wanted to know if you might have some comment about that, in terms of the effect of such exchanges on political parties or political behavior in various African countries, like you said, were going to adopt a Chinese economic model, so—

Ms. BARTHOLOMEW. Right, right. Well, yes, I think that one of the things that the Chinese Government has done is it has really carried favor with some of the countries with which we have had some pretty serious disagreements in Africa, Sudan and Zimbabwe among them. When the Chinese Government welcomes these leaders, some of whom are really international pariahs, and welcomed them along with everybody else, it gives them some international standing, which I think they then exploit to their own advantage.

But there are any number of ways that the Chinese are supporting these countries. Arms sales to Robert Mugabe, for example, in violation of sanctions.

Ms. BASS. Right.

Ms. BARTHOLOMEW. I think that exchanges are a good thing. What I would love to see would be for the United States to do the kind of welcome of a bunch of African leaders coming here, seeing the United States and having that same kind of exchange. I don't think—

Ms. BASS. Maybe that is something the chairman and I can work on.

Ms. BARTHOLOMEW. No, there you go. Maybe you guys could do it. And I don't know if you have exchanges with parliamentarians from Africa, but I think that that would be an excellent thing to do.

The Chinese Government is very good at making people feel welcome. And, in fact, it is very good at not raising the kinds of issues that we know that we would raise if we were here. My former boss, Ms. Pelosi, used to always say she was the skunk at the garden party when she would meet with foreign leaders because she would be raising concerns about human rights abuses.

So I believe that we would continue to do that. I believe that the Chinese Government is not doing that. But I think we need to step up our game in terms of reaching out and hosting delegations.

Ms. BASS. And let me just say that I sure appreciated some of your beginning comments when you said that, you know, our orientation toward the entire continent—I mean, aside from the fact that some people view it as a country, but—is from the humanitarian perspective and not looking at the assets that are actually in the country.

And I remember the President's visit and actually when he went to Ghana and all of that, and it was very exciting to see that visit take place. And I certainly hope that he is able to go back again.

But I really think we need to change our orientation in terms of how we view the continent. So I just want to tell you that I really appreciated your comments in that regard.

Ms. BARTHOLOMEW. Thank you.

Ms. BASS. But maybe you can comment about humanitarian aid from another perspective, and that is, how does China weigh in when there is a humanitarian crisis such as, you know, we are experiencing right now? And how do they measure up compared to the United States?

Ms. BARTHOLOMEW. I think if we use Somalia as the most recent example, through, I would say, international pressure, the Chinese have stepped up some, but not anywhere near as much as they should step up or as they could step up.

I have a tendency to look at another piece of it, though, which is, some of these crises they have been involved in helping to fuel, directly or indirectly. They have, for example, sold weapons both to Ethiopia and to Eritrea. They will sell on both sides if there is a reason to sell on both sides.

I think one of the real challenges that you are going to see with China, if it is willing to be the proverbial responsible stakeholder, is going to be in Sudan, which is, you know, the dispute that is going on between Sudan and South Sudan, with South Sudan holding the oil resources. China has been a major investor in the oil sector in Sudan, and they bet on Bashir coming out on top on that. So it will be very interesting to see whether they step up to take responsibility to try to get a peaceful and lasting resolution to the conflict that is going on there.

So I think time will tell. I think they can contribute a whole lot more. I think that they need to learn to contribute to a humanitarian response as part of the global effort in any humanitarian response, not separate from it. So although this isn't humanitarian, anti-piracy, the counter-piracy, they are doing part of what is going on in the waters off of Somalia, but they are kind of doing their own thing as they are doing it. So it would be good to see them working together to contribute more on these humanitarian crises.

Ms. BASS. And when you say that where they have stepped up, they stepped up because of international pressure, what type of international pressure do they respond to?

Ms. BARTHOLOMEW. Well, that is a good question.

Ms. BASS. Is it the United Nations? Is it a Bono concert? Is it a—what do they—

Ms. BARTHOLOMEW. You know, that is a good question.

Ms. BASS. A viral video?

Ms. BARTHOLOMEW. I think it is a combination of things.

You know, Sudan again is a good example. You know, there was an international campaign, really, about Darfur. Our chairman here was a part of it. I am sure out in California you were a part of it. And it was multifaceted.

Ms. BASS. But that wasn't directed at China. That was directed at the world.

Ms. BARTHOLOMEW. No, no, it wasn't directed to China, but there was a point at which people did start directing things at China because they were clearly selling arms, there were reports of Chinese military on the ground.

Ms. BASS. That is right.

Ms. BARTHOLOMEW. There was a story about that. Mia Farrow did a press conference, I think, right around—

Mr. SMITH. Right here.

Ms. BARTHOLOMEW. Yeah, and she did a press conference.

So we happened to be in Beijing at that time. You know, you are in hotels, and everybody says, well, it is not censored. Ha. So we were in a hotel, and one of my colleagues, who was in the Army and was stationed earlier in his career in Beijing, happened to

have the TV on first thing in the morning on CNN. And, lo and behold, Mia Farrow is talking about Sudan and China. And it got clicked off. And then, you know, the news cycle comes up an hour later; story never shows up. So some censor had fallen asleep.

But there are these examples of these international campaigns that pull together—young people are a very important part of it. The faith-based community is a very important part of it. And, again, I think as China engages more elsewhere in the world, it is going to have to learn how to deal with those things and participate.

Ms. BASS. Okay. Thank you very much.

Ms. BARTHOLOMEW. Great. Thanks.

Ms. BASS. Thank you so much.

Mr. SMITH. You actually called it. As you recall, Frank Wolf and I went over right before the Olympics, and all of us collectively were calling it the “Genocide Olympics.”

Ms. BARTHOLOMEW. Yes.

Mr. SMITH. Just one very quick question: What place does Africa have in China’s global military strategy?

Ms. BARTHOLOMEW. Global military strategy? I know that they are doing some peacekeeping operations, I think. I might be like Ambassador Yamamoto and defer to one of our colleagues on the next panel to talk about the specifics of that. They are engaging more in peacekeeping operations than they have in the past.

A little bit of military-to-military exchanges. I think we need to keep an eye on where they are doing those military-to-military exchanges.

And then we heard the other day, not so much military-specific, but as we are looking at other issues related to China, China’s interest in the sea lanes of communication. It is also about keeping access, free access, to that coast of Africa for them to get the oil and the other resources that they are getting. So another issue I would say to keep an eye on.

And we can get back to you with more information on that.

Mr. SMITH. Thank you very much.

Ms. BARTHOLOMEW. Great. Thanks so much for asking me to testify.

Mr. SMITH. Thank you.

I would like to invite our third and final panel, beginning with Dr. Peter Pham, who is the director of the Michael S. Ansari Africa Center at the Atlantic Council in Washington. He is the incumbent vice president of the Association for the Study of the Middle East and Africa, an academic organization which represents more than 1,000 scholars, and is editor-in-chief of the organization’s Journal of the Middle East and Africa.

Dr. Pham was the winner of the 2008 Nelson Mandela International Prize for African Security and Development. He has authored half a dozen book chapters concerning Somali piracy, terrorism, and stabilizing fragile states, as well as more than 80 articles in various journals.

Finally, he testified before our committee on Somalia last July, so we welcome him back.

We will then here from Mr. Stephen Hayes, who is the president and the CEO of the Corporate Council of Africa, an organization

that has engaged in almost all of the political/economic issues affecting commerce between Africa and the United States. In his 12-year tenure at CCA, he has built it to be a highly respected non-profit organization and has won numerous awards for his work.

Mr. Hayes has spent most of his life working in the international non-profit sector, volunteering in refugee camps, working at the World Alliance of YMCAs, as well as the world's largest student exchange organization, and helping to found the Infant Formula Campaign.

Mr. Hayes testified before this committee on the African Growth and Opportunity Act back in 2005, so we welcome him back as well.

And then Dr. David Shinn, who has been a professor in the Elliott School of International Affairs at George Washington University since 2001. Prior to that, he served for 37 years in the U.S. Foreign Service and held the following positions, among others: Desk officer for Somalia and Djibouti, political officer at the Embassy in Kenya, and deputy director of the Somali Task Force. In addition, he served as the State Department coordinator for Somalia during the international intervention in the early 1990s, director of East African Affairs, and then Ambassador to Ethiopia.

Dr. Shinn also testified before the committee on Somalia last July, so we welcome him back as well.

Three very distinguished individuals.

We will begin with Dr. Pham.

STATEMENT OF J. PETER PHAM, PH.D., DIRECTOR, MICHAEL S. ANSARI AFRICA CENTER, ATLANTIC COUNCIL

Mr. PHAM. Thank you, Mr. Chairman. Thank you very much for the opportunity to come before you today and speak on the important topic of China's role and influence in Africa, their impact on both Africans and Americans, and the resulting implications for U.S. policy toward Africa.

With your permission, I will present a summary of my analyses of these questions, and ask that my prepared statement be entered into the record.

Mr. SMITH. Without objection, Dr. Pham.

Mr. PHAM. Let me begin by adding my voice to the countless others, both here and in Africa, in regretting the passing of Congressman Payne. Although we did not always see eye to eye, there was no questioning the depth of his commitment to Africa as well as his extraordinary humanity, which I had personal opportunity to experience firsthand.

Mr. Chairman, notwithstanding the bad news of ongoing conflicts, lingering authoritarian tendencies, and some very regrettable backsliding, as evidenced by the coup d'etat in Mali last week, there is a great deal of good news out of Africa that perhaps doesn't receive the attention, including the fact that Africa is home to six of the world's fastest-growing economies over the past decade, the fact that the continent as a whole has grown at a faster rate than East Asia, including Japan, in 8 of the past 10 years. This trend persists notwithstanding the fragile global economy. In fact, Africa is expected to grow faster this year than any region or country in the world, apart from China and India.

If the initial and, to a certain extent, at least for now, main driver for Africa's growth is demand from abroad for its primary commodities, there are four other factors which have contributed to Africa's increasingly dynamic economic prospects.

First, demographics mean that Africa is not only one of the most populous regions on the planet but one of the youngest. By 2050, one in four workers on the planet will be an African.

Second, Africa's population is not only growing, it is also rapidly urbanizing, thus adding further impetus to positive economic growth, given the clear and mutually reinforcing relationship between urbanization and economic growth.

Third, Africa has embraced recent technology innovations, using them to leapfrog traditional stages of development.

Fourth, Africa's financial services sector has grown rapidly in response to its changing economic landscape. And while resources have been a big factor in Chinese engagement of investments in Africa, there has been a noticeable shift, in line with the changes in the continent's economic landscape. In fact, of the \$9.3 billion worth of Chinese foreign direct investment in Africa in 2010—almost 14 times what it was just 10 years earlier—the largest chunk, 42.3 percent, went to services, and another 22 went to manufacturing, and only 29.2 percent went to the extractive industries.

Trade is booming between African countries and China, with some 12.5 percent of all African exports going to China—15 times what it was in 2001. According to a report published by the State Council in China, despite the slump in 2009 attributed to the international financial crisis, the volume of bilateral trade between China and Africa was such that China surpassed the U.S. that year as the continent's biggest trading partner.

The Government of China has encouraged and vigorously supported Chinese firms in expanding their investments in Africa. China has signed trade agreements with 45 African countries, bilateral agreements regarding the promotion and protection of investment with 33, and accords to avoid double taxation with 11. The government has also set up the China-Africa Development Fund, a stock equity fund that gives special support to Chinese enterprises when they invest in Africa. And recently they tripled the capitalization of that entity.

China has not failed to recognize the opportunities, both diplomatic and commercial, in the significant infrastructure being built out throughout Africa in transportation, communications, power, water, health care, and other sectors.

So embedded have Chinese companies become in African infrastructure development that, prior to the publication of new guidelines prohibiting the awarding of U.S. contracts to government-owned enterprises from the Millennium Challenge Corporation, a Chinese state-owned engineering and construction company, SINOHYDRO, was awarded two of the largest projects in the MCC compact in Mali: \$71 million for improvements to the airport and \$46 million for expansion of irrigation canals in the Niger River.

It should be noted that increased trade with China is a double-edged sword for African countries when it comes to imports. On the one hand, it makes relatively affordable goods available, which clearly benefits African consumers. On the other hand, Chinese

manufacturers tend not to establish many links with local firms, preferring instead to turn to reliable, cost-competitive, established suppliers back in China. This, in turn, necessitates further imports.

This may be the most direct and deleterious impact of China's trade and economic growth on many African countries, the hollowing out, adversely affecting Africa's medium- and long-term development prospects.

Paralleling China's emerging states in Africa are its expanding political and security interests, which we can discuss later. Beijing has a consistent policy of not imposing explicit political conditionalities on its aid recipients. This philosophy of noninterference in the internal affairs of other nations fits well with the policy preferences of many African heads of state or government. On the other hand, in addition to the explicit requirement that its African partners break their links with Taiwan, there may be implicit assumptions that aid recipients support Chinese positions in various international forums.

Overall, however, China makes few, if any, demands in terms of democratic norms and is certainly less inquisitive about how African leaders actually use agreed-upon credits—a stance which conflicts with the pro-democracy, good governance ethos that we and our traditional European partners promote.

A relatively new area of Chinese engagement in Africa has been the security sector where China's involvement has hitherto been limited to arms sales to various governments, some quite questionable.

After having long taken a dim view of international peacekeeping missions, China has embraced it. As of the end of February of this year, the PRC has deployed 1,894 military and civilian personnel on 11 U.N. missions. What is most interesting is the majority of Chinese peacekeepers are deployed in Africa, currently 1,505 PLA personnel. Three-fourths of those assigned to peacekeeping are involved in seven African missions, in the process, accruing for the PLA significant tactical, operational, and strategic knowledge of the continent.

Moreover, since January, 2009, vessels from the Chinese People's Liberation Army-Navy have been operating almost continuously in the Gulf of Aden and other waters off Somalia as part of the international naval deployment to counter Somalian piracy.

While by all accounts, the Navy deployment has cooperated correctly with other coalition forces, a strategy paper prepared by the central committee of the Chinese Communist Party in December 2010 forthrightly acknowledged "China can make use of the situation to expand its military presence in Africa."

In discussing China's role in Africa, especially its assertion of vital and strategic interests, it is worth bearing in mind that while Chinese engagements have received the most attention, it is clear that other rising or emerging powers, above all, the other BRIC countries—India, Brazil and Russia—are also busy renewing old ties and forging new links with Africa, relations which will undoubtedly alter the strategic context of the continent.

While the African Growth and Opportunity Act of 2000 and its subsequent extensions, which together substantially lower commercial barriers with the U.S. and allowed sub-Saharan Africa coun-

tries to qualify for trade benefits, the foreign direct investment flows from the U.S. to Africa remain negligible, and most of it directed to the petroleum or other extractive industries.

On the security front, even before the current fiscal austerity, it was questionable whether the U.S.-Africa command had the resources adequate to achieving its missions of supporting U.S. Government objectives through the delivery and sustainment of effective security cooperation programs that assist African nations to build up their own security capacity to enable them to better provide for their own defense.

In summary, what can be done in the U.S. is not simply to cede Africa economically, diplomatically and strategically to China and other countries.

First and foremost, we should not forget the Africans. An all too pervasive temptation is to conduct business as if Africans were merely passive spectators rather than the principals in their own affairs. We need, in particular, to be sensitive to what democratic states, their leaders, and people are saying.

Secondly, the United States needs to develop a national strategy for Africa.

Third, we need to establish a coordinating mechanism to implement that strategy.

Fourth, and I am sure my friend, Mr. Hayes, will speak to this, we need to engage and empower the private sector.

There is a great reason to be cautiously optimistic about Africa's prospects. If the growing interest of China, India and other countries signals anything, it is that the continent is not only a place where aid and humanitarian sentiments drive engagement, but where, increasingly, the emergence of business opportunities and the potential therein for mutual benefit form the basis of true partnerships.

In order to seize this golden movement, the United States needs to develop a comprehensive, proactive strategy to promote the development and prosperity of our African partners as well as to advance long-term American interests—economic, political and security. To say nothing of countering any baneful influences from any other external actors.

Thank you for your attention. I look forward to your questions.

Mr. SMITH. Thank you very much for your testimony and you excellent recommendations.

[The prepared statement of Mr. Pham follows:]



Prepared Statement of

Dr. J. Peter Pham
Director, Michael S. Ansari Africa Center
Atlantic Council

before the

United States House of Representatives
Committee on Foreign Affairs
Subcommittee on Africa, Global Health, and Human Rights

on

“Assessing China’s Role and Influence in Africa”

Thursday, March 29, 2012,
2:00 p.m.
Rayburn House Office Building, Room 2172
Washington, D.C.

Mr. Chairman, Ranking Member Bass, Distinguished Members of the Subcommittee:

I would like to thank you very much for the opportunity to testify today on the important topic of China’s role and influence in Africa, their impact on both Africans and Americans, and the resulting implications for U.S. toward Africa.

The strategic guidance approved by the President and released by the Department of Defense on January 5 emphasized that “U.S. economic and security interests are inextricably linked to developments in the arc extending from the Western Pacific and East Asia into the Indian Ocean region and South Asia, creating a mix of evolving challenges and opportunities” and, hence, “we will of necessity rebalance toward the Asia-Pacific region.” Irrespective of the specific merits or demerits of this “pivot,” it goes without saying that if such is the case, then we must factor the role being played by and the strategic intentions of the emerging powers of this region and their potential effect on the economic and security interests of the United

J. Peter Pham Prepared Statement at Hearing on "Assessing China's Role and Influence in Africa"**March 29, 2012**

States, not only within the Asia-Pacific region, but beyond.

Perhaps nowhere is this more applicable than in Africa which—notwithstanding the “bad news” of very real conflicts and unfortunately lingering authoritarian tendencies—is characterized by the not-so-well-known “good news” of being home to six of the world’s fastest growing economies over the past decade and, as a whole, has grown faster than East Asia, including Japan, in eight of the past ten years.

Thus we need first to better understand Africa’s recent growth and the opportunity that it represents, both for Africans and for Americans. Then we ought to examine the emergence of China as one of the leading investors in Africa as well as an increasingly significant force in political and security issues on the continent. Alongside China, we have to consider the often overlooked activities of other “new actors” in Africa, including India, Brazil, and others. Finally, we should draw out the impact all this has, not only on Africans, but on the economic and strategic interests of the United States and what might be some appropriate steps that could be taken.

Africa’s Growth and Potential

While the members of this Subcommittee do not need any convincing from the witnesses here, it is worthwhile to review the enormous potential that Africa has given that, as a whole, it is expected to grow faster than any region or country in the world this year, apart from China and India. This favorable outlook is not only based on the demand for its natural resources—although those certainly play a role—but also generally modest inflation, steady exchange rates, and reduced debt burdens as a result of forgiveness in 2006 and 2007.

While economies based on petroleum production—places like Angola and Nigeria—continue to lead in terms of economic growth, there is the increasing emergence of non-oil-based economies. In fact, the continent’s fastest growing subregional group, the East African Community (EAC), has little oil production, although that may change in the coming years as Ugandan wells around the Albertine Graben begin producing. For now, Kenya, where the economy is expected to grow between 5 and 6 percent this year, has little by way of hydrocarbon or mineral resources; its growth is based on its emergence as a critical hub for financial and business services. Rwanda, another EAC member, is likewise trying to parlay a rigorous record of reform into a sustainable development model based on value-added production and ITC.

If the initial and, to a certain extent at least for now, still the main driver for Africa’s growth is demand from abroad, especially emerging markets like China and India, for its primary commodities—*inter alia*, Africa holds 95 percent of the world’s reserves of platinum group metals, 90 percent of its chromite ore reserves, and 85 percent of its phosphate rock reserves, as well as more than half of its cobalt and one-third of its bauxite—there are also four other factors which have contributed to Africa’s increasingly dynamic economic prospects.

J. Peter Pham Prepared Statement at Hearing on “Assessing China’s Role and Influence in Africa”**March 29, 2012**

First, demographics mean that Africa is not only one of the most populous regions on the planet, but one of the youngest. Since 2000, the continent’s population has increased by 200 million to just over 1 billion. Future growth projections indicate that the growth will be even more pronounced in the coming years, averaging 2.2 percent annually for the next decade, compared to just 0.9 percent in Asia. At these rates, by 2050, Africa’s population of 2 billion will have overtaken both India (estimated to be 1.6 billion then) and China (1.4 billion); in fact, one in five of people in the world will be an African.

Moreover, this rapid population growth means that Africa’s population will be younger than that of every other region in the world. Already, Africa’s median age of 19.7 years (18.6 in Sub-Saharan Africa) is considerably younger than the 29.2 years in Asia, 36.8 years in the United States, and 40.1 years in Europe. One result of this is that the size of the African workforce is growing more rapidly than its counterparts elsewhere; by 2050, one in four workers on the planet will be an African.

These demographic trends, when coupled with robust economic growth, will lead to the emergence of a solid consumer base. The African Development Bank (AfDB) estimates that around 150 million Africans joined the ranks of the middle class since 1990 and another 40 million will join them by 2015. This will, in turn, create additional economic opportunities.

Second, Africa’s population is not only rising, but rapidly urbanizing, thus adding further impetus to positive economic growth. Around 40 percent of Africans currently live in urban areas, but given current rates of urbanization—the fastest-growing in the world—that number will be slightly more than half by 2030 and well over 60 percent by 2050. Already, Africa has forty-nine cities with a population over 1 million.

More importantly, there is a clear and mutually reinforcing relationship between urbanization and economic growth. Because of the benefits of agglomeration and economies of scale, urban-based enterprises are generally more productive, contributing more to GDP than their rural equivalents. Because of better access to basic infrastructure, urban dwellers can more easily engage in business. Because urban centers provide concentrated markets for agricultural products, rural areas benefit from the growth of cities. Because cities with their population densities facilitate mobilization for economically supportive political and social change, the increased urbanization will also enhance the development of civil society.

Third, unlike in the past, Africa has embraced recent technological innovations with alacrity, using them to “leapfrog” traditional stages of development.

Nowhere is this more evident than in mobile telephony. The number of subscribers has mushroomed from almost none in the mid-1990s to 15 million in 2000 to 88 million in 2005 to over 500 million in 2010; by 2015, it is estimated that there will be nearly 800 million. Significantly, mobile phones not only permit Africans to converse with one another and, as

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often cited, engage in mobile banking, it has also become the main vehicle for many to access the internet and, through it, up-to-date market as well as political information. From 2000 until through 2011, internet usage in Africa grew by an astounding 2,527 percent, compared to a global growth rate of around 480 percent. In Nigeria, Africa’s most populous country, the number of internet users burgeoned from 200,000 to 44 million in the same period.

Moreover, Africans are not only embracing new technologies in vast numbers, they are pioneering innovative ICT solutions like mobile money transfers.

Fourth, Africa’s financial services sector has grown rapidly in response to its changing economic landscape as rapid urbanization, rising incomes, and technological advances bring more people—many of whom were formerly locked out of the formal financial system—into contact with banks and other similar institutions. The expansion of the financial sector not only creates new jobs and other economic opportunities, but it helps establish formal identities for millions of market participants as well as provides greater security than the current cash-based transactions.

China’s Economic Engagements in Africa

As is relatively well known, the quest for resources impelled the reengagement of the People’s Republic of China (PRC) with Africa beginning in the 1990s, after a period when, focused on internal reform and development, Beijing had paid less attention to the continent. At that time, under the leadership of President Jiang Zemin and Premier Zhu Rongji, mainland China launched a national strategy of “going out” (*zouchuqu zhanlue*) to secure access to stable supplies of raw materials and natural resources needed to sustain the country’s rapid economic development—and forestall any social instability. Chinese firms were actively encouraged to explore investment opportunities abroad and open up new markets by establishing either joint ventures or wholly Chinese-owned subsidiaries in various countries. This policy has been reaffirmed under the current leadership, with Premier Wen Jiabao telling the country’s diplomats in the midst of the global economic downturn in 2009 that Beijing should use its vast foreign exchange reserves, the largest in the world, to support and accelerate overseas expansion by Chinese companies: “We should hasten the implementation of our ‘going out’ strategy and combine the utilization of foreign exchange reserves with the ‘going out’ of our enterprises.”

And while resources have been a big factor in Chinese engagement of and investments in Africa, there has been a noticeable shift to in line with changes in Africa’s economic landscape. In fact, of the estimated \$9.3 billion worth of Chinese foreign direct investment (FDI) in Africa in 2010—almost fourteen times the \$681 million in FDI just ten years earlier—the largest chunk, 42.3 percent, went to services and another 22 percent went to manufacturing, with only 29.2 percent going to the extractive industries.

Trade is booming between African countries and China, with some 12.5 percent of all African

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exports going to China—fifteen times what that figure was in 2001. According to a report published by the State Council, China’s cabinet, despite a slump in 2009 which was attributed to the international financial crisis, the volume of bilateral trade between China and Africa was such as to surpass the United States as the continent’s biggest trade partner. The downturn, in fact, was temporary as trade jumped 43.5 percent during the first ten months of the following year to total \$114.8 billion. In 2011, that volume soared even further, to \$160 billion.

The government of the PRC has encouraged and vigorously supported Chinese firms in expanding their investments in Africa. China has signed trade agreements with forty-five African countries, bilateral agreements regarding the promotion and protection of investment with thirty-three, and accords to avoid double taxation with eleven. The government has also set up the China-Africa Development Fund, a stock equity fund that gives special support to Chinese enterprises when they invest in Africa. Since its establishment in 2007, the fund has invested in everything from agricultural development to machinery manufacturing to electric power generation to building materials to industrial parks and port logistics.

Another recent trend is the establishment of industrial parks as well as special economic and trade cooperation zones in key African countries—including Egypt, Ethiopia, Mauritius, Nigeria, and Zambia—with the goal of improving infrastructure so as to facilitate the opening of manufacturing operations by Chinese firms which then can benefit from favorable tax and regulatory regimes. There is also an additional advantage to these new industrial parks in Africa, as one Chinese researcher admitted candidly in a recent study of the phenomenon: “By setting up factories in African countries, not only could we overcome the import restrictive measures in Africa itself, but we could also access [the] European market via Africa.”

China has also not failed to recognize the opportunities for itself, both diplomatically and commercially, in the significant infrastructure build out that is underway throughout Africa in the transportation, communications, power, water, healthcare, and other sectors. The PRC State Council “China-Africa Economic and Trade Cooperation” report notes: “In order to help African countries to improve their infrastructure, the Chinese government has offered many preferential loans, and supports its financial institutions to expand the amount of commercial loans to Africa. China has constantly intensified its efforts in financing for Africa since the establishment of the FOCAC. From 2007 to 2009, China provided \$5 billion of preferential loans and preferential export buyer’s credit to Africa. It has also promised to provide \$10 billion of preferential loans to Africa from 2010 to 2012.” These government credits have helped to finance major infrastructure projects across Africa involving Chinese enterprises, including a new airport in Mauritius; a new Sheraton Hotel in Algiers; the 400-megawatt Bui Dam in Ghana; and the even larger 1,250-megawatt Merowe High Dam in Sudan which, when completed, will be the largest hydropower project on the continent.

Government encouragement and facilitation has also helped paved the way into African markets for telecommunications equipment manufacturers Huawei Technologies and ZTE which, between them, are active in some fifty countries on the continent. The pair have

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established more than forty third-generation telecom networks in more than thirty African countries and built national fiber-optic communications networks and e-government networks for more than twenty African countries. All told, an estimated 300 million Africans use communications services from one or the other firm daily.

So embedded have Chinese firms become in African infrastructure development that, prior to the publication of guidelines prohibiting government-owned enterprises of any nationality competing for U.S. taxpayer-funded Millennium Challenge Corporation (MCC) contracts, a Chinese state-owned engineering and construction company, Sinohydro, was awarded the two largest projects in the MCC compact with Mali: \$71.6 million for improvements to the Bamako-Sénou International Airport and \$46.3 million for expansion of irrigation canals along the Niger River.

Chinese participation in infrastructure development is the cause of some controversy in Africa, as Chinese firms are widely perceived to be bringing their own workers.

Furthermore, it should be noted that increased trade with China is, in some ways, a double-edged sword for African countries when it comes to imports. On the one hand, it makes relatively affordable goods available, which clearly benefits African consumers. On the other hand, Chinese manufacturers tend not to establish many links with local firms, preferring instead to turn to reliable and cost-competitive established suppliers back in China. This, in turn, necessitates further imports. Furthermore, they directly compete with domestic producers for both local and international markets. As a recent AfDB study concluded, “On the whole, in the sectors where China and Africa compete, increased Chinese exports translate into reduced African production.” The latter may be the most direct and deleterious impact of China’s trade and economic growth on many African countries, the “hollowing effect” adversely affecting Africa’s medium- and long-term development prospects.

Moreover, Africans are beginning to voice concern about the easy credit and question whether or not countries that have just recently had their loans to international financial institutions or Western banks forgiven are not embarking on another ill-conceived borrowing binge, only to wake up on the morrow, as it were, and find themselves once more mired in debt.

China’s Political and Security Stakes in Africa

Paralleling China’s burgeoning economic stake in Africa are its expanding political and security interests. If Africa’s abundant natural resources are critical for maintaining China’s “peaceful rise” (*heping jueqi*) in the world, then certainly African states, which together constitute the largest regional bloc in many international organizations, are just as integral to Beijing’s long-term grand strategy of promoting its version of “democracy in international relations” (*guoji guanxi minzhuhua*)—that is, a more multipolar political and economic global order.

The People’s Republic of China currently has diplomatic relations with fifty of Africa’s fifty-four

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states—the sole exceptions being Burkina Faso, The Gambia, São Tomé and Príncipe, and Swaziland, all of whom continue to have diplomatic relations with the Republic of China on Taiwan. In January of this year, the new twenty-story African Union Conference Center and Office Complex was inaugurated in Addis Ababa. The \$200 million edifice, built with Chinese assistance, stands as a symbol of the close ties which Beijing has carefully cultivated with Africa’s governing institutions and elites.

Beijing has a consistent policy of not imposing explicit political conditionalities on its aid recipients. This philosophy of non-interference in the internal affairs of other nations fits well with the policy preferences of many African heads of state or government. On the other hand, in addition to the one explicit requirement that its African partners break their links with Taiwan, there may be implicit assumptions that aid recipients will support Chinese positions in various international forums. Overall, China makes few, if any, demanding in terms of democratic norms and is certainly less inquisitive about how Africans actually use agreed credits—a stance that conflicts with the pro-democracy and good governance ethos promoted by the United States and its traditional European allies.

China’s outreach to Africa has become more sophisticated and no longer operates exclusively on the government-to-government level. In the last academic year, some 5,710 African students received scholarships from the PRC government to pursue university-level training at Chinese institutions. In 2009, China also inaugurated the China-Africa Science and Technology Partnership Program (CASTEP) to encourage science and technology cooperation between the PRC and its African partners and facilitate technology capacity-building in African countries. Since its inception, CASTEP has overseen over 100 collaborative research ventures and training courses. China has even taken tentative steps to engage nongovernmental organizations; in 2010, for example, the Secretariat of the Forum on China-Africa Cooperation (FOCAC) hosted a summit of Chinese and African NGOs to discuss their role in the FOCAC process.

A relatively new area of Chinese engagement in Africa has been in the security sector where China’s involvement has been hitherto limited to arms sales to various governments, some quite questionable. After having long taken a dim view of international peacekeeping missions, convinced that they were a threat to the right of sovereign states to manage their own internal affairs without the interference of outsiders, in 1989, the PRC joined the other permanent members of the United Nations Security Council in contributing some personnel to the UN Transitional Assistance Group (UNTAG) which oversaw the transition of South-West Africa to independence as Namibia. Since then, China has become increasingly involved in international peacekeeping to the point that the number of People’s Liberation Army personnel currently participating in UN stability and security operations is roughly equal to the combined total of the other four permanent members of the Security Council. As of the end of February 2012, the PRC has deployed 1,894 military and civilian personnel on eleven UN missions. What is most interesting is that the majority of Chinese peacekeepers are deployed in Africa. Currently 1,505 PLA personnel—that is, three-fourths of all those assigned to peacekeeping duties—are involved in seven African missions: the UN Mission for the Referendum in Western Sahara

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(MINURSO), the UN Mission Organization Stabilization Mission in the Democratic Republic of the Congo (MONUSCO), the African Union/UN Hybrid Operation in Darfur (UNAMID), the UN Mission in Liberia (UNMIL), the UN Mission in South Sudan (UNMISS), and the UN Mission in Côte d’Ivoire (UNOCI). Whatever formal reasons are given for these engagements, it remains that the PLA has accrued significant tactical, operational, and strategic advantages from the deployment of its personnel across Africa.

Moreover, since January 2009, vessels of China’s People’s Liberation Army Navy (PLAN) have been operating almost continuously in the Gulf of Aden and other waters off Somalia as part of a worldwide naval deployment to counter Somali piracy. While, by all accounts, the PLAN has cooperated with other coalition forces in anti-piracy operations, including the United States-led Combined Task Force 151 and the European Union Naval Force (EU NAVFOR) Somalia’s Operation Atalanta, it is also true that the deployment has the double advantage of advancing a number of wider Chinese interests off the East African littoral. In fact, a strategy paper published by the Central Committee of the Chinese Communist Party in December 2010 forthrightly acknowledged that the antipiracy operations off Somalia would be an opportunity for the PRC to gain a foothold in a strategic region: “China can make use of this situation to expand its military presence in Africa.”

China’s increasing capabilities with respect to military operations in Africa were on display last year when the PRC had to come to the rescue of its nationals who found themselves caught up in the Libyan crisis. In the first such operation they have ever undertaken, the Chinese military and civilian authorities acquitted themselves quite well, safely moving nearly 36,000 people out of harm’s way in less than two weeks and wrapping up the entire evacuation by March 3, more than two weeks before the United Nations Security Council passed Resolution 1973 authorizing a no fly zone over Libya. While most of the civilians were transported by merchant vessels or airplanes chartered by Chinese diplomats and companies, some 1,700 were evacuated on constant flights by four IL-76 transport aircraft sent by the People’s Liberation Army Air Force (PLAAF). The PLAN also deployed the new *Jiangkai II*-class frigate *Xuzhou* to the Libyan coast to coordinate the evacuations by sea. The PLAAF and PLAN deployments were especially significant insofar as they represent not only the first Chinese operations in Africa, aside from participation in UN peacekeeping missions and in anti-piracy patrols off the coast of Somalia, but the first military action by China in Mediterranean—a major milestone in the evolution of the Chinese military’s overall expeditionary capabilities.

Other “New Actors” in Africa

In discussing China’s role in Africa, especially its assertion of vital and strategic interests on the continent, it is worth bearing in mind that while Chinese engagements have received the most attention, it is clear that other rising powers are also busy renewing old ties and forging new links with Africa, relations which will undoubtedly alter the strategic context of the continent.

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While the extensive network of economic, political, and military ties which the PRC has constructed across Africa has been the subject of considerable scrutiny and, in some quarters, not a little alarm, the emergence of India as a major player on the continent has, until rather recently, gone largely unnoticed. In many respects, India's motivations are not dissimilar from China's.

In fact, more than its Asian counterpart, India faces a potentially serious obstacle to continued growth in its lack of energy resources (its proven petroleum reserves account for less than 0.5 percent of the world total). Currently the country is the fifth largest consumer of energy in the world and is expected to double its energy consumption and overtake Japan and Russia within the decade to become the third largest user of energy. One-third of India's energy needs, however, are presently met by traditional sources of fuel, including wood, dung, crop residue, and waste. With increased development, future needs can hardly be expected to be met by these traditional sources. In fact, India currently imports about 75 percent of its oil, making it the third largest oil importer in the world. Moreover its dependence on petroleum imports is projected to rise even higher to over 90 percent by 2020. Not surprisingly, Indian companies have moved aggressively to secure access to Africa's hydrocarbon reserves. The overseas division of India's state-owned Oil and Natural Gas Corporation (ONGC), ONGC Videsh Limited (OVL), has invested in equity in exploration and development across the continent, including Côte d'Ivoire, Egypt, Gabon, Libya, Nigeria, São Tomé and Príncipe, Sudan, and South Sudan.

Indian companies have also boosted non-oil trade with Africa tenfold in the course of the last decade to its current annual value of \$50 billion, according to the African Union, and the continent as a whole has proven rather attractive to Indian investors. The telecommunications giant Bharti Airtel, for example, operates in no fewer than seventeen African countries. Other private-sector Indian industrial conglomerates like the Tata Group and the Mahindra Group have also made considerable headway in Africa, as have firms specializing in the development of infrastructure like KEC International, the overseas arm of the Kamani Engineering Corporation in Mumbai, which has projects in Algeria, Ethiopia, Ghana, Kenya, Libya, Mozambique, South Africa, Tunisia, and Zambia. Government-owned concerns like the RITES consultancy of the Indian Ministry of Railways are also profiting from large-scale projects in Africa, especially where official Indian development assistance is involved. Another enterprise owned by the Ministry of Railways, Ircon International, has built railways in Algeria, Mozambique, Nigeria, Sudan, and Zambia.

Alongside the economic inroads in Africa, India has increasingly beefed up its diplomatic and security activities on the continent. Playing catch-up to Beijing with its successful triennial summits of the Forum on China-Africa Cooperation (FOCAC), New Delhi organized the India-Africa Forum summit in 2008 to strengthen its ties with leading African nations. This first meeting was followed by a second one in early 2011. India has also privileged an ambitious loose alliance, the "India-Brazil-South Africa (IBSA) Dialogue Forum," with the goal of achieving common positions at the United Nations, the Doha Round of trade negotiations, and other

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multilateral settings for the three largest developing states of the “Global South.”

I have argued elsewhere¹ that “the burgeoning Indian-African relationship is good for the United States overall, especially given the strategic partnership that America and India have forged in recent years,” and that Indian interests on the continent do not appear to directly compete with ours. Hence, I am in agreement with the administration’s recent affirmation that “the United States is also investing in a long-term strategic partnership with India to support its ability to serve as a regional economic anchor and provider of security in the broader Indian Ocean region” and would hope that this geopolitical vision extends to Africa.

I have sketched out the Indian role in Africa in some detail, but the same analysis could be done for the engagements of a number of emerging or reemerging powers, including Brazil, Japan, Malaysia, Russia,² and Turkey, just to name a few. The point is twofold: first, China’s role in Africa has to be put into context both of a more widespread interest in Africa and of the ongoing shift in the international system’s overall center of gravity; and, second, even without China, one would still have to reckon with the activities of these “new actors” in Africa, countries whose political leaders and businesspeople have come to recognize the continent’s economic and strategic potential.

The Impact on American Interests and Possible Responses

Aside from the occasions when security interests—whether containing the spread of Soviet influence during the Cold War or combating al-Qaeda-linked terrorists in more recent years—are at stake, the United States has a regrettable record of pushing Africa to the margins of its foreign policy interests, whether economic or political.

Of course George W. Bush is widely acknowledged for not only launching several new initiatives with particular impact on Africa—including the President’s Emergency Program for AIDS Relief (PEPFAR), the Millennium Challenge Corporation, and the United States Africa Command (AFRICOM)—but also substantially increasing U.S. aid to the continent, continuing an upward trend begun under President Bill Clinton. And, to its credit, the current administration, operating in a difficult fiscal environment, has continued along this path and, in a few instances, even modestly increased funding. But one cannot help but observe the lack of consistent direct engagement from the very top, especially when compared with what the leaders of other countries are doing. To be fair, one ought to acknowledge the interest taken and leadership shown by Secretary of State Hillary Rodham Clinton and Assistant Secretary of State for African Affairs Johnnie Carson, however, one is still left contrasting President Barack Obama’s less than twenty-four hours on the ground in Sub-Saharan Africa since taking office—albeit, one has to note, a period in which he did give an extraordinary address before the Ghanaian parliament—

¹ See J. Peter Pham, *India in Africa: Implications of an Emerging Power for AFRICOM and U.S. Strategy*, Strategic Studies Institute Monograph (Carlisle Barracks, PA: U.S. Army War College, 2011).

² See *ibid.*, “Back to Africa: Russia’s African Engagement,” in *Africa and the New World Era: From Humanitarianism to a Strategic View*, edited by Jack Mangala (New York: Palgrave Macmillan, 2010), 71-83.

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with the nearly two dozen African countries Chinese President Hu Jintao has visited over the course of his decade in power.

While the African Growth and Opportunity Act (AGOA) of 2000 and its subsequent extensions and expansions, which together substantially lowered commercial barriers with the United States and allowed Sub-Saharan African countries to qualify for trade benefits, remains a significant bipartisan legislative accomplishment, the foreign direct investment flows from the United States to Africa remain negligible, with most of such little does go out being directed to the petroleum and other extractive industries.

On the security front, AFRICOM was created on the assumption that by superseding of an antiquated structural framework inherited from times when the continent was barely factored into America’s strategic calculus, the various bilateral and multilateral military-to-military relationships would be better managed and the myriad security assistance programs already in place would benefit from more focused attention and advocacy. Unfortunately, the resources the command requires if it is to do even this much have not been readily forthcoming—and that was before the current fiscal austerity.

What can be done if the United States is not to simply cede Africa—economically, diplomatically, and strategically—to China and other countries?

I would offer four general thoughts by way of suggestion:

First and foremost, do not forget the Africans. An all-too-pervasive temptation is to conduct business as if Africans were merely passive spectators, rather than the principals, in their own affairs. Engage them in dialogue. Find out both why Chinese and other partners are attractive to African political leaders, businesses, and people, and how these same suitors are also cause for concern.

Second, the United States needs to develop a national strategy for Africa. Absent a more thoughtful consideration and articulation of an overall American “doctrine” concerning Africa—one that would both give policy guidance to the interagency process, including both its civilian and military components, and communicate America’s long-term commitment to its partners on the continent—any increased attention to and resources for the continent will not result in substantially greater U.S. political influence, open new markets or other opportunities for American business, or significantly enhanced security, development, and prosperity for Africans.

Third, establish a coordinating mechanism to implement the strategy. A strategy can lay out objectives and guide thinking about priorities, but it is not self-implementing. Some person or institution must have ownership of this vision and the responsibility for operationalizing it.

Fourth, engage and empower the private sector. The key is doing what can be done—through

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public-private collaboration and other means—to encourage and facilitate American firms to take advantage of the opportunities offered by Africa’s economic dynamism. There is potential to secure a win not just for Africans, but also for American businesses and workers.

Conclusion

There is great reason to be cautiously optimistic about Africa’s prospects. If the growing interest of China, India, and other countries in Africa signals anything, it is that the continent is not only a place where aid and humanitarian sentiments drive engagement, but where the increasing emergence of business opportunities and the potential therein for mutual benefit form the basis for true partnerships.

In order to seize this golden moment, the United States needs to develop a comprehensive, proactive strategy to replace of what heretofore has been, under administrations of both parties, a largely *ad hoc*, reactive approach. Committed, consistent, and sustained engagement will do more to promote long-term American interests—economic, political, and security—than hasty, ill-conceived attempts to contain the African forays of China and other countries.

Mr. SMITH. Mr. Hayes, you may proceed.

STATEMENT OF MR. STEPHEN HAYES, PRESIDENT AND CHIEF EXECUTIVE OFFICER, THE CORPORATE COUNCIL ON AFRICA

Mr. HAYES. Mr. Chairman, as you know also, I would like to express condolences on the loss of Don Payne. He and I were friends since 1968, so it was a particularly painful loss. I hope you and others will continue the tradition of being the spokespersons for Africa, as well as the U.S.-Africa relationship.

My experience with China is based on leadership exchanges before CCA as well as a recent program with China, which included Dr. Shinn. What I would like to address particularly is the trade business situation of course.

I think the situation as it regards China and Africa is more complex than commonly portrayed in the press. While there is an overall game plan directed by the Chinese Government, primarily through use of its state-owned enterprises, there is also a large and growing private sector separate from the government that has also been encouraged to invest abroad.

The major projects in infrastructure, energy, and mine extraction which dominate China's investment in Africa are financed through Chinese Government institutions, such as the ex-im bank of China. And in this way, China is able to mobilize financing, a workforce, and a coherent plan for projects in Africa in a much faster way than our system can allow. It will be very difficult to compete with China at this level.

The effect of China's engagement in Africa has been largely positive in that China has developed essential infrastructure in some nations, provided jobs in its textile plants in Africa, and has stirred global interest in Africa more than any other time in history. So at the same time, there are also the deleterious effects to its investments, environmental controls are often lacking, and the Chinese private sector engagement at the small scale has displaced African marketplaces. Counterfeit goods flood Africa and it is difficult for African companies to compete with such entities. There may be a growing backlash against this.

While it may be incorrect to say that the investment in Africa by Chinese private sector companies is totally unrelated to the overall plan for Africa by the Chinese Government, the private sector companies do have some of the same challenges as U.S. private sector companies. They do not have the same access to financing that state-owned enterprises have. They are not always able to muster their own homegrown workforces, as can the Chinese Government and its enterprises, and they are often negotiating with African governments from a bottom-up arrangement while the state-owned enterprises are direct entities of the Chinese Government, negotiate directly with the African Government leadership. Ironically, the smaller, private sector companies often find themselves losing in competition to the Chinese state-owned enterprises.

I think that the collective approach by the Chinese Government also allows them to provide a far more diverse package in their deals made with African governments. For instance, a deal for oil may also include the construction of government buildings for the host government as well as other infrastructure projects. For U.S.

companies to do this would require many companies coming together and putting such a bid together. The Chinese Government simply has to make the deal necessary with some of the state-owned enterprises to implement the contract. Construction can be done in a faster rate than could be done by U.S. companies, even if they were able to match the deal.

Furthermore, Chinese companies are unencumbered by regulations of their own government in dealing with the individual countries, such as the policy of noninterference in internal affairs that allows companies to avoid issues of sanctions and other laws to which U.S. companies are bound.

I think we can compete with China, however. But I think we have to do it through links with the private sector. I think we link with the African private sector, the key to democratic growth, to developing a middle class, to development in Africa, going back, is to develop the middle class. To do that, the private sector has to flourish.

Where we can compete is linking our private sectors with the African private sectors. And in some cases, I will also say where it is to our advantage, and I also think it helps us in China, we can link to the Chinese private sector interested in investing in Africa.

I think you will hear from Dr. Shinn and others, too, that some in the private sector in China are interested in working with the United States. So I don't put China in a total monolith. I think there is far more diversity there, and we need to recognize that in terms of the economic systems.

So I think our linkages and our advantages can, in fact, be by linking with the private sector, building the private sector, and that is the strength of the United States in terms of economic development. And in the long term, the private sector and a growing middle class will lead to stronger democratic traditions as well.

So our strategy would be, let's start working with the building the middle class and the private sector in Africa.

I think there are also threats to Africa that we also need to address, although the purview is China today. I think the European partnership agreements that are being thrust upon the Africans go back to colonialism at its worse, and also will have the effect of keeping U.S. businesses out of Africa. So I think we need to also look at that.

Thank you.

Mr. SMITH. Thank you, Mr. Hayes.

[The prepared statement of Mr. Hayes follows:]

Assessing China's Role and Influence in Africa

Hearing Held by
House Subcommittee on Africa, Global Health, and Human Rights
29 March 2012

Rayburn House Office Building, Room 2172

Remarks by: Stephen Hayes
President & CEO, The Corporate Council on Africa

Chairman Ileana Ros-Lehtinen of the House Committee on Foreign Affairs, Sub-Committee Chairman Christopher Smith, Ranking Member Karen Bass and Distinguished Members of Congress,

I am honored to testify before you on the role of China in Africa and its effect on US relations with the continent. I have had long experience in Africa as President of the Corporate Council on Africa and before that worked with emerging Chinese leaders to build relations between the United States of America and China. The experience has allowed me a unique, albeit imperfect, understanding of the new dynamics being played out in Africa. As President of the Corporate Council on Africa I am also obliged to address the concerns of our member companies, which collectively represent about eighty-five percent of all US private investment in Africa.

For this reason, my organization invited a delegation from China to visit the United States in July 2011 to discuss our differing views on Africa, and in return we sent a delegation to China in February 2012 to continue the discussion and to examine whether this dialogue should be continued. The delegation to China included US business representatives, as well as our Chairman of the Board Michael Dignam and my fellow panelist today, Dr. David Shinn. Our counterpart organization was the Chinese Economic and Social Council (CESC), a part of the Chinese People's Political Consultative Conference, one of the four pillar organizations of the Chinese Constitution. Much of the policy and economic planning for the country originates from the CESC. During the visit to China we had a number of high level discussions with CPPCC officials, city leaders, leaders of State-owned enterprises as well as representatives of the private sector. Although I have been to China on many previous occasions this visit was perhaps the most enlightening. I came away from this visit that on some levels competition with China is inevitable and will be fierce, and on other levels cooperation on Africa is possible and should be pursued actively.

China has made changes in its political and economic landscape at a pace almost unimaginable to anyone, even, I suspect, to many Chinese. The cities have blossomed into world class cities, and there is a rapidly growing middle class. The price they have paid for this is severe in terms of environmental damage and to the health of individuals. A significant gap between the rich and the poor has also grown. It has been said by many that between 500-700 million people are now out of poverty and enjoying a better economic life, but that still leaves hundreds of millions in poverty and a growing rift of economic classes. These are serious internal challenges to Chinese stability.

It is for these very reasons that Africa is vital to China interests, and easily explains their growing engagement with Africa as a whole and with Africa's individual nations. To fuel China's growing energy needs, as cities develop and as they develop their own military needs, African resources are essential. Africa may also become very important to China for reasons of food security.

China's strong entry into the African market is significant and it is a reality that is likely to have long-term implications for Africa, China and the various other economic players in Africa. India, the Gulf States, Europe and America are already investing heavily, and we now see Brazil, Russia, Israel, Korea and Japan increasing their interests in Africa. Most of these nations recognize the opportunity for investment that Africa represents as well as the significance of the resources to the world economy.

A very high percentage of our energy needs come from Africa, as do many essential rare earth metals used in most aspects of IT, communications, satellites and common appliances. In these areas alone, Africa is essential to US security. Because more than two-thirds of the world's remaining uncultivated arable land is in Africa, Africa is also essential to world food security. It can be argued that we need Africa far more than Africa needs us, despite the fact that we are the largest donor of medicines, health care and development programs to the continent. In fact, Africa has asked for less aid and more trade and more private sector development and investment, areas where the US has not moved at a pace comparable to China, India and other nations.

By and large, the Chinese investment in Africa has been positive. China has supplied basic infrastructure sorely lacking in Africa until now, and there is much more to do. They have become the primary road builders in many nations, and have improved the railroads, and other forms of infrastructure throughout the continent. It has been said by some Africans that they are thankful for China, not only because of what they have done, but their involvement in Africa has awakened the rest of the world to Africa in a different way than being seen as the traditional basket case.

I do not believe that China entered the African marketplace because it wants to compete with the United States, but because Africa has been deemed absolutely essential to its own development. Once that conclusion was reached there was no turning back, and, de facto, the Chinese have become very significant competitors for the African marketplace, whatever the intentions, and, in my view, we are in the race of our political and economic lives.

The growing gap between the rich and the poor has also created other types of pressures in China, and the Chinese private sector has been encouraged to invest abroad as well. This has meant a movement of peoples, perhaps in the millions as traders and inevitably as settlers, perhaps not too different from the European emigration to the New World in from 1650-1900. We now see Chinese settlements throughout Africa, though numbers are hard to quantify. This will surely have long-term implications demographically, economically and politically throughout Africa. We have already seen that the issue of China was a pivotal issue in the recent Zambian Presidential election.

There are at least two forms of Chinese investment in Africa, and I am not convinced that they are necessarily linked. The first is the large project investment, controlled by the Chinese government, which takes a top-down approach to negotiations. In other words, the negotiations are government-to-government, and are of a nature that the US cannot match. The Chinese State-owned enterprises, such as those in mining, petroleum, construction and agriculture become the tools of the agreements made. China can produce the workforce and the industries in one package, and the finished product can be delivered in speed unimaginable to the processes we would need to go through. Furthermore, if China were to purchase petroleum, for instance, they can also bring in other assets to seal the deal. They can guarantee government buildings, road or other services as part of the total trade package. Our political and economic system cannot match that.

Just as importantly, the Chinese can guarantee financing from the beginning by using its Ex-Im Bank. Our system cannot match that either. In this regards our systems, economic and political, are quite different, and the advantage in this case is to China.

Much has also been said about the lack of political conditionality that China imposes on African nations. We, on the other hand, link political conditionality to our major trade agreements with African nations. Both AGOA and the Millennium Challenge Corporation compacts are strongly tied to political conditionality, as a means to improve the political systems under which people live. Not surprisingly, those leaders less inclined to democracy gravitate towards those who accept the respective political systems as they are.

The second form of Chinese investment in Africa comes through China's own rapidly growing private sector, which has been largely responsible for the economic growth of China itself. Loosening the reins of control on the private sector in China has led to far greater economic freedom internally, and a proliferation of consumerism throughout China. As the true private sector developed in China they were also encouraged to invest abroad. This loosened the internal economic and market pressures and allowed the most enterprising of Chinese to invest and travel abroad as they had never been allowed to do in their history. We now see many of these merchants engaged in Africa in shops, grocery stores and in small enterprises throughout Africa. They are not State-sponsored, nor are many of them State-financed. Rather most are what they say they are, entrepreneurial in every way. The problem is that these new entrepreneurs compete with the local small individual businesses in cities and villages, and are organized far better than the local population. They have suppliers in China, and a support network of fellow Chinese wherever they work and settle. It is here we may see more conflict than, say, at the higher levels of State Enterprises, ironically, although the latter is the primary source of the international competition. At the local level the migrating private sector is the source of conflict between the local population and the Chinese settlements.

The experience of the Chinese private sector in Africa has been mixed so far. The private sector companies with whom we met in China told us that they have found doing business in Africa as very challenging, not too different from the experience of US companies. These companies also cite the Chinese State-owned enterprises not as partners but more often as competitors. The State-owned enterprises have financing and political support that the private sector enterprises cannot get. In the rare instances where the private sector companies have competed for contracts with the State-owned Enterprises the private sector companies have been the losers. This should surprise no one.

China understands the importance of Africa to its future and therefore organizes for its investment at many levels. The most important Chinese government leaders visit Africa annually and they send many delegations of Chinese leaders to Africa every year. One need only note that the last visit of a US Secretary of Commerce to Africa was in 2002 to understand the implications of this. China sends trade missions to many countries, and through the Department of Commerce our trade missions are often limited to very few countries and usually the same ones time after time.

China also invites African leaders to China regularly, and often by region, and regardless of policies that these African governments may have. We tend to invite our friends and shun those whom we perceive as not consistent with our values. It is not difficult to understand why some African leaders prefer the Chinese worldview. The Forum on China-Africa Cooperation (FOCAC) has been created to build and develop the political relationships between Africa and China, and is already a key vehicle for a broad range of relationships. Each of the four pillars of the Chinese Constitution (the Communist Party, the Military, the People's Congress and the Chinese People's Political Consultative Conference, or CPPCC) will use FOCAC as the principal vehicle for their relationships with Africa, though I presume it will rest within the CPPCC. Of interest, however, is that some programs of the forum will involve the private sector of China.

By comparison, the US Government has a number of formal bilateral forums, particularly with South Africa, Angola, Kenya, Nigeria and others, yet so far, they have failed to engage the private sector as a partner in

these dialogues. In my view, this is a critical omission for it is the private sector that will offer the best opportunity to compete with China in Africa.

In terms of competing in Africa with China, I do not think we can compete with the State-owned Enterprises and the top-down forms of contract negotiation. This would require unprecedented public-private cooperation by the United States, and the system simply is not geared to this type of cooperation, particularly in the self-destructive political climate in which we now live.

Our best opportunity to compete effectively with China is to build the private sectors throughout Africa, and to partner with selected African private companies. In several countries, there are very strong private sector companies and we should be partnering with these companies. In the long-term, countries that will succeed in Africa will do so by developing a strong middle class (just as the Chinese are doing). The strong middle class can only develop by developing a strong private sector. This will also lead to greater economic and political freedom. If the private sector is indeed the future of successful African nations, then there is where we need to engage for our long-term interests.

I also believe that we should view the Chinese private sector as potential partners in Africa. A stronger private sector in China can only help our own political and economic goals, and can certainly help reduce Sino-American friction. Partnerships can and do reduce the risks a business takes in any new investment. Costs and risks are shared and not borne alone.

In that regard, CCA through the support of USAID has developed a US-Africa Business Partnership Center, whose purpose is to find partners for American companies wishing to invest in Africa, as well as find American partners for African companies wishing to invest in the United States. This center has enormous potential as a model for others, but will take a few years to build.

The Corporate Council on Africa is also working with our sister organizations in Canada, twelve countries of Europe, Japan, India and in key African countries to build partnerships as well. We now have an annual meeting designed to move our cooperation forward. We intend to expand that cooperation to include Turkey in the near future.

As for government policy, I believe we need to examine how we can best adapt to the changing economic environment of Africa. Some very basic recommendations would include:

1. Working more closely with the private sector in the bilateral dialogues with African nations. It makes little sense to have a dialogue with South Africa on economic cooperation, for instance, and exclude the private sector.
2. The US Ex-Im Bank needs to continue to look at ways to support US businesses wishing to invest. Clearly the leadership of Ex-Im is committed to this, but like every other institution they are bound by regulations and tradition. For this reason we support legislation like the proposed Durbin bill that would give Ex-Im more leeway for investments in Africa. However, Ex-Im can do little if no US banks are willing to invest in Africa, and very few are. Unless they can be encouraged to do so, we will lag further behind China and many other nations who are active in Africa.
3. We should examine the feasibility of setting up similar bodies to that of the Forum for China-Africa Cooperation. For instance, because we believe regionalization is important to the development of African markets for US investors, perhaps we should set up Forums by region, such as the US-SADC Forum on Cooperation, the ECOWAS-US Forum, the COMESA-US Forum, and so forth. In so doing we address the need for greater cooperation nation-to-nation in Africa.

4. We need a more broadly coherent policy on Africa. I am in great praise of State Department initiatives towards Africa. Secretary Clinton and Assistant Secretary of State Carson have developed exceptional initiatives. For instance, the recent cooperation between the US Department of State and the Corporate Council on Africa made possible one of the most important trade missions ever undertaken to Africa, a mission of US power companies to engage in one of the most critically needed sectors of Africa. No African nation is currently meeting its power needs for today, let alone its future. US engagement in this critical sector is vital for US and African interests. Other Departments of the Cabinet should also be looking at such creative initiatives. However, the State Department cannot be all things, and perhaps the USG should develop a broader and more aggressive policy on Africa that involves close cooperation with the private sector.

No one should challenge China's right to be in Africa. They have brought improvements to African nations, and they have also brought new challenges. This will continue and we need to be prepared to meet these competitive challenges. At the same time, ironically, we should be seeking ways to cooperate with China on Africa politically and economically. If we can link our private sectors more closely, we can also develop important links to the future of China, for if China is to continue to prosper, it will need to continue to develop its middle class through private sector development. Cooperation in Africa is one way to develop the cooperation. The alternative is to return to the mistakes of the past.

I am less worried about China competition in Africa over the long-term than I am now worried about European competition. The proposed European Partnership Agreements (EPAs), if successfully forced upon the Africans, will move most trade of the African nations away from the potential of trade with the United States and other parts of the world. The EPAs, if implemented, have the potential to destroy regional cooperation, one of the primary goals of US policy towards Africa. In the long-term these agreements would also affect Africa-China trade. Ultimately, the Africans will suffer most if EPAs are implemented.

In this regard, and as it regards China and other nations engaged in Africa, the United States should request the international community to develop with African countries a common approach to trade negotiations. Without a more coherent approach, individual African country commitments to third countries or blocs of third countries such as the European Union will make it more difficult for regionalization to develop in Africa. US companies will be disadvantaged by a duty system which gives competitive advantage to European Union imports over those from the US (or China for that matter). For US diplomatic relations as well as business interests, agreements such as the EPAs create impediments to regional integration which is needed by US companies to operate world class supply chains and distribution networks on the continent. In this case, perhaps here is one example where China and the US could cooperate for the sake of Africa as well as their own enlightened self-interests.

The world is rapidly changing and this nation needs to adapt to that. We absolutely need to move from divisiveness and political gridlock if the United States is to compete around the world and remain a preeminent economy open to all. Our competitors are China, Europe and many other nations. Africa represents the future for many nations. We need to realize the importance of Africa to American interests, understand its importance to other nations as well, and begin to work far more actively with Africa and all potential partners.

Our competitors need not be our enemies. Our biggest obstacle now is ourselves and a failure to develop stronger public-private cooperation and to weave a more coherent and active policy towards Africa that all can work on together. I firmly believe that America can compete with anyone, particularly when we all work together with common goals and principles.

Mr. SMITH. Ambassador Shinn.

STATEMENT OF THE HONORABLE DAVID H. SHINN, ADJUNCT PROFESSOR, ELLIOTT SCHOOL OF INTERNATIONAL AFFAIRS, GEORGE WASHINGTON UNIVERSITY

Ambassador SHINN. Thank you, Mr. Chairman, and Ms. Bass for inviting me here today. I also pay my respects to Congressman Payne.

I would like to begin by talking about U.S. China economic competition in Africa.

I think the most important difference between the United States and China is the very structure of the American and the Chinese Governments and the way their respective systems engage in Africa. American commercial activity, trade, investment, and bidding on contracts in Africa are conducted by private companies with limited involvement by the U.S. Government.

The situation concerning the relationship between the Chinese companies and the Government of China is significantly different. While most Chinese companies operating in Africa are private, they tend to be small- and medium-sized and account for a relatively small percentage of the dollar value of trade, investments and the winning of contracts in Africa. Most of the large Chinese companies operating in Africa are state-owned enterprises, or SOEs. All of the SOEs receive extensive support from the Government of China in the form of financing and establishing contacts with African governments. The links between the Government of China and private companies are less clear. For example, Mindray is a smaller publicly owned medical and technology company that is listed on the New York Stock Exchange. It has no government ownership. Several of its leaders told the CCA delegation in China in February that it receives no financing and very little support from the government.

On the other hand, you have a company like Bosai Mineral Groups Company Limited which has a single mining project in Ghana. Bosai is a wholly private company. Bosai officials told us in February that the company relies heavily on government support, especially financing. The very nature of the different U.S. Governmental and economic systems gives a huge advantage to Chinese SOEs. While private Chinese companies may not have a significant advantage over American companies, even some of them seem to have easier access to government financing than is usually possible for American counterparts. It is also important to acknowledge that since the mid 1990s, Chinese companies have been more aggressive in Africa than have their Western competitors. In addition, they are usually willing to accept a lower profit margin, and, in some cases, to bid below cost in order to break into the market.

In the past 5 years, Chinese banks have also significantly increased their engagement in Africa where there has been a real lapse by American counterparts.

The price of American products and services is almost always higher, sometimes significantly so. In much of Africa, lower price tends to win out over higher quality.

I want to turn to the natural resources question. While China has a number of interests in Africa, maintaining access to raw ma-

terials is, in my view, at the top of the list. China imports just under one-third of its oil from Africa. China also imports significant quantities of cobalt, copper, manganese, bauxite, iron ore, et cetera, from Africa. We are often quick, however, to criticize China for a trade relationship with Africa that relies overwhelmingly on the imports of raw materials. We need to be careful in making this argument. In 2010, the United States imported from the 54 African countries more oil than did China by a rather considerable margin.

We were asked to look at the question of land grabs, or as I really prefer to call it, land leasing. There has been a considerable amount of inaccurate and exaggerated reporting on so-called land grabs in Africa. These deals are, in fact, long-term leases, albeit sometimes up to 50 years. China is often cited as being at the center of these deals. The most thorough research on this topic has been done by the Oakland Institute, an independent policy think tank in Oakland, California. My written testimony summarizes the conclusions, and I won't take the time to go over them here, but I urge that the committee take a look at what we know so far, at least in the seven countries where the Oakland Institute has done a study. And they have effectively found that China is a minor player in all of this.

In fact, in 2008, China's National Development and Reform Commission announced a 20-year food security strategy that explicitly stated foreign land acquisitions would not be part of China's strategy, and I give in my written testimony some of the reasons why there is this misperception out there that China is deeply involved in it.

Let me turn to the promotion of democracy and human rights. U.S. support for democratization and the amelioration of human rights abuses in Africa are the topics of sharpest American and Chinese policy disagreements without any real competitors.

The approaches of China and the United States are philosophically different, and they are not likely to be bridged in the foreseeable future. China accepts whatever government is in power irrespective of the manner in which it obtained power or how it rules once it is in power. China is not prepared to pressure African governments to democratize. Because of its own system of government, which is not along the lines of Western liberal democracy, it sees no point in urging African governments to follow such a course.

At the same time, China does not hold itself out to African countries as a model to follow, contrary to common belief and media accounts. Nor will China support U.S. and Western efforts to encourage better human rights practices in Africa. African countries can depend on China to avoid raising controversial human rights issues in the U.N. Human Rights Council, and on occasion, to even support them when they are criticized by Western countries. And this practice works in reverse.

And finally, a couple of issues on which I think there is actually room for China and the United States to collaborate to our mutual advantage. These are sensitive political issues, but both the United States and China have an interest in political stability in Africa. Both countries support all six U.N. peacekeeping operations in Africa, as Dr. Pham discussed. U.N. peacekeeping operations in Africa are strong candidates, in my view, for expanded cooperation be-

tween the United States and China. Both the United States and China have been supportive of the transitional Federal Government in Somalia and in combating al-Shabaab, and both countries want to see the establishment of a national government that has widespread support of the Somali people and control of the entire country.

Finally, both the United States and China have an interest in ensuring peace in Sudan and South Sudan and the full implementation of the comprehensive peace agreement that led to the creation of South Sudan. China has an added interest, a multi-billion dollar investment in oil infrastructure and the fact that it obtains about 6 percent of its imported oil from Sudan and South Sudan. The disputes between Sudan and South Sudan are complex and involve far more than oil. They have the potential to cause a major new conflict between the two countries. This is not in the interest of either the United States or China. The United States has considerable influence in South Sudan but little influence in the north; whereas China has significant influence in the north and less in the south.

In my view, this is an area where there could be greater collaboration than there already has been.

Thank you, Mr. Chairman.

Mr. SMITH. Thank you.

[The prepared statement of Mr. Shinn follows:]

Assessing China's Role and Influence in Africa

Hearing Held by

House Subcommittee on Africa, Global Health, and Human Rights

29 March 2012

Rayburn House Office Building, Room 2172

Remarks by David H. Shinn

Adjunct Professor, Elliott School of International Affairs

George Washington University

I thank Chairman Ileana Ros-Lehtinen of the House Committee on Foreign Affairs, Subcommittee Chairman Christopher Smith and Ranking Member Karen Bass for inviting me to participate in this hearing. For the past six years, two of us have been researching a book on China-Africa relations that is being published by the University of Pennsylvania Press and will be available this June. My comments today reflect some of that research. Unless otherwise noted, the statistics and analysis in this testimony refer to all fifty-four countries in Africa. China tends not to make a distinction between Sub-Saharan Africa and North Africa as the U.S. government often does.

U.S.-China Economic Competition in Africa

The Subcommittee asked that we focus on how China competes economically with the United States in Africa, how China serves as an undemocratic model of governance and issues concerning natural resources, land grabs and human rights. Let me take the economic competition question first. The most important difference between the United States and China is the very structure of the American and Chinese governments and the way their respective systems engage in Africa. American commercial activity (trade, investment and bidding on contracts) in Africa is conducted by private companies with limited involvement by the U.S. government. If two or more private U.S. companies are competing for the same project, the U.S. government must be impartial, providing essentially equal help to all U.S. interested parties. When this situation occurs, my experience was that the role of the U.S. government diminishes even further.

The situation concerning the relationship between Chinese companies and the government of China is significantly different. While most Chinese companies operating in Africa are private, they tend to be small or medium sized and account for a relatively small percentage of the dollar value of Chinese trade, investment and winning of contracts in Africa.

The following sectors in China are controlled predominantly by the state: oil, petrochemicals, mining, banks, insurance, steel, aluminum, electricity, aviation, airports, railways, ports, highways, health care and education. Most of the large Chinese companies operating in Africa are state owned enterprises or SOEs. This includes nearly all of the large construction companies that are today building most of Africa's infrastructure and China's principal national oil companies—China National Petroleum Corporation, China Petrochemical Corporation and China National Offshore Oil Corporation Ltd. Some SOEs, for example the Aluminum Corporation of China (CHINALCO), which is a holding company, has a subsidiary, the Aluminum Corporation of China Limited (CHALCO) listed on the New York, Hong Kong and Shanghai stock exchanges. All of the SOEs receive extensive support from the government of China in the form of financing and establishing contacts with African governments. Other companies are owned by provincial governments and also receive government help.

A few large Chinese companies that are prominent in Africa are not SOEs. Their corporate structure is sometimes unclear. ZTE Corporation is China's second largest telecom equipment provider. It has forty offices in Africa and a total staff of 4,000 on the continent. It is a publicly owned company on the Shenzhen and Hong Kong stock exchanges. Ninety percent of its stock is privately held and 10 percent held by the government of China. ZTE benefits from Chinese government loans and appears to have a close working relationship with the government although it tends to operate like a private company.

Huawei, which competes with ZTE as well as large Western telecommunications companies, is an information and communications technology solutions provider. It has more than 2,000 personnel in Africa and has established training centers in Nigeria, Kenya, Egypt and Tunisia. It is providing services to more than thirty African countries. Huawei is sometimes said to be a private company and on other occasions called a "collective." It has never published its ownership structure. It sells no shares on the stock exchange. It is believed that most of its shares are owned by Ren Zhengfei, a former People's Liberation Army logistics officer who founded the company in 1988. Like ZTE, Huawei seems to have the full support of the government of China in its Africa operations.

The links between the government of China and private companies are less clear. For example, Mindray is a smaller, publicly-owned medical equipment and technology company that is listed on the New York Stock Exchange. It has no government ownership. It competes in Africa with Chinese SOEs in addition to non-Chinese companies such as General Electric and Philips. Mindray has subsidiaries in Egypt, South Africa and Kenya; it sells products to forty-five African countries. Several of its leaders told us in February that it receives no financing and very little support from the government. Chinese embassies in Africa have provided Mindray with useful market information.

The Bosai Minerals Group Company Limited has a single project in Africa; it purchased a bauxite mine in Ghana in 2009 after the bottom fell out of the market. It now has 400

employees and the mine has reportedly become a huge success. Bosai is a wholly private company that decided to go overseas because it is easier to compete with Chinese SOEs abroad than in China. Bosai officials told us in February that the company relies heavily on government support, especially financing. The government helped open doors in Ghana and Bosai management representatives said the Chinese embassy in Accra was extremely helpful in securing the deal. In this case, there was no Chinese competition for purchase of the mine.

The very nature of the different U.S. governmental and economic systems gives a huge advantage to Chinese SOEs and those, such as Huawei, that have a special relationship with the government of China. The SOEs often win bids as part of a package deal of government loans and tied contracts. After the SOE is engaged in the project, there are additional advantages that African countries have learned to appreciate. The director of roads in one African country where Chinese companies are building most of the roads explained it this way: “Whenever there is a problem such as a delay in construction or a quality issue I just call the Chinese ambassador and he sees that the matter is taken care of. If this were an American or German company, I would be in court for years.” While private Chinese companies may not have a significant advantage over American companies, even some of them seem to have easier access to government financing than is usually possible for American companies.

It is also important to acknowledge that since the mid-1990s, Chinese companies (SOEs, publicly owned and private) have been more aggressive in Africa than have their Western competitors. Many of them, especially the mining, construction, and telecommunications companies, are now better established on the ground than most of their non-Chinese competition. In seeking to win bids, they are usually willing to accept a lower profit margin and, in some cases, to bid below cost in order to break into the market. In the past five years, Chinese banks have also significantly increased their engagement in Africa, especially by purchasing shares of African banks and European banks with large exposure in Africa. The 2008 purchase by the Industrial and Commercial Bank of China for 20 percent of South Africa’s Standard Bank Group for \$5.5 billion underscores this trend. As Chinese banking increases in Africa, it attracts additional attention from Chinese companies that were previously reluctant to invest in the continent because of the paucity of familiar Chinese banking facilities.

There are persistent reports, which are very difficult to prove, that Chinese companies are prepared to pay bribes to win contracts. While this probably ensures consummation of a deal in a few cases, the far more important reason for the success of Chinese companies is the direct assistance provided by the Chinese government to finance projects and sale of products, often as part of a package arrangement. Most African governments, where the state continues to have a larger role in the economy than is the case in the West, understand this policy and often welcome it. Many African governments have a vision of the government’s role that is closer to China’s structure than Western structures. This poses a difficult challenge for any American company that is competing with a Chinese company offering similar services or products even when the quality of the American service or product is usually better. The price of American products and

services is almost always higher, sometimes significantly so. In much of Africa, lower price tends to win out over higher quality. In the case of winning bids on large projects, especially infrastructure, the most serious challenge is obtaining competitive financing and a willingness to accept a lower profit margin.

Natural Resources

While China has a number of interests in Africa, maintaining access to raw materials is, in my view, at the top of the list. China imports just under one-third of its oil from Africa and the total amount of Chinese oil imports globally is rising rapidly. Between 2009 and 2010, Chinese crude oil imports rose more than 17 percent. China also imports significant quantities of cobalt, copper, manganese, tantalum, bauxite and iron ore from Africa. About 85 percent of all Chinese imports from Africa are raw materials, mainly crude oil and minerals. China requires these raw materials from Africa and other parts of the world in order to help insure the health of its manufacturing industry and export capacity. This, in turn, helps to maintain its high GDP growth rate, which has averaged more than 9 percent annually for the past three decades. This high economic growth helps keep the leadership of the Chinese Communist Party in power.

In 2010, China imported 4.8 million barrels per day (bbl/d) of crude oil. Of this total, 2.2 million bbl/d or 47 percent came from the Middle East and 1.5 million bbl/d or 30 percent came from Africa. Angola was the principal African supplier followed by Sudan and Libya. In the United States, we are often quick to criticize China for a trade relationship with Africa that relies overwhelmingly on imports of raw materials. Even some African leaders have expressed concern about a trade relationship that consists primarily of sending raw materials, which one day will run out, to China in exchange for high value services, manufactured goods and consumer products from China.

We need to be careful, however, in making this argument. In 2010, the United States imported from the fifty-four African countries 2.3 million bbl/d or about 800,000 bbl/d more than did China. Raw materials also dominate U.S. imports from Sub-Saharan Africa with more than 80 percent consisting of energy products alone. Nigeria is the major U.S. supplier followed by Angola and the Republic of the Congo. Because of its huge oil imports from Africa and relatively modest exports to the continent, the United States has a sizeable trade deficit with Africa. China's trade with all fifty-four African countries is close to being in balance.

It is important, however, to put China's trade with Africa in perspective. China became Africa's largest trading partner in 2009, surpassing the United States. Total China-Africa trade in 2011 was about \$150 billion. Although there has been a sharp increase in China-Africa trade in the past ten years, Africa only accounts for about 4 percent of China's global trade. On the other hand, China constitutes more than 13 percent of Africa's global trade. This disparity is accounted for by the fact that China's total trade is about three times the size of Africa's total trade.

The China-Africa trade issue of most concern is the huge disparity in bilateral trade with certain African countries. Almost 80 percent of African exports to China originate in five oil/mineral exporting countries: Angola, South Africa, Sudan, Libya and Republic of the Congo. Some fifteen African oil/mineral exporting countries have large trade surpluses with China. More than thirty mostly poorer African countries have major trade deficits with China. While China does allow 4,700 items to enter duty free from Africa's least developed countries, this policy has not yet resulted in significantly increased imports from Africa. The leaders of some of the African countries that have large trade deficits with China are concerned about the unbalanced trade relationship.

Land Leasing

There has been a considerable amount of inaccurate and exaggerated reporting on so-called "land grabs" in Africa. These deals almost never involve the purchase of land. They are long-term leases, albeit sometimes up to fifty years. China is often cited as being at the center of these deals. The most thorough research on this topic has been done by the Oakland Institute, an independent policy think tank based in Oakland, California. It has completed seven detailed case studies based on in-country research in Ethiopia, Sierra Leone, Mali, Mozambique, South Sudan, Tanzania and Zambia. While this still leaves many countries uninvestigated, these seven case studies provide a representative sampling and the most careful analysis so far of the situation in Africa.

The report on Ethiopia found that the only countries seeking land leases are Egypt and Djibouti while private investors from India and Saudi Arabia are also engaged. The Oakland Institute concluded that China was surprisingly absent from land investment deals in Ethiopia. It did point out that a Chinese company is prepared to sign a 25,000 hectare concession to produce sugarcane in the Gambela region. There have been widespread and unconfirmed reports of Chinese land deals in Mozambique. The Institute did not find truth to any of them. South Sudan has been widely criticized for signing questionable land leases; China is not involved in any of the projects. There are twenty-two land deals under discussion in Tanzania; China is not among the potential investors.

A Chinese company reportedly requested two million hectares in Zambia to cultivate jatropha for an agrofuel project. The Institute was not able to confirm that the request had even been made. Out of fifteen projects involving a half million hectares in Sierra Leone, a Chinese company has asked to cultivate 2,000 hectares of sugarcane and rehabilitate an old sugar mill. The China Light Industrial Corporation for Foreign and Technical Cooperation obtained a fifty year lease for 18,000 hectares in Mali for an undetermined agricultural project. The government of Mali has a 40 percent share in the project. This is the only Chinese land lease in Mali out of twenty-two projects involving sixteen foreign investors. In the seven countries investigated by the Oakland Institute, there were more land lease projects proposed by American investors than those from China.

To some extent, China set itself up for criticism as a “land grabber” in Africa. There apparently were discussions a number of years ago about leasing large tracts of land in Mozambique before China realized the political sensitivity of the deals and abandoned the idea. In 2007, Li Ruogu, the head of China’s Export Import Bank, commented that many African countries had plenty of land and urged Chinese farmers to move to Africa. Li added there is no harm in allowing Chinese farmers to become farm owners in Africa, and he said the bank would fully support such migration. In 2008, China’s Ministry of Agriculture prepared a document that argued China would not be able to maintain its own food security, and that it should secure land acquisitions overseas. This resulted in a sharp response from some Chinese officials that land acquisition overseas was not a feasible food security strategy due to logistics and political risk. By the end of 2008, the National Development and Reform Commission announced a twenty-year food security strategy that explicitly stated foreign land acquisitions would not be part of China’s strategy. A number of Chinese officials subsequently made the point that China is not interested in acquiring land in Africa to grow food for Chinese. The issue has been muddied by the media because China has long had agricultural projects in Africa as part of its assistance program. These are generally small projects that grow food for indigenous populations.

Promotion of Democracy and Human Rights

U.S. support for democratization and the amelioration of human rights abuses in Africa are the topics of sharpest American and Chinese policy disagreement. The approaches of China and the United States are philosophically different and not likely to be bridged in the foreseeable future. China has a firm position that supports state sovereignty. It accepts whatever government is in power irrespective of the manner in which it obtained power or how it rules once it achieves power. Examples are China’s strong support for Sudan and Zimbabwe. As a result, China has equally cordial relations with African democracies and autocracies. When there is a change of government in an African country, China has been adept at switching support to the new regime even when it represents a radical departure, whether it becomes more or less democratic, from its predecessor.

It is during political transitions, especially unplanned ones, from one government to another that Chinese policy seems to be most uncertain. For example, China was slow to make the transition from Gaddafi’s Libya to the National Transitional Council (NTC). It eventually aligned itself with the NTC. The recent coup in Mali is an especially interesting case and may signal a nuanced change in China’s approach. China initially urged that the situation in Mali be resolved through dialogue and consultation, a common and neutral response to regime change. A day later, a Foreign Ministry spokesperson said China opposes the unconstitutional takeover of power and called on all parties in Mali to return to normal order and uphold national unity and stability. While China probably took its cue from the position of the African Union, this statement does align its policy closer to that of Western countries.

In any event, China is not prepared to pressure African governments to democratize. It does not attach political conditions to its loans and foreign aid with the notable exception that a government must recognize Beijing and not Taipei. One Chinese official wryly commented to me: “No African leader has ever asked us to attach conditions to our aid.” Because its own system of government is not constructed along the lines of Western liberal democracy, it sees no point in urging African governments to follow such a course. It is just not realistic to expect China to encourage Western liberal democracy in Africa.

At the same time, China does not hold itself out to African countries as a model to follow. China and most African leaders understand that the differences between China and any particular African country are too great. China has more than 1.3 billion people. Nigeria, the most populous country in Africa, has about 155 million. China has a high national savings rate, a huge pool of cheap and compliant labor, state-targeted capital investments, a coherent continent-wide market with a single currency, internal market integration, a relatively well-educated and highly motivated workforce with a common language, investment from the Chinese diaspora, developed state institutions and political unity within a single ruling party to implement large-scale economic reform policies. No African country has even half these attributes. This has not, however, stopped a few African leaders from expressing interest in emulating China. Nevertheless, the fact is the differences are too great.

Nor will China be supportive of U.S. and Western efforts to encourage better human rights practices in Africa. The reason for this is China’s reluctance to attach political conditions to its ties with African countries and its internal human rights practices. Beginning in the mid-1990s, African countries’ political support played a key role in Beijing’s successful eleven-year campaign to avoid censure for its human rights record by the UN Commission on Human Rights. When Tibet became an issue in 2008, China leaned on the Africans to remain silent or even make supportive statements. They did. More recently, China has been sensitive about criticism of its harsh policy toward the Uighur people in the Xinjiang Uygur Autonomous Region in western China. Again, African leaders have been careful to avoid all criticism of China’s response to the Uighurs. African countries can depend on China to avoid raising controversial African human rights issues in the renamed UN Human Rights Council and on occasion to even support them when they are criticized by Western countries. This practice also works in reverse.

African Political Issues Where U.S. and China’s Interests Overlap

There are controversial and vexing political and security issues in Africa where U.S. and China’s interests intersect. While China will be careful to align its policy with the majority view in the African Union and the Arab League in those African countries that are members, the United States should try to leverage Chinese support on those issues where interests overlap. As a general principle, both the United States and China support political stability in Africa. In the case of the United States, this usually, but not always, occurs in the form of support for existing governments. In the case of China, it almost always results in support for existing governments.

Both the United States and China support all six UN peacekeeping operations in Africa: Liberia, Democratic Republic of the Congo, Western Sahara, Darfur in Sudan, South Sudan and Côte d'Ivoire. As of the end of February, China had more than 1,500 troops, experts and police assigned to these six UN peacekeeping operations, more than any other permanent member of the UN Security Council. By comparison, the United States had thirty-three personnel assigned to the six operations. On the other hand, the United States pays for a significantly higher percentage of the total cost of the UN missions. By all accounts, the Chinese personnel assigned to the peacekeeping operations in Africa have performed well. It is in the interest of the United States for China to continue its support of these UN-led efforts. In the case of the operation in Liberia, the United States and China even collaborated in building the barracks for UN troop personnel. UN peacekeeping operations in Africa are strong candidates for expanded cooperation between the United States and China.

While there are tactical differences between China and the United States in countering terrorism and al-Shabaab in Somalia, the overall goal is the same. Both the United States and China have been supportive of the Transitional Federal Government and both countries want to see the establishment of a national government that has the widespread support of the Somali people and control of the entire country. While there are many other important actors in Somalia, it is important to encourage China to become a more active participant in the solution.

Both the United States and China have an interest in ensuring peace in Sudan and South Sudan and the full implementation of the Comprehensive Peace Agreement that led to the creation of South Sudan. China has an added interest—a multibillion dollar investment in oil infrastructure and the fact that it obtains about 6 percent of its imported oil from South Sudan and Sudan. The recent shutdown of oil production in South Sudan, which controls about 75 percent of production coming from both countries, has directly impacted China. But it also has an indirect impact on the United States by removing supply from the world market and contributing to the increase in global oil prices. The disputes between Sudan and South Sudan are complex and involve far more than oil. They have the potential to cause a major new conflict between the two countries. This is not in the interest of either the United States or China. The United States has considerable influence with South Sudan but little with Sudan. China has substantial influence with Sudan but more limited leverage with South Sudan. Working with other key outside interlocutors, this situation is ready made for close U.S. and China collaboration.

Mr. SMITH. Dr. Pham, in your testimony, you talk about China's outreach to Africa, including government to government level. And in the last academic year, some 5,700 African students received scholarships from the PRC Government to pursue university level training. Can you elaborate very briefly, because we have had that for years. It is not enough, we all agree. What language do they teach these university students in? And how does that selection occur and what countries frankly are most likely to see students going from Africa to China?

Mr. PHAM. The students are from, the last time I looked, from 50 countries. So they are really from all over. Many of them are picked, they are officially nominated by educational authorities in some cases in their countries. Others are picked by a nominally competitive processes through either the Embassies or the Confucius centers China has put up around Africa.

What I have discovered over the years anecdotally, and I don't have the data to quantify this, but anecdotally, the perhaps disproportionate number of children, grandchildren, nieces, nephews of people of a certain influence in government who receive these scholarships, so there is a little bit of that to it.

Mr. SMITH. A little or a lot? Do you have any breakout?

Mr. PHAM. There is no data because they are not very transparent. It is more anecdotal, conversational. I will talk to a minister and he will have a daughter in school in London, a son in school here, and the nephew is in Beijing studying something.

But as to the education they receive, it fully varies, just as Chinese universities vary. Some get first-rate education at some of the leading institutions in Beijing and Shanghai. Some have received pieces of paper that I am not sure will do them much good coming home with. The number is high, but one has to really break that down into the quality of the education they do receive.

Mr. SMITH. Is there any evidence of indoctrination into the Chinese model of governance? I mean, Moscow University was the place people were sent, from Cuba or anywhere else, to receive that political training. Is that a component of this, in whole or in part?

Mr. PHAM. Not formally. But there are some who attend, for example, training institutes for the governing elites. To cite one clear example, actually an infamous one, Joseph Kabila, the presumptively re-elected president of the ironically named Democratic Republic of the Congo, is an alumnus of the National Defense University in Beijing, and the curriculum there very clearly includes indoctrination. So at that level, certainly it exists. Others come home as admirers of the Chinese system. And others, quite frankly, I have met some who have turned against it. But some become admirers. And then there is the follow-up. I think that is important. Chinese Embassies, many of them do carry on follow-up.

We have many people pass through our schools, and we rely more on the soft power, the affection they may develop for our culture, our people, et cetera. We don't keep tabs and files on them at the Embassies and follow up on them perhaps as meticulously.

Mr. SMITH. What language?

Mr. PHAM. Primarily in Chinese. In a few cases they provide initial training in other languages until they get up to speed. In fact, I met one alumnus of a Chinese university who probably would

have trouble reading a menu. I am not sure what she did for 3 years in China. She came back with very limited—they didn't really give her enough language instruction. So she spent her 3 years there, came home and had a piece of paper, but not much else. In fact, when I met her, she was actually enrolled in another course back at home to continue her education. She had been sent off to a provincial boondock somewhere.

Mr. SMITH. You mentioned the last academic year. Is this something that is ratcheting up as a way to influence the next generation of leadership in Africa?

Mr. PHAM. I think they are. The premise seems to be that they are ratcheting up. They promised at the last forum on China Afro-Cooperation that they would train during the period between the two 5,000, but they had 5,000 awarded last year, so they are well ahead of what they promised. So it seems to be. Now, there is going to be another ministerial-level meeting of that forum this year, so that will be interesting. That is usually when they parade out the numbers. It will be interesting to garner some of that.

Mr. SMITH. If any of you would like to touch on any of these issues, but you mentioned the targeting of U.N. peacekeeping missions as a way, and it may be for good reasons, but it also may have a more sinister motive. 1,550 PLA personnel, I am wondering how well-integrated they are to the other African Union peacekeepers. We all know that they are predominantly Africans. That has been the new and very positive trend. Do they keep to themselves? Are they part of the command structure that suggests that they are integrating?

And the targeting of the AU itself, if any of you who would like to touch on this, as a central place to have significant influence for less amount of exertion, the building of the building and all of the other things that they are doing seems to get an enormous amount of positive impact at the U.N. and everywhere else where the Chinese are trying to exercise their clout and muscle.

Mr. PHAM. On the peacekeeping, on the one hand, the U.N. peacekeeping as you know, Mr. Chairman, is always an exercise in trying to get bodies and units out. So the Chinese have adapted, I think, a very interesting strategy in that regard. They provide units, unlike some other countries, India, Pakistan, Bangladesh, that provide large numbers of troops, units to man everything from guard posts to roadblocks, the Chinese provide very specific units.

In Liberia, for example, the first peacekeeping operation, they sent an engineering battalion. The same in Darfur, an engineering battalion. Other places, Liberia also, a small cell that managed the port of Buchanan. So they send very specially trained units that are hard to come by; so force commanders usually welcome them. But that also permits them to maintain unit coherence. There are a few Chinese officers that are billeted out in other commands that they maintain, but they usually are consistent units.

I will give you an example. Up country Liberia in Zwedru where the engineering battalion built the so-called Friendship Road which the United States paid 20 percent of the bill for, but there is no indication on the sign other than it was built by Chinese peacekeepers, I would observe. The engineering battalion kept itself billeted separate from the rest of the African peacekeeping force,

the Ethiopians, et cetera. The Chinese had their own facilities and their own mess hall, and all of that. So there is a logic to it.

Interestingly, 2 years ago, the Ministry of Defense created for the first time a separate distinct office to handle peacekeeping. It is not exclusively African in focus, but it manages all of their peacekeeping. What we seem to have concluded is roughly half a dozen units in China provide all of the peacekeeping personnel. So what happens over time, because the Chinese military career is a little different than our track where people move from unit to unit, you tend to stay with the same unit unless you are promoted upwards. So over time, you have certain officers who have had two, three, even four tours in Africa. So they acquire a knowledge that is quite formidable.

Ambassador SHINN. Mr. Chairman, if I may add to that, in terms of the peacekeeping side of your question, there have been a number of reports, rather thorough reports on Chinese peacekeeping in Africa, and all of those that I have seen have given the Chinese quite high remarks, particularly on the professionalism of their activities.

There was one fascinating report that was actually done by an American colonel who was working alongside the Chinese in a very small operation in the Western Sahara. He made the argument, rather persuasively, I thought, that the Chinese are also learning an enormous amount about Africa by having these folks engaged there. He suggested that it will not be very many years before the Chinese will have a better understanding of sort of the strategic situation in Africa than the Americans have because they will have had so much engagement on the continent. An interesting argument by an American colonel, an active duty colonel.

If I could just make a quick reference to your question about targeting the African Union, although I might use a different word than "targeting," it is certainly clear that China is working very hard to develop very good relations with the African Union, and it is not just the question of spending \$200 million in order to build the conference center there. They have been providing some budgetary support and they have been helping with some of the African Union missions around the continent financially. But it has gone beyond that. They are also working very closely with ECOWAS in west Africa and with SADC in southern Africa and with NEPAD, which is the cross-continent economic organization. They are getting involved everywhere, and it is really quite astounding to see how engaged they have been across the continent on virtually every issue. Sometimes, quite frankly, filling a bit of a void left by the West.

Mr. SMITH. When you say you don't want to use the word "targeting," is there something other than self-interest? Is there a sense of selflessness on the part of the Chinese?

Ambassador SHINN. There certainly is self-interest involved.

Mr. SMITH. Is it a nefarious one?

Ambassador SHINN. That is where I wasn't quite sure where you were using the word "targeting." I am not sure it is necessarily nefarious. It is self-interest, yes. Absolutely. Nefarious, not necessarily. Unless you consider nefarious to mean increasing their

economic links to the continent, their economic involvement on the continent. But China wouldn't be the only country doing that.

Mr. SMITH. But again, in terms of governance, what is it that you think that they convey to emerging democracies? And when we talk about they don't take a position on human rights and the like with regards to Zimbabwe or Sudan, it is an open secret that they breached the arms embargo, and did it with impunity, which meant that Africans in the Blue Nile region and elsewhere were being slaughtered with AK-47s, that the Chinese Government made available in exchange for oil? And the same would go with Zimbabwe. As a matter of fact, we all applauded robustly when the South Africans and others refused to allow transshipment of munitions en route to Zimbabwe that could have caused huge amounts of death.

I don't mind if the evidence suggests it, suggesting a more nefarious—I mean, it is a dictatorship with gulags galore on its own soil, that being China I am talking about.

Ambassador SHINN. My reference is very narrow, though. Targeting the African Union, I think that is a little bit different than these other issues that you just raised. And I would argue that the United States, in that sense, tries to target the African Union.

Mr. SMITH. But it is all about whether or not it is for enlightened self-interest and for the benefit of those in those countries. PEPFAR, our malaria programs, as you know so well, as you all know so well, what was the purpose? To help people. Simple, and end of sentence.

What is the Chinese game plan here? I see it when I talk to African ambassadors, like I said earlier, who take a walk. I am not going to embarrass them by naming them, but who take a walk on human rights issues vis-à-vis Sudan and elsewhere, and especially with regards to China itself because of money that flowed to their country. That is outrageous, in my opinion.

Ambassador SHINN. I think that the Chinese goals are very mixed on some of these things. Some would fall in the nefarious category, like providing arms to Sudan when Sudan is under sanctions. That clearly is nefarious. But some of the other activity I would not describe as nefarious.

Mr. PHAM. Mr. Chairman, before coming to this hearing, I hosted a luncheon for an African head of state who you brought up earlier, and I actually posed to him the question of what would he say if he were in my seat here. If you permit me, this is a quote from him: "Why can't we find a formula where America makes investments with Africa without complicated packaging? We are tired of people asking questions which no answers will ever satisfy them."

That, I think, encapsulates what you are driving at. That China may be doing it for self-interested commercial reasons, but it does give an out for certain people who prefer not to have questions raised.

Mr. SMITH. Mr. Hayes.

Mr. HAYES. I think, Mr. Chairman, yes, of course there are the nefarious reasons. But I think there is also a certain pragmatism to them. The Chinese take seriously regional institutions. They take seriously AU, ECOWAS. They take seriously, not only for their own self-interest, and you can argue economic self-interest as

well, that they see that the regional institutions provide larger markets, they provide infrastructure that has to be linked, if they are to be successful for whatever reasons. So they do take seriously what I think we should have been doing. There is no reason the United States couldn't have been doing some of this.

I have also suggested to the administration that given the burning down of the COMESA building recently, that the United States ought to build, with the private sector, ought to rebuild the COMESA building as a model building with all of the green technologies you want as a model for the country rather than leaving it to the Chinese to do that as well. There is no reason we couldn't do that with leadership.

Mr. SMITH. I would ask any of you who would like to answer, since China itself has among the worst records ever on labor rights, are they having any impact on labor rights in Africa? ILO standards which are universally recognized?

Ambassador SHINN. If you are asking it from a negative point of view?

Mr. SMITH. Or positive. Probably nothing, but—

Ambassador SHINN. I would be a little hard-pressed to identify the positive side of that, I am afraid.

There have clearly been cases, and Zambia is the one that is most often cited in the copper mines, where the impact has been negative. That is very well documented and I don't even think Chinese officials would argue with you on that one.

There are other cases where they have been very lax in abiding by local African labor regulations. Either the minimum wage or amount of hours you work per week or whatever the case may be. And they haven't been good at that.

I think China has slowly been learning that it has to pay closer attention to what the African regulations are when they hire Africans and when they therefore impact their labor situation. And they learn it the hard way, by having protests appear or having people complain in the media. But they are slowly learning that they can't do business necessarily like they did it back home and get away with it all the time. So maybe that is slightly positive, I am not sure. But there is not a lot of positive on that one.

Mr. HAYES. I would agree that the general effects have been negative. It is hard, because it is not a transparent system and the governments themselves in Africa often are not transparent with all of the information, it is very hard to get facts. But clearly, there is a growing resentment among the working force in Africa. That clearly swayed the election in Zambia as a backlash on labor practices. There is a growing feeling, how much of it is anecdotal, how much of it is real, but clearly the labor forces, I mean, you are displacing labor forces by bringing in Chinese workers. You are keeping the indigenous workforce from jobs. So that clearly is.

Again, I think the governments themselves in Africa also have to share blame for allowing that to happen as part of the negotiating for those contracts.

Mr. SMITH. Do any of you know or have any sense as to whether or not any of those workers that are being brought in are from the laogai, from the gulag system?

And, finally, before we go to Ms. Bass, on the spying issue, how robust do you think the PLA is in spying on the African nations, starting with the AU?

Mr. PHAM. On bringing in workers from laogai, certainly that was the case during the 1960s and 1970s in some of the construction, the TanZam Railroad and other areas. More recently, I have not encountered any verifiable instances.

But what we do have, we have discussed the abuse of African works, the abuse of Chinese workers, many of whom in some parts of Africa are coming from very poor, backward, if you will, or less developed provinces who this is their mechanism to escape to get somewhere. So they are willing to work at standards that even back in China would be questionable in order to get out. And then afterwards after their contracts have been met, then they start out small and become traders.

Mr. SMITH. Would any of them rise to the level of labor trafficking?

Mr. PHAM. I think it is something that—

Mr. SMITH. Can they leave on their own volition? Is their passport taken away from them once they are in country?

Mr. PHAM. I think it is of their own volition getting there. Once they are there, you see some of the conditions, you really wonder. And, you know, as a scholar, I don't have the ability to conduct the type of interview I think that someone in authority, whether in Africa or internationally, might be able to—it is certainly something I think that should be researched. Exit interviews of people who have left.

Mr. SMITH. Thank you.

Ambassador SHINN. I would just add, Mr. Chairman, that in 2007, my colleague and I who have finished this book on China-Africa relations that is coming out in June, traveled to seven countries in Africa. And we specifically set out to try to put to bed two rumors or two common reports. One was that China was using prison labor in its—a lot of its labor force on its construction projects. And the other was there were sort of undercover PLA personnel who were guarding some of these facilities. My colleague speaks fluent Mandarin, so he was able to interact with a lot of Chinese that we encountered, too, in their own language. We tried as hard as we could to get to the bottom of that.

Inevitably, the response that we got, particularly from our African sources, was that of course there is prison labor being used out there. Then our next question was, what proof of that do you have? Every single time that is where it stopped. They said, well, we don't have any proof. We just know it is true. We couldn't get a shred of proof on it. Frankly, we concluded that there probably was, prior to 2007 in Sudan, some indication not necessarily of prison labor, but of some undercover military personnel who were guarding facilities when China was building oil infrastructure. But beyond that, we couldn't get any solid evidence at all on it. That doesn't mean it didn't happen. It just means we couldn't get it.

Mr. SMITH. The Chinese workers with whom you interviewed, did you get any indication of how many and whether or not they were at liberty to discuss details?

Ambassador SHINN. My colleague—I couldn't speak with them because I don't speak Mandarin, but my colleague did, and he made a special point of chatting them up whenever he ran into them. He certainly never ran into any of them that came from this background. They were just basically unskilled or semi-skilled laborers who were trying to make a few more dollars than they would make if they were working back in China. And they were all going home after the end of their contracts. But these were just very, very ordinary Chinese folks. We obviously didn't see everyone.

Mr. SMITH. Okay. About how many? Just for the record?

Ambassador SHINN. That he talked with?

Mr. SMITH. Yeah.

Ambassador SHINN. Oh, probably a couple dozen scattered around Africa.

Mr. SMITH. Okay. Thank you. Ms. Bass.

Ms. BASS. Thank you. I just have a few questions. I appreciated your questions. And you covered many of the areas that I was interested in. But I want to kind of follow up on a few of the areas that you were talking about. I want to talk about the quality of the work that is done in Africa. And this is general, but maybe you can cite a few examples. You know, as I sit and I listen and read about how the Chinese don't follow any standards or regulations, so then what does that say about the quality of the work that is done? And have there been—I mean, because you know, work has been done for many years, you mentioned the Tan-Zam, but, you know, over the last couple of decades are the various African countries running into problems with some of the work, some of the infrastructure projects? And I am asking my questions generally, I am sorry, not directed to anyone.

Mr. HAYES. I would like to take that on two counts. When we were in China about, you know, last month, some very good private enterprise companies, Mindray, for instance, and one of the companies that made the appliances, they admitted, they said our quality is not the same quality as Western quality yet. We are working to get to that level. And so we market our products at a lower level. We don't market the richer consumer. We market the middle and lower levels.

So, you know, by their own admission, the quality is not as good. Again, anecdotal, because I haven't bought Chinese products in Africa, but again, what we are told time after time is the quality is far less. One of the African ambassadors said, you know, we can repair—the Chinese can build a road and we can repair it eight times for what it would cost a U.S. company—cost us to pay a U.S. company to do it. My answer is, do you really want to repair it eight times?

Ms. BASS. Right.

Mr. HAYES. But nevertheless, yeah, there is a general admission, at least my experience from China as well as throughout Africa, the quality is less. But let's keep in mind in the 1960s that we had the same view of Japanese products.

Ms. BASS. Oh, okay. I didn't know that.

Mr. HAYES. I am an older guy. But, you know, we made fun of Japanese products as cheap, inferior. They were. But it didn't take

too long to move up the ladder. And I think the Chinese, you can expect some of that too. We visited a car factory in China. It is clear that the product is cheaper, it is not the same quality, but it is going to be affordable to some that couldn't afford it otherwise.

Ms. BASS. You know, there is quality and there is quality because, you know, you can buy a Mercedes and you know, you can buy a Hyundai. And we have different levels of quality here too. I wasn't so much—I mean, I would assume, I guess it might not be the same quality as the U.S., but that doesn't mean it is not safe. And in specific regard to the safety of buildings or the safety of roads. That is kind of what I was referring to, you know what I mean. And maybe what you were saying about repairing the roads might be an example.

Mr. HAYES. I think the roads are not as safe, as well-built. Again, unfortunately, you know, I am not a road tester. I can only go anecdotal and what I am told. But even by some leaders of countries that the roads wash out too easily. We have to go back. But again, we are also told that they are beginning to improve the quality in certain countries as well. There was high praise for the Chinese roads built in Ethiopia. There was far less praise for the Chinese roads built in the Republic of Congo.

Ms. BASS. You know, it is like when you hear there is an earthquake in Central or South America and it is—well, I come from Los Angeles, so I am used to earthquakes. You know, there might be a 6.0 earthquake and there is devastation, and there certainly isn't devastation in California from that. So that is kind of what I meant in terms of the building, you know, quality. It doesn't have to be our quality, but it can certainly be safe.

I wanted to also talk to you about the workforce and what you were describing, Ambassador Shinn, that you weren't able to document that folks were prisoners. And then Dr. Pham described them as being people perhaps from the countryside and less skilled, but they weren't necessarily prisoners. So the chairman mentioned did they have to surrender their passport? I mean, are they kind of like indentured servants? I heard the contracts, you know, are they easily able to go home once their contract is finished? Are they paid throughout? Or do they have to work many months and then they get a paycheck? What are some of the conditions that they face?

Mr. PHAM. Obviously, Congresswoman, it varies considerably from the enterprise, whether it is a state-owned enterprise, a private contractor, what scale of enterprise. But a few general traits, the contracts generally pay for—usually they run 2 to 3 years. These workers, overwhelmingly male, will go over for 3 years. That will include their passage over and their passage home. If they were to leave—now, having no evidence of passport confiscations or anything else, however, what I do know is if they were to leave before then they would be liable, they would have to pay their own way home. But then if you look at what they are being paid and what they are trying to save up, it is not coercion, but it is of a different kind. It is the same with the—so they would lose everything they would have earned if one looks at what it costs to travel to and from Africa. They are not necessarily—I don't think—no evidence whatsoever that they are locked in at night. But on the other

hand, many of these people are in countries where they do not speak the language and they really don't speak English.

I once ran across several of them in Swaziland, who amusingly enough, they spoke their dialect, they even didn't speak standard Mandarin, didn't speak any English, and we couldn't really communicate. They spoke a smattering of Swazi phrases. So if you are one of those poor gentlemen, you are not going to be able to get very far. So there is no coercion, but where are you going to go with a smattering of Swazi? And that is not coercion, but you are not quite free.

Ms. BASS. So on another note, thinking of those African students that are in China, and wanting to know how they are treated, I remember years ago back when Yugoslavia existed visiting Yugoslavia and encountering African students there who were essentially segregated. I mean, they were locked down. They weren't able to do anything. They couldn't socialize in the general community. And so what happens to African students when they are in China? You told me they weren't taught very much.

Mr. HAYES. You know, I have pretty high ties, as Dr. Shinn can tell you, in China. And the people that I talk to say, yes, the African students are fairly isolated. There is a strong prejudice. And it is a problem that they haven't resolved. As I said, I feel like I am going through puberty with this voice. The more liberal and open in China will tell you that there are major problems, that there is distrust. It is like in my work in and out of the Soviet Union in the 1980s at Patrice Lumumba University, there was a strong anti-black feeling by the Russians.

In fact, I had one African diplomat tell me he insisted his son go to Patrice Lumumba University so he would come back and hate Communism. There is a very strong bias. I mean, you are looking at a Chinese society that is 95 percent Han.

Ms. BASS. 95 percent—

Mr. HAYES. 95 percent Han cultural. So it is an extraordinarily homogenous society given the size of the country.

Ambassador SHINN. Congresswoman Bass, if I could just address quickly both the quality safety question and the workforce question, these are issues that we spent a lot of time trying to get to the bottom of. On the quality issue, it is interesting. There is an element of you get what you pay for. In other words, if you want a road built by a Chinese company, it is the African Government that will set out the specs for the road. Sometimes the African Government wants a cheap road. The Chinese are perfectly happy to accommodate. You want a cheap road, you get a cheap road.

In one case, it was pointed out in Angola they wanted a cheap road because they wanted it really fast because elections were coming up and they wanted to show the public that they were doing something for them. So we don't care about the quality, but just get the road done so we will get the votes of that part of the country. That may sound familiar sometimes in our own country.

Ms. BASS. I thought it did.

Ambassador SHINN. Now, on the other hand, you can get a good road from the Chinese. If the specs are high enough, and you are willing to pay for it, they will build you a good road. It is probably almost as good as what the Germans and the Americans would do.

On the question of safety, this has been a troublesome area, and one that the Chinese themselves are aware of and they would like to stop. Because they don't want bad publicity on unsafe products, like we have had in the United States, like they have had in China. I mean it has been an embarrassment in China. And when it comes to pharmaceuticals, for example, and it is not just China or Chinese products that have done this, it is Indian and probably Pakistani and Indonesian and others, where you get adulterated pharmaceutical products that don't do what they are supposed to do. They are manufactured by private companies and they cause a lot of problem when they are not doing the right thing.

Finally, on the quality issue, there have been some environmental issues that have been caused by Chinese projects in Africa, normally on the negative side. China, again, has learned, or is learning its lesson on these. They have run into civil society blowbacks of we don't like this project because you are tearing up a national park, or you are polluting water, or something or other. And they have learned that this is not good, smart politics. So they are trying to improve their record on the environmental side. They are not there yet. But at least they understand that this doesn't make for good relations.

On the workforce question and the nature of contracts, et cetera, I would agree with what Peter said. Some of the contracts are as little as 1 year, not 2 years, or 1 year renewable. What happens with most of these workers is that they are hired en masse and brought in a large group to wherever the project is in Africa. They are housed on a compound, so they are living with their Chinese counterparts in part because that is where they get food that they like and are satisfied with, and because they can speak the same language to someone. Because they speak nothing but some dialect of Chinese.

They can't interact with anyone out in the general public. There also have been some issues of on-the-job cultural tension, shall I say, between the Chinese workers and the African workers where you can almost tell through hand motions and whatnot that they really don't like each other that much. But I have never encountered anything like withholding passports or that sort of thing. On the other hand—

Mr. SMITH. Would you yield on that point?

Mr. SHINN. I am sorry?

Mr. SMITH. When you say you haven't encountered it, if you don't mind yielding—

Ambassador SHINN. Sure.

Mr. SMITH. What kind of hard questions, what kind of human rights reporting has been done to ensure that? I have asked that question of our TIP office, I have asked it of various desk officers. Who is actually investigating to ensure that when you talk about labor trafficking? I mean who has that access? Where is the reporting? I mean, anecdotally, I am very slow, as we all ought to be, to make a decision, and I wrote the Trafficking Victims Protection Act. I took 2 years to get that passed against a great deal of opposition. Finally, it passed, and then it was overwhelming once we got to a critical mass in the House and the Senate.

I mention all of that because without good reporting on the ground and methodical, you know, I am afraid—I mean, I asked our people in the Democratic Republic of the Congo, have you had any access to those individuals who are working on that huge building being constructed by a Chinese company? They said no.

Ambassador SHINN. Mr. Chairman, you have looked into this more than I have. I don't have the answer to the question. And it may be that no one has looked at it. My only comment is that I am just personally not aware of cases where they have withheld passports. But I was going to add that there have been cases where there have been difficulties with significant numbers of Chinese laborers on the ground, either a result of a local protest over some local problem that has arisen. One recent occasion was at a cement plant in Ethiopia. There was another occasion a couple of years ago in Equatorial Guinea when the Chinese actually protested against the Government of Equatorial Guinea. The way the Chinese Government dealt with both of those was simply immediately to send all of those people home. They were on the next plane out of there, and that was the end of their involvement.

So that would indicate certainly a considerable amount of control over the workforce. But I just haven't run into any case of on the passport issue. I don't know.

Ms. BASS. So switching subjects here, I wanted to especially speak with Mr. Hayes about this. I have a major interest in our private sector getting involved with the private sector in Africa. And I wanted you to speak more to that, and perhaps be specific where there are certain countries. And I didn't mean that to the exclusion of the other two panelists, but you had made reference to that in your comments. And you know, which countries do you think? Which industries? Which areas of the economy? Looking for some guidance.

Mr. HAYES. Thank you. I would like to take that. Basically, the private sector is poorly developed throughout Africa. Historically, you know, most of them operate under a socialist system which the private sector was pretty well repressed. However, there is a growing private sector in Nigeria, Kenya, South Africa, Ghana for sure, interestingly Ethiopia. I think those are your—and in Zambia. There are several countries, as a matter of fact. And there also are companies now that did not exist 20 years ago that could buy out U.S. companies.

Ms. BASS. Really? Give me an example of that.

Mr. HAYES. Dangote in Nigeria. There are billion-dollar companies who have made their earnings legitimately.

Ms. BASS. What do they do?

Mr. HAYES. Concrete, all kinds of other things. And South African companies as well. There are major CEOs emerging, and they have a strong private sector. But there is also middle class starting to grow. These are the partners that we need to be linking with and linking our private sectors. It is going to be very hard in the long term to do business in Africa without having private sector partners.

Ms. BASS. African private sector partners?

Mr. HAYES. African private sector partners. Countries are demanding that more and more, partly as social responsibility and all

that, but also, you know, they are saying, look, if you recall going to help us develop and you are going to come in here and do contracts, then help our private sector develop as well.

Now, in some countries they are naming the partners, which doesn't work very well. But in other countries we have the freedom to find the right partners. And those countries I mentioned are I think the right countries. We ought to be linking with those, helping the middle class develop. And really our development work ought to be largely, I think, building a viable private sector. The stronger the private sector, the stronger the middle class, and the stronger push for democracy and related issues. Without a strong middle class, you have a very rich element and a lot of poor. And it is going to be very hard for any type of stability. So we ought to—in fact, our strategy at the Corporate Council, and we just finished our board meeting today—

Ms. BASS. I was going to ask you about that.

Mr. HAYES [continuing]. Is one, let's find those companies and bring them onto the board of the Corporate Council on Africa. Let's start making those links. Now, we do have staff people in those countries. They are diasporan who came over here, worked with CCA, wanted to go back, so in Ethiopia, Ghana, Nigeria, South Africa, and Kenya, we have staff on the ground that can help us locate who are the legitimate private sector starting to develop. It is not done by the Embassies, it is done by indigenous people who have worked with us and know that. I think it is a step. You know, we are a small organization, but, you know, we are also fairly influential within the scope of things.

Ms. BASS. Small organization with 200 companies?

Mr. HAYES. Well, we have got 25 staff. We have 25 staff. And let me put a plug in, 13 nationalities represented on that staff. I think we are one of the most integrated small organizations in town. I am very proud of that. In fact, two of my interns from two countries are behind me. But in any case, I think that is where we ought to put our efforts. We can't compete with the state-owned enterprises. It is a stacked competition. They are working with the people at the top. If we are serious about the changes in Africa that need to happen we need to work with the people that are building the middle.

Ms. BASS. So you did the infant formula campaign, huh?

Mr. HAYES. Yeah, I was of the four principal founders. And that can be documented. We started in 1976. Dick Fernandez, who was the chaplain at Yale University at the time was also one of the founders, Leo Marguiles. And anyway, we got the—when the victory celebration was in 1983, the person we hired, Doug Johnson out of Minnesota got front page in The New York Times signing the peace agreement with Nestle. And then at the celebration, I was given a little plaque, which I still have and I am very proud of, that said you started the whole thing. I didn't realize that I had raised all the budget for—that was sort of a gift; it wasn't much money—but raised the budget for the first 2 years entirely. And I never knew that until that day.

Ms. BASS. I remember that campaign very well.

Mr. HAYES. It is the only successful worldwide citizens campaign still.

Ms. BASS. I remember it well.

Mr. PHAM. Ms. Bass, if I could just add just two points to what Mr. Hayes has just said. I am in complete agreement that there are two parts that the U.S. could help with Africa. We talked a lot about infrastructure development. Infrastructure development isn't just roads. We don't have many American construction companies pushing it out there. But infrastructure telecoms, which this week we are concluding—actually, it concluded already today—in Addis Ababa was a telecoms conference about the future of Ethiopian telecommunications. I haven't seen the up-to-date registration list, but I saw the one that was updated as of Monday morning, there wasn't a U.S. company attending. So at the big level. But also we need to get U.S. companies out there at the low level. The African middle class is defined by the African Development Bank is \$4 to \$20 a day.

Ms. BASS. The middle class?

Mr. PHAM. That is the middle class. That is the growing middle class. At \$4 to \$20, many American companies simply—and this is why they turn to Chinese goods of varying quality—don't have products that they can easily access at \$4 to \$20 a day.

Mr. HAYES. On that, I was going to say I am glad he said, I would have been shocked if we had telecom companies there. The U.S. telecom industry has given up on Africa. Motorola withdrew. We do not—

Ms. BASS. Why?

Mr. HAYES. They were undercut on pricing. The Chinese goods, ZTE, it is not only ZTE, the South African companies, MTN and others. We have withdrawn from that area. There are areas of the power sector that we can compete. There isn't a country, including South Africa, in Africa that is meeting its current power needs.

Ms. BASS. What about solar? I mean if you think of the continent—

Mr. HAYES. We have that, but interestingly, China is also starting to sell solar. But we do have, Brazzaville, the streets of Brazzaville are lit by solar lighting from a Florida company. So there are areas to compete. But the problem on that, and Dr. Shinn, David referred to that earlier, is that financing is very hard to get in the United States. Financing is a lot easier for not just China, almost anybody else. Our banks will not step up to finance on Africa.

We have had a contentious relationship with Ex-Im. I am far more sympathetic to EX-IM than I was. As a result of that back and forth, we have had some very good dialogues. Ex-Im can't guarantee loans if no American bank is going to step up. And they are not stepping up. And that is really putting us to a significant disadvantage. To echo I think what Peter said, we need a national policy, we need national leadership that says Africa is in our highest interests. And I believe it is. I think it is—right now I think it is the most important continent to our future. And yet we are not engaged to the extent that we need to be engaged in Africa. The private sector needs to be far more engaged. Yes, that is a lot of 200 companies, but it should be far more.

Ms. BASS. Thank you. Did you have any comment, Ambassador?

Ambassador SHINN. The only item that I would add on the banking question, and I alluded to it in my opening remarks, and it is in more detail in my written testimony, but just to underscore the point, American banking is doing less today in Africa than it was doing 30, 40 years ago. It has basically abdicated. And who has been stepping in in the last 6, 7 years? China. China is all over the banking sector now. It had almost nothing there 6 years ago. It bought 20 percent of Standard Bank of South Africa for \$5.5 billion. It has bought various smaller percentages of European banks like Barclays that have wide exposure in Africa. It is setting up its own banking offices in a select number of African countries, particularly in southern Africa, where you have more wealth. China has figured this out. We haven't gotten our heads around it.

Ms. BASS. It is kind of amazing to me, too, because for all the complaining we do about China, for us just to hand over the continent to them is really kind of, you know, the responsibility is on us. And you were talking a few minutes ago about the environment. You know, we have a lot to be proud of, but some of our environmental track record in Africa is not too glorious. But anyway, I appreciate your comments. I really would like to continue to follow up with the three of you on these different issues, and especially around U.S. investment. And maybe how we in our country here in DC on a bipartisan level, I mean, in thinking about the private sector involvement, I mean I know that is a concern of my colleague on the other side of the aisle and how do we get more of our companies to have a direct business relationship in Africa. So thank you very much for your time and your testimony.

Mr. SMITH. And I think our bill is a start. I hope that all of you will take a look at it and hopefully endorse it. Thank you. I hope you will come back. I know we kept you late. But thank you for your outstanding recommendations and very incisive commentary. It really does help this committee do a better job, and hopefully, by extension, the Congress. The hearing is adjourned.

[Whereupon, at 5:28 p.m., the subcommittee was adjourned.]

A P P E N D I X



MATERIAL SUBMITTED FOR THE HEARING RECORD

**SUBCOMMITTEE HEARING NOTICE
COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, D.C. 20515-0128**

**SUBCOMMITTEE ON AFRICA, GLOBAL HEALTH, AND HUMAN RIGHTS
Christopher H. Smith (R-NJ), Chairman**

March 22, 2012

You are respectfully requested to attend an OPEN hearing of the Subcommittee on Africa, Global Health, and Human Rights, to be held in **Room 2172 of the Rayburn House Office Building (and available live, via the WEBCAST link on the Committee website at <http://www.hcfa.house.gov>)**:

DATE: Thursday, March 29, 2012

TIME: 2:00 p.m.

SUBJECT: Assessing China's Role and Influence in Africa

WITNESSES:

Panel I

Mr. Donald Y. Yamamoto
Principal Deputy Assistant Secretary
Bureau of African Affairs
U.S. Department of State

Panel II

Ms. Carolyn Bartholomew
Commissioner
United States-China Economic and Security Review Commission

Panel III

Mr. Stephen Hayes
President and Chief Executive Officer
The Corporate Council on Africa

J. Peter Pham, Ph.D.
Director
Michael S. Ansari Africa Center
Atlantic Council

The Honorable David H. Shinn
Adjunct Professor
Elliott School of International Affairs
George Washington University

By Direction of the Chairman

The Committee on Foreign Affairs seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202/225-5021 at least four business days in advance of the event, whenever practicable. Questions with regard to special accommodations in general (including availability of Committee materials in alternative formats and assistive listening devices) may be directed to the Committee.

COMMITTEE ON FOREIGN AFFAIRS

MINUTES OF SUBCOMMITTEE ON Africa, Global Health, and Human Rights HEARING

Day Thursday Date March 29, 2012 Room 2172 Rayburn

Starting Time 2:00 p.m. Ending Time 5:26 p.m.

Recesses 2 (2:24 to 2:40) (3:15 to 3:30) (____ to ____) (____ to ____) (____ to ____) (____ to ____)

Presiding Member(s)

Rep. Chris Smith

Check all of the following that apply:

Open Session

Executive (closed) Session

Televised

Electronically Recorded (taped)

Stenographic Record

TITLE OF HEARING:

Assessing the Role and Impact of China in Africa

SUBCOMMITTEE MEMBERS PRESENT:

Rep. Chris Smith, Rep. Jeff Fortenberry, Rep. Karen Bass

NON-SUBCOMMITTEE MEMBERS PRESENT: (Mark with an * if they are not members of full committee.)

*Rep. Shelia Jackson Lee**

HEARING WITNESSES: Same as meeting notice attached? Yes No

(If "no", please list below and include title, agency, department, or organization.)

STATEMENTS FOR THE RECORD: (List any statements submitted for the record.)

*Response to question for the record from Amb. Yamamoto
Prepared statement from Rep. Carnahan*

TIME SCHEDULED TO RECONVENE _____

or

TIME ADJOURNED 3:55 p.m.

Shelia Jackson Lee
Subcommittee Staff Director

**OPENING STATEMENT OF
THE HONORABLE RUSS CARNAHAN (MO-03)
SUBCOMMITTEE ON AFRICA, GLOBAL HEALTH, AND HUMAN RIGHTS
U.S. HOUSE OF REPRESENTATIVES**

**Hearing on
“Assessing China’s Role and Impact in Africa”
Thursday, March 29, 2012 2:00 PM
2172 Rayburn House Office Building**

Chairman Smith and Ranking Member Bass, thank you for holding this hearing on China’s role and influence in Africa. This topic not only raises concerns about the impact of China’s activities on the continent, but moreover, it also highlights the importance of our engagement on the continent.

Undoubtedly, China’s foreign investment poses questions about its affects on critical aspects of Africa’s development, such as democratization, governance, security sector reform, and adherence to standards of human rights. While I certainly find the PRC’s manner of conducting business in Africa problematic, particularly its violation of worker rights and insufficient use of African labor, I believe we must carefully examine the extent to which China’s approach counter U.S. interests, as well as the areas where our interests coincide.

I hope to hear more today about ways the U.S. should consider enhancing certain initiatives that provide Africans with the ability to foster better outcomes in their dealings with foreign actors; these avenues could include educational and cultural exchanges, technical assistance and capacity building, and renewed multilateral cooperation.

Specifically, I’d be interested in hearing what steps the U.S. can take to work with the Chinese to move towards engaging in sustainable development that more empowers local communities. We must also recognize the importance of U.S. investment overseas, and reauthorization of the Export - Import Bank is crucial in this regard.

This hearing acutely underscores what would happen if the U.S. disengages in Africa -- and for that matter, in other regions or multilateral fora like the UN -- China and other global competitors are already laying the groundwork to quickly fill the void. As we continue to examine the role of China’s expanding investment in Africa, the U.S. must remain committed to advancing our interests on the continent.

In closing, I’d like to thank the witnesses for their testimony and presence here today. I look forward to your insight and expertise on this important topic.

