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IKV PAX CHRISTI

Expert Meeting Report

Chinese State-owned enterprises and Stability in Africa

Organised by IKV Pax Christi and Clingendael

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Introduction

China is experiencing an impressive economic rise, with an average growth of 10% since 1990, turning it into the world's fourth largest economy in the world. To meet the needs created by this growth, China's government has adopted a 'go-out' policy and Africa has become an important supplier of natural resources. China also has an interest in access to African markets and in good diplomatic ties with African countries. China's strategy is based on low costs, soft loans, respect for national sovereignty, and attractive package deals. Badly-needed infrastructure projects that African governments are incapable of realizing themselves are traded against access to primary resources.

The larger Chinese companies in Africa are state-owned enterprises (SOEs). With active support from their government, Chinese state-owned enterprises have shown to be very active on the world's poorest continent. This meeting will focus on the role of Chinese SOEs rather than on the overall role of Chinese government policy towards Africa. Although the SOEs are by definition connected to the Chinese state, they are also actors in their own right. Whereas in the past much attention has been paid to the impact of Western business in Africa, it is now time to look at the role of the major Chinese multinationals.

In the West, many argue that China's economic, financial, and military cooperation with African governments is undermining long-standing international efforts to achieve good and representative governance, sustainable economic development and political stability. Chinese firms are being criticized for operating African ventures in complicity with highly abusive African regimes, in disregard for human rights, environmental protection, social impact, and decent and accountable financial practices. In terms of African security, there are fears that because of the strong focus on establishing good ties with African governments and the disregard for local stakeholder interests, the operations of Chinese state-owned enterprises could have a negative effect on political stability and aggravate conflict situations.

In China, the response to criticism regarding its influence in Africa often is that the West has not been able to significantly improve the life of Africans in spite of half a century of development cooperation, whereas China is in this early stage already making significant contributions to Africa's economic development and political self-determination.

The behaviour of Chinese SOEs in Africa is closely related to two factors. First, the SOEs are embedded in China's overall Africa policy, and China's views on what a good Africa policy should look like is different from the Western view. Although at the local level control of the Chinese government over the behaviour of the SOEs is very limited, their overall strategy is subjected to the Chinese Communist Party and China's national interests. Second, the SOEs are controlled by the Chinese Communist Party, not by financial markets. A different corporate governance structure from Western multinationals implies a different way of responding to external developments and pressures.

In May 2008, the Clingendael Institute and IKV Pax Christi organized an expert meeting in The Hague, the Netherlands. The aim of this meeting was to gain a better understanding of the impact of Chinese state-owned enterprises on stability in Africa and to explore how different stakeholders can engage with China regarding its policy in Africa.

The discussions were centered around the following questions:

- In what way is the involvement of Chinese SOEs in conflicts and stability in Africa different from Western business?
- What are the main drivers that affect the attitude of Chinese SOEs towards conflict and stability in Africa?
- What can the Chinese government do to stimulate a positive role of Chinese SOEs in conflicts and stability in Africa?

- What can global governmental organisations and African stakeholders do in this regard?
- Should Western governments and Western-based NGOs play a role, and if so, what can they do?

This report provides a summary of presentations.

Acknowledgements

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Tak-Wing Ngo: Lecturer on Chinese politics, Leiden University
Chinese state-owned enterprises in China’s Africa policy

China’s domestic policies

There are two different perspectives to look at state-owned enterprises in Africa.

1. China’s African policy is based on establishing certain political goals such as building coalition partners and obtaining strategic resources.
2. State-owned enterprises must be seen within China’s broader approach of foreign investment. The last twenty years China’s strategy is trying to attract investors and promote their own investment abroad; their so-called ‘going out strategy’.

Africa is one of the major places where the Chinese government wants to invest. Investment in Africa is part of a comprehensive package mixing the Chinese-African policy with the ‘going out strategy’. Stated-owned enterprises are the main agent of the Chinese government to realize their policy. Besides the stated-owned enterprises, there are an increasing number of private enterprises that invest in Africa, which are very well organized. These private enterprises are subjected to a set of regulations, similar to state-owned enterprises. But state-owned enterprises are more significant because they are linked to China’s overall foreign policy.

The behaviour of state-owned enterprises are mediated through three different factors, which sometimes can be contradictory. First of all, there are state directives, which tell where to invest, which particular industries to invest in and what to invest. Some of the regulations are not entirely formulated according to economic principles. The second factor is that state-owned enterprises are governed by the economic imperatives to invest in places and industries that are economically viable and profitable. Those goals are not necessarily compatible. The third factor implies that state-owned enterprises are increasingly subjected to competition, not only from other investors but also from Chinese private enterprises.

State directives

Chinese investment in Africa used to be mostly aid and only through state-owned enterprises. There were no private enterprises and most investments were political acts, like supporting revolutions to form coalitions. Especially in the last 20 years this has taken a different turn, besides the political component, Chinese policy is increasingly calculated in terms of economic considerations. Chinese policy is regenerated towards securing natural energy resources and the capacity to earn profit has become increasingly important. Economic considerations are entangled with political considerations. This reflects in the approach of regulating. Instead of giving directions directly from the state to particular enterprises, there are mechanisms of regulations that try to influence the investments decisions of state-owned enterprises without making them compulsory.
All investments are coordinated and regulated by the Ministry of Commerce; they have a list of preferable countries and industries. If an enterprise decides to invest in a particular sector that is listed in that catalogue, it is easier for them to apply for funding and there are special treatments.

The second instrument to influence state-owned enterprises is through a comprehensive package of financial instruments. These consist of development funds, investment funds, concessional loans and export credit insurance. There are more instruments for financing foreign investment in areas that are government approved. There is no compulsion, but there is an enormous advantage when able to use the funds. The Chinese government offers concessional loans, with none or very low interest rates, to African governments for infrastructural development, construction and other strategic sector projects. This way China is involved in these projects. It has evolved into a pattern that when loans cannot be repaid, the Chinese government has experimented a scheme of converting the debt into capital. The debt will be converted into capital of the particular enterprise of a particular project and then gradually those projects fall into the hands of Chinese state-owned enterprises. The state-owned enterprise repays the Chinese government on behalf of the African government for the debt. So it is a debt conversion to capital. In doing so, the Chinese government minimizes their loss while gaining ground in the most important areas of strategic importance.

State owned enterprises have multiple objectives to confirm state specified goals; they have to be profitable and be able to conform to the local standards, environmental standards and labour standards. This has become increasingly difficult because they have to overcome the third factor; the competition from private enterprises. Private enterprises often work outside state regulations; they do not necessarily receive state investment or state subsidies, and their operations are often smaller in scale. Many do not possess concrete long-term plans and they do not have technological know-how in the sector. But still they go to Africa to venture in a particular market, and they often do not stick to standards that are required for environmental protection and labour protections. Because private enterprises are flexible and can manoeuvre, they form a very important source of competition for the state owned enterprises, which are forced to compete with them.

There is a lot of debate in China about the necessity to create a more comprehensive regulatory framework that regulates the activities of private enterprises. But whether it can be done, or whether that will be successful remains questionable.

Dalila Nadi: Researcher on Chinese state-owned enterprises and labour markets in the infrastructure, construction and energy sectors in Algeria, Zentrum Moderner Orient, Berlin
Chinese State –Owned- Enterprises Engagement in Algeria

This presentation is based on field research conducted in 2006, 2007 and 2008 in Algeria.

Historically: Chinas Engagement in Algeria
The privileged relations between China and Algeria are based on a common political and ideological proximity of many years. The first contacts were established in 1958 still before the independence of Algeria. China was the first non-Arab country to recognise independent Algeria. The nineties were the decade of Algeria's lapse into terrorism. The ten-year warlike condition in Algeria has entirely shaken up the country. Only oil and gas production remained economically untouched.
Algeria, a country with meanwhile a per capita income of $3.387 (2006), is an important oil producer and after Russia, Europe's second largest gas supplier.
Algeria is inundated by a wave of Petrodollars since the beginning of the so-called fourth oil crisis of 2003. With these oil yields the country should rebuild, therefore Chinese enterprises play an important role.

Not only in economic terms is China an attractive alternative trade partner compared to the western states, also politically this partnership grants more opportunities for Algeria. For security-technical reasons, a lot speaks for the Chinese: the security of the Chinese workers, in times of the international terrorism in Algeria, is still to be guaranteed by the Algerian security services rather than it is the case for western (European or American) companies.

The approach of Chinese companies in Algeria
China was established as important economic partner and promised Algeria the goal of a 'win win' situation. Chinese enterprises often invest in Algeria, where western companies gave up. They build roads, bridges, dams, airports, new housing.
Particularly Chinese state-owned-enterprises play a basic role in Algeria, thanks to the high credit cover grant of the Chinese banks; state-owned-enterprises are included in a more intensively national planning and therefore can access high credit sums to react at the same time on different Algerian large-scale projects.

In the beginning the Chinese state-owned enterprises in Algeria registered high losses; however their initial goal was to gain new ground in different economic sectors. These Chinese state-owned enterprises worked in Algeria independently of each other but in strong cooperation with the economic department of the Chinese embassy. The economic delegation of the embassy acts as a mediator when problems occur in Algeria mainly with Algerian clients or with certain regional conditions.
Chinese companies invest in nearly al economic sectors of Algeria. Particularly:

- Construction, which is divided into infrastructure and house building
- Telecommunications
- Energy sector
- Agriculture

China in the Algerian construction sector
Today the construction sector of Algeria is dominated by Chinese enterprises and the market is split between 18 state-owned-enterprises. At the same time the Chinese construction companies are criticised by the Algerian client in their work and approach. Two most important points of criticism, which arise over and over again, are the disregards for the stated delivery time and the non-employment of local labour. The enterprises mostly fly-in their whole staff from China and ignore the high rate of unemployment in Algeria.
For the Chinese, the main causes of the delays in the construction are the Algerian bureaucratic expenditure for the realisation of the construction projects and the lack of raw materials. After these statements Chinese companies presented immediately their interest

to invest in the raw material construction sector. This led to new economic contracts. Because of the perceived lack of qualified workers in Algeria, recruitment comes in from China exclusively.

Chinese migrants in Algeria

Many of the Chinese migrant labourers take their chances in the Algerian economic boom and decide to stay in Algeria after their state contract of employment has expired. Until recently only one form of migration existed in Algeria: Sub-Saharan migrants who try to leave the African continent. But since the European borders are more impervious, they are forced to stay in Algeria. By now Algeria faces a kind of countermovement: Chinese migrants, migrants of a rising economic world power, who believe they discovered the development potentials of this country, represent a countermovement to the sub-Saharan migration.

Conclusion

In the context 'China in Africa' the Chinese-Africa policy is often compared with the engagement of the Chinese state-owned-enterprises in Africa. A strong connection cannot be denied. However, Chinese companies are confronted with exactly the same problems as all foreign investors in Africa. On the basis of my observations in Algeria I could work out two specific characteristic features, which will in the long-term outweigh the usual advantage arguments: namely low costs, cheap wages and no intervention in internal affairs.

There are two specific characteristics; the first concerns the quickness with which the Chinese enterprises take an investment decision in Algeria. I observed during my interviews with many people from state-owned enterprises that they are mostly searching for solutions of problems they face in Algeria, in the spirit of: 'What can China do to help?' The second specific characteristic is the phenomenon of those Chinese migrants, whose development is clearly connected with the state- owned enterprises. These features raise the question: Do Chinese state-owned enterprises support or restrain stability in Algeria? This depends very strongly on how the cooperation of both countries will develop in the future. Will Algeria be a more active partner in solving problems in their own country? The second important question is: How will the Algerian government and the local population handle the increase of the Chinese migrants in the long term?

The discussion about 'China in Algeria' means also to light up the different facets of this phenomenon, only then the originality of this phenomenon is understood.
In my judgement the Chinese oil companies will not change Algeria or Africa, but rather the many Chinese work immigrants to Africa. The future handling of these specific characteristics will bring us the answer on the stability in Algeria and perhaps in Africa.

2. The involvement of Chinese state-owned enterprises in conflicts and stability in Africa

Daniel Large: Researcher on China-Sudan relations, School of Oriental and African Studies, London
State owned enterprises and conflict in Africa

My overarching theme today is locating the role and impact of Chinese SOEs activity with regard to armed conflict Africa in terms of how this compounds a pre-existing political economy of often predatory resource extraction. The media-fuelled prominent association of China and armed conflict is produced in large part by the way in which Chinese engagement in Africa is often framed. A focal point here is to set the context of the relationship between Chinese SOEs and conflict in Africa. Western media coverage tends to overstate the role of Chinese state-owned enterprises in processes of conflict and politics in Africa, and I want to suggest a more complex relation that appropriately situates Chinese SOEs involvement in context.

Three context factors are worth bearing in mind. We should firstly think in terms of differentiated contexts: Africa's complex geography of conflict, often linked to resource-extraction dynamics, provides part of the context wherein China's multi-tiered role in Africa is playing out. Second, there are differentiated actors in China and Africa, including different types of SOEs. The relation between central Chinese government strategy and local contexts of SOEs operations is increasingly complex, although an important degree of strategic, state-directed investment operates and should not be underplayed. How Chinese SOEs relate to other actors is also significant. Finally, Chinese engagement is dynamic. Broadly speaking, the initial focus on resource-supply diplomacy invariably linked to infrastructure construction has expanded into other areas: financial services, special economic zones, agriculture and new initiatives from Beijing to encourage the investment of Chinese SOEs like the China-Africa Development Fund. An evolutionary process in nature of engagement practices by Beijing and SOEs is evident, for example in terms of 'social' investment clause as seen in the DRC or in the more politicised context of Zambia.

There is a popular assumption, often contained in media coverage, that Chinese commercial engagement in Africa is somehow unique. China does have a distinctive approach in regard to its relations with Africa, which is embedded in its Africa policy, the language of its diplomatic conduct and aspects of its operations. However, the notion that it is exceptional is questionable. For example the view that Chinese SOEs are uniquely 'risk averse', or somehow immune to the conventional forces of economic and political gravity in Africa, is unconvincing. Western and African investors have been equally willing to take risks in certain theatres like the DRC or Zimbabwe, while in others – Sudan being salient – state-backed Chinese SOEs have shown the willingness to do the types of deals considered as economically and politically problematic by Western investors and have received state-support to do so.

The armed conflict-related Chinese investment activities in Africa fall broadly into similar, historically-produced patterns as previous investors. Chinese companies are linked to conflicts in different circumstances. The most prominent area where we see a close relationship between conflict and investment in Africa is the oil sector. In Nigeria, for example, Chinese state-owned-enterprises entered a conflict theatre and have been subject to the same constraints and pressures as other oil companies. Since the April 2006 explosion and warning by MEND to leave the Niger Delta, Chinese oil companies got caught up in the crossfire of deeply embedded historically produced conflicts, in this case involving trans-national dynamics of coercive oil production and local resistance. In this context it was inevitable that Chinese oil companies would encounter problems with local militias, whose attacks were used as a warning to Chinese companies not to support the government.

Rather than witnessing the creation of an illiberal *Chinese* political economy of resource extraction fuelling armed conflict in parts of the continent, we are seeing Chinese SOEs playing a role in strengthening what in places is a pre-existing violent political economy. In other words, in cases such as Nigeria, Chinese oil companies are exacerbating a pre-existing situation and as such are subject to the same constraints as other oil companies. We also see a learning process for Chinese companies about how to operate in conflict zones like Niger Delta, where it is possible to sustain profitable operations amidst conflict in classic 'paradox of plenty' or 'resource curse' scenarios..

As part of this dynamic evolution we increasingly see self-interested reasons for supporting political stability. The process by which Chinese investment is becoming more established is producing unintended consequences, necessitating behavioural change by SOEs and challenging the confidence of the Chinese government as a result. This can be seen in four areas. First, the targeting of Chinese operations – seen, for example, in the kidnapping of a director of the China Nuclear International Uranium Corporation by Tuareg-led Niger Movement for Justice, the attack on Chinese oil workers with the China Petroleum and Chemical Corporation in the Ogaden in April 2007 as well as attacks by Darfurian rebels on Chinese oil installations in Sudan. Second, a backlash against aspects of Chinese investment in Africa is emerging in terms of industrial dispute and social conflict where China's environmental footprint and employment practices are salient issues. Third, there are unintended consequences caused by the threat posed by conflict to Chinese interests. As a result, the Chinese government and state-owned enterprises need to engage in investment protection activities. One unintended consequence can be seen the blowback effect of arms supplies and military cooperation with Sudan and since mid-2006 Chad, where Chinese interests are caught up in a regional conflict theatre. Finally, Chinese companies support political regimes in Africa engaged in conflict, as Sudan illustrates well.

To conclude, when considering the connections between Chinese SOEs and questions of conflict and stability in the African continent, governance is emerging as the most important requirement and is likely to be increasingly central to China's engagement. Given that in many ways Chinese SOEs are following in the footsteps of many Western companies in African conflict theatres, and the importance of forms of central and local governance that enable investment and resource extraction activities to function, we can reasonably expect similar responses to similar predicaments. The compatibility of non-interference with the defence of national interests and the extent to and ways in which Chinese policy may need to adjust remains an open question. However, investment protection often requires a more applied, involved political engagement, which can be hard to square with a hands-off, non-interference commitment. Whether Beijing and the more important SOEs will engage in more applied ways on the question of governance and politics appears unlikely in the near terms, clashing as this does with its aversion to involvement in domestic politics, but the politics of investment can't be avoided indefinitely.

Albaqir Mukhtar, Director, Al-Khatim Adlan Centre for Enlightenment and Human Development (KACE), Sudan
China's Role in Sudan: Business Marred in Blood

Oil
The China National Petroleum Company (CNPC) owns the Heglig and Unity oil fields, which produce 350,000 barrels of oil per day, according to the U.S. Energy Department. Separately, CNPC owns more fields in southern Darfur, and in Melut Basin, which produce as much as 300,000 barrels per day. The Sudan project is described by the Chinese news agency as the company's biggest overseas project to date. The three projects, i.e. the huge oil fields, the pipeline, and the refinery are described by the Chinese News Agency as "a major technological breakthrough in China's overseas oil work, including in the sectors of oil engineering technology, geological prospecting and oil drilling." In addition to the oil venture, the Chinese companies construct roads and build dams. Recently China also started exploring prospects of investing in the agricultural sector.

Arms
Sudan relied on Chinese assistance to set up three weapons factories near Khartoum. Weapons deliveries to Sudan have included ammunition, tanks, helicopters, and fighter aircraft. Government oil revenues were directed primarily to arms sales; estimated between 45 to 60 percent of total revenue. By 2001, military expenditures increased with 400 percent compared to pre-oil expenditure. This reflected in the increasing use of aerial bombardment in the southern war zone before the Comprehensive Peace Agreement, and now in Darfur.

Politics
China, the permanent U.N. Security Council member, provides political cover to the government of Sudan. It refrained from offending the government of Sudan in any way possible, despite the serious accusations against Sudan that included war crimes against humanity. Despite widespread condemnation within the United Nations of the ongoing atrocities in Darfur and acknowledgment of the government's involvement in them, Sudan has avoided penalty. The threat of a Chinese veto has shielded Sudan from possible sanctions. Numerous resolutions oblige Khartoum to disarm its proxy Arab militias, accused of widespread rape, killing and looting, but the government failed to do this. The main obstacle to stronger action by the Security Council has been China who used the threat of its veto to soften resolutions critical of the Sudanese government. Sudanese officials know that the diplomatic support given to them by China, especially on preventing sanctions, is based on business, i.e. their own business interests, and that sanctions against Sudan may impact on their own oil investments.

Impact
Oil development in southern Sudan should have been a cause of rejoicing for the Sudanese people. Instead, it has brought them disaster. The Sudanese government's efforts to control oilfields in the south have resulted in the displacement of hundreds of thousands of civilians, according to Jemera Rone, Sudan researcher for Human Rights Watch.

- Scorched-earth campaign: The clearance of mostly ethnic Nuer and Dinka tribes around the oil installations. The goal is to deprive the rebels of a support base in their aim to attack the industry and undermine the government's oil revenue. The Sudanese government used the oil money in conducting scorched-earth campaigns to drive hundreds of thousands farmers and pastoralists from their homes.

- Displacement: Human Rights Groups accuse foreign oil companies operating in Sudan of being complicit in the displacement, and the death and destruction that have accompanied with it. The government tried to control this "security threat" by using military invasions, killing, looting, burning, and destroying the local economy and killing and injuring civilians. At the same time it cut the area off from humanitarian assistance by imposing relief flight bans and denials of access, while only allowing food into garrison towns, where it could serve as a magnet to draw starving people to crowded areas under government control: a textbook case of a counterinsurgency operation.

In addition to its regular army, the government has deployed militant Islamist militias to prosecute the war, and has armed southern factions in a policy of ethnic manipulation and destabilization. Reports from human rights organizations provide evidence of the complicity of oil companies in human rights abuses. Oil company executives turned a blind eye to well-reported government attacks on civilian targets, including aerial bombing of hospitals, churches, relief operations and schools. China also admitted that the Sudanese army had to protect the Chinese workers from rebel attacks.

Solutions
Human rights campaigns invoked corporate responsibility among the western foreign oil companies operating in Sudan. It discouraged new western investors in Sudan's oil business, and resulted in the withdrawal of two western oil companies. The state-owned oil companies of China, Malaysia and India replaced these Western-based corporations and the same tactic will not work with them. Human rights campaigns should be directed to western companies not to do business with CNPC unless a minimum level of human rights respect is achieved in Sudan. Campaign should also be directed at western countries urging them to put serious pressure on China to do more in influencing the Government of Sudan.

Change
While China’s investment in Sudan was significant; they had other bigger and wider interests with western countries, including the USA. If serious pressure is put on China by these countries, the Chinese will not offer full support to Sudan. China will offer Sudan the amount of support that they can get away with, the support that does not cost them much. In May 2008 in Oslo, China has reaffirmed its commitment to exert efforts to end the Darfur crisis and to provide the necessary humanitarian assistance as well as its participation in the hybrid peacekeeping mission there. The Chinese ambassador to Norway Gao Jian read a message during the donor conference in Oslo on behalf of the Chinese foreign minister Yang Jiechi. He said that China has done its utmost to seek an appropriate solution to the Darfur issue, which includes actively participating in the peacekeeping operation in the region. China committed to send a 315-man engineering unit to Darfur. He further said that China has offered 80 million RMB of humanitarian assistance to the region and an additional 1.8 million U.S. dollars to the AU peacekeeping mission. He added that Beijing recently donated 500,000 U.S. dollars to finance the joint mediation of the AU and the UN special envoys. China is very much concerned about the lack of progress in the political process and "we call for the international community to exert positive influence urging the opposition parties in the Darfur region to return to the negotiation table at an earlier date", Gao said.

3. Who should engage and how: governments, business, civil society

Egbert Wesselink, Senior Policy Advisor on Economic Dimensions of Conflict, IKV Pax Christi
Corporate security and social support

Security
In general, companies primarily depend on governments for their security. In Africa, that is a problem for many, because not all governments effectively control their entire territory and the continent is plagued by internal strife. Chinese companies in Africa depend exclusively on the host state's capacity to provide security. They have little if any security policies or capacities of their own and make little efforts to enhance their security by rooting themselves in society. As a result, in situations of internal conflict, Chinese companies are considered to side with the government. This has already on many occasions made them a target for rebels and opposition movements. Chinese multinationals thus far do not show any interest in the international movement among major companies towards a more inclusive security concept that values the social support basis of the company and considers the communities' security to be a vital company's concern. As a consequence, their potential to contribute to peace remains idle.

Vulnerability
There may be two reasons for this lack of interest. First of all, the fact is that Chinese companies that are active in Africa are mostly government-owned and come from a very top-down organised society. In addition, they can cope with higher levels of violence than the major rated private companies can; firstly because they do not have much of a reputation to protect, and secondly because they appear to be more tolerant to physical losses, and thus less vulnerable to violent incidents. Two examples from Sudan may illustrate this. In 2004, 18 Chinese engineers were kidnapped by the SPLA in Western Upper Nile. When an SPLM/A team requested to discuss the issue with the Chinese Ambassador to Kenya, they were informed that China was not aware of any outstanding issues that were worthwhile discussing. This was no bluff and disappointed the SPLA greatly. Eventually they were let go. Arguably, this is a most effective strategy against kidnapping, but one that works only if one is indeed ready to accept human losses. Another example suggests that this is the case. In 1999, a Chinese company in Sudan accepted a contract in a heavily mined area and did not demand effective mine clearance after taking casualties. Eventually, seven employees were reportedly blown up before the end of the contract. This is not to say that Chinese companies chose to sacrifice human being to profit by principle. Several recent incidents of kidnapping in the Niger Delta have ended by the more common international business practice of paying the ransom. But it does suggest that at least some Chinese companies have a crucial extra option to choose from when working in a violent environment.

Social support
All companies are craving for predictable environments and long term heavy-investment industries like oil companies even more so. Dominated by Chinese and Malaysian companies, the Sudanese oil industry has been built against the background of a terrible civil war. Their operational needs dictated the government's military strategy, causing massive displacement and the death of tens of thousands of people. The industry used to work behind the barrels of the gun and its social support basis is minimal. The Sudan Comprehensive Peace Agreement of 2005 changed that. The companies increasingly work in territory controlled by the former rebels of the SPLM/A. Their workers can no longer rely on heavy-handed security escorts when going into villages. Instead, they have to rely on their community relations' officers and their ability to make local commissioners and commanders accept their presence. Meanwhile, they still consider the population to be primarily a threat. WNPOC's community relations managers report to the company's security manager. As a result of poor relations, companies are often intimidated, extorted and deceived. Being focussed on short-term performance targets, they tend to reward spoilers instead of peaceful citizens. This is the same nefarious logic that threw the Niger

Delta into an abyss of violence and corruption, from which it will probably not recover before all the oil has been pumped. To reward willingness to do damage is an awkward long-term security strategy. Much better would be to take the rights, concerns and interests of the population into account and build a solid basis of trust and mutual interest.

A strong social support basis is difficult to acquire. The record of international private companies that aim to build one remains fragile, but the body of effective practices is gradually growing and so are the examples of pay off. Long-term presence of Chinese companies in Africa requires a shift away from exclusive reliance on the host government and the development of an own operative security strategy. In the end, Chinese companies will realize that creating a strong social support, in combination with a more representative government and a better distribution of benefits for their work is more functional than being part of a polarized environment. We already see an increasing willingness by China to boost African government capacity. A logical next step would be the development of vision on the importance of good governance, security sector reform, financial transparency and the strengthening of the rule of law.

But another scenario may also arise when competition for resources keeps increasing and revenues keep on rising. If the 'primary resource despots' win the day, the economic competition for raw materials will become part of an international political competition. In that case China may prove to be extremely well prepared to generate a flurry of golden medals.

Pieter Meine van Dijk: The role of Chinese state-owned-enterprises in Africa
The changing role of the state-owned-enterprise

The role of state-owned enterprises in China has seen different stages over the last 20 years. In 1995 there were 104.000 state-owned enterprises, which formed the backbone of the socialist economy. It accounted for 43 percent of the gross value of industrial output and employed about 110 million people. But at least 31 percent was loosing money, so reforms were necessary. Before 1997 it was not allowed to use the word privatization, the correct term would be restructuring. After 1997 the state–owned enterprises were allowed to privatize. Around 2000, the state-owned-enterprises were constructed into multinationals, through incentives from the government. After saving the state-owned enterprises from bankruptcy and giving them an important role as multinational companies, the next stage in the Chinese model would be as agents of foreign policy. This is what is happening in African countries. The Chinese government agrees on the importance of the supply of energy resources. This is their role in the state-owned enterprises and this role is hard to control.

Chinese workers in Africa
One of the questions raised during this meeting is about the Chinese companies bringing Chinese workers to Africa. On the one hand, they want to assure the raw material and on the other hand they want to create market in Africa. There is a whole market network developing from Africa that sells Chinese products. This is a great support to the Chinese manufacturing sector; it absorbs low quality products that do not sell in Europe. This whole strategy of market differentiation is very successful because of the marketing outlets. The first Chinese concern is to create employment; they achieve this by stimulating industries and by bringing people to Africa.

Major actors
The Chinese presence in Africa developed a more comprehensive impact in different terms. The people living there, accompanying services going there, foreign investment and Chinese aid. China offers an alternative for the Western approach, the so-called Washington consensus. The most important political aspects of this model are democracy and good governance and loans are only granted under strict conditions. The so-called Beijing model is a welcome alternative for African countries were the government plays a big role in the economy. The World Bank and the IMF would not allow that. The Beijing consensus also demands few conditions for the provided loans. A third difference lies in the use of Chinese workers and technology, emphasis is not on the transfer of knowledge and experience. This is not in line with the Western approach, which has high ideals of teaching and transferring knowledge.
Another interesting operator, who can create problems, is the role of the private Chinese enterprises. They do not comply with the local environmental and labour laws. The Chinese political interference is an advantage because that means the Chinese can be influenced by international pressure. Once Chinese state-owned enterprises have invested, stability is much more in their interest. Therefore they are now willing to pressure the Sudanese government somewhat, regarding the UN presence in Darfur.