U.S.-CHINESE RELATIONS WITH THE SOUTHERN AFRICAN DEVELOPMENT COMMUNITY (SADC) COUNTRIES: HOW IT CAN MAKE A DIFFERENCE

A Thesis
Submitted to the Faculty of
The School of Continuing Studies
And of
The Graduate School of Arts and Sciences
In partial fulfillment of the requirements for the
Degree of
Master of Arts
in Liberal Studies

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Washington, D.C.
November 23, 2009
Economic collaboration by the United States and China with specific African countries can have a valuable impact on the people living there. Africa is home to enormous amounts of untapped economic potential such as natural resources and labor capacity. The United States and China are increasingly involved in Africa for its natural resources, potential trade markets, security concerns, and global health considerations. Meanwhile, African nations face numerous challenges due to political instability, bad economic policies, conflict, and corrupt governance. The Southern African Development Community (SADC) is a good reflection of complex problems found in Africa (e.g., conflict in the Democratic Republic of Congo, Zimbabwe’s political and economic crisis). The United States and China are the two external actors that can promote the necessary and drastic transformation to make these countries more productive.

U.S.-Chinese economic cooperation focused on Angola and the Democratic Republic of Congo has the potential to serve both United States’ and Chinese interests while at the same time reliably benefiting these African nations and their people.

This thesis examines U.S. and Chinese foreign policy with respect to Africa and overall African objectives to determine areas of economic cooperation. It is possible for the United States and China to cooperate in the areas of infrastructure development and investment, trade, labor development, and energy and natural resource improvement. The United States and China
have completed complementary projects throughout southern Africa and synchronization of these types of projects would more effectively enhance economic development. Cooperation in these economic areas will allow both the United States and China to benefit from foreign assistance as well as these African nations.

In Angola, cooperation in these areas is possible with an emphasis by the U.S. and Chinese governments. In order to accomplish this, the Angolan government can sponsor, and lead, a joint committee of U.S., Chinese, and Angolan partners with the specific goal of coordinating activities related to infrastructure development and investment, trade, labor development, and energy and natural resource improvement.

In the Democratic Republic of Congo, cooperation in these economic areas will require significant effort from the United States, China, and other international bodies, such as the United Nations and African Development Bank. The DRC government, due to corruption and inefficiency, is not capable of accomplishing this type of coordination on its own. The United States and China can play a critical role in assisting the Congo to emerge from decades of civil war and conflict and bring stability to the region.

Coordinating and synchronizing U.S. and Chinese efforts in Angola and the Democratic Republic of Congo will maximize economic benefits as well as demonstrate to the global community that these two powerful nations can work together. Economic cooperation efforts in Africa can lead to partnerships in more sensitive sectors such as diplomacy and security.
DEDICATION

This thesis is dedicated to my family who has helped me through the entire graduate school process. I would particularly like to thank my wife Amy for her love and support, and especially for bringing our son Zachary into the world while we attended graduate school.
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CHAPTER ONE
THE UNITED STATES, CHINA, AND AFRICA

Introduction

The United States and China, as internationally powerful countries, have a vast array of interests and foreign policy goals. In Africa, an immense continent, there are multiple nations that require assistance from the two dominant powers, but they also have a significant potential for economic development. The United States, China, and African institutions and individual countries have some convergent interests where they can cooperate. A deeper look into the priorities of these countries and institutions demonstrates that it is possible for cooperation economically. By cooperating in some specific areas, there is a greater potential for positive results for all parties involved.

United States Foreign Policy in Africa

The United States has a long and sometimes turbulent history in sub-Saharan Africa. However, the “United States is Africa’s largest single country market” which makes it a very important country on the continent. U.S. foreign policy with respect to Africa can have a dramatic impact on the countries and people that reside there. To determine the current foreign policy and programs with respect to Africa, both the previous George W. Bush Administration’s (43) and current Obama Administration’s

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1 Hereafter the use of Africa will mean Sub-Saharan Africa.

African policies must be examined in order to determine how the United States can operate in Africa in the near future. Additionally, examining the prominent economic programs used by the United States to implement its African policy will help further understand the methods of U.S. African policy.

The Bush Administration was very active in Africa over the eight years in the Executive Office. The Administration’s programs are still active in Africa and financial support has been appropriated and requires some evaluation to see what the United States is currently doing in Africa. The Bush Administration increased its focus on Africa by implementing programs such as The United States President’s Emergency Plan for AIDS Relief (PEPFAR) and created a single, unified military command for Africa, AFRICOM. PEPFAR was the “the single largest commitment by any nation to combat a single disease [HIV/AIDS],” where most of the countries receiving assistance were in Africa.\(^3\) AFRICOM consolidated Africa under one command with an emphasis on “war prevention rather than war fighting.”\(^4\) These are a few examples of the significant changes in United States’ relations with Africa.

U.S. policy toward Africa during the eight years of the Bush Administration generally emphasized five areas: democracy building and adherence to human rights, socioeconomic development; trade promotion; investment; and environmental protection

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and management.\textsuperscript{5} While those goals in Africa focused on encouraging Africa to progress and develop, critics of the administration claim that the Global War on Terror (GWOT) and the protection of oil supplies encompassed the Bush Administration’s efforts in Africa.\textsuperscript{6} During this time period, “U.S. bilateral assistance has more than doubled to Sub-Saharan Africa;” however some claim the assistance could have been spent on better long term programs.\textsuperscript{7} Many of the programs, including health, development, and security that began under the Bush administration or received increased funding during that time period have continued after the Administration left office. Security and public health concerns impacted the administration’s approach, but economics is a major role in three of the five major areas of focus and has the greatest potential for positively impacting African governments and people. Socioeconomic development, trade promotion, and investment are composed by the sphere of economics and received significant attention by government officials and businesses.

The Obama administration is still new in its leadership role as the world’s most powerful country, but Africa has played an increasingly important part in foreign affairs. The Obama administration’s approach to Africa can be accumulated from speeches

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given by the President and Secretary of State, since the Obama administration has not published a consolidated document on its African policies. President Obama made a short stop in Africa in July 2009 where he highlighted his administration’s framework for its African policy. He emphasized strong and stable democratic governments, supporting development that creates jobs, trade and investment promotion, strengthening public health, and energy.  

President Obama’s short stop in Africa was followed up by Secretary of State Clinton’s in August 2009 with a seven nation visit, which included the countries of Cape Verde, Liberia, Nigeria, the Democratic Republic of Congo, Angola, South Africa, and finally Kenya. In her speech to the Eighth African Growth and Opportunity Act (AGOA) Forum in Nairobi, Kenya, she emphasized five areas: trade; development; good governance; energy development, and women. The Obama administration’s African policy, while not explicitly stated, will likely follow along the lines of the President’s and Secretary Clinton’s speeches. Any funding changes will likely come later in the Obama administration’s term.

Based on the African policy trends from the Bush administration and the comments by the Obama administration, economics will play a prominent role in the

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U.S. foreign policy goals and objectives in Africa. Development, trade, and investment will remain significant parts of the overall strategy in Africa. The State Department also has ongoing programs supporting education and technical assistance. The Obama administration will likely add energy development in Africa to its overall approach to African policy along with environmental protection and sustainability. This is slightly different than the previous administration’s energy security approach to Africa to secure energy resources for the United States, most commonly in the form of crude oil. For this essay, public health and the fight against AIDS will not be considered part of an economic strategy. While public health has a significant impact on the available labor force, it is a separately funded and focused program apart from economic development, trade, etc. Labor development is a significant factor in the productivity of African nations; therefore, programs that educate and train workers for employment will make an important contribution to the economic growth and sustainability of those nations.

The United States impacts Africa through a variety of means, some of which come directly from the U.S. government and some through international organizations in which the U.S. has great influence. Understanding the means by which U.S. foreign policy in Africa is implemented will help determine how the United States can cooperate with China. A few of the more significant U.S. government sponsored programs include

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10 African Policy is influenced by many factors in the United States, such as Congress, the media, Non-Governmental Organizations (NGOs), lobbyist, and various think tanks. This paper will concern itself solely with the Executive branch of the government, as it sets U.S. Foreign Policy.
the African Growth and Opportunity Act (AGOA), the Millennium Challenge Corporation (MCC), U.S. Agency for International Development (USAID) – including the Economic Support Fund (ESF), and African Development Foundation (ADF). The United States also had significant impact and influence in the United Nations Millennium Development Goals (MDGs), World Bank, and the International Monetary Fund.

According to the African Growth and Opportunity Act (AGOA) website, AGOA “offers tangible incentives for African countries to continue their efforts to open their economies and build free markets” and while simultaneously provide African countries more liberal access to U.S. markets.11 The act attempts to integrate African countries into the global economy, beginning with the United States. This act has been one of the key components of the United States’ approach to economic development in Africa. It is often cited as a means for the United States to achieve its African Foreign Policy goals including investment, trade, and development. As with many U.S. aid programs, it is tied to governance, fighting corruption, and reforms within the recipient countries’ government. Critics claim that AGOA has not done enough to transform African economies, develop infrastructure, or contribute to substantial growth.12 However,


AGOA has assisted in increasing trade between the United States and AGOA eligible countries and provided a means to negotiate free trade agreements.\textsuperscript{13} This Act is adjusted by Congress and the President, as needed, in order to support U.S. foreign policy in Africa.

The importance of AGOA is due to the number of agencies and corporations it impacts. It is responsible for the creation of the U.S. Trade Representative for Africa, and the synchronization of the Overseas Private Investment Corporation, the Export-Import Bank of the United States, the U.S. and Foreign Commercial Service, and the Trade and Development Agency.\textsuperscript{14} The Office of the United States Trade Representative develops and coordinates U.S. trade and investment policy with African countries. This office works with many different government agencies, including those mentioned above, to facilitate trade between the United States and African nations. AGOA will continue to be an integral part of the United States’ African Policy as demonstrated by Secretary Clinton’s attendance at the Eighth AGOA Forum.

The Millennium Challenge Corporation (MCC) is another tool for U.S. African Policy implementation. The goal of the MCC is to use financial aid to help reduce global poverty through the promotion of sustainable economic growth. Receiving


\textsuperscript{14} Ibid.
funding from this program is tied to other indicators incorporating democracy development, reducing corruption, public health, and trade policies.\textsuperscript{15} The program and its overall effectiveness are still debatable. The MCC does have a capability to serve as a United States’ primary method of increasing large amounts of foreign aid to poor nations, a key component of U.S. foreign policy.\textsuperscript{16} The program is criticized for its lack of funding by Congress and reducing overall U.S. foreign aid to some countries at the expense of USAID and other aid programs.\textsuperscript{17} Others believe that the MCC, after a rough start, should be the cornerstone of helping developing countries.\textsuperscript{18} Of the 39 total countries receiving assistance through MCC, 19 of them are in Africa, making Africa a significant recipient of the MCC program. Like the AGOA, the MCC will continue as a primary vehicle for the United States to give aid to foreign countries including those in Africa.

The United States Agency for International Development (USAID) is a major vehicle for implementing U.S. foreign policy. With respect to Africa, USAID had four

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\textsuperscript{15} Indicators include: Civil Liberties, Political Rights, Voice and Accountability, Government Effectiveness, Rule of Law, Control of Corruption, Immunization Rates, Public Expenditure on Health, Girls’ Primary Education completion Rate, Public Expenditure on Primary Education, Business Start Up, Inflation, Trade Policy, Regulatory Quality, Fiscal Policy, Natural Resource Management, and Land Rights and Access. Assessment of the indicators is done by non-government affiliated sources.


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over-arching objectives including: governing justly and democratically; investing in people; economic growth; and humanitarian assistance.\textsuperscript{19} USAID “is still the main conduit for foreign aid,” however, its effectiveness was somewhat diminished with the creation of the MCC.\textsuperscript{20} USAID has more freedom to disperse funding than the Millennium Challenge Corporation and can support projects in nations that are not capable of meeting the MCC criteria. Nations in current conflicts, post-conflicts, or with difficulty in government power transition are better served by USAID. For this reason, many African countries benefit from USAID work.

Another component of USAID is the Economic Support Fund (ESF), which focuses on “stabilization, reconstruction, recovery, governance, and economic growth.”\textsuperscript{21} This is another program well suited for implementation in Africa and countries with current conflicts. USAID, in conjunction with the ESF, operates in 25 African countries (almost half of the total African nations), including Angola and the Democratic Republic of Congo, making it a very applicable program for directly impacting U.S. foreign policy in Africa.


A smaller component of U.S. African Policy is the African Development
Foundation, which attempts to “provide direct support to community organizations and
enterprises that benefit under served and marginalized communities in Africa.”\(^{22}\) This
program attempts to fill the gap left by other larger aid and development programs and
can directly impact Africans and their communities. It supports grass roots development
and attempts to provide funding to community groups and small enterprises. While it is
effective, “its budget has always been limited.”\(^{23}\) This program could have a larger
impact on local African development which invests in the people and the supply chain at
a macro level, while supporting U.S. policy goals in Africa.

Indirectly, the United States is involved with multiple international agencies
that are engaged in the economies of Africa. While not the only member of these
international organizations, the United States has a significant influence and impact on
how they approach African countries. One way the United States influences the United
Nations Millennium Development Goals (UNMDG) is by being the largest donor by
amount.\(^{24}\) In the World Bank, the United States is the largest shareholder.\(^{25}\) Finally,

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(accessed September 3, 2009).


\(^{25}\) The World Bank, *United States of America – Government Relations*,
the United States has the largest percentage of votes at the International Monetary
Fund. Each of these organizations has programs specifically aimed at assisting
African countries. These multinational institutions generally set the tone for economic
assistance to African countries and have credibility in international affairs. For
example, the UN Millennium Development Goals all have components of economic
development ranging from employment to developing trade systems. The UNMDGs,
supported by the World Bank and IMF, are an area which the United States cooperates
with other nations, including China.

The U.S. African foreign policy goals have a significant economic component to
them. American support for African nations is substantial and will continue in the
future. The U.S. goals are supported in a variety of ways including government
financed programs and international institutions. The United States has resumed an
increased focus on Africa around the same time another internationally powerful country
has also, China.

The People’s Republic of China’s Foreign Policy in Africa

The People Republic of China (P.R.C.) is one of the world’s leading developing
countries with an estimated population of 1.3 billion people. Its economic capacity,
along with other factors, such as a permanent seat on the United Nations Security
Council, makes it an influential and powerful country. Internationally, the P.R.C. has

26 The International Monetary Fund, *IMF Member’s Quotas and Voting Power*,
expanded operations around the globe including into Africa. A thorough understanding of China’s influence is difficult due to the lack of reliable data on current Chinese foreign aid and the lack of transparency on investment agreements.27 China has a significantly increasing presence on the continent and adapted its policy to meet its national objectives. A brief look at China’s involvement in Africa, its current African policy, and the institutions it uses to promote the economic components of its policy will help to understand Chinese intentions in Africa and the possibilities for U.S.-P.R.C.-African cooperation.

During the 1960s and 70s, China’s involvement in Africa began by attempting to align itself with the developing world based on an ideological struggle in which Chinese Communist revolutionary ideas were the driving force.28 Africa was still not a major part of Chinese foreign policy, as the Communist Party was still consolidating control in China and defending its own territorial integrity. However, the African voting bloc is credited with helping China secure its seat at the United Nations Security Council, taking it away from Taiwan in 1971/72.29 During this time period, China did participate in a few large projects including the TanZam Railway which is a benchmark in Sino-


African relations and painted “a favorable image of the P.R.C. in Africa.”

During the 1990’s and post-Tiananmen Square, China reevaluated its foreign policy and changed its focus to economic security. China’s involvement in Africa significantly increased and entered a new era in 2000 when it launched the Forum on China-Africa Cooperation (FOCAC). This was followed in 2006 when it released its “African Policy” paper that detailed the P.R.C.’s foreign policy with respect to Africa.

China’s overall foreign policy goals are a mix of political and economic factors like many nations. However, due to the close, if not synonymous, relationship between the Chinese business community, with state-run enterprises, and the political-diplomatic community, it is sometimes hard to distinguish the different goals. In Africa it is clear that Chinese foreign policy is based on three key elements:

(1) diplomacy and support for Chinese policies in international affairs
(2) search for resources, especially energy, and
(3) new markets for Chinese products and services in tandem with creation of jobs.

The dominant factor of China’s relations with African countries is trade. Sino-African ties are driven by China’s demand for Africa’s plentiful commodities, notably oil and unprocessed metals and minerals, to supply its rapidly growing economy, and by

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30 Ian Taylor, China and Africa: Engagement and Compromise, 40.
31 Ibid., 66.
African demand for Chinese goods and services. However, it is sometimes difficult to separate Chinese business deals from political objectives, aid, and military sales as China often offers ‘package deals.’ The bulk of China’s African Policy published in 2006 focuses on the economic field and how China and African countries can work together. The Policy also advocates the role of the United Nations in Africa as an international institution. China would like to play a larger role in international affairs, while at the same time attempting to alter the framework of the international arena in its favor.

Chinese aid is known for being unrestricted and unregulated, as opposed to Western and American aid which is tied to governance, transparency, etc, however, there are a few unstated Chinese conditions. The first is the recognition of China as the sole Chinese government, the One China Policy, and requiring the recipient nation to sever ties with Taiwan. The second is that the aid recipient “must agree to use such


assistance to buy or accept goods, services, or credit from China.” The first criteria attempts to further isolate Taiwan internationally and support the P.R.C.’s goal of re-incorporating the renegade province back into mainland China’s control. The second condition ensures that China has a market that will continue to drive its domestic economic expansion, a great concern for Chinese leaders. Significantly, China does not tie its aid packages with good governance, human rights, corruption reform, or democracy development. Without these internal change conditions, the trade relations and assistance from China are very attractive to African nations.

China has various methods of economic involvement in Africa which include lines of credit, loans, aid, and investment. The most powerful vehicle for Sino-African relations is the Forum on China-Africa Cooperation (FOCAC). This forum was created in 2000 and has met every three years since then and highlights China’s dealings with African countries. At these forums, China has announced the cancelling of African countries’ debts, support for United Nations’ missions there, elimination of trade and tariff barriers, and increasing aid to African countries. Announcements such as these have received positive feedback from African countries and the benefits of all parties in the ‘win-win’ agreements. However, assessing the actual amount that China loans

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38 Weijian Li, “Beijing Summit & the Third Ministerial Conference of the Forum on China-Africa Cooperation – Appraisal and Prospects (English),” Shanghai Institutes for International Studies
African countries is difficult, which questions whether or not China achieves some of its promises. In either case, African nations are very interested in the financial assistance and benefits of trade brought by China.

Diplomatically and in the public relations realm, China is on a campaign to develop positive public support for its relations with African countries. FOCAC aggressively highlights visits by high level Chinese and African leaders, economic cooperation, and cultural exchanges via its regularly updated website. FOCAC will continue to be the primary means by which China cooperates and develops relations with African countries.

The most important aspect of Chinese-African cooperation is in the energy sector. According to the Energy Information Agency, in 2008 China imported 30% of its oil from Africa, the second largest region behind the Middle East. China will continue to require large amounts of energy and believes that Africa remains a very promising area that has not been fully developed by the United States or other Western

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European countries.\textsuperscript{41} The untapped capacity of African oil has attracted all these countries to the continent. For China, it uses its state-owned enterprises (SOEs) to support “aid and various forms of development assistance in their search for resources,” which allows China to accomplish both energy security and cultivate diplomatic support.\textsuperscript{42} Large state-owned enterprises demonstrate the blur between economic and diplomatic goals and the difficulty to distinguish between private investment and government sanctioned aid. Energy SOE’s will continue to be a significant factor in the implementation of China’s African policy.

China also has a variety of institutions that supports its African policy including the China-Africa Joint Chamber of Commerce and Industry, the Development Bank of China, the Import-Export Bank of China, and the China Investment Corporation, to name the most prominent ones. China, through these institutions, is quickly able to inject large amounts of financial investment that sometimes dwarfs Western institutions; in 2007 China injected $9 billion worth of investment into Africa compared to the $2.5 billion by the World Bank.\textsuperscript{43} Though finding the breakdown of Chinese aid contributions and final results is more difficult due to a lack of transparency, package

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deals, and aid practice, but the truth remains that China is able to inject large amounts of financial support and development into the continent.

Some of the main contributors to direct financial assistance to development in Africa are the China Development Bank and the Import-Export Bank of China. At the 2006 FOCAC meeting, China announced the launch of the China-Africa Development Fund which was to “encourage and support Chinese enterprises to invest in Africa.” Investment of funds is intended to support a wide spectrum of development in Africa to include commodities, infrastructure, agriculture, manufacturing, and industry. The fund is expected to reach up to $5 billion in total to finance development of Chinese companies in Africa. The other form of economic investment in Africa is the Import-Export Bank of China. The bank pledged to provide $20 billion in loans for diverse projects in Africa from 2007 to 2009. The bank has a considerable amount of revenue to draw from and can significantly impact African countries and their development with the availability of such financial resources.

While this economic support for Africa by the P.R.C. is significant, it has not been without criticism. Not everyone is winning in the Chinese version of the ‘win-win’ scenario. Some of the criticism includes poor pay of African workers, lack of safety

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protection for workers, and the use of short-term contracts.⁴⁶ China is also criticized for importing large Chinese labor battalions in lieu of employing local workers, and importing large quantities of cheap goods that may contribute to the destruction of local businesses.⁴⁷ As a relatively new big investor in the continent, China will have to address some of these concerns especially when they are coming from the Africans themselves.

One region with which China is investing and developing strong relations is southern Africa. Southern Africa consists of countries with a variety of mineral wealth and the economic potential that China seeks. The region also has a variety of political and economic difficulties. However, in southern Africa, the P.R.C.’s foreign policy has been “highly adaptable and utilitarian.”⁴⁸ China is adapting and learning to deal with African specific issues and understand the African perspective.

The African Landscape: Toward Enhanced Economic Cooperation

The African continent encompasses 53 independent nations, with 47 located in Sub-Saharan Africa. Each of these independent nations has different national goals and objectives, so isolating a specific African policy and approach to the United States or


China is difficult. The continent is also littered with multiple economic communities and a variety of trade agreements. This makes navigating the economic priorities and principles varied and difficult. This web of trade communities and agreements is one of the primary criticisms that hamper African trade.\footnote{The Stanley Foundation, “Africa at Risk or Rising? The Role of Europe, North America, and China on the Continent,” \textit{The Stanley Foundation} (2007): 11, http://www.stanleyfoundation.org/publications/pdb/Africa_at_Risk_PDB_707.pdf (accessed September 9, 2009).} However, examining a few of the different regional unions and communities will help better understand general African goals and objectives that may be aligned with the United States’ and China’s national goals.

The largest single body incorporating all of the African states is the African Union (AU). The African Union grew out of the Organization for African Unity and is an effort to unify African states and facilitate cooperation between member states, among other goals. Of the 12 specific goals of the African Union, five of them are directly related to economic development, and regional and global integration.\footnote{African Union, “The Objectives of the AU,” found under “African Union in a Nutshell,” http://www.africa-union.org/root/au/AboutAu/au_in_a_nutshell_en.htm (accessed September 9, 2009).} The emphasis on economic development demonstrates the importance the economy plays in bringing peace and stability to the continent. One part of the Africa Union’s program to integrate national and regional economies is the New Partnership for Africa’s Development (NEPAD). This program attempts to implement the goals of the AU by

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partnering with industrial countries under eight priority sectors: Agriculture & Food Security, Infrastructure, Human Resources Development, Science and Technology, Trade and Market Access, Environment & Climate Change, Governance and Capacity Development, and Gender Development.\(^{51}\) However, the program has been criticized because it does not fully integrate the existing trade agreement and economic communities to integrate African nations into the global economy.\(^{52}\) Others claim that NEPAD has been very successful especially in the African Peer Review Mechanism which enhances good governance, poverty reduction, and agricultural development.\(^{53}\) Regardless, NEPAD, and the African Union, will likely remain significant actors on the continent and have the capability to make changes in Africa. The African Union and NEPAD will play a decisive role in the future of economic development in Africa.

Another very influential African organization is the African Development Bank Group (AfDB). This bank group is composed of primarily three institutions; The African Development Bank (ADB); The African Development Fund (ADF); and The Nigeria Trust Fund (NTF). The objective of the AfDB is to “spur sustainable economic


development and social progress in its regional member countries, thus contributing to poverty reduction.” The goals of the AfDB are in line with the World Bank Millennium Development Goals, which includes eradicating poverty, ensuring environment sustainability – a key concern for African countries –, and developing global partnership for development. The bank is responsible for distributing billions of dollars for loans throughout the continent. It will also play a significant role in the future of Africa’s economic development.

Specifically in southern Africa, the Southern African Development Community (SADC), including Angola and the Democratic Republic of the Congo, is focused on regional economic growth. Some principal objectives of the community include development and economic growth; promoting self-sustaining development; promoting productive employment and utilization of resources in the region; and achieving sustainable utilization of natural resources and effective protection of the environment. This regional community has established programs such as a Free Trade Area (FTA), which attempts to improve the transfer of goods and services across international borders. By grouping regionally, the countries can negotiate trade agreements with other trading communities, such as the European Union. In the case of the EU, a full

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trade agreement would benefit both the EU and SADC by increasing trade and
Economic Partnership Agreements in general would benefit SADC. However, the
community is not fully coherent and needs to address the challenges of regional
integration demonstrated by SADC’s failed attempt to negotiate an all encompassing
trade agreement with the EU. Cohesion is a political and economic problem many
African economic communities face, and SADC is no different.

The Southern African Development Community is interested in the United States
and China in order to continue progress. Currently SADC has an International
Cooperation Partnership with the United States – USAID, but not a full free trade
agreement. SADC is also considering the costs and benefits of trade with the People’s
Republic of China, though no such bilateral agreement currently exists between SADC
and the P.R.C. SADC, as it integrates into the global economy, would benefit by
trading with two of the world’s most economically powerful countries.

Conclusion

The United States, the People’s Republic of China, and Africa all have a variety
of goals and objectives. Each nation and region has different institutions that implement

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these stated and sometimes incompatible objectives. However, there are similarities and areas in which all can agree on. Investing in Africa and the multitude of potential resources it contains is one of the most important aspects of the United States’ and China’s African policies. Fostering sustainable trade, investment, infrastructure development, energy improvement, natural resource management, and labor enhancement are a few of the areas which all parties can agree on. These are the building blocks for U.S.-China-African cooperation.
CHAPTER TWO

PROBABLE AREAS OF ECONOMIC COOPERATION OPPORTUNITY

Introduction

Possibilities for economic cooperation between the United States and China exist in Africa while at the same time continuing to work towards the goals of the multiple countries involved. The areas of cooperation overlap frequently in regions and countries, sometimes without intention. By the United States and China assisting in infrastructure development and investment, enhancing trade, training and educating the labor force, and aiding energy and natural resource development, they will not only help African countries, but also their own economic growth as well.

Infrastructure Development and Investments

The United States and China both have development and investment programs sanctioned by their respective governments. China’s programs are a complex mix of private and public which support Chinese national objectives. However, with over 700 private Chinese enterprises operating throughout Africa, it is difficult to synchronize these endeavors.\(^1\) For instance, Chinese companies are sometimes sponsored by provincial governments and their goals clash with the Ministries of Commerce or Foreign Affairs which causes the government and company interest to diverge.\(^2\) Both

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private Chinese businesses and state owned enterprises (SOEs) are funded through export credits and loans with preferential and very low interest rates by the Chinese Export-Import Bank (Ex-Im Bank) and Chinese Development Bank.\(^3\) During a bid for Angolan oil fields, China’s Ex-Im Bank gave an interest rate as low as 0.25%, far below international norms.\(^4\) Through these banks, Chinese businesses and enterprises can enter the volatile and sometimes risky markets in Africa. They are the foundations which allow the pursuit of projects and investment opportunities within the various African countries. Most of these investments are done under the direct support of the Chinese government.

The United States also directly supports projects and investments overseas. The Millennium Challenge Corporation (MCC), United States Agency for International Development (USAID), United States Trade and Development Agency (USTDA), along with other various departments and agencies have projects that encourage development and investments in Africa. Much of this funding is specified and supported in the African Growth and Opportunity Act (AGOA) which is the overall driving force for most of the U.S. government activities toward Africa. To assist funding private enterprises, the United States has a mix of private and public funding and support, unlike China’s sole state run sector. Most U.S. companies receive financial backing and insurance from private banks and insurance companies to support overseas investment

\(^3\) Ibid., 43-44.

opportunities. However, when those projects are deemed too risky for the private sector, businesses can turn to U.S. government supported companies. The two largest and most significant are the Export-Import Bank of the United States and the Overseas Private Investment Corporation (OPIC). As a small example, in 2008 OPIC announced “up to $250 million in financing to help South African banks expand their small business lending” with more than $635 million support for new investment funds throughout the continent.\(^5\) These two public companies promote U.S. businesses overseas, including those in African countries. While they are not as robust as their Chinese counterparts, they do play an important role in encouraging U.S. businesses to invest in areas they otherwise would not.

Infrastructure development and investments covers a wide spectrum of business endeavors. Besides the traditional infrastructure projects such as in ground transportation, water, power development, and other similar public works, the sector has also expanded to telecommunications and aviation support areas. However, in order for African countries to support an increase in multilateral and bilateral trade, further development and “modernization of ports, road, and rail transport, and telecommunications and information technology (IT) capacity” is necessary.\(^6\)

Infrastructure development is an important aspect to economic growth in African countries. The United States and China have different approaches to development and

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what constitutes development, but African countries need all of it. China is very involved in large, “heavy”, infrastructure public works such as building roads, bridges, stadiums, and harbors. Meanwhile, the U.S. African long-term development assistance, which is mostly administered by USAID, seeks to address the root causes of conflict and to mitigate the effects of natural disasters by promoting environmentally sound natural resource management, improving citizen access to basic health services and education, creating income-generating opportunities, and encouraging accountable and transparent governance.

In both cases, development is positive for African countries which need assistance. Many of the countries most in need of assistance are still resolving internal disputes, such as the Democratic Republic of Congo, or are in a post-conflict scenario, such as Angola. Some are simply underdeveloped and never had the investment in infrastructure or sustained development, as in the case of Namibia which struggles in many development sectors. African leaders see the United States and China as countries that are “able to offer different kinds of investment and aid (which do not necessarily overlap), and want to enjoy the benefits of strong relations with all.” Chinese and United States programs can complement each other so that all benefit.

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For instance, transportation networks are an integral part of a nation’s infrastructure. A developed network allows goods and services to move throughout the country for domestic, regional, and international markets. Tanzania is a case where Chinese and U.S. transportation development projects complement each other. Tanzania faces major challenges in its transportation infrastructure that impair its ability to expand economic growth. According to the World Bank, Tanzania has one of the worst road networks in Sub-Saharan Africa and needs extensive construction and assistance.\textsuperscript{10} Therefore, in Tanzania the U.S. MCC sponsors projects to “rehabilitate and upgrade three truck roads on the mainland; repair selected rural roads on Pemba Island;” and fund road maintenance throughout the country.\textsuperscript{11} The road network in Tanzania is used by many of Tanzania’s people and getting truck access into more remote locations will improve commerce. Similar to the road network, the railroad network provides Tanzania, and other Sub-Saharan countries, the ability to increase trade flow and improve general mobility, domestically and regionally. The rail network in Tanzania is inefficient and lacks the necessary capacity needed in such a large country.\textsuperscript{12} To assist Tanzania in improving its railroad sector, China is funding TZS 40 billion for the


Tanzania Zambia Railway Authority “as well as technical support in order for it to recapitalize.” China, in this capacity, is continuing a long-term investment in railway project it sponsored and help build in the late 1970s. Improving the transportation network helps contribute to achieve Millennium Development Goal #1. In Tanzania, the United States and China are both assisting transportation development but are not directly competing against one another. Tanzanians are the ones that most benefit from the transportation system assistance while U.S. and Chinese businesses see transportation cost decrease as a result of these projects.

Another important infrastructure sector is the information, communications, and technology (ICT) sector. This sector is especially important for internet conductivity and interoperability of mobile phone networks, which currently surpasses land line usage in Africa. China is very active in this sector both privately and publically, and includes some of China’s leading multinational corporations; TCL Corporation, Lenovo, and Huawei. For instance, Huawei is actively providing network and technology services in 19 different African countries, 13 of which are in Sub-Saharan Africa. This direct support involves building communication towers and laying ground lines that connect many parts of Africa that previously had poor or unreliable service. The United

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States, on the other hand, has very few direct ICT businesses operating in Africa, but the USTDA spends over 20% of its annual Sub-Saharan African budget on ICT operations.\textsuperscript{16} Most of the programs sponsored by USTDA are regionally focused with only a few exceptions dedicated for specific African countries, and instead attempts to promote local ICT business development.\textsuperscript{17} Microsoft is active in Africa with various domestic partners providing technology which it believes by doing so will provide opportunities to facilitate trade and overcome barriers.\textsuperscript{18} The United States is providing regional expertise for integrating ICT networks while China is actively selling specific services and building parts of the infrastructure. When more U.S. ICT businesses enter the market, there will likely be an increase of competition between the U.S. and Chinese businesses. An increase in market competition is good both domestically and internationally for the domestic and foreign firms.\textsuperscript{19} The African Union, via NEPAD, has realized the need for African nations to develop an ICT infrastructure, and the United States and China are making important contributions.\textsuperscript{20} With U.S. and Chinese

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\begin{itemize}
\item \textsuperscript{19} Harry G. Broadman, \textit{Africa’s Silk Road: China and India’s New Economic Frontier}, (Washington D.C.: The World Bank, 2007), 192.
\item \textsuperscript{20} NEPAD created the e-Africa Commission, http://www.eafricacommission.org/about-us (accessed September 20, 2009).
\end{itemize}
investments, Africans have a developing ICT network they have been lacking for many years.

Investment in African countries can come in multiple forms. One of the most common and indirect forms of investment is debt forgiveness or relief. This is the partial or total forgiveness of debt or the slowing or stopping of debt growth, which is particularly damaging to countries in debt. Removal of debt, through debt relief programs, over the long term, increases domestic economic growth.\textsuperscript{21} By cancelling or reducing some of this financial burden, capital is freed to allow African nations to support other growth and development activities in their respective nations. The effect of debt relief programs is that the indebted country will not require future aid in order to sustain economic recovery and growth and prevent a recession into poverty.\textsuperscript{22} In effect, the debt relief acts as a loan which the country does not have to pay back. The over $200 billion in African debt is the “biggest impediment to sustained development on the continent,” which makes national debt a significant obstacle for many African countries.\textsuperscript{23} The United States supports reducing external debt in Sub-Saharan Africa through the Heavily Indebted Poor Countries Initiative (HIPC) and the Multilateral Debt Relief Initiative (MDRI). The HIPC, which is based on economic policies and poverty


reduction efforts by the recipient countries, has directly received a total of $675 million from the United States. The United States is also credited with assisting over 19 African countries with $34 billion in debt relief through the Multilateral Debt Relief Initiative. China also has debt relief initiatives of its own, mostly through the Import-Export Bank of China. Through 2007, it is estimated that China has cancelled the debt of 31 African countries valued around $5.5 billion. Both the United States and China are significantly contributing to the debt relief effort in Africa.

Debt relief, however, is a highly controversial subject; whether or not nations are forgiving or altering the correct debt amount, too little relief, or too much. China, as a new donor and source of financial assistance, receives criticism for its quick debt relief without requiring recipient nations to implement any financial reforms or an increase in government transparency. On the other hand, some believe that China is directly


contributing to growth in African countries and its result is net positive.\textsuperscript{28} In either case, Africans are benefiting from the increase in capital flow and reduced burden of debt in relation to its GDP. Africans acknowledge the need for debt relief from the United States and China and that they are the most important countries that can ensure that this happens.\textsuperscript{29} For instance, Zambia through the HIPC/MDRI program has had $576 million in debt relief and China forgave $211 million in debt in 2006.\textsuperscript{30} This is an enormous amount of debt relief, which reduced Zambia’s debt from 86% of its GDP to 8.8%; Zambia can now put this money into other domestic investments, particularly in its natural resources, rather than paying off the principle of the initial loan. By assisting African countries, China and the United States are building the foundations for long-term economic ties to many African countries.

Another form of investment opportunities for the United States and China to complement each other is foreign direct investment (FDI). FDI comes in many forms including acquisitions, incorporation, mergers, or joint ventures. South Africa provides a good example of how FDI from the United States and China has benefited the country. South Africa is one of Africa’s few developing countries that investors are willing to take large risks in. In 2007 the United States foreign direct investments were worth over

\begin{footnotes}
\item Helmut Reisen & Sokhna Ndoye, “Prudent versus Imprudent Lending to Africa: From Debt Relief to Emerging Lenders,” (Working Paper No. 268, OECD Development Centre, February 2008), 42.


\end{footnotes}
$5.1 billion and in 2008 they were worth over $4.9 billion with manufacturing being the dominant sector.\textsuperscript{31} China’s FDI into South Africa in 2006, the latest data available, was over $208 million.\textsuperscript{32} However, this does not include the $5.6 billion deal between the Industrial and Commercial Bank of China and South Africa’s Standard Bank.\textsuperscript{33} Foreign direct investment in South Africa is one of the factors contributing to an increase in growth in southern Africa.\textsuperscript{34} South Africa represents a country that has made tremendous progress since sanctions against it were removed in 1994. FDI in South Africa allows an economy with two tiers, “one rivaling developed countries and the other with only the most basic infrastructure,” to continue development and integration into the global economy.\textsuperscript{35} By using FDI, China and the United States can make enormous contributions to the domestic economic development of African countries while at the same time pursuing their own economic objectives.

**Sustainable Trade Relations**

By building on development and investments into African countries, the United States and China can capitalize on those expenditures by increasing trade. Building

\textsuperscript{31} Department of Commerce, Bureau of Economic Analysis, *Direct Investment Positions for 2008* by Marilyn Ibarra and Jennifer Koncz, (Washington D.C., July 2009), Tables 1.1 & 1.2.


\textsuperscript{34} Ibid.

Trade relations with African countries is important for the United States and China. Each country has developed various programs to encourage trade with specific African countries and trade communities for access to African resources and market potential.

One of the most important means to build trade capacity is creating ways for goods to quickly and efficiently flow through ports of entry and exit to consumers. China and the United States have both sponsored the development of trade hubs or centers which facilitate trade into and out of Africa. The United States sponsored four Global Competitiveness Hubs in Ghana, Senegal, Botswana, and Kenya. The trade hubs’ goals are to improve trade policy regionally and domestically, improve trade infrastructure, and encourage enterprise development programs. China’s trade centers are located in Cameroon, Cote d’Ivoire, Gabon, Guinea, Kenya, Mali, Mozambique, Nigeria, Tanzania, and Zambia. These centers provide business consultation services to Chinese enterprises in Africa, access to special funds, and simplified procedures to encourage Chinese investment. For the SADC countries, this provides four trade hubs which encourage trade with the United States and China. For example, the trade hub in Botswana is credited with creating over $15.8 million in new export deals and is


39 Ibid.
expected to continue to generate more business-to-business deals in the immediate future. These hubs are building blocks for African countries to enter the global market and increase trade volume. Investing in these centers is a long-term strategy for China and the United States with continued funding projected for the future.

Trade agreements between African countries and the United States and China are also an important aspect of creating sustainable economic growth for African countries. By allowing preferential market access measures and free trade agreements, this should stimulate an increase of trade flow for African countries. China only recently began signing trade agreements with African countries, most of which closely coincided with its launch of the Forum on China-Africa Cooperation (FOCAC) in 2000 or its release of China’s “African Policy” in 2006. China has yet to sign any full-fledged Free Trade Agreements with any African countries, though negotiations are under way with the Southern African Customs Union (SACU). In southern Africa, China has Bilateral Investment Treaties (BITs) with Botswana, the Democratic Republic of Congo, Malawi, Mozambique, South Africa, Zambia, and Zimbabwe. The United States has BITs in southern Africa with the Democratic Republic of Congo and Mozambique. The United

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41 Other internal implementation factors of those agreements will also have an impact on trade not discussed here. Harry G. Broadman, Africa’s Silk Road: China and India’s New Economic Frontier, (Washington D.C.: The World Bank, 2007), 104.

States has another level of trade agreements, Trade and Investment Framework Agreements (TIFAs), which are more encompassing than a BIT and are a step towards free trade agreements. The United States has TIFAs with Angola, the Common Market for Eastern and Southern Africa (which includes the DRC, Malawi, Swaziland, Zambia, and Zimbabwe), Mauritius, Mozambique, and South Africa. The trade agreements help increase trade flow and the possibility of future investments for all the involved countries.

In the case of Mozambique, in which both the United States and China have BITs, trade has increased in a short time period since the investment treaties have been in place. Mozambique’s BIT with China went into effect in 2002 and the United States’ in 2005. In addition to the BIT advantages with the United States, Mozambique is eligible for trade benefits under the African Growth and Opportunity Act and the Generalized System of Preferences. Between 2007 and 2008, exports from the United States to Mozambique increased 85.6%, to $213 million, and imports from Mozambique increased 213.7%, to $17 million, a total value of $230 million in trade. Trade between China and Mozambique reached $284.1 million in 2007, which was over eight

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times the trade value that existed in 2001.\textsuperscript{45} After the bilateral investment treaties went into effect, Mozambique saw a substantial increase in trade volume and generated growth in its economy. The World Bank gave Mozambique positive reviews for its change in trade policies and its increased market access while demonstrating a high potential for future trade commitments and liberalization.\textsuperscript{46} By China and the United States signing a bilateral investment agreement with Mozambique, all parties saw an increase in beneficial trade volume. Expanding trade agreements to other African countries and regional trade communities will further enhance African growth and development. Sustainable growth and development on Africa’s part is difficult to maintain unless they have something to offer China and the United States.

\textbf{Labor Development and Enhancement}

A significant part of sustainable growth is offering businesses and enterprises opportunities that do not exist anywhere else in the global marketplace. Labor is often cited as a very crucial component of economic growth and sustainment. One of Africa’s greatest problems and challenges is unemployment. Unemployment in African countries is a critical destabilizer and a key challenge is finding a way for those countries to create jobs in the near, medium, and long-term.\textsuperscript{47} In order for African countries to overcome this, the available labor quality needs improvement and


development. Part of creating a viable labor force is education. Education allows technological manufacturing processes and other jobs requiring skilled labor to come to African countries. Further training and assistance beyond basic education will also help attract development and investments. These types of objectives are in line with NEPADs Human Resource Development goals and the Millennium Development Goals focused on primary education. The United States supports some of these goals by promoting education and training through USAID and the MCC. The MCC currently has one specific education project in Namibia. USAID has multiple projects including the Africa Education Initiative (AEI) which focuses on basic education and teacher training, agriculture training and assistance, and the Higher Education for Development program that focuses on university level education for Africans.\textsuperscript{48} Finally, the African Development Foundation (ADF) provides grants specifically directed at small enterprises for training and technical assistance in order to promote small business and community enterprises.\textsuperscript{49} China also has dedicated a large amount of resources to educating Africans. Education training ranges from state funded university scholarships for Africans to attend Chinese universities, sending Chinese teachers to Africa, to specific Chinese programs targeting medium level professional training and applied


technology training courses. Additionally, China pledged to establish an African Human Resources Development Foundation fund scheduled to reach $5 billion in an effort to assist in African education. Africans need this assistance in education, no matter where it comes from, as Africa itself failed to meet some of its own education goals. Both China and the United States are helping invest in Africa’s future by educating their youth and labor force. In the long term, the United States and China will be able to capitalize on the trained labor force by hiring domestic professionals rather than providing their own, which is usually more costly.

The country of Namibia has specifically benefited from the investment in education by the United States and China. The U.S. Government, through various departments, has sponsored over 469 Namibians for education and training in the United States in specific fields in 2007. U.S. private firms are also independently assisting Namibia. For example, the Carnegie Corporation donated $2.4 million to the University

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of Namibia to support scientific and engineering research. In 2006, China sponsored 62 Namibian officials and technical personnel to attend Chinese courses ranging from public administration, agriculture, and mining, awarded 21 scholarships to Chinese universities, and supports the University of Namibia by sending Chinese professors to teach in physics and chemistry. Those Chinese professors will likely use privately donated U.S. equipment to educate Namibians. Education and training helps Namibia reach its educational goals so that it can not only attract more investors by marketing itself as an appealing place for multinational corporations to settle, but also qualify for international aid and assistance.

One key aspect to training and educating Africans is keeping them in Africa to continue growth and development there. This is where the development and investments into African countries will both benefit investors and Africans, preventing the “brain drain.” By investing in a broad range of economic factors such as labor development, the United States and China can, and do, assist African countries in the long-term.

**Energy and Natural Resource Improvement**

Long-term investments include investing in the ability for African countries to sustain the human resources as well as the natural resources available. Energy

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development covers a wide variety of sources of energy including coal, petroleum, and renewable sources. Africa, with its vast natural resources, is quickly becoming an important energy source for many countries. Africa needs investment in energy generation projects to “increase sustainability” both in centralized and decentralized systems. This means they need to produce energy on both a large and small scale, as well as utilize the energy resources available for export, specifically on the value added part of trade systems. Assisting African nations to develop their resources responsibly and provide energy for their own people is important to sustainable economic growth.

Natural resources cover a wide variety of possibilities. In South Africa, a country known for its resource potential, the United States and China are investing to enhance South Africa’s ability to increase the value of its resources rather than simply exporting raw goods. In the oil sector, Chevron and Total (which has a 28% American minority holding close behind France) are assisting South Africa to develop downstream petroleum markets. By helping develop downstream markets, this will optimize petroleum production, and increase productivity and efficiency for South Africa’s petroleum sector. Meanwhile, China is interested in South Africa’s mining sector to gain access to raw materials but is doing so in a manner that increases the value in South Africa. China’s Jiuquan Iron and Steel Company bought some chrome mines and furnaces near Pretoria and injected money into the furnaces so that they “give added


value (turning chrome into ferrochrome) and then buy the material at the world market price.”

China is helping the mining industry create a valuable product for export using domestic resources for sale on the global market. By investing in the value added portion of the supply chain, the United States and China can significantly assist South African industry.

Renewable and non-carbon emitting sources of energy are quickly becoming an important part of energy development in many Sub-Saharan countries. Mozambique provides an example where the United States and China are both operating in the same energy sector with different niches, but at the same time providing necessary energy requirements to the nation. Mozambique is “rich in modern energy resources such as hydropower” and can use these resources to power domestic and regional needs. As with many large Chinese investment and development projects, China, through the Export-Import Bank, is financing $2.3 billion in loan packages for the Mpanda Nkuwa Hydro Power Plant. This large plant is projected to provide domestic power for Mozambique’s power grid and export electricity to neighboring South Africa and other SADC members. It has the potential to provide electricity to a domestic market that

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never had reliable electricity as well as a source of income by exporting the energy outside its borders.

The United States, meanwhile, is focused on providing hydropower and hydropower support projects on a smaller scale in Mozambique. The USTDA is investing over $600,000 in the feasibility study and development of a hydropower plant along the smaller Luria River to assist smaller communities gain access to electricity that they otherwise would not have.\textsuperscript{61} Additionally, U.S. engineers, sponsored by the U.S. Energy Association, visited some of Mozambique’s smaller power stations and hydropower plants to assist in energy efficiency to reduce the loss of electricity from creation, throughout the distribution chain, then arrival to customers.\textsuperscript{62} Energy development sponsored by the United States and China assists Mozambique and is in line with SADC and NEPAD project goals for energy infrastructure development. In this case, U.S. and Chinese energy investments complement each other as a comprehensive energy sector approach to the entire country.

\textbf{Conclusion}

There are multiple ways for the United States and China to cooperate in Africa to assist in sustainable economic development. Investments, development, trade, labor enhancement, and energy are all important aspects that allow for African nations to


progress economically. A comprehensive-joint strategy between the two powerful countries would expand upon the gains already made in some of southern Africa’s countries. Southern Africa provides a good example of the challenges as well as the potential for economic growth in Africa. By investing in some of these countries, the United States and China can greatly assist these countries improve the lives of their people at the same time benefiting from the economic relationship. Angola, as a country emerging from civil war with great resource potential and economic growth is a good example of a country ready to enter into the global market. Meanwhile, the Democratic Republic of Congo also has vast natural resources but is still plagued with internal problems, and needs economic growth and investment in order to get away from civil strife. The United States and China can assist these two countries emerge from their challenges while benefiting from the economic relationship.
CHAPTER THREE

ANGOLA: AREAS OF ECONOMIC COOPERATION OPPORTUNITY

Introduction

Angola is a good example of a country where the United States and China can work together on current programs, synchronize them, or create new projects that will allow all parties to benefit economically. The United States and China are Angola’s two most important export destinations, receiving 34.9% and 32%, respectively, of its products.¹ The two countries are also becoming increasingly important in Angola’s imports as well. Cooperating with respect to Angola is not something that is a completely foreign concept for the United States and China. In the early stages of the Angolan civil war in 1975, the United States and China agreed to “co-ordinate their activities in the country [Angola].”² While that occurred under different circumstances and times, the United States and China are now two of the most influential countries in Angola. Angola needs their assistance after decades of civil war which finally ended in 2002 but has ruined the country and its population. The United States and China have strategic interests in Angola, mainly petroleum, but they also have the opportunity to help transform the country into an anchor of economic prosperity and stability in southern Africa. By focusing on four areas of economic cooperation – infrastructure

development and investment, trade, labor development, and energy and natural resource improvement – the United States, China, and Angola will benefit in the long-term.

**Infrastructure Development and Investments**

In the area of infrastructure development, China is extremely active with billions of dollars of investments and multiple Chinese construction companies conducting projects there. The United States, meanwhile, does not have many investments or developmental projects in Angola, other than in the petroleum sector, but that may change in the future as the United States increases its current level of investments there.\(^3\)

Infrastructure development is an important area for Angola in order to recover from years of civil war and to continue building the material basis needed to be a regionally and globally important nation.

China, starting in 2002, began a program to build key infrastructure projects in areas including telecommunications, roads, and railways, in exchange for access to Angola’s petroleum.\(^4\) The oil-backed loan from the Export-Import Bank of China was worth $2 billion in 2002, and then in September 2007 Angola and China signed another oil-backed agreement for another $2 billion.\(^5\) Over 70% of this funding went directly to Chinese firms to complete the projects with input from the Angolan Ministry of

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\(^5\) Ibid., 3, 8.
Finance. For instance, the Benguela, Luanda, and Mocamedes Railways, which connect the interior eastern parts of Angola (further networked into the DRC and Zambia) to port cities such as Lobito, needed extensive reconstruction following years of war. The China International Fund Ltd, which is in charge of the contract, is restoring and constructing thousands of kilometers of train track. This is a huge undertaking, but something the Angolan government could not do on its own nor could it find Western companies willing to accept the project due to various monetary and financial security concerns.

Another important infrastructure development area in which the Chinese are heavily involved is telecommunications. Of the $2 billion of financial assistance from the Ex-Im Bank of China, over $276 million are set aside for the telecommunications sector in Phase II of the program which includes installing Next Generation Networks (NGN). Additionally, the ZTE Corporation International, a Chinese multinational company, “pledged to invest $400 million in Angola in 2008”. By investing in these types of projects, China is supporting the United Nations Millennium Development Goals in the area of technology and network development as well as NEPAD’s ICT

6 Ibid.


Broadband Infrastructure Network plan for Eastern and Southern Africa.\textsuperscript{10} The exchange between Angola and China would appear to be a ‘win-win’ situation for both parties, with China securing access to petroleum and Angola benefiting from multiple infrastructure projects.

Although China has built multiple large-scale infrastructure development projects, all is not well between the Angolan government and Chinese firms. Some of the projects listed by the China International Fund Ltd have not been completed on time or have not been started at all, according to reporters in Angola.\textsuperscript{11} This is a huge setback for the Angolan government which is trying to rebuild the country along with combating many other internal difficulties such as corruption. Additionally, due to the drop in oil prices, thus a drop in oil revenue for Angola, the Angolan government has needed to “pare down, mothball, or cancel a series of large scale public infrastructure projects that account for 60% of planned budget expenditure.”\textsuperscript{12} This is another significant setback to Angolan post-conflict reconstruction in infrastructure development which demonstrates the weakness in relying on a single commodity to generate construction revenue and entrusting the development to a single country and its state-owned companies.


The United States does not have any infrastructure development projects funded by USAID or the MCC, the largest U.S. government contributors to development projects abroad. However, this could change since relations between the United States and Angola are improving. The United States and Angola signed a Trade and Investment Framework Agreement (TIFA) in May 2009, and Secretary of State Clinton visited Angola in August 2009 emphasizing development while she was there. An increase in U.S. involvement in the infrastructure development sector would benefit the United States by expanding its role beyond petroleum in Angola and allow the Angolan government to diversify its development partners. This means that USAID would need to increase its budget and programs for Angola in order to make a significant impact on Angolan infrastructure development. USAID is focus on governance and internal loan financing for farmers and would need to expand its role by funding larger projects that dramatically impact the economic infrastructure such as improving agriculture production through science and technology or constructing bridges and roads that link major and minor population centers. The Economic Support Fund (ESF), managed by USAID, would be another good place in increase funding in Angola to help programs focused on reconstruction, recovery, and economic growth, which are all part of ESF goals. USAID could shift some of the funding allotted to financing farmers to the responsibility of the African Development Foundation. The African Development Foundation should begin funding programs in Angola, as it already has programs in the bordering countries of Namibia, Botswana, and Zambia. It is an effective program and
should be expanded into Angola in order to maximize the economic potential of the country.

The United States can utilize other programs already in use in other parts of southern Africa as part of its new approach towards Angola. Angola is already a candidate country in the lower middle income category for eligibility in the Millennium Challenge Corporation for fiscal year 2010.\(^\text{13}\) Programs similar to the one in Tanzania that support rural road network rehabilitation, construction, and maintenance would complement the ongoing projects China has already undertaken for major road thoroughfare construction and maintenance. However, this will not happen without planning and involvement from all interested parties. Connecting more rural parts of Angola to the main trade hubs could help expand the Angolan economic base. The agricultural sector (formerly Angola was a major regional food exporter) was identified by the African Development Bank as a great source of economic potential for Angola but cited poor road conditions as a major obstacle.\(^\text{14}\) Coordination between the MCC/U.S. State Department, the China Investment Fund, the Ex-Im Bank of China, and the Angolan Ministries of Finance and Planning is necessary in order to maximize the benefits of investments in road construction. By doing this, the Chinese companies can be held accountable to execute and complete their road projects in a timely manner.


because other projects directly rely on them. The Angolan government, likely the Angolan Ministry of Planning, should take the lead to coordinate between the three governments and map out transportation infrastructure projects in a joint committee format. Each government would need to send representatives that have the authority to make decisions on behalf of their government. The Ministry of Planning should hold these meetings at least once a year to check the status of ongoing projects and also determine scope of work in the future. With an increase in U.S. projects as well as the Chinese ones, the Angolan government can maximize those project benefits so that the Angolan infrastructure is more integrated and complete.

Another way to ensure quality project completion is to increase the number of companies competing for infrastructure development projects. Competition between companies will increases efficiency, creativity, create jobs, and assist in overall economic development, which will assist in Angola’s overall infrastructure development.15 Currently, “Chinese companies pursue construction deals in Angola because of the limited competition.”16 The United States should encourage U.S. companies to invest in Angola’s infrastructure as an alternative to the Chinese companies. For example, encouraging more businesses, like The Cornell Group, which


is already working on transportation projects in South Africa, and the Acrow Bridges Corporation, which is already supplying bridges to Angola for primary and feeder roads, to compete with large Chinese infrastructure development companies. Large U.S. construction companies such as these bring expertise, competition, and the ability to complete large development contracts. Additionally, the Corporate Council on Africa is increasing its efforts to encourage U.S. businesses to invest in African countries like Angola by recently hosting a U.S.-Africa Business Summit in Washington, D.C. in September/October 2009. Follow-up on U.S. businesses interested in investing in Africa will be an important aspect of getting them into countries like Angola. The Corporate Council on Africa along with the Departments of State and Commerce can do this type of necessary follow-up. The United States’ government can facilitate an increase in U.S. private enterprise investment in Angola by capitalizing on some existing programs in the Overseas Private Investment Corporation (OPIC). OPIC has a few funds dedicated to Africa, but also with a specific emphasis on Angola. These include the Africa Catalyst Fund with a target capitalization of $300 million and the Atlantic Coast Regional Fund with a target capitalization of $150 million. These funds, along with improved U.S.-Angolan relations, have the potential to increase U.S. involvement in infrastructure development in Angola. It will still require emphasis from

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agencies such as USAID and the U.S. State Department in general. The U.S. Angolan Embassy will require additional staffing and funding to accomplish this goal.

Both the United States and China have joint Chambers of Commerce with Angola which facilitates business relations. Another way to encourage business opportunities would be for the U.S.-Angolan and Chinese-Angolan Chambers of Commerce to conduct a trilateral meeting that shares and encourages ‘best practices’ by businesses in Angola. Angola can model the trilateral meeting on the U.S.-China Strategic and Economic Dialogue by adding Angola as the third country specifically focusing on business relations between the three countries. An annual forum could help Angola attract more multinational corporations and get practical feedback on ways to create a more favorable business environment in Angola.

While the United States is not as heavily involved in the infrastructure development sector compared to China, it is assisting Angola in the fiscal management of the investments, an area in which China is not currently involved. While China directly loans large amounts of money to the Angolan government, expecting oil and development projects in return, it does not assist in preparing the financial community on how to properly manage those funds for distribution. The United States is assisting in this area. From 2006 to 2009, USAID sponsored the Angola Fiscal Reform Project to “strengthen the capacity of the Financial Programming Unit (FPU) within the Ministry
of Finance (MOF) [of Angola].” This is an extremely challenging reform project due to the inadequacies across the various ministries and agencies in the Angolan government. Therefore, USAID has teamed up with other international organizations such as the IMF and World Bank to enhance fiscal reform across many spectrums of the financial sector. In the financial banking sector, the U.S. Ex-Im Bank announced $120 million dedicated to new Angolan banking facilities which will improve processing times with special emphasis in the petroleum, infrastructure development, and agriculture sectors. By the United States investing in the financial sector, capital can move into Angola from the global community easier and domestic capital can get to Angolans and other businesses, which will, in turn, spur economic growth in the country. China is providing massive amounts of money to the financial investment sector, over $4 billion publicly, while the United States is assisting in managing that money effectively. While it is not yet an ideal situation, learning how to efficiently and effectively manage Angolan finances is an improvement from when Angola emerged from civil war in 2002. Hopefully it will help prevent millions of development money from disappearing, which has been a problem in Angola before. A more coordinated effort is needed between the United States and China to assist in this area. Knowing


when funds are to be distributed, which projects they are going to, and what institutions will manage the funds is needed to ensure accountability. The United States and China, along with the Angolan Ministry of Finance, should establish a joint commission to help with this funding issue. This commission could be modeled on the EU-China-Africa Trilateral Development Cooperation dialogue with emphasis in the financial sector. This would allow the proper supervision of funds throughout the Angolan financial system. The intent of the commission should be the coordination of financial transaction information allowing the United States to assist Angolan institutions in their planning and distribution process. This would be a small investment that will have high benefits to the country of Angola.

Foreign Direct Investment (FDI) is another form of investment where the United States and China can positively impact Angola. In 2007, the United States’ foreign direct investment (stock) in Angola was $876 million, which was down 37% from 2006.\textsuperscript{22} Meanwhile, China’s FDI in Angola in 2006 (both flow and stock) was almost $60 million.\textsuperscript{23} Most of these foreign investments were in the petroleum and mining sectors and did not directly contribute to other parts of the economy. Continuing to develop Angola’s most lucrative and important natural resource is important, but investing in other sectors is just as important to prevent Angola from succumbing to the


“Dutch disease.” The private sector can thrive in Angola with the right kind of FDI in non-petroleum sectors, but improvements in the legal and regulatory framework of Angola are necessary.\textsuperscript{24} The United States and China can assist Angola in overcoming some of these barriers to FDI by providing training, assistance, guidance and, of most importantly, the capital to invest in the other sectors. Many of the reforms needed to create a healthy business environment for domestic and foreign investors are beyond the scope of this thesis, but they need to be addressed for FDI to improve in Angola.\textsuperscript{25} In some ways the United States is doing this in the economic area by helping institutions develop and building the non-petroleum infrastructure that supports those institutions. The United States and China can help Angola by fostering FDI from their various multinational companies into Angola with some of the other programs found throughout this thesis.

**Sustainable Trade Relations**

For Angola to build on the investments in its infrastructure, it needs to increase its trade capacity for long-term growth. Trade between the United States, China, and Angola has been increasing over the last several years. Angola is China’s largest African trading partner with over $14 billion in trade volume in 2007, most of which


was in the petroleum sector.\textsuperscript{26} Angola is the United States third largest trading partner in southern Africa, with $18.9 billion of the $20 billion in 2008 in the petroleum sector.\textsuperscript{27} These amounts make the United States and China Angola’s most important trading partners. Because of their increased involvement in Angola, the “United States and China can have a complementary role if they continue to provide credit for projects that enhance trade capacity,” especially in the non-petroleum sectors.\textsuperscript{28} Enhancing trade capacity and encouraging sustainable trade relations will cover a variety of areas in which Angola needs assistance.

Both the United States and China are heavily involved in the petroleum sector as this will continue to be an important aspect of trade between Angola and the two countries. Still, with the great amount of petroleum potential, Angola needs to import refined oil because it does not have the refining capacity to meet its own domestic needs.\textsuperscript{29} Assisting Angola in its refining capability will also allow Angola to increase the value of petroleum at the most important part of the supply chain. Angola has been struggling to find a foreign partner to build a refinery in the port city of Lobito for years, known as the Sonaref refinery. Initially, Sonangol, the Angolan state owned oil

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company, was going to give the construction contract to Sinopec to build the refinery. However, the Chinese wanted to build the refinery to export oil only to China, rather than regional consumers, which was Sonangol’s target market for the refinery.\textsuperscript{30} Angola wanted to diversify its export market rather than narrowing it to a single country. Therefore, the U.S. Company Kellogg Brown & Root (KBR) was hired to build the plant which will export products throughout the region while at the same time supplying the Angolan domestic market.\textsuperscript{31} Competition between Chinese and U.S. companies resulted in a better diversification of trade opportunities for Angola in the petroleum market. While the U.S. and China were competing for the contract, the end result was better for Angola in terms of future trade potential.

While increasing the export opportunities in the petroleum sector is favorable, diversifying the goods Angola trades with the United States and China is just as, if not more, important. In this capacity, the United States is doing more to increase the ability to trade non-petroleum products with Angola. Angola is eligible for trade preferences with the United States under the Africa Growth and Opportunity Act (AGOA), which attempts to give selected African countries access to the U.S. market, thus building African domestic export capacity while increasing commercial partners for U.S. companies. AGOA has been successful in increasing the volume of Angolan exports to


the U.S., but has limited benefits due to infrastructure capacity and the African
government’s policies. It is inconclusive if AGOA has helped diversify African
economies because of the emphasis of textiles and petroleum imported to the United
States under the program. However, it is possible for Angola to benefit in the
agricultural sector under AGOA if the products are able to get to market. The United
States Trade Representative noted numerous barriers to trade between the two countries
that still existed even with AGOA. To expand trade between the two countries and
alleviate barriers, the United States and Angola signed a Trade and Investment
Framework Agreement in May 2009. The agreement specifically addresses diversifying
products and services and establishes a United States-Angola Council on Trade and
Investment that has the authority to govern the agreement. While signing this
agreement does not guarantee expanding trade beyond the petroleum sector, it does
increase the potential for trade, investment, and development in non-petroleum sectors.
It is possible that the United States could sign a bilateral free trade agreement with
Angola in the future after taking the first step with a TIFA.

China, on the other hand, does not seem to be interested in importing anything
but petroleum from Angola. It has not signed any agreements with Angola other than

32 Bedassa Tadesse & Bichaka Fayissa, “The Impact of African Growth and Opportunity Act on

33 Office of the United States Trade Representative, Angola Report (March 23, 2009),
(September 1, 2009).

34 “Trade and Investment Framework Agreement Between The Government of the United States
of America and the Government of the Republic of Angola,” May 19, 2009, United States Treaties and
Other International Agreements, 1-2.
mutual memorandums of friendship and understanding for petroleum in exchange for infrastructure and development projects. In accordance with that type of trade, China continues to export steel, iron bars, batteries, cement, and automobiles to Angola which support its infrastructure development programs. While Angola still maintains a trade surplus with China, the trade surplus is solely based on petroleum. In order for China to help expand Angola’s trade products, it must be willing to import items besides petroleum. Since Angola is China’s largest trade partner in Africa, China should consider entering a bilateral investment agreement (BIT) or even a free trade agreement (FTA) between the two countries. China already has bilateral investment agreements with other southern African nations including Botswana, the Democratic Republic of Congo, Madagascar, Mozambique, Namibia, South Africa, Zambia, and Zimbabwe. Having a BIT with these countries demonstrates that China is willing to trade with southern African countries outside of the petroleum sector.

The United States already has the potential framework for U.S.-Angolan trade to diversify beyond the petroleum sector. However, it will take continued emphasis by U.S. government agencies, such as the Departments of Agriculture and Commerce, to promote trade in those areas. China, on the other hand, needs to move beyond the petroleum sector and allow Angola to send non-petroleum goods and services to China.

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By assisting Angola to diversify its trade, the United States and China will benefit by
diversifying their trade partner base. In the case of trade, the United States, along with
the Angolan government, need to pressure China to diversify its imports coming from
Angola. Diplomatic pressure is one of the United States’ strengths and should be used
in the case of Angolan-Chinese trade relations. This will also help with the United
States’ relations with Angola by demonstrating it is looking out for Angolan interest
beyond the petroleum sector. Angola is in a good bargaining position to demand more
equal trade terms with China due to China’s dependency on Angolan petroleum.
However, it cannot do this without U.S. assistance through diplomatic pressure and a
major investor in the country.

**Labor development and enhancement**

Labor development in post-conflict countries is an important aspect of
reconstruction and Angola is no exception. Developing and educating the Angolan
labor force will improve the quality of production of Chinese and U.S. companies that
operate in Angola while at the same time assisting Angolans in their long transition to a
peaceful and productive country. In the case for labor development in Angola, the
United States and China are investing differently. The United States is heavily involved
in the training and education of the Angolan people, and China, while also involved in
education and training to a lesser extent, is working on building the schools where the
education and training takes place.
Part of the United States’ development strategies is to educate the domestic population of developing countries. In Angola, the United States is contributing more to advanced education and training than any other country. One of the most basic educational needs in post-conflict Angola is teaching many of the young labor-age force to read. USAID sponsors an adult literacy program to educate young adults, which has resulted in establishing over 804 learning centers and educating over 25,000 students as of 2004. In 2007, the United States government sponsored over 4,913 Angolans for higher education or technical training, most of which were for education at universities and colleges in the United States. This type of higher level education and training enables Angolans to have a more significant role in some of the multinational corporations that come to the country. This is an important aspect of developing the labor force which can do more than a skilled labor and possibly run more complex parts of the company or business. Angola is also a prime candidate for increased support from the Africa Education Initiative (AEI) to support the overall education needs that Angola requires. By focusing on Angola with the AEI, the United States can potentially maximize the benefits of the programs due to Angola’s post-conflict status and


economic potential driven by the petroleum sector. The United States should continue the reading program, educational scholarships, and African Education Initiative in Angola in order to continue the needed labor development.

China is also active in the education and training of Angola’s labor force. In this sector, China is building, and sometimes equipping, many of Angola’s neglected secondary schools and polytechnics located throughout the country. These multiple projects are built mostly by Sinohydro and CNMEC, and are valued at over $1 billion dollars in construction cost. These construction projects are the physical infrastructure needed by Angola to educate the current and upcoming labor force. Without these projects Angola would not be able to accomplish that goal. While China may not be heavily involved in the Angolan education system, many of its multinational companies are interested in training local Angolans to meet the requirements to work in their companies. For instance, Huawei, a telecommunications network company, announced it will open a training center for sector professionals in Angola valued at over $7 million. With so many large Chinese companies in Angola, this is something that other Chinese companies might take part in. The Chinese government should compel and encourage its state-owned enterprises (SOE) to participate in more programs like the Huawei one.

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The United States and China are involved in many aspects of labor development in Angola right now. It is a long-term investment for the companies and governments in Angola. In order to continue to make progress in this area, a coordinated effort is needed. China will likely continue to build the larger school projects for Angola, meanwhile, the United States can focus its educational funding on primary schools and other aspects of the labor force. By doing this, Angola will receive assistance throughout the educational system from start through entry into the labor force. Coordination between the Angolan Ministry of Education, China, and the United States would also help with respect to technical and vocational training. Companies like Huawei and Chevron are already establishing training programs that are helping them utilize a skilled labor force. This could be streamlined by sponsoring consolidated multi-company institutes that could focus on a particular job sector, such as telecommunications or agriculture. This will require work and commitment on all parties in order for such programs to be successful. The Angolan government will need to lead this type of coordination of foreign enterprises and institutions so that they are consolidated and provide the necessary benefit to the Angolan labor force. However, in the long-term it will benefit the U.S. and Chinese companies, as well as realize the Angolan labor force potential. These companies can then draw on a more educated and better trained labor force, which will decrease the cost of production, thus increasing profit potential.

Energy and Natural Resource Improvement
Energy and natural resource development is a major source of revenue for Angola, as in the petroleum sector, and a greater source of potential economic diversification. The United States and China are both involved in many of these sectors that will help strengthen the Angolan economy while at the same time diversifying it.

One of the most important aspects of Angolan development is improving its access to reliable electricity. Increasing electricity production is a major component of recovery for Angola according to the African Development Bank. To this end, the United States and China are attempting to help diversify and increase the capacity of electricity production. Hydro-generated electricity currently provides almost two-thirds of Angola’s current electric output, making it very important in the energy sector. Just as in Mozambique, China is involved in larger hydroelectric projects, while the United States is investing in the development of smaller plants for communities that do not benefit from the larger construction projects. According to the China International Fund, China is working on a hydro-electric power project on the Kwanza (Cuanza) River as well as other improvements along the river. The United States also has hydro projects to support energy production. The USTDA provided $626,850 to the Angolan Ministry of Energy and Water Affairs to help develop master plans for the interior cities.

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of Cuchi and Luena for electric production from small hydroelectric plants.\textsuperscript{45} Still, the United States and China are just barely scratching the surface when it comes to potential hydro energy production. Like other infrastructure projects in Angola, the United States, China, and Angolan governments need to work on an overall strategic national plan that will harness the energy potential in the hydro sector. The United States could introduce more private hydro and electric specialist firms like General Electric which already has the capability to deliver high quality hydro and other power generating equipment to Africa, as in Nigeria.\textsuperscript{46} Meanwhile, China can also incorporate Sinohydro into the Angolan hydro sector rather than working on other infrastructure projects in Angola. Sinohydro is well known for its work on the largest hydro-electric dam in China and can make significant contributions in Angola as well. Incorporating more business and government involvement in the hydro-electric sector would improve Angola’s ability to provide the necessary electricity to its own businesses and people. The responsibility of this is on the Angolan government and it should establish another commission with energy focus. Support from the United States and China is necessary and they can incorporate U.S. and Chinese energy experts into the planning process to help the Angolan government effectively harness the electric potential of the country.


One of Angola’s largest natural resources is its fertile agricultural land. Prior to the last decade of colonial rule in Angola, Angola was a major African agricultural exporter; however, due to severe wartime conditions, the country now imports over half its food.\textsuperscript{47} Agriculture is another area both China and the United States have programs to assist Angola regenerate this natural resource sector. In Phase I of the Chinese billion dollar credit line, over $149 million was allotted for the acquisition of new agricultural machinery as well as the rehabilitation of irrigation systems, and over $54 million in Phase II was allotted for agriculture.\textsuperscript{48} Much of the agricultural machinery was purchased from the Chinese company China National Machinery & Equipment Import & Export Corporation (CMEC), which also completed small scale water supply projects supporting agriculture.\textsuperscript{49}

The United States has also identified agriculture as an important part of Angolan reconstruction. USAID, along with Chevron, launched the Agriculture Development and Finance Program (ADFP) in Angola pledging $5.5 million over five years to “increase access to financial services for farmers” and improve the value chain from


processing, transport, and the marketing of products.\textsuperscript{50} Still, the United States just started spending over $1 million in the agricultural sector in 2008, which is only a fraction of what China has pledged.\textsuperscript{51} With Angola possibly becoming eligible for the Millennium Challenge Corporation, this could change. One of the important programs the MCC could implement in Angola is the Food Security program, which is already being implemented in other southern African nations such as Madagascar, Mozambique, Namibia, and Tanzania. This program supports agricultural development as a long-term investment in the nation while building capacity along the entire supply chain. To encourage export of agricultural products the United States Department of Agriculture will sponsor a trade show in Angola in 2009 and 2010. This will help Angola’s agriculture sector by encouraging it to develop as a global exporter, which will support long-term growth. China and the United States are complementing each other’s work in the agricultural development sector. In many ways, China is equipping Angolan farmers with the tools to begin production, which is a high up-front cost, while the United States picks up the process with production and encourages product export. A synchronized plan is needed by the Angolan Ministry of Agriculture with assistance from U.S. and Chinese experts to support agricultural development.

\textbf{Recommendations and Conclusion}


Angola provides a good case of an African country emerging from years of civil war and domestic problems but has the potential to become a prosperous and stable country in an otherwise turbulent continent. To do this, Angola needs assistance to transform elements of its economy to facilitate long term growth. The United States and China can assist Angola in the areas of infrastructure development, investment, trade, labor development, and energy and natural resource improvements. The United States and China in some ways are already cooperating and/or complementing each other’s work such as in education. However, in order for Angola to reach it maximum economic potential those efforts must be coordinated by all three countries. The United States and China will likely be interested in Angola for a long time; therefore they should synchronize their long-term investments in the country.

The first thing that must happen is that the United States must become increasingly involved in Angola with an increase in the USAID and State Department staff in Angola in order to capitalize on recent agreements and visits by U.S. officials. After this, other supporting departments, such as the Departments of Energy, Agriculture and Education, could follow. This will be part of the overall U.S. strategy to engage Angola since emerging from civil war and conducting democratic elections.

Synchronizing U.S.-Chinese efforts needs to be a specific goal and will require significant effort, which is something the United States and China have already agreed to do generally on a variety of topics as demonstrated by the launch of the U.S.-China
Strategic Economic Dialogue. The dialogue was launched in order to discuss trade, China as a “responsible stakeholder,” and global political issues. Angola can be a specific area of cooperation where they can work together. The United States, China, and Angola should establish a joint committee that would coordinate the economic efforts in the specific areas of infrastructure development and investment, trade, labor development, and energy and natural resource improvement. The core members of this committee should come from the U.S. Department of State, Chinese Ministries of Commerce and Foreign Affairs, and the Angolan Ministries of Finance and Planning and members must have the capability to make decisions at the meeting. The Council on Foreign Relations has created an “Africa-China-U.S. Trilateral Dialogue” that can serve as a model for the committee, but taken a step further with a decision making capacity, the commitment of each government, and specific emphasis on the country of Angola. The African Development Bank and NEPAD should also be invited to demonstrate African leadership and the importance of the development of Angola in southern Africa; African solutions for African problems. Additionally, Angola must be the chair and sponsor of this committee as the most important stake holder in its own future, with assistance from the United States and China as required and necessary. Meetings should at least be annually to determine the status of on-going projects in each of the economic sectors and plan and prioritize future projects in the short and long-
term. This will give the United States and China a better economic environment to work in while simultaneously helping Angola achieve its reconstruction and transformation goals.

A test case for this joint effort can start in the area of labor development. Cooperation between the United States, China, and Angola on educational requirements is needed and labor development is the least controversial area of economic development. Since the United States and China are already facilitating many of these goals in Angola, this will require less synchronization and new projects as opposed to an area like infrastructure development. The Angolan government must take the lead and come up with strategic labor development goals, plans, and how ongoing U.S. and Chinese efforts can help achieve them. Input from NEPAD’s Human Development-Education priority sector will also help the Angolan government with this effort. The test case for the labor development sector will likely require one to two years, any longer will allow missed opportunities in the other economic sectors. Following this test area, lessons learned can be applied toward the overall joint committee so that Angola’s economic development is properly synchronized and planned.

With synchronized U.S. and Chinese assistance, Angola can help bring stability and economic growth to the region. Angola has many other areas which it needs assistance besides in the economic sector, but it is an important start for a post-conflict country.
CHAPTER FOUR

DEMOCRATIC REPUBLIC OF CONGO: AREAS OF ECONOMIC COOPERATION OPPORTUNITY

Introduction

The Democratic Republic of Congo (DRC) has been plagued by conflict and many difficulties since its independence. The DRC has a population of over 60 million people, the third largest in Sub-Saharan Africa, and encompasses a land mass of 2,267,600 square km, which is about the one-fourth the size of the United States. After 75 years of colonial rule by Belgium, Congo was granted independence in 1960, but the Belgium government left little infrastructure other than the basics necessary to extract rubber, ivory, and mineral resources. Most of the eastern half of the country is involved of some type of conflict; either there are foreign armies operating over large swaths of territory or rebel groups seeking control over land and resources. The political situation has been turbulent with three different ‘Republics’ declared under Mobutu’s over thirty years of rule, followed by the invasion of foreign armies during the rule Laurent Kabila (killed) and foreign army occupation under Joseph Kabila, all the while attempting to operate with a “dysfunctional autocratic system of governance.” The history of Congo has not fostered political progress, economic development, nor any stability for the Congolese people or their neighboring countries.

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2 Ibid., 7.
3 Ibid., 13-14.
Since its independence in 1960, there has been continuous civil war in the eastern parts of the country, corruption is rampant throughout the government, and there are human rights violations on an almost a daily basis. As a country engulfed in conflict, the DRC faces many obstacles to reform and development. Congo has made some recent progress with democratic elections in 2006, recognized as legitimate by the United Nations. The United States and China, however, can assist the DRC economically in progressing past its current stage into a more productive one. One of the goals for the United States is to develop a “sustainable, long-term approach to securing the peace and sustaining progress in the Congo…promoting broad-based, environmentally sound sustainable development.”

Secretary of State Clinton’s recent visit to the country demonstrates that the nation is increasingly important to the United States. While she was there, she reiterated the commitment of the United States to the people of the DRC and to help “create an economy that spreads the wealth of its country to more people.”

China’s top legislator, Wu Bangguo, stressed increasing trade when he met with Evariste Boshab, speaker of the DRC’s National Assembly, in Beijing. While both countries have expressed a commitment to assisting the DRC, the country is still in a difficult situation with an inefficient and corrupt government and a

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difficult place for businesses to operate. By the United States and China cooperating in the areas of infrastructure development, investments, trade relations, labor development, energy, and natural resource improvement, Congo can emerge from its current situation and benefit from the natural resource potential it possesses. Advancements and progress in these areas will be limited as there is also a requirement for profound reform throughout the Congolese government. This will continue to be the most important aspect of helping Congo, but cooperating economically can work in conjunction with other reforms and do not have to occur after other reforms are made first. There is the potential for the United States and China to work together to serve their own interests, and for the betterment of the Democratic Republic of Congo.

**Infrastructure Development and Investments**

The most important prospect for improving Congo’s future came when the Chinese decided to offer an exchange for access to Congolese natural mineral resources similar to those with other mineral rich Sub-Saharan African countries. The deal has been very controversial because of the previous debt held by Western creditors and concerns about future indebtedness of the nation. China became a major investor in Congo in 2008 with a $6 billion infrastructure–for-minerals deal when the Chinese Ex-Im Bank agreed to lend Sicomines for infrastructure and mining development projects. Sicomines is a joint venture between Gecamines, the state-owned Congolese mining company, and Chinese investors, which include the China Railway Group Limited,

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China Metallurgical Group, and Sinohydro. The deal was supposed to be for over $9 billion earlier in negotiations, but pressure from Western countries concerned with the current Congolese debt reduced the scope of the final deal. The Chinese-Congolese deal is in many ways typical of the natural resource exchange for infrastructure in Africa by the Chinese. Some of the infrastructure projects included in the negotiations are: engineering 3,215 kilometers of railways (upgrading, modernization, and construction), 3,400 kilometers of asphalted roads, 2,738 kilometers of beaten earth roads, and 550 kilometers of urban roadways; building two hydroelectric dams, 5,000 accommodation units, two universities, two electricity distribution networks, two vocation training centers, and two airports. Though completion of these projects is years away, it does show the Chinese commitment and willingness to help rebuild or build much of Congo’s infrastructure. Investment in such basic infrastructure in Congo is needed for the country to progress.

The deal between the Chinese and DRC was highly controversial due to the terms of the agreement and the almost $10 billion Congo still owes on past debts to the IMF and Paris Club, in which the United States is a major contributor and holder of DRC debt. The IMF argues that the loan “implies massive new state borrowing” thus an

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overall increase in Congo’s debt burden.\textsuperscript{9} The IMF sent a mission to the DRC to discuss a new three year arrangement under the Poverty Reduction and Growth Facility (PRGF) program, and reached an understanding in light of the Chinese-Congolese agreement which would include amending some of the mining guarantee component of the agreement.\textsuperscript{10} Donor countries from the IMF and Paris Club do not want to see their loans and debt assistance go straight into the hands of Chinese companies building infrastructure while at the same time the companies gain the benefits of extrapolating mining commodities. The debt burdens, and repayment options, are the most controversial elements of how to assist the DRC to recovery.

For the DRC, a country which recently had its first democratic elections in over 40 years, infrastructure construction is necessary. China is willing to invest billions of dollars in infrastructure development in Congo while no other countries are willing to do so. However, China must be mindful of the concerns of the Western countries which loaned Congo so much money in the past and how those debts are paid. If the debt situation decayed further, it could cause a financial crisis in the DRC and inhibit China’s ability to gain access to the natural resources it so desires. The Western countries, led by the United States, need to allow other investments in Congo’s infrastructure. Since the United States seems to be in a quagmire, not wanting to invest more money into the


DRC, but wants to help it develop, it must encourage some type of infrastructure development. Compromise by China and the United States in this situation is necessary, otherwise Congo loses in the end and will not benefit from the natural resources it possesses. One of the compromises so far has been to not put up all of the negotiated Chinese-desired Congolese mineral resources as collateral for the infrastructure projects. The United States, China, and Congo can work together through the IMF structure to ensure a deal is reached so that the Congolese people can rebuild their country and the debts are paid in a responsible manner.

To further encourage the $6 billion Chinese deal and infrastructure improvement, while at the same time addressing debt holder concerns, all interested parties must come to an agreement. So far, China has not addressed many of the concerns of the IMF and Paris Club directly, and the IMF and Paris Club have only criticized the Chinese-Congolese deal. The United States, with its diplomatic influence, needs to encourage a compromise in this situation. The first step is to gather all interested parties, the IMF, Paris Club, China, and the Democratic Republic of Congo, into one place, something the United States is apt at doing. The United States can do this by initially sponsoring a donor conference with an agenda targeting those concerns. The donor conference can meet under IMF protocols but sponsored by the United States. It is possible to come to some agreement in this structure to alleviate concerns. Follow-up meetings, likely annually, will be necessary to ensure agreements are kept and address future debt concerns and payments. The IMF has conducted specific conferences in the past.
focusing on one country, and in this case the United States can encourage one on Congo. This can still be done within normal IMF debt relief services with special emphasis on how the Chinese deal affects Congo and its donors. The IMF mission sent to Congo to assess the Sino-Congolese deal, and how it affects IMF and Paris Club debt holders, but has not released the details of its mission, but some items that will likely need to be worked out include monetary policy, restructuring the privatization program, and wage policies. Working on these issues will help alleviate some of the concerns from all parties, although a full consensus is not likely due to the different objectives, but it will be progress. Cooperation between the United States, as a key IMF donor, and China is important in order for this to happen.

The Democratic Republic of Congo’s infrastructure was poor before civil war encompassed the country but is much worse off now. For example, there are not even roads that connect nine of the ten provincial capitals to the national capital. The transportation infrastructure is just one sector that needs major attention and funding in order to reach the country’s economic potential. Like many Western countries, the United States is weary of investing too much money into the DRC due to problems with human rights abuses and corruption previously encountered under the Mobutu regime and the large debt already accumulated. Development and investment in the road

\[11\] Ibid.

network of Congo, however, is one of the most important sectors to further economic progress in the country. Investment in infrastructure, especially in the transport network, will lead to advancing other economic sectors such as agriculture. Investing in the road network in Congo is investing in a public commodity that will benefit all parts of the society, not just some of the Congolese elite. Farmers can get their products to market, transportation costs will decrease for businesses, and relief agencies and NGOs will be able to get assistance to the people that desperately need them. China has pledged to construct thousands of kilometers of roads in the DRC with its recent $6 billion infrastructure-for-minerals deal. Sinohydro, with much experience in large-scale infrastructure construction projects in Africa, will likely carry out most of the road work in Congo. The United States has an opportunity to complement this construction work and work with China through USAID and USTDA projects building roads that connect rural communities to the major roads and thoroughfares, similar to those completed in Tanzania and Mozambique. Integrating and completing such projects will require coordination between the United States, China, the Congolese government, and other international agencies and NGOs working in the DRC.

The railway component of the transportation sector is another element of Congo’s infrastructure that will require maintenance and construction. As mentioned, the Chinese have committed to upgrading and constructing thousands of kilometers of

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14 For example of a Mozambique road project see http://www.usaid.gov/stories/mozambique/pc_mz_nhampaza.html (accessed October 14, 2009).
railway in Congo, likely constructed by the China Railway Group Limited. This will greatly improve Congolese infrastructure’s ability to move large amounts of goods very quickly, linking the resource-rich Kantanga Province to the port province of Bas Congo while passing through vast parts of the country’s interior. The United States has already completed a railway project in Congo in 2004. This project involved repairing over 500 km of track and bridges from Ngwena to Kindu in the eastern part of Congo.\textsuperscript{15} This demonstrates that the United States is willing and able to conduct large scale infrastructure construction projects in unstable areas of the DRC in collaboration with other international agencies such as the United Nations. Since moving goods by rail is a common method in Africa, improving this aspect of the country’s infrastructure will assist economic recovery. While it remains to be seen how the Chinese projects progress, the railway sector is a good area for the United States and China to cooperate in the future.

Since China is investing so much into the DRC, this is a good opportunity for China to demonstrate its ability to lead a multilateral effort in Africa. Historically, the Congo was the first place China has ever committed troops to a long-term U.N. peacekeeping effort. Chinese leadership is natural in this case because of the size and number of projects China is ready to execute in Congo. It is a majority stake holder in the infrastructure development process along with the Congolese government.

Encouragement from the United States to take on this role will likely be necessary. The Chinese planning commission in charge of implementing the infrastructure projects in Congo should expand its role beyond just coordinating Chinese specific projects. The commission should begin by inviting the United States, Congolese government, along with other donors and NGOs, to semi-annual meetings to discuss the progress of ongoing projects, potential future projects’ size and locations, and how each project will integrate into a national network. Coordination and attendance will likely be voluntary, but details can be worked out on the timing of projects, getting them tied into one another, and gain feedback and lessons learned on how to make progress. To do this, the United States will need to commit additional funds for infrastructure development and likely increase part of its development staff in Congo. It can repeat some of the infrastructure projects completed in other southern African countries in the Congo. The United States can emphasize to the Chinese that through coordinating multiple efforts in Congo, it will be a ‘win-win’ for everyone involved. China will fulfill its infrastructure commitments, the United States will demonstrate it renewed emphasis on Congo, and the Congolese people net gain from development throughout the country.

**Sustainable Trade Relations**

The Democratic Republic of Congo has a high potential for diverse trade with the United States and China. The DRC’s main exports are base metals (coltan, copper,
cobalt, and gold), diamonds, and crude oil.\textsuperscript{16} One of the problems with the natural resources exported out of Congo is that many of them are lootable and are not accountable in many official statistics.\textsuperscript{17} This is a problem for Congo when countries import raw materials that were stolen from legitimate sources and were then sold on the black market. Congo is not able to generate revenue from the exported goods and misses out on another opportunity to fund other government projects. Though mechanisms have been put in place to stop such actions, such as the Kimberley Process Certification Scheme,\textsuperscript{18} the DRC has been “criticized for its weak internal controls, customs capacity, and ability to track diamonds extracted by large number of self-employed miners.”\textsuperscript{19}

Since Congo is not in a position to account for its own natural resources traded outside its borders, the United States and China can assist the government by enforcing trade standards at the import end of the supply chain. The United States has attempted to address some of these concerns with ‘conflict diamonds’ and with some minor alternations might be applied to other lootable natural resources such as gold and


copper. If the United States and China adopt some of these recommendations, Congo might be able to get a better handle on some of its natural resources. The first step would be to ensure that Kimberly Process is working properly in the United States and China, both signatories of the agreement. The United States is having difficulty accounting for and regulating the diamond industry right now, which needs to be addressed according to a Government Accounting Office (GAO) study.\textsuperscript{20} One issue with the diamond industry, which can be applied to some of the other lootable resources, is that the United States is not properly confirming the receipts of most import shipments of foreign exporting authorities.\textsuperscript{21} The verification process, for both the United States and China, is a way for trade authorities to ensure resources come from a verified business and were mined appropriately. By doing so, it will increase the pressure of local authorities in Congo to follow proper procedures; otherwise important businesses will lose valuable markets. The U.S. Geological Survey, and its Chinese equivalent, can help with this verification process.\textsuperscript{22} Pressure to enforce some of these recommendations can also be worked through existing organizations such as the World Trade Organization (WTO) Agricultural and Commodities Division. This division provides support in the implementation of existing WTO rules by ensuring processes are


\textsuperscript{21} Ibid., 22.

\textsuperscript{22} Ibid., 1.
followed specifically related to natural resources and agriculture. Helping ensure that these types of mineral commodities are properly traded will encourage accountability of Congo’s resources.

The United States and China can also diversify the types of products they import from the Democratic Republic of Congo. Both the United States and China have signed Bilateral Investment Treaties (BIT) with the DRC, which would indicate that trade between the countries would be possible.\footnote{United Nations Conference on Trade and Development, \textit{China Bilateral Investment Treaties concluded, 1 June 2008}, in the Country-specific Lists of BITs, http://www.unctad.org/Templates/Page.asp?intItemID=2344&lang=1 (accessed September 22, 2009).} Congo’s BIT with the United States went into effect July 28, 1989 and Congo is eligible for trade preferences under the African Growth and Opportunity Act (AGOA) as of October 31, 2003. Most of the imports to the United States from Congo consist of precious stones, jewelry, mineral fuels, oil, wood articles, art and antiques, and milled products according to the United States Trade Representative.\footnote{Office of the United States Trade Representative, “Democratic Republic of Congo,” under “Central Africa,” http://www.ustr.gov/countries-regions/africa/central-africa/democratic-republic-congo (accessed October 14, 2009).} While this does seem diverse, the majority of the products imported are mineral fuels and precious stones. China, on the other hand, has signed a BIT with Congo on December 18, 1997, but that treaty has not entered into force between the two countries. Congo has limited ability to expand the type of goods exported to China or negotiate other trade matters without any type of trade agreement. Both the United States and China need to expand the types of goods that they import from the DRC. The BIT between the United States and the DRC was signed long before the overthrow of
Mobutu and when the country was called Zaire. The United States should reexamine its treaty with the DRC and possibly upgrade it to a Trade and Investment Framework Agreement (TIFA) in the near future. China needs to allow its BIT to enter into force so that the opportunity for more diverse trade between the two countries can exist. Current and relevant trade agreements between Congo and the United States and China are necessary to begin trade diversification and growth.

Like many African countries, one of the most important aspects of the DRC’s economy is the agriculture sector. Over 70% of the population is dependent on agriculture which represents 48% of the country’s GDP. By encouraging agricultural development and assisting in agricultural trade, the United States and China would help a large percentage of the Congolese population and reduce the dependency on the mineral resource sector. One of the most important parts of increasing Congolese agricultural trade would be to open Chinese and U.S. markets to agricultural products, possibly part of the BIT negotiations. Harvesting, selling, and purchasing of these products will need to be done in a responsible manner so that the environment is not severely damaged. While the Congolese government will need to enact and enforce laws that verify responsible agricultural traders, similar to the mineral sector, the United States and China can enforce standards of import into their respective countries. The WTO can facilitate this type of agricultural regulation, as it already has some of those

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mechanisms in place, such as the Agreement on Rules of Origin. By the United States and China opening their markets to some of the agricultural imports from Congo, they will have a beneficial impact on the Congolese economy as well as the Congolese people.

One of the biggest impediments to trade and investment in the Democratic Republic of Congo is the Congolese inability to enforce customs regulations and reduce the cost of transportation at the ports and other trade facilities. This is a major obstacle to attracting the private sector to invest in the DRC.26 The United States and China sponsored trade hubs and trade centers throughout southern Africa in order to help facilitate trade throughout the region. They could help establish smaller scale operations along the same lines in Congo. These might include multiple locations throughout the country in order to help facilitate trade regulations and customs processes. Locations already with MONUC presence as well as important mineral resource centers such as in Lubumbashi, Uvira, Goma, or Mbuji-Mayi are good possibilities. By establishing such centers, the United States and China could assist Congolese authorities with regulating products that leave the country and possibly encourage an increase of private enterprises in the country.

**Labor development and enhancement**

Like many other aspects of Congo’s economy, the labor force has been neglected and does not have the skills needed by many multinational corporations which do

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business there, not to mention elements of the government itself. For many African countries such as Congo, “strengthening training and secondary and post-secondary educational programs for workers and managers” is an important aspect of increasing business and investments.  

Through the minerals-for-infrastructure agreement between the Democratic Republic of Congo and China, China has agreed to build two universities at still to be determined locations and two vocational training centers for construction and public works in Kinshasa and Lubumbashi. The universities and vocational centers will have a positive impact on the quality of the labor force found in Congo through education and training. Another aspect of building education centers is ensuring that they are properly staffed with qualified teachers and instructors. It is unclear whether or not China plans to help staff these locations, but Chinese actions in other southern African countries indicate that is can be accomplished; for example, China has sent professors to the University of Namibia and University of Johannesburg to teach. In 2007, China sponsored the training of 45 Congolese government officials, technicians, and managers as well as 23 scholarships for Congolese students to study at universities in China.

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compared to the size of the Congolese population. With an increase in Chinese activity in the DRC, China should increase the number of educational and training opportunities for Congolese government employees and students in China. This will serve the long term economic goals China has with the DRC by having the skilled labor force and an effective government to work with while conducting business there.

The United States has a few programs to assist in labor development and education in the DRC. The first program is the Pour une Approche Globale de l’Education (PAGE), which is an USAID program that assists parents in basic education fees and helps train teachers in primary education. The program is focused in the Equateur and South Kivu provinces, but also has a national element attempting national school governance reform. While the program will not have an immediate impact on the labor force, it has the potential to increase the education and skill levels of the future labor force in ten years time. The United States sponsored 108 educational exchanges with the Democratic Republic of Congo in 2007, which is still a small number when considering the exchanges with other southern African countries. The United States has room for improvement in the DRC, especially since it has had democratically recognized elections in the country. It can increase the number of education sponsored program participants to more accurately reflect the size of Congolese population with respect to other southern African countries. A good start would be to assist in basic education through the African Education Initiative (AEI) in conjunction with the PAGE.

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program so that they complement each other for maximum benefit. The African Development Foundation (ADF) could also help businesses with training and educating their own labor force. While the DRC is currently not eligible for assistance through this program, it would certainly benefit from the ability to gain access to its funding for small business support activities. The African Development Foundation already has active programs in Namibia, Botswana, Zambia, Malawi, Tanzania, Rwanda, Burundi, and potential programs in Zimbabwe. Certainly the Democratic Republic of Congo should also be considered for this program.

A coordinated effort by the United States and Chinese governments in the labor development sector would increase the overall skills of Congolese workers on a larger scale. Since the Congolese government is relatively new, democratically elected, but very inefficient, encouraging labor development should be a multilateral effort. The United Nations Development Program, Human Development, would be a good start for educational project synchronization in the DRC. The UNDP has the resources and capacity to work with the United States, China, and possibly other NGOs to assist in the labor development in Congo. In general, the United States should focus in the primary and secondary education areas while China assists in vocational and university level education while building facilities. These are the countries general strength areas in terms of helping developing countries. Emphasis on the UNDP to help in the DRC is possible since the United States and China are already members of the Security Council and have enough influence to encourage such a program. It will take a coordinated
diplomatic effort by the United States and China to encourage this emphasis on the DRC in labor development in the United Nations Development Program because education is currently not a specific UNDPP area of focus in the DRC. The United States and China will need to change this so that labor development programs are more synchronize there. The UNDP does have its Capacity Development area of focus that can be added to the DRC program if encouraged by the U.S. and Chinese. The UNDP Program Plan for the DRC 2008-2012 includes promoting human development and with the progress in the DRC’s governance area, successful national elections, the Capacity Development Program can be included as a long-term project. The Five Step Capacity Development Process has already been applied to difficult African countries such as Liberia and the Central African Republic, which have similar challenges to the DRC. There is no reason this program cannot be implemented in the DRC. An alternative to the UNDP to coordinate labor development is the World Bank’s Labor Markets Team. This program works with the International Labour Organization, trade unions, and corporations to provide operational support to client countries to promote not only vocational education and training but other industry related expertise. The World Bank, since it is already involved in the DRC, could be a good source of assistance for Congo’s weak labor availability. The UNDP, however, would be the best international agency to coordinate the United States’ and China’s labor development programs in the Congo.

The corporate sector can also contribute to the training of the Congolese labor force. Huawei Technologies Co., a Chinese company, was awarded a major network
contract in conjunction with the Congolese operation of Millicom International Cellular to provide cellular networks using over 500 base stations throughout the country.\textsuperscript{31}

With such a vast country as the DRC and millions of potential cellular phone users, Huawei could sponsor a training center in Congo similar to the ones in Kenya and Angola. This training center could improve the available labor force’s ability to perform maintenance, network upgrading, and other ICT infrastructure development within the country. The United States Company, Freeport McMoran, has one of the largest mining concessions in the Tenke-Fungurume, Katanga Province. The company has established comprehensive training programs for its Congolese employees and has constructed programs for the communities that support its mining operations.\textsuperscript{32} It has built two schools, staffed them, and supported the staffing of various other schools in the surrounding area. The United States and Chinese government can encourage programs which their companies take an active role in supporting the training of the domestic Congolese program in an effort to improve the quality of the labor force in the country.

In some ways, this is good corporate social responsibility (CSR) that more companies are getting involved in when they are in foreign countries, the DRC should not be any different. Since the Congolese government is reviewing and renegotiating many of its contracts with foreign natural resource exploration and extraction companies, it could include a local worker training aspect in the contract. This would guarantee an


investment in the local labor force and raise the level of skilled workers found in key areas of Congo.

Labor development in Congo can improve through both private and public support from the United States and China. Another source for labor development assistance in the DRC is NEPAD’s Human Resources Development sector program that has an expertise in solving African specific problems. By coordinating some of those efforts, possibly through the United Nations Development Program or World Bank Labor Markets Team, the maximum benefit can be achieved and a larger, better educated, and more skilled labor force will be available in the Democratic Republic of Congo. It is important that Congo has an enhanced labor force in order to grow economically.

**Energy and Natural Resource Improvement**

The Democratic Republic of Congo is well known for the vast untapped natural resources it possesses. However, it does not have the capacity to provide enough electricity to run its own economy. Electricity enhancement will “improve the competiveness of the economy on the whole” both in large scale projects and the “areas of rural electricity.”\(^\text{33}\) Hydroelectric power is a good source of renewable energy and the DRC has an abundant source of water to use for that capacity, in fact the highest in

Africa.\textsuperscript{34} China has agreed to build two hydroelectric dams, the Katende Dam in Kasai-Occidentale and another at Kokobola in Bandundu, as part of the $6 billion deal for access to mineral resources.\textsuperscript{35} The United States Trade and Development Agency has sponsored a $500,000-plus feasibility study for the Nzilo 2 Hydropower project to help increase power production in the Katanga Province.\textsuperscript{36} These projects will provide power to many of the mineral resource mining areas that can create wealth for the Congolese people and revenue for the government, as opposed to just Congolese elites. The United States can have a larger impact on the more rural population that is not directly involved in the mineral resource sector by sponsoring micro-hydro projects like those used in Latin America and the Philippines. In these regions, the United States sponsors programs that provide small hydropower projects that create electricity on a micro level for these communities and towns. Congo, with large amount of hydro potential can benefit from such a program.

However, there have been no efforts to coordinate and harness the hydropower potential of the Democratic Republic of Congo. Planning power-producing plants and the beginnings of a modern electric grid will synchronize efforts that the United States and China are already doing in the energy sector. Third party involvement, at the urging


of the United States and China, is the best way to accomplish this goal. This is a good sector in which African institutions can take the lead and work with the United States and China. The African Development Bank, under its own Energy and Power program sector, should be the lead on this effort with assistance from organizations like the Southern African Power Pool, which is an African initiative in southern Africa to develop and provide reliable electric power, and the African Hydropower Symposium, a group of electric companies with special emphasis and expertise in hydropower in Africa, mostly southern Africa. The United States and China can directly support and encourage the leadership of the African Development Bank’s efforts to synchronize hydropower projects in the Democratic Republic of Congo. The first start for the AfDB would be to initiate and sponsor a series of meetings on hydroelectric power in the DRC to determine what the current proposed projects are, where future projects should go, how they can integrate with each other, and what the overall scheme for hydroelectric power supply will look like for Congo. These meetings can be followed-up annually to discuss status of projects and the timeline of future projects. The AfDB can not only involve the United States and China, but also NGOs, businesses, and other governments involved in Congo’s hydropower sector. With the AfDB in charge of coordinating U.S. and Chinese hydro projects, it enhances the bank’s credibility; this will allow an African institution to look out for the best interest of an Africa country. The United States and China will continue to need to encourage the AfDB leadership role in this capacity, mainly diplomatically and by their own projects.
Besides harnessing the natural resources of the DRC, the country must understand how to manage its resources so that they are able to generate income and revenue for the country in the future. The United States has initiated programs such as the Central African Regional Program for the Environment (CARPE), the Congo Basin Forest Partnership (CBFP), and FRAME which are aimed at helping communities manage their own natural resources.\(^\text{37}\) However, managing natural resources on the scale that the DRC possesses requires training and coordination at the national level. Both the United States and China manage their own natural resources at the national level. The United States manages land through the Departments of Interior and Agriculture and China has its Ministry of Land and Resources. Congo has multiple ministries involved in natural resource management including the Ministries of Land Affairs, Rural Development, Energy, Environment, and Mining. In order to assist Congo’s management of natural resources, the United States and China can coordinate and establish partner programs to teach the Congolese ministries to properly manage their resources. The United States government regularly sponsors training and programs to assist foreign governments in Sub-Sahara Africa. Many African countries have thousands of sponsored participants, whereas Congo’s participation does not ever reach 200.\(^\text{38}\) This will need to increase. China can also start programs such as these due to


their anticipated increased involvement in Congolese mineral resources and mining. While there are problems with corruption and inadequacies within the Congolese government, a partner program would be a good start to help with natural resource planning. The United States, with its emphasis in environmental protection, should take the lead in this case for natural resource management. The program can be modeled on the already existing U.S. Department of the Interior’s International Technical Assistance Program, which does joint projects in areas like Sub-Saharan Africa, in conjunction with USAID and the State Department. Incorporating Chinese officials into this program is promising due to Chinese interest in the natural resources of the Congo. In the case for natural resource management, the United States can take the led to demonstrate the new Obama Administration’s emphasis on the environment.

**Conclusion**

The Democratic Republic of Congo is a good case of an African country still struggling with internal civil strife, a very inefficient and corrupt government with minimal control over its own territory, but can benefit from the involvement and cooperation of the United States and China in the country economically. To accomplish economic cooperation in the areas of infrastructure development, investment, trade, labor development, and energy and natural resource improvements it will require involvement not only of the Congolese, U.S., and Chinese governments, but other multilateral institutions as well. Due to the complexities, internal problems, and multiple external influencers involved in the Congo, most of the economic issues would
be best coordinated by international institutions. In Congo, one trilateral or multilateral
dialogue or forum is not a likely solution to the diverse problems. Instead, each one of
the economic areas mentioned requires specific solutions to the precise problem until the
government of the DRC is able to take control and leadership of its own problems. That
is probably many years down the road, therefore other solutions must be found.

For instance, in the case of infrastructure development, China is the likely leader
to establish a forum that would coordinate the efforts of not only the United States and
China in Congo’s development, but also other countries and NGOs involved in the
process as well. The United States can encourage Chinese leadership as it becomes ‘a
responsible stakeholder’ in international affairs. In this way, China can become a leader
in an area of the world it is already trying to cultivate mutual friendships. While in the
natural resources sector, the United States already has model programs that it can
expand to use in the DRC to assist in their responsible management. It will require
tailoring it to the specific requirements and needs of the DRC and incorporating the
Chinese government.

In other areas like debt relief, energy, and labor development, an
international/multilateral institution is best equipped and situated for leadership and
coordination for the specific goals and opportunities in the DRC. By using the existing
framework of these institutions, another forum or conference does not need to be
created. However, the institutions like the IMF would need to create within existing
frameworks a specific focus on the problems of the Democratic Republic of Congo.
Meanwhile the United Nations is already greatly involved in Congo, such as in the form of MONUC and the UNDP, and has the experience to implement programs in areas like labor development. Getting the multilateral institutions to focus on the DRC will require emphasis from both the United States and China.

The most active U.S. entity in helping coordinate and encouraging many of these efforts will need to be the U.S. State Department. The State Department will need to take the lead in making sure these initiatives are started, supervised, and completed in order to meet overall U.S. foreign policy objectives in the Congo.

Due to the stage of development the country of the Democratic Republic of Congo is in, a clear one-track solution to its economic problems is not possible. It will require unique approaches, sometimes U.S. and Chinese led, and at other times the multilateral approach is optimal. In all cases, the United States and China must cooperate and coordinate their efforts in the Congo in order to gain the maximum benefits from the economic programs there.
CHAPTER FIVE

CONCLUSION

The United States and China are increasingly involved in Africa with its abundant natural resources and market potential. U.S. and Chinese African policies have areas of convergent economic interest that can allow them to cooperate in Africa; these include infrastructure development, investments, trade, labor development, and energy and natural resource management. These economic areas are also important to African countries as they seek to advance their countries. By cooperating in African countries, the United States and China benefit from access to resources, an increase in trade, and an improved business environment. African countries also benefit by harvesting the natural resources they possess, improving infrastructure within the country, and gaining valuable and much needed trade partners.

Instead of cooperating with each other, the alternative is for the United States and China to compete directly against each other in every African country where they are both interested. The net result of such competition would be negative, similar to the impact of the U.S.-Soviet rivalry during the Cold War in Africa. This type of alternative would allow corrupt African leaders to play the United States and China off against each “other as they did with the Soviet Union [over] twenty years ago.”

The African states would not foster investments and development in areas that increase the future economic

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potential of the particular nation; instead they would likely continue political and business corruption for a benefiting few elite. Without reforms across a broad spectrum of sectors, a good business climate, and improved infrastructure, the United States and China will not be able to benefit from the natural resources and other potentials African countries possess. In the worst case, economic competition between the United States and China might escalate and become a fierce rivalry in Africa, which could lead to negative consequences for African countries similar to the past involvements of other nations in Africa.

Instead, the United States and China can cooperate in countries like Angola and the Democratic Republic of Congo and mutually benefit economically. Angola and the DRC gain the attention, investments, and expertise provided by the United States and China, while the United States and China gain economic partners needed in the global economy. As demonstrated in the case studies of Angola and the Democratic Republic of Congo presented in chapters Three and Four, cooperation between the United States and China can be accomplished in a variety of ways. However, in each case the countries involved need to agree to come together and work on specific areas of economic cooperation. Infrastructure development, investments, trade relations, labor development, and energy and natural resource management are the areas where all parties’ economic interests converge.

One option to coordinate such cooperation is a single government taking the leadership and coordinator role to ensure synchronization of various projects. In the
case for Angola, with a relatively strong and functioning government, it is a good opportunity for the country to take control of its own future. The new government has problems as well, but at a stage of development where it is able to manage its own affairs. The Angolan Ministry of Planning could lead this effort with considerable participation from the Angolan Ministry of Finance, since it deals with most of monetary investments used to fund projects. Significant assistance in this planning and synchronization role can come from the United States and China. Angola can also benefit from assistance through African institutions such as the African Development Bank and NEPAD so that Africans are involved in the economic solutions that will affect the region. The joint committee established and hosted by the Angolan government, would be responsible for staffing requirements and organize annual meetings to plan and coordinate projects in Angola. This type of committee would bring together the most important participants in rebuilding Angola.

This option, with the host country taking a prominent role, is the ideal situation because it places responsibility on the Angolan government for success. Encouragement from the U.S. State Department and Chinese Ministry of Foreign Affairs is necessary and as they will need to modify their goals in Angola while increasing funding and staffing in their Angolan embassies in order to help accomplish this. Some additional staff will need to include experts from other parts of the U.S. and Chinese governments such as in the areas of agriculture and energy. Specific expertise and advice can be coordinated by the U.S. State Department and Chinese Ministry of Foreign Affairs so
that these other departments and ministries can participate as necessary. U.S. and Chinese involvement in Angola will likely be for the long-term due to the countries’ quest for petroleum and natural gas. Assisting Angola while benefiting from natural resource access will give U.S. and Chinese companies and governments an overall better environment to conduct business.

In the case for the Democratic Republic of Congo, it is unlikely that the Congolese government could take the lead role in rebuilding its economy due to inadequacies of the government itself, such as the inability to control its own borders and extreme corruption in the government. Cooperation in the DRC between the United States and China will need to come in a variety of ways including initiatives led by the United States, China, or multilateral organizations. By assisting the DRC, the United States and China will have better access to its natural resource potential and a more reliable trade partner. As in Angola, both the U.S. and Chinese will need to increase its foreign staff and funding in order to assist and coordinate many of the activities that are necessary. For instance, in the case of transportation infrastructure, China is very active in southern Africa constructing and refurbishing large projects and has pledged over $6 billion to Congolese development. Chinese expertise would be apt at coordinating efforts with the United States, as well as other contributors, in integrating the various efforts across the country. Establishing a forum or committee to conduct annual meetings would be the first step in improving the implementation and synchronization of infrastructure activities.
In the case labor development, third party international organizations are better suited to address some of the issues in Congo. Support from the United States and China are necessary for the United Nations Development Program or World Bank Labor Market Team to emphasize a coordinated effort in Congo. By relying on a multilateral effort, the United States and China can utilize the expertise of an existing system but still get the end result of an educated and trained labor force. The United States and China will need to pressure the UNDP or World Bank to establish a Congo program on labor development. These international organizations already have similar programs, but just need to emphasize Congo or the labor development sector. By synchronizing labor development programs from NGOs, the United States and China, there will be a greater positive impact in education and creating a skilled labor force.

In the energy sector, developing the energy capabilities and infrastructure are necessary to development across a variety of sectors. Power creation, especially through hydropower, is one of the necessary steps in the DRC’s development. Third party African leadership is needed to assist Congo’s energy development due to the government’s inability. The African Development Bank’s Energy and Power Sector is aptly suited to assume this role while the United States and China can continue to invest in large and small projects throughout the country in an effort to improve the energy situation there. The Bank’s Energy and Power Sector is active in southern African power development and has the resources, influence, and ability to help Congo synchronize those efforts.
Each sector in the Democratic Republic of Congo requires a unique solution, whether it is unilaterally led or a multilateral effort. The situation in the DRC is much more complex than Angola as there is still civil strife in many parts of the country and requires a different approach. As the government improves its ability to govern, it can begin assuming the prominent role of coordinating economic investment projects in the country. This will likely coincide with government transparency reforms, MONUC’s transfer of security operations to the military and police, and other indicators possibly used by the Millennium Challenge Corporation.²

Economic cooperation between the United States and China in the countries of Angola and the Democratic Republic of Congo is important for not only trade relations but also stability in the region. Angola and the DRC provide good examples of African countries attempting to escape from the cycle of conflict and use their natural resources so that they can benefit as well as foreign investors who come there. Angola, with large energy reserves and a stable government, is poised to be an influential country in the Southern African Development Community (SADC). Angola has the potential to “become a partner that can help reinforce security and stability in Africa,” but cannot do it without coordinated efforts with the U.S. and Chinese governments.³ Meanwhile, the

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size, location, and wealth of natural resources found in the Democratic Republic of Congo command the attention and economic efforts of the United States and China. Stability through economic progress in Congo will help bring some peace and stability to the entire Great Lakes region of Africa. Cooperating in Angola and the DRC can also demonstrate to other African countries, besides the global community, that the United States and China can work together on a variety of areas.

A collaborative effort in Angola and the DRC can lead to ways the United States and China can expand that type of cooperation within the region. As a first step, the United States can improve the U.S.-SADC Forum by elevating its status to the assistant secretary level, which will give it more legitimacy, influence, and importance. Currently, the United States’ ambassador to Botswana serves as the U.S. Special Representative to SADC; however most of the U.S.-SADC relations are with assistant administrators from USAID. The U.S. could also propose to SADC members that China be invited to participate in the forum as an observer or member to help work on southern African issues. With this type of cooperation at a multilateral forum, the United States and China can help tackle cross-border issues and integrate the economy. A stronger SADC would make it easier for the United States and China to negotiate trade treaties and reduce time and cost when dealing with many of the SADC countries and SADC with be empowered as a regional body. U.S. and Chinese participation in a forum such as this can possibly resolve cross-border issues like boundary disputes, smuggling, and
labor movement between Angola and the Democratic Republic of Congo through a regional African body.\textsuperscript{4}

Economic cooperation between the United States and China is possible but will take a formidable effort by both parties. Both countries are committed to the region as it is becoming a more important source of natural resources, investment opportunities, and markets. Assisting countries like Angola and the Democratic Republic of Congo helps all countries benefit economically. This type of cooperation between the United States and China in Angola and the Democratic Republic of Congo could lead to collaboration on a broader scale including the diplomatic and security sector. This might lead to a more unified diplomatic effort in countries like Zimbabwe and Sudan. This can be achieved if the two countries can work together in areas where their interest already converge, such as those outlined in this thesis.

\textsuperscript{4} Angola and the DRC have a few disputes between the two countries. These include boundary disputes over the Cabinda region, Angola has expelled thousands of Congolese workers and miners, and diamonds are regularly smuggled from Angola to the DRC for export to the world market.
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