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CHINA'S INFLUENCE IN AFRICA

HEARING

BEFORE THE

SUBCOMMITTEE ON AFRICA, GLOBAL HUMAN RIGHTS AND INTERNATIONAL OPERATIONS

OF THE

COMMITTEE ON INTERNATIONAL RELATIONS HOUSE OF REPRESENTATIVES

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CHINA'S INFLUENCE IN AFRICA

THURSDAY, JULY 28, 2005

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON AFRICA, GLOBAL HUMAN RIGHTS
AND INTERNATIONAL OPERATIONS,
COMMITTEE ON INTERNATIONAL RELATIONS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 2:37 p.m. in room 2172, Rayburn House Office Building, Hon. Christopher H. Smith (Chairman of the Subcommittee) presiding.

Mr. SMITH. The Subcommittee will come to order, and good afternoon to everyone. Over the past several weeks, it seems that every magazine has featured a cover story on China, the world's fastest growing world economy.

For example, *Newsweek* called the 21st century "China's century." The Chinese economy, we are told, has grown about 9 percent a year for more than 25 years. This is the fastest growth rate for a major economy in recorded history.

This Asian giant has become the world's largest producer of coal, steel, and cement, and is now the second largest consumer of energy. It is also the third largest importer of oil, which is helping gasoline prices to skyrocket this summer.

Starbucks' CEO, Howard Shultz, told *CNBC* in May in an interview that in 3 years there would be more of his company's coffee shops in China than in the United States. But amidst all of this hoopla over China's rapidly growing economy, there is a dark side to this country's economic expansion that is being largely ignored.

China is playing an increasingly influential role on the Continent of Africa, and there is concern that the Chinese intend to aid and abet African dictators, gain a stranglehold on precious African natural resources, and undo much of the progress that has been made on democracy and governance in the last 15 years in African nations.

We hear much about the Cold War between the United States and the Soviet Union shaping American policy toward Africa since the beginning of the African independence struggles in the 1950s. However, China's initial relations with Africa also were shaped by its relationship with the Soviet Union. China was determined to outspend the Soviet Union and the rest of the international community in Africa to raise its stature on the world stage.

The Tan-Zam Railway, completed in 1975, between Tanzania and Zambia, is but one of the visible reminders of this effort. China also supported African liberation movements in contravention of Western policies and in competition with the Soviets.

China supported liberation movements across Africa, but most specifically in Angola, Mozambique, and Zimbabwe. In the Zimbabwe struggle, the Chinese supported Robert Mogabe's Zimbabwe African National Union or ZANU, while the Soviets supported Joshua Nkomo's Zimbabwe African People's Union, or ZAPU.

This historic support for ZANU forms the basis of China's current efforts to bail the Zimbabwe Government out of its economic mess. President Mugabe spent 6 days in China last week discussing a financial bailout plan.

In contrast, he is currently subject to a travel ban by the United States, the European Union, Australia, and other nations. Meanwhile, the International Monetary Fund is considering, next month, a possible expulsion of Zimbabwe, and the South African Government has agreed to negotiate a bailout of the Zimbabwe economy under the condition that the Zimbabwe ruling party resumes cooperation talks with the opposition, Movement for Democratic Change, and makes necessary democratic and governance reforms.

This Zimbabwe deal is an example of the danger of Chinese influence undoing the progress that has been made in Africa. The details of the Chinese arrangement with Zimbabwe are not completely public, but according to *BBC News*, it involves mineral and other trade concessions in exchange for economic help.

In return for selling off a piece of its economic future, Zimbabwe evidently is prepared to make a deal with China to salvage its economy today. The Chinese Foreign Ministry has announced that its deal does not involve interference in Zimbabwe's internal affairs.

According to a statement from the Ministry of China, China trusts Zimbabwe's Government and believes the people have the ability to deal properly with their own matters. Such a position undercuts efforts by South Africa to bring stability to its neighbor to the north.

I would note parenthetically that was the same argument used by the Government of South Africa when apartheid, that abomination, was the policy of that land, and when this Committee supported sanctions on South Africa.

However, the internal affairs argument was always brought out and off the shelf and used to try to say, "Don't interfere." It is a matter of internal affairs. We hear it from North Korea, and we hear it from China itself, and we heard it in Vietnam.

We hear it in every dictatorship. We hear it in Cuba. We hear, "Don't interfere with our internal affairs." China, of course, gives a free pass to Zimbabwe on that. Such a position also undercuts the United Nations report that bitterly criticized the Zimbabwe Government's recent destruction of informal businesses and nonstandard housing across the country that has left hundreds of thousands of Zimbabweans out of work and without shelter during that country's winter.

This is not the first time that the Chinese have abetted an African Government in repressing its people. In Sudan, Human Rights Watch has reported the Chinese have supplied Sudan with ammunition, tanks, helicopters, and fighter aircraft, as well as with antipersonnel and anti-tank mines.

This lethal material has contributed to tens of thousands of Sudanese deaths, most recently in Darfur. Meanwhile, China has developed an oil field in the south of Sudan and built a 900-mile pipeline to the Red Sea so that oil can be more easily sent to China. Sudan now accounts for 5 percent of all of China's oil imports.

Chinese involvement elsewhere in Africa is also troubling. China has extended $2 billion in credits to Angola without apparent regard for persistent concerns about the lack of transparency by the Angolan Government.

International financial institutions and donor nations have tried to address this key governance issue for more than a decade. The Chinese company, Hennan Guoji, is proposing an investment of $200 million in a Lumley Beach project in Sierra Leone with no apparent concern for environmental issues.

China has announced its intention to boost ties with the current Government of the Democratic Republic of Congo, with no mention of the efforts to cooperate with the U.N. and international community to completely end the fighting there or to support free and fair elections.

China has long criticized Western efforts to promote democracy and good governance in Africa, and has promoted what it has called "African cultural and economic rights" that allow governments to go their own way despite efforts of the international community and their own citizens to promote reforms.

The only conditionality that China imposes on its African partners is what it calls the One-China policy, and it refuses to acknowledge the sovereignty, and promotes the refusal of the sovereignty of Taiwan.

Other than that requirement, China's African partners are free to pursue any foreign or economic policies they wish, even if they violate international treaties and standards.

These treaties and standards don't only involve democracy, human rights, and governance. There has been much progress made in recent years to protect Africa's wildlife and other natural resources.

As testimony today will reveal, China is violating international law on African ivory and timber. The Chinese have another aim in targeting Africa for its friendship campaign as well. There are 38 African members of the World Trade Organization, which is the largest regional bloc in that body. If China can gain friends in Africa, and influence this voting bloc, it will have the power, at the very least, to frustrate rules it opposes, such as restrictions on intellectual property rights violations.

One day soon, African leaders dealing with China may find, like the Mugabe Government is likely to find, that Chinese assistance may not have the conditionality of Western aid, particularly regarding human rights conditions, but it is not purely intended to help the people of Africa, either.

China pursues a Draconian one-child-per-couple policy that is anti-life. If they don't care about the lives of their own children, why would anyone believe they would care about the lives of African children?

China routinely violates the human rights of its own citizens, as we and many of our witnesses demonstrated at last week's hearing

on China's gross mistreatment of the Falun Gong and other people of faith, who deviate from the orthodoxy of the Chinese dictatorship.

If they don't care about the rights of their own citizens, why would they care about the rights of African citizens? It is a cruel irony that the weapons sold to African Governments, who use them against their own people, will have to be paid for one day, and the citizens of those countries will wind up finding the very weapons used to deny their rights.

African leaders will either accumulate new debt or will make deals to seal off their resources and their future. Either way, China stands to benefit.

Without objection, I would like to enter into the record two articles on China's role in Africa. The first is by Jeff Krilla of the International Republican Institute, which was printed in the July 27 issue of *Taiwan News*; and a July 12 article in *The Standard of China* by China researcher Joshua Eisenman. Without objection, they will be made a part of the record.

[The information referred to follows:]

MATERIAL SUBMITTED FOR THE RECORD BY THE HONORABLE CHRISTOPHER H. SMITH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY AND CHAIRMAN, SUBCOMMITTEE ON AFRICA, GLOBAL HUMAN RIGHTS AND INTERNATIONAL OPERATIONS

WHO WILL HELP AFRICA IF THE U.S. WON'T? CHINA.

By Jeff Krilla, Regional Program Director for Africa,
International Republican Institute

U.S. assistance has been a force for positive change in countries all over the world. In Europe and Japan following World War II U.S. assistance stopped the spread of Communism. Following the Cold War U.S. assistance helped to strengthen economies and build stable democratic governments. This same progress is possible in Africa and President Bush has proposed increasing aid to Africa by 17 percent—a substantial amount. Other countries, namely China, also recognize the opportunity in Africa and are working to increase their influence on the continent. Unfortunately for the peoples of Africa they are more concerned with increasing access to oil than they are about improving the quality of life in Africa.

China has been actively implementing an "oil for aid" program for years. While American aid is typically targeted to programs such as HIV/AIDS treatment and democracy-building, the Chinese have adopted a no-strings attached approach, intended to extract the best contracts for Chinese firms.

Since 2000, this has resulted in a 50 percent increase in Chinese trade with the continent, reaching $18.5 billion in 2003. "Forty African counties have trade agreements with China now," explained Li Xiaobing, the deputy director of the West Asian and African Affairs division of the Chinese Trade Ministry. "We are doing a railway project in Nigeria, a Sheraton Hotel in Algeria and a mobile telephone network in Tunisia. We are all over Africa now." Just recently, I was in a meeting in the new Mozambique parliament building financed entirely by the Chinese government, complete with a massive mural of the Great Wall of China right in the front lobby.

The Chinese government's apparent "see no evil" approach is dangerous to the stability of the region. In their quest to find markets for their goods and to extract natural resources from the region, the Chinese appear willing to overlook ghastly human rights abuses and support authoritarian regimes in exchange for profitable contracts.

Chinese President Hu Jintao recently traveled to Gabon to honor the leadership of President Omar Bongo, a dictator who has become enormously wealthy by bankrupting the nation of its oil. China's interests in the nation are clear: Gabon is an oil exporter with vast opportunity for expansion.

China has also been one of the staunchest defenders of Sudan, at a time when the United States and international human rights organizations have declared the situation in the Darfur region a "genocide." Mr. Li explained, "We started in Sudan

from scratch. When we started there, they were an oil importer, and now they are an oil exporter. We've built refineries, pipelines, and production. . . . we import from every source we can get oil from." It's no wonder that the United Nations (UN), where China has a Security Council veto, has yet to declare the Darfur tragedy a "genocide."

Yet as oil exports from sub-Saharan Africa have increased so has the poverty in oil exporting countries. The reason is the corruption in these governments has resulted in little or no investment of oil revenues in programs that would improve the quality of life of their citizens. Take Nigeria and Angola. Both countries are large oil exporters. Nigeria has banked over $300 billion in oil revenues in the past 25 years, yet 70 percent of its citizens live on less than $1 a day. In Angola, the UN Human Development Index puts life expectancy at 45 years and 68 percent of its citizens are living in poverty. Yet, the country pumps out nearly a million barrels each day and has several billion barrels in reserve.

In many of these African countries citizens have no mechanism to hold their government leaders accountable for using these revenues to enrich themselves and their cronies. As a result, these corrupt leaders get richer and their citizens get poorer. The increased U.S aid can help reverse this devastating trend. U.S. aid will be used to promote transparency and accountability in government, treat and prevent HIV/AIDS, and encourage women's participation in local governance, among other programs that will truly benefit the African people.

With West Africa ripe for further oil exploitation, it is time we focused on development of Africa. President Bush has taken the critical first steps, but we cannot be blind to the harmful effects China can have on the region. America must remain Africa's close ally and lead the charge on enacting real reforms on the continent. The consequences for inaction will be dire, but the reward for increased investment will be profound.

RISING TIGERS ROAM IN HARARE

Joshua Eisenman—July 12, 2005

ZIMBABWE LOOKS TO CHINA TO INJECT BILLIONS IN INVESTMENT WITHOUT ATTACHING CONDITIONS TO REFORM

Discourse on China's foreign policy towards Africa is more commonplace of late, mainly focusing on Beijing's search for petroleum and other resources to power its growing economy. Sino-Sudanese relations, in particular, have taken center stage, which is understandable given the scale of suffering in Sudan and China's contribution to the Khartoum regime's coffers. But few have taken adequate notice of China's extensive ties with Zimbabwe.

In April, China and Zimbabwe celebrated the 25th anniversary of the establishment of bilateral relations. Juxtaposed with growing repression in Zimbabwe, this lavish state affair underscores why a discussion of China's relationship with Zimbabwe is both necessary and timely.

Beijing sees a valuable ally in Robert Mugabe, known for his brutality and communist-style agrarian reform.

Today's close ties between China and Zimbabwe stem from the Soviet Union's fateful decision to support Joshua Nkomo over Mugabe during Zimbabwe's struggle for independence.

Both men opposed colonial rule, but while Nkomo's main arms supplier was the Soviet Union, in October 1978, and again in May 1979, Moscow rebuffed Mugabe's attempts to solicit support.

In response, Mugabe's Zanu Party turned profoundly anti-Soviet and extended feelers to Beijing, which identified this growing rift and skilfully developed relations with Zanu prior to Zimbabwe's independence in 1980.

Mugabe met Chinese officials in January 1979 in Mozambique and both sides expressed their intent to deepen ties. With Mugabe's decisive victory in the presidential elections of 1980, China's close ties with Zimbabwe were cemented.

In June 1980, in one of the first official acts after independence, Zimbabwe's Foreign Minister Simon Muzenda visited Beijing to thank the government for supporting the Zanu Party.

The next year, Mugabe himself would visit Beijing. In the years to come, trade and cultural exchanges were accompanied by state dinners and goodwill visits.

The close ties between Zanu and the Chinese Communist Party that persist today are an extension of these early overtures, which are routinely referred to in each country's state-run press. As the *People's Daily* reported, "Relations between China

and Zimbabwe started in the days of the liberation struggle in the African country when China aided the liberation fighters in various ways."

Sino-Zimbabwean relations have grown apace with the African nation's isolation from the West and its neighbors. Beijing's relations with Harare include diplomatic support, economic and trade deals, and close military ties. For Harare, an international pariah, China represents its only major international supporter and a patron for its neo-communist land reform policies and resource exploitation.

At the ceremony celebrating the 25th anniversary of the establishment of bilateral relations, Chinese ambassador Chang Xianyi affirmed Beijing's profound fraternal relationship with Harare, describing ties as "an all-weather friendship." At the same event, Zimbabwean acting foreign minister Herbert Murerwa recognized that China was now Harare's single largest investor and called for increased efforts to develop Zimbabwe's extensive natural resources.

Given Zimbabwe's severe economic problems and estrangement from western technology, sources of capital and trade, Mugabe is right to see China as a critical ally. At the same time, Mugabe's Look East Policy provides Beijing with opportunities to unearth Zimbabwe's valuable natural resources and secure lucrative deals for Chinese state-owned firms.

In December 2003, Premier Wen Jiabao said, "China respects and supports efforts by Zimbabwe to bring about social justice through land reform." Indeed, Beijing's economic support for Harare remains strong, and through its efforts, Beijing has secured the contracts to develop Zimbabwe's agricultural, mineral and hydroelectric resources.

China supplies Zimbabwe with expertise, technical assistance, and agricultural equipment, including tractors and agro-processing.

The state-owned firm China International Water and Electric has been contracted to farm 101 hectares in southern Zimbabwe. Chinese and Zimbabwean developers believe the project will yield 2.1 million tonnes of maize each year, and require the building of a massive irrigation system. It remains unclear how Zimbabwe will pay for the project, although unconfirmed reports claim payment will be made in tobacco, which China purchases in large quantities.

China also fosters person-to-person contacts through "soft" economic approaches. Last year, Beijing and Harare signed a tourism agreement that Zimbabwe hopes will boost Chinese tourists from 10,000 to 25,000.

Perhaps most appealing to Beijing are Zimbabwe's vast mineral and precious metal deposits and its inability to unearth these assets due to the nation's vast poverty and estrangement from the West. Zimbabwe has the second largest deposits of platinum in the world, estimated at over US$500 billion, but due to resource limitations that wealth remains untapped. In all, the country has deposits of more than 40 minerals including ferrochrome, gold, silver, and copper.

Nor have Zimbabwe's leaders hesitated to use natural resources as a lure. Witness the remark by the Reserve Bank of Zimbabwe's governor, Gideon Gono, in a meeting with the deputy governor of the Peoples Bank of China, "I would like to unveil to the Chinese people the vast investment opportunities that abound in Zimbabwe, including our natural resource endowments." Beijing already has deals in place for coal and coke concessions in return for financing and mining equipment. In return for Harare's guarantees, China's National Aero-Technology Import and Export Corporation and China North Industries Corporation (NORINCO) have agreed to finance multi-billion dollar expansion projects by Zimbabwe Electricity Supply Authority and Hwange Colliery Company, respectively. It is worth noting that the US government sanctioned NORINCO on several occasions for proliferation related activities.

China does not seek to encourage Zimbabwe's political reform or observance to human rights standards. Generally speaking, Beijing's only real condition on Harare has been its adherence to China's "one China" principle. Zimbabwe's leaders have gladly obliged, regularly expressing their enthusiasm for Chinese reunification.

As Zimbabwe has spiraled into chaos, its neighbors have not remained immune. In June, Mozambique's President Guebuza and European Commission President Jose Manuel Barroso met and discussed the harm cause by Zimbabwe to Mozambique's economy. The effects of thousands of displaced Zimbabwean refugees living on the Mozambique border has been destabilizing. In total, almost three million Zimbabweans desperate for work and food have fled to Mozambique and neighboring South Africa and Botswana.

Beijing's arms sales to Harare directly oppose South African Foreign Affairs Minister Nkosazana Dlamini-Zuma's request that China stop selling arms in sub-Saharan Africa. South Africa, Zimbabwe's most influential neighbor, has been roundly criticized for ignoring Zimbabwe's collapse. The EU in particular has led the charge with Baroso calling on the African Union and South Africa to confront Mugabe, and

voicing his disappointment with the results. The *People's Daily* reporting June 26 on Baroso's trip to Mozambique and South Africa, wrote: "Mbeki has been under increasing pressures in recent days for his diplomatic silence on Zimbabwe's ongoing clean up campaign."

Coincidentally, as Baroso and Mbeki argued in Pretoria, a CCP delegation arrived in Harare. Mugabe hailed Sino-Zimbabwe ties since the "liberation struggle," while the delegations leader Tan Jalin discussed the need to "exploit opportunities existing in one another's country to derive mutual benefits." This coincidence, coupled with the absence of a statement by Baroso on China's support for Zimbabwe, highlights Beijing's ability to leverage its influence to avoid public criticism.

In the short-term Zimbabwe's chaotic conditions may be an advantage for Beijing, which will continue to support Harare unconditionally while piling up various claims on Zimbabwe's natural resources and other commodities. Without competition from Western firms, Zimbabwe will remain China's exclusive resource base as long as Mugabe is president.

But cracks are beginning to emerge in the relationship. In May, Nyasha Chikwinya, the head of the Zanu PF women's league, called for police to crack down on Chinese engaging in "illegal foreign currency deals." Zimbabwe's markets are flush with cheap Chinese goods and traders, catalyzing budding anti-Chinese sentiments. Yet, as long as Mugabe retains power it is unlikely these feelings will harm the broader relationship. Mugabe is 81 and the personality cult by which he rules will almost certainly fail to provide a smooth leadership succession. Beijing would do well to take note of Zimbabwe's land redistribution strategy. China's Zimbabwe investments, particularly in the agricultural and mining sectors, carry significant sovereign risk and Beijing is gambling it can manage relations to guarantee its claims in what will almost certainly be the chaotic transition period to come.

JAMESTOWN FOUNDATION, CHINA BRIEF

Joshua Eisenman is the co-author of China and the Developing World: Beijing's Strategy for the 21st Century

Mr. SMITH. I would like to now yield to Mr. Payne for any opening comments that he might have.

[The prepared statement of Mr. Smith follows:]

PREPARED STATEMENT OF THE HONORABLE CHRISTOPHER H. SMITH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY AND CHAIRMAN, SUBCOMMITTEE ON AFRICA, GLOBAL HUMAN RIGHTS AND INTERNATIONAL OPERATIONS

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But amidst all the hoopla over China's rapidly growing economy, there is a dark side to this country's economic expansion that is being largely ignored. China is playing an increasingly influential role on the continent of Africa, and there is concern that the Chinese intend to aid and abet African dictators, gain a stranglehold on precious African natural resources and undo much of the progress that has been made on democracy and governance in the last 15 years in African nations.

We hear much about the Cold War between the United States and the Soviet Union shaping American policy toward Africa since the beginning of the African independence struggles in the 1950s. However, China's initial relations with Africa also were shaped by its relationship with the Soviet Union. China was determined to outspend the Soviet Union and the rest of the international community in Africa to raise its stature on the world stage. The Tan-Zam Railway, completed in 1975, between Tanzania and Zambia is but one of the visible reminders of this effort.

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This Zimbabwe deal is an example of the danger of Chinese influence undoing the progress that has been made in Africa. The details of the Chinese arrangement with Zimbabwe are not completely public, but according to *BBC News*, it involves mineral and other trade concessions in exchange for the economic help. In return for selling off a piece of its economic future, Zimbabwe evidently is prepared to make a deal with China to salvage its economy today.

The Chinese Foreign Ministry has announced that its deal does not involve interference in Zimbabwe's internal affairs. According to a statement from the Ministry, China "trusts Zimbabwe's government and people have the ability to deal properly with their own matters." Such a position undercuts efforts by South Africa to bring stability to their neighbor to the north. It undercuts the United Nations report that bitterly criticized the Zimbabwe government's recent destruction of informal businesses and non-standard housing across the country that has left hundreds of thousands of Zimbabweans out of work and without shelter during that country's winter.

This is not the first time that the Chinese have abetted an African government in repressing its people. In Sudan, Human Rights Watch has reported that the Chinese have supplied Sudan with ammunition, tanks, helicopters and fighter aircraft, as well as with anti-personnel and anti-tank mines. This lethal material has contributed to thousands of Sudanese deaths, most recently in Darfur. Meanwhile, China has developed an oil field in south Sudan and built a 900-mile pipeline to the Red Sea so oil can be more easily sent to China. Sudan now accounts for 5% of all of China's oil imports.

Chinese involvement elsewhere in Africa also is troubling:

- China has extended $2 billion in credits to Angola without apparent regard for persistent concerns about a lack of transparency by the Angolan government. International financial institutions and donor nations have tried to address this key governance issue for more than a decade.
- The Chinese company Hennan Guoji is proposing investment of $200 million in a Lumley Beach project in Sierra Leone with no apparent concern for environmental issues.
- China has announced its intention to boost ties with the current Government of the Democratic Republic of Congo with no mention of efforts to cooperate with the United Nations and the international community to completely end the fighting there or support free and fair elections.

China has long criticized Western efforts to promote democracy and good governance in Africa and has promoted what it calls "African cultural and economic rights" that allow governments to go their own way despite efforts of the international community and their own citizens to promote reforms. The only conditionality China imposes on its African partners is that they support the "one China" policy and refuse to acknowledge the sovereignty of Taiwan. Other than that requirement, China's African partners are free to pursue any foreign or economic policies they want even if they violate international treaties and standards.

These treaties and standards don't only involve democracy and governance. There has been much progress made in recent years to protect Africa's wildlife and other natural resources. As testimony today will reveal, China is violating international law on African ivory and timber.

The Chinese have another aim in targeting Africa for its friendship campaign. There are 38 African members of the World Trade Organization, which is the largest regional bloc in that body. If China can gain friends in Africa and influence this voting bloc, it will have the power, at the very least, to frustrate rules it opposes, such as restrictions on intellectual property rights violations.

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onstrated in last week's hearing on China's treatment of the Falun Gong religious movement. If they don't care about the rights of their own citizens, why would they care about the rights of average African citizens?

It is a cruel irony that the weapons sold to African governments, who use them against their own people, will have to be paid for one day, and the citizens of those countries will wind up funding the very weapons used to deny their rights. African leaders will either accumulate new debt or will make deals to sell off their resources and their future. Either way, China stands to benefit.

Without objection, I would like to enter into the record two articles on China's role in Africa. The first is by Jeff Krilla of the International Republican Institute, which was printed in the July 27th issue of *Taiwan News*, and a July 12th article in *The Standard* of China by China researcher Joshua Eisenman.

Mr. PAYNE. Thank you very much, Mr. Chairman, and thank you for calling this very important hearing about China's growing influence in Africa. It is very timely, and I look forward to hearing from our expert witnesses.

Africa sits squarely at the center of a resource grab that will likely mark the beginning of the 21st century. Over the past decade the engagement of China and the United States in Africa has begun to resemble competition for resources and influence that has the potential to result in an ugly dynamic akin to that created by the Soviet Union and the United States during the Cold War.

This dynamic has significant financial and human rights implications for the United States and Africa that are already glaringly apparent in the context of Sudan, Zimbabwe, Angola, and other African countries.

According to a guest during a July 5 PBS *NewsHour* roundtable on China's influence in Africa, the Chinese are investing in Africa and are seeing results, while the G-8 countries are putting in huge sums of money and don't see very many results.

In 2000, China and the African countries formed the China-Africa Cooperation Forum, the CACF, proposing that the CACF meet every 3 years to seek mutual economic development and cooperation.

Representatives from 45 of Africa's 55 countries attended the CACF's first ministerial conference in October of the same year. China has also targeted resource-rich African nations such as Sudan and Angola for energy related development.

In addition to resource related imperatives, some observers have suggested that there is a political dynamic to China's push into Africa, as 7 of the 25 countries that still maintain official diplomatic relations with Taiwan are on the African continent.

United States assistance to and influence on Africa is channeled in part through two major initiatives. One is the Africa Growth and Opportunity Act (AGOA) and the other is the Millennium Challenge Account (MCA), a supplementary aid program launched by President Bush to assist developing countries that invest in their people, promote economic freedom, and demonstrate good governance.

Although AGOA and MCA provide assistance to only a few select, a few African countries suffer from less than perfect implementations, and have failed to yield robust growth and substantial development. Both initiatives have helped promote growth in Africa.

However, China's economic and political pursuits appear to be undermining United States success in alleviating poverty and ex-

panding U.S. influence. The lifting of the WTO textiles and apparel quotas this past January has resulted in enormous increases in China's exports, 1,800 percent in some exports in the first few months.

This will certainly help AGOA countries who mostly export textiles and will find themselves unable to compete. In the quest for crude oil, Beijing is offering cash and access to its huge markets and playing on nation's discontent with the United States.

China is dispatching an army of diplomats, surveyors, and engineers across the globe to help satisfy its enormous appetite for energy; not only in Africa, but to Canada, Indonesia, Russia, Uzbekistan, to Burma, Iran, Algeria, and Nigeria.

China's involvement in Sudanese oil development has been scandalous in its indirect funding of the war against the South and the genocide in Darfur. So these things need to be carefully watched.

Many of the threatened vetoes of strong bills in the Security Council by China, a permanent member of the Security Council, which has veto power, have slowed down some of the stronger resolutions that the Administration was interested in in the past.

However, we are seeing a shift in United States policy toward the Sudan, which is disturbing to me also. So these things need to be carefully watched. However, at the same time, we must take into account why African nations are looking to the East.

There are many South partnerships being formed around the world. African nations and others are looking for other options besides the United States for foreign investment in the EU, and economic support, and the United States must not let the current competition with China influence its policy decisions in the same way that it did during the 1960s and the 1980s, when brutal dictators were propped up and supported for decades simply because they sided with us and not the USSR.

Labuto in Zaire, and that country is still suffering from that; and the United States looking the other way when apartheid was going on in South Africa, but we decided that constructive engagement was the policy rather than having a strong policy against South Africa until the CAAA legislation was passed by Ron Dellins and supported by Senator Lugar, who overrode the veto of President Reagan in the 1980s, and therefore made that bill law.

I look forward to the testimonies, and in particular from Ernest Wilson, from the University of Maryland, who has advised me on many occasions in the past. I would also like to just say a little bit about, as I have indicated very briefly so that we can move forward, that there were many missed opportunities in 1975, the Tanzania and Zambia roadway was first requested by the United States.

At that time, Ambassador Beverly was the Ambassador to Mozambique. The United States rejected the request. They came to the U.S. first. We said it could not be done, and it would be too costly.

And then those countries turned to China. China said not only will we do it, but we will even do it in a timely fashion. It sent its workers there, and it built the railroad, and it made access to the sea from Zambia, and it left.

It built stadiums in Lwanda, and it built roads throughout Africa. The other problem that the United States had, as it has been indicated during the Cold War, is that we are part of NATO, and Western European countries as you know, because of the conference in the 1880s in Berlin, when Africa was divided, and it was divided to Western European countries.

Following World War II, these countries were still the colonial powers. There was a freedom movement moving in Africa. However, our alliance was to our NATO countries, France and England, Spain, Belgium.

But these were the countries that were suppressing the move to thrust off colonial powers. So the United States was viewed as being opposed to the development of independence for Africa.

Many of us attempted to suggest to the U.S. Government that these were freedom movements, and that we could win their support. However, we were aligned to NATO countries in the Western Union, and therefore, we did not support and actually discouraged the movements for independence in Africa, which began in the 1950s with Jonas Savimbi, and the Mau Maus, and moved through Ghana and right through Africa.

So we were cast as being opposed to democracy. We know we were not. However, our friends were our friends, and our enemies were our enemies, and we sided with our Western European allies, and therefore, as I went to one meeting of Africans, they showed a bomb that said, "Made in the U.S."

It was a NATO weapon. Of course, NATO had an agreement that they would not use NATO weapons in conflicts in Africa. However, somehow they seemed to have been violated, and so the results of the Mabuto, and the results of the Zambimbas, and the result of the Cold War, had created situations.

I think we can win the hearts and minds of Africans. Africans love America. They prefer to be with America. They have a very strong tie with African-Americans, and, I think, an asset that China does not have, but that we don't use as much as I think we could.

And so I am not pessimistic. I think that if the United States Government, as it starts to question China's role, if it is wise, it will use an asset that other people in Asia do not have. So, I am, as I said, optimistic about the fact that we can persist.

And finally, we do have to decide where we stand with China. We have changed China's relationships to most favored nation status, and we then moved to normal trade relations. We have trade privileges for China.

Our trade deficit to China exceeds that of all the rest of the world, and it is good for America. It keeps inflation down, and it keeps the stock market moving forward. Americans have the comfort of low-cost items and inflation being less.

As a matter of fact the President of General Motors told us at a dinner several weeks ago that all small parts will be done in China. They are closing every single small parts manufacturing operation in Michigan, where many of them existed, and by the end of the year, there will be absolutely no small parts manufacturers in the United States. It will all be moved to China.

Now, my question is that, on one hand, we have a love relationship with China. We buy everything that they don't nail down. So on one hand, how can we continually say that we have got to watch these people because they are getting too strong? That we have got to keep an eye on them because they are moving into South America and Africa. My question is: Are they our friends or are they our enemies? Our business people treat them as friends, and so to me, they are friendly.

Our military people are concerned about them, perhaps as a potential enemy, and so the first thing the U.S. has to do is decide where we stand, as we must do in so many places where we sort of have contradicting policies. It is above my level, believe me, to decide that question.

But that is a question that we have to decide with China. Is their engagement, and is their democracy, and is their economic development going to help them move into a democratic society and finally break the stranglehold of communism as we saw happen in Russia and in other countries?

There is the philosophy by many who say that it will, and that people will see that free market, open markets, this is the way to go in the world, and that their population will say that this is what we want and overthrow military and dictatorship governments, and on the other hand, we have some that say that it won't happen.

We have seen it happen in some countries, and we have seen it happen in countries in Africa, and we have seen it happen in places when Communist sort of governments ran countries, like with President Sogo in Benon, and they changed.

Most countries in Africa that were leaning and had Communist leanings, even the Democratic Republic of Congo, now are trying to moxy in Mozambique, where democracy is flourishing. So this hearing certainly, as we get ready to adjourn, and I am sure that people wish I would stop talking so we can get ready to leave Washington.

However, at some time I think that we have to bring in even the President of the United States, and the Rumsfelds, and Chaneys, and those folks, and say, "Where do we stand as a country?" And the business people who lavish their appreciation for the success. As a matter of fact, the head of General Motors stated that if we didn't send our parts to China, we would not be able to pay retirement benefits and health benefits for our American retirees. So we thank China now.

Is that somebody that you are at war with? Like I said, maybe the Chairman, who has been here longer than me, he probably has the answer, because I certainly don't. But we hope that one day we will get an answer on where is it that we are going.

I think that peace and coexistence is where we need to go, and hopefully it can happen. With that, Mr. Chairman, thank you for your liberal use of my time. I don't overdo it too often, but I thank you at this time.

Mr. SMITH. For the answer, we will go to Mr. Boozman.

Mr. BOOZMAN. Thank you, Mr. Chairman. I do appreciate you and the Ranking Member having this hearing. I think that many Members of Congress are struggling with what was just referred to.

You know, the thing with China, and the sense of: Is this just part of a global strategy to sell goods and services all over the world—which they are doing a great job of—or is it some sort of sinister plot to get their foot in the door in some sort of global strategy in another way?

It is interesting, because as we go home as Members of Congress, and we go home and visit with our constituents, the coffee shop talk right now, and really all over the world, a lot of the coffee shop talk is jobs, and manufacturing going to China.

And it is not uncommon at all. In fact, we hear that a great deal, and especially we have heard that a lot with the CAFTA talks and things that are going on, and the same sort of deal.

But it is interesting. I had an Ambassador from Africa in not too long ago, and the message was, help us to industrialize. We don't want money. We want to industrialize so we can take care of our folks, which was wonderful.

And I agreed with that totally, and certainly we will help all that we can. But again, they started in on the fact that their jobs are going to China from this African nation.

So, again, I appreciate you being here, and I really do look forward to your testimony. Thank you.

Mr. SMITH. Thank you, Mr. Boozman. Ms. Lee.

Ms. LEE. Thank you, Mr. Chairman. I think that this hearing is also very timely, and very important, and quite frankly, I want to associate myself with Mr. Payne's remarks.

Also, Mr. Chairman, there is a notion, an African concept called "Sancofu," and that is, in order to know how to move forward, you have to know, and you have to look back to where you have been.

And I think it is important, as we look at China's influence and role in Africa, because of course we know that United States aid to Africa historically was based on the strategic interest based on Cold War strategy.

In fact, I guess United States aid reached in peak in 1985, when global competition with the Soviet Union was at the highest, and then after that, it started going down, down, down. Before 1955 and 1977, while many African countries were fighting for independence and self-determination—of course, we were not on the side as Mr. Payne said of the independence movements.

And China, for example, sold $142 million worth of military equipment and support to Africans. Where, I must ask, was the United States? We were not on the side of the African Liberation struggles.

China opened its universities to over 15,000 African students for free educations, and lifetime loyalties result from these cultural exchanges. China has consistently supported Africa's development and responded to emergencies.

I started visiting Africa in the early 1980s, and I could not believe what I saw in terms of infrastructure development. Every country I went to, I saw Chinese workers. I saw Chinese companies. I saw the Chinese Government.

And I kept saying, "Why isn't the United States here doing some of this work?" I came back to America and found out, and learned that our aid, our trade, our development initiatives, didn't even consider Africa as an important continent to focus on.

So, China continues to support the African Union's efforts, for example, to create a permanency for Africa on the United Nations Security Council, and does have strong ties with South Africa, and Nigeria, and other African countries.

Since 2000, China has canceled $10 million in bilateral debt, and through the China-Africa Cooperation Forum, China has forgiven $1.2 billion in overall African debt to 32 countries, and expanded Chinese foreign aid.

The Chinese Government's African Human Resources Development Fund pays for 10,000 students from Africa to be trained in Beijing. So I guess what I am saying, Mr. Chairman, is that where there is a void anywhere on the Continent of Africa, anywhere people need assistance in terms of trade, economic assistance, development assistance, a void is going to be filled by some country if, in fact, the United States does not step up to the plate.

And historically, the United States, and the facts bear me out, and the level of funding bears this out, that we just have not done right by the Continent of Africa, and our policies have not done right by the Continent of Africa.

So here we are in 2005, and where do we go from here? And I must say that we need to look at what is going on now in the Sudan. And I was very delighted that Harvard University divested of their investments in Petro China. Again, do we have the wherewithal to step up to the plate and say we want the United States to divest from companies which are doing business in the Sudan, such as Petro China?

Look at Eritrea. Reports have it that China has made more than $1 billion out of war in Eritrea through the sale of arms. In Zimbabwe, the Chinese sold $200 million worth of trainer jets, and planned to cooperate, as the Chairman said earlier, with Mugabe with the training of law enforcement and prison managers.

Last year, China won a contract for a thousand square kilometers of land seized from White commercial farmers that have state claims for Zimbabwe's platinum mines. So the point that I am making, Mr. Chairman, is that we need to figure out, like Mr. Payne said, what our policy is, because clearly the PRC is laying the groundwork to become the next superpower by increasing its relationship with Africa and other countries in the developing world.

And we do need to stop being schizoid in terms of United States and China policy and make some clear decisions in terms of what our policy should be. But in addition to that, the pittance, in terms of financial resources—in terms of the Millennium Challenge Account, and in terms of the HIV/AIDS initiative, and in terms of our global efforts to combat malaria, and all the diseases in Africa, and our development assistance—when weighed, it is a pittance, if you ask me, compared to our foreign aid budget and compared to what we should be doing.

Because I think quite frankly, as I close, that we have a lot of catch-up to do on the Continent of Africa if, in fact, we want to see some balance in terms of the investments and the participation between the United States and China on the Continent of Africa, and our strategic interests to do that. Thank you, Mr. Chairman.

Mr. SMITH. Thank you very much, Ms. Lee. I would now like to welcome our very distinguished first panel, which is made up of Ambassador Michael Ranneberger, who assumed his current responsibilities as the Africa Bureau's Principal Deputy Assistant Secretary on August 30, 2004. He has served as Special Advisor on Sudan during 2002 to 2004. He was Ambassador to the Republic of Mali during 1999 to 2002, and is a member of the Senior Foreign Service with the rank of Minister-Counselor.

From July 1995 to July 1999, Ambassador Ranneberger served as Coordinator for Cuban Affairs. Immediately prior to assuming the position, he was assigned to Haiti, where he spent 6 months setting up and running an interagency task force on justice and security-related issues.

In August 1994, the Ambassador became Deputy Chief of Mission in Mogadishu, and has a very, very rich background. I will make it all part of the record, without objection, particularly as it relates to Africa.

Ambassador Ranneberger is the recipient of seven superior honor awards from the Department of State, and a Presidential Meritorious Service Award. So it is a delight to welcome you and your expertise to the Subcommittee. Please proceed.

STATEMENT OF MR. MICHAEL RANNEBERGER, DEPUTY ASSISTANT SECRETARY, BUREAU OF AFRICAN AFFAIRS, U.S. DEPARTMENT OF STATE

Mr. RANNEBERGER. Thank you very much, Mr. Chairman. Mr. Chairman and Members of the Committee, thank you for asking me to testify on Africa, particularly with respect to the People's Republic of China's presence in sub-Saharan Africa, and its implications for United States interests.

The United States is engaged with Africa as never before, and we are directly supporting the historic progress that much of Africa is making—on governance and democracy, economically, and more recently on health issues—even in the face of still remaining major challenges.

The President has signaled United States commitment with programs aimed largely at Africa, including his Emergency Plan for HIV/AIDS Relief, the Millennium Challenge Account, and at the G-8 Summit in Gleneagles earlier this month, his new, multi-million dollar program to tackle one of Africa's most lethal killers, malaria.

Secretary of State Rice, in her recent trip to Africa, reinforced the Administration's view of Africa's promise when she said:

> "Our partnership rests on the conviction that only the people of Africa can solve the problems of Africa. But for these men and women to fulfill their dreams of democracy and security and prosperity, all developed nations have a responsibility to help."

The United States is not the only country deepening its engagement with Africa. The pace of China's economic growth over the past decade has been remarkable. China is the world's sixth largest economy, the third largest trading nation, and the second largest recipient of investment capital.

As a natural result of that growth, China is increasingly involved in the global marketplace, seeking new markets for its goods, and reliable sources of energy. Both are reflected in China's increased engagement across sub-Saharan Africa.

This should not be read as a threat. Nations from every region are seeking markets in Africa and African sources of energy. In fact, this can work to advance our goals in Africa to the extent that it serves to increase prosperity and stability, and thereby contributes to increased respect for human rights and individual freedoms.

As Secretary Rice said in March:

> "Clearly America has reason to welcome the rise of a confident, peaceful, and prosperous China. We want China as a global partner, able and willing to match its growing capabilities to its international responsibilities."

We have several direct interests with respect to Africa and China's presence there. First, to ensure that our respective engagement on the continent promotes open, vibrant markets to operate in a constructive and transparent fashion.

Second, to ensure that our respective policies supporting political, economic, and commercial engagement promote economic prosperity, stability, good governance, democracy, and human rights.

Third, to ensure that the United States remains a close partner with African countries and institutions on key regional and international issues.

Fourth, to foster conflict resolution, and to limit arms sales that could make that more difficult.

And, fifth, to identify areas where interests converge, while remaining aware of potential differences. Peacekeeping is one area where United States a[illegible] China's interests converge.

China currently participates in six operations, with 600 peacekeepers in Liberia. Chinese-supported infrastructure projects can compliment efforts to promote African growth, and China's experience in poverty reduction can be helpful to developing African countries.

Support for the African Union is another. China was an early supporter of the African Union and provided financial aid. Our shared interest in combating terrorism is yet another area where interests converge, and these and other areas.

China's increasing engagement on the continent provides opportunities for cooperation. Deputy Secretary of State Robert Zoellick has stated that "it is in our interests to integrate [China] into the economic and security system that we've helped develop over the past 50 years."

China's integration into that system is now largely complete, and it is important for us to continue to work together to ensure that the system develops in a way that is mutually beneficial.

The Chinese foreign ministry, too, announced its policy that "the development of economic and trade cooperation between China and the United States conforms to the interests of both sides."

We believe that it is important to move forward and discuss such issues and concerns with China. This will be an important part of the conversation that Deputy Secretary of State Zoellick will have in China on August 1 and 2 as part of our new senior-level dia-

logue with China, where the Deputy Secretary and his Chinese counterpart will consider points of mutual interest and discuss how best to manage differences.

The main elements of the Chinese approach to Africa appear to be the following; finding new markets for Chinese goods, expanding access to raw materials, maximizing the number of African nations that maintain official relations with the PRC rather than Taiwan, which is still recognized by seven African Governments.

And finally, demonstrating its emergence as a major power, especially in the United Nations and other international organizations. But China's growing presence in Africa is most visible in the economic front, a natural consequence of China's economic growth.

An issue that has been the subject of much attention here in the United States is Africa's natural resources. China's oil demand is steadily increasing. Oil consumption rose 11 percent in 2003, and 18 percent in 2004, and this pattern is likely to continue since its domestic crude production remains stagnant.

China is now the world's second largest consumer and importer of petroleum after the United States, although at considerably lower levels. A recent report from the Center for Strategic and International Studies projected that Africa would provide up to 45 percent of China's oil by 2010.

Africa is expected to account for about 25 percent of the United States imports by 2015. That would make the United States and China the two largest importers of African oil. The only African country where Chinese interests have made a significant breakthrough in oil production is Sudan.

The Chinese National Petroleum Corporation owns 40 percent of the largest oil producing company in Sudan, the Great Nile Petroleum Operating Company. The Great Nile Petroleum Operating Company is currently producing about 300,000 barrels of oil per day, and owns and operates a 1,610-kilometer export pipeline, linking those oil fields with the Port of Sudan.

This pipeline is the longest in Africa. It was built by Chinese construction firms at a cost of about $1.6 billion. We have expressed our concern clearly about China's investment in Sudan, and the use of Chinese funds to underwrite infrastructure development and exploration in a nation that does not respect human rights, and which has been engaged in a policy of genocide in Darfur.

In response the Chinese have supported achievement of the comprehensive peace agreement between the North and the South, and have encouraged the Sudanese Government to end violence in Darfur and negotiate a political settlement.

The Chinese supported the establishment of a U.N. peace monitoring operation and China is a scheduled troop contributor to the U.N. operation to peace monitor the North/South, including the provision of an engineer battalion.

China also did not block U.N. Security Council Resolutions that were passed to place pressure on the Sudanese Government and ensure accountability. China's growing presence in Africa is a reality, but it can increase potential for collaboration between the United States and China as part of a broader constructive bilateral relationship.

China should have many of the same interests in Africa as the United States based among other elements; on our shared desire to diversify sources of supply, our shared reliance on a global oil market, and our shared concern over volatile oil prices.

We should also share interests in conflict resolution and promotion of national and regional stability. China's willingness to take on infrastructure projects can complement Western investment and assistance programs.

We should also share interests in economic frameworks that promote trade markets, resource exploration, and production in a sustainable way. The future of United States and China relations in Africa have yet to be charted, but a focused, direct dialogue is an essential starting point.

The Administration will continue to advance United States interests in Africa as a very high priority, and to engage China directly, at all appropriate levels, to seek to develop new concepts of cooperation that can advance common interests.

Thank you for giving me the opportunity to testify. I look forward to responding to your questions.

[The prepared statement of Mr. Ranneberger follows:]

PREPARED STATEMENT OF MR. MICHAEL RANNEBERGER, DEPUTY ASSISTANT SECRETARY, BUREAU OF AFRICAN AFFAIRS, U.S. DEPARTMENT OF STATE

Mr. Chairman and members of the Committee, thank you for asking me to testify on Africa, an Africa view of the People's Republic of China's presence in sub-Saharan Africa, and its implications for United States interests.

The U.S. is engaged with Africa as never before, and we are directly supporting the historic progress that much of Africa is making—on governance and democracy, economically, and more recently on health issues—even in the face of major challenges. The President has signaled U.S. commitment with programs aimed largely at Africa, including his Emergency Plan for HIV/AIDS Relief, the Millennium Challenge Account and, at the G–8 in Gleneagles earlier this month, his new, multi-million dollar program to tackle one of Africa's most lethal killers—malaria. The President also announced U.S. support for broader debt relief for Africa's most impoverished nations and increased assistance to address humanitarian emergencies. Secretary of State Rice on her recent trip to Africa reinforced the Administration's view of Africa's promise when she said: "Our partnership rests on the conviction that only the people of Africa can solve the problems of Africa. But for these men and women to fulfill their dreams of democracy and security and prosperity, all developed nations have a responsibility to help."

The U.S. is not the only country deepening its engagement with Africa. The pace of China's economic growth over the past decade has been remarkable; China is the world's sixth-largest economy, the third-largest trading nation, and the second largest recipient of investment capital. As a natural result of that growth, China is increasingly involved in the global marketplace, seeking new markets for its goods, and reliable sources of energy. Both are reflected in China's increased engagement across sub-Saharan Africa. China's trade, aid, and investment are increasing rapidly. Approximately 30% of China's oil imports currently come from Africa and China hopes to increase the proportion in the years ahead.

This should not be read as a threat. Nations from every region are seeking markets in Africa, and African sources of energy, the same as in other regions. In fact, this can work to advance our goals in Africa to the extent that it serves to increase prosperity and stability and thereby contributes to increased respect for human rights and individual freedoms. As Secretary Rice said in March "clearly America has reason to welcome the rise of a confident, peaceful, and prosperous China. We want China as a global partner, able and willing to match its growing capabilities to its international responsibilities." There are, of course, times when our interests and China's will need to be the subject of dialogue. Certainly, the Administration will continue to work hard to address common challenges—regional and global, economic and political—with China. And in those areas where we have differences, we strive to handle these issues in a candid and open dialogue, and in ways that advance our values and national interests.

CONTEXT OF CHINA IN AFRICA

For a number of reasons, African nations are good potential trading partners, as they offer sources of energy and other strategic minerals, fertile areas for contracts, and potential supporters of our geopolitical interests.

From the standpoint of the developing world, China has long claimed that it is in a unique position as a global power that is a natural partner for Africa. China's policy toward Africa is pragmatic, primarily oriented towards economic and commercial goals.

We have several direct interests with respect to Africa and China's presence there:

- To ensure that our respective engagement on the continent promote open, vibrant markets that operate in a constructive and transparent fashion.
- To ensure that our respective policies supporting political, economic, and commercial engagement promote economic prosperity, stability, good governance, democracy and human rights.
- To ensure that the U.S. remains a close partner of African countries and institutions on key regional and international issues.
- To foster conflict resolution, and to limit arms sales that could make that more difficult.
- To identify areas where interests converge, while remaining aware of potential differences. Peacekeeping is one area. China currently participates in six operations, with 600 peacekeepers in Liberia. Chinese-supported infrastructure projects can also complement efforts to promote African growth, and China's experience in poverty reduction can be helpful to developing African countries. Support for the African Union is another. China was an early supporter of the AU, and has provided financial support. Our interest in combating terrorism is another area where our interests converge.

China's increasing engagement on the continent provides opportunities for cooperation. Deputy Secretary of State Robert Zoellick has stated that "it is in our interest to integrate [China] into the economic and security system that we've helped develop over the past 50 years." China's integration into that system is now largely complete and it is important for us to continue to work together to ensure the system develops in a way that is mutually beneficial. The Chinese Foreign Ministry, too, announced its policy that "the development of economic and trade cooperation between China and the United States conforms to the interests of both sides." We believe it is important to move forward and discuss such issues and concerns with China. This will be an important part of the conversation that Deputy Secretary Zoellick will have in China August 1 and 2 as part of our new senior-level dialogue, where the Deputy Secretary and his counterparts will consider points of mutual interest and discuss how best to manage our differences.

The strength of America's engagement in Africa, and the strong advances Africa is making in so many fields, with our help, is the context in which we view China's increasing presence in the African continent.

BACKGROUND AND GOALS OF CHINESE INVOLVEMENT

China is not a newcomer in Africa, but instead has a long-standing tradition of contact with Africa, dating back to early 15th century expeditions reaching Africa's Swahili coast. More recently, in the 1950s and 60s, when African nations were gaining their independence, China viewed emerging African nations as part of a developing world alliance seeking political equality and economic control of their own destiny, a destiny which hitherto had been shaped by the interest of Western nations in the late 19th and early 20th centuries. China developed an African policy aimed both at maximizing its influence (and counterbalancing the USSR's after the Sino-Soviet split) and at isolating Taiwan on the world stage. As a part of that policy, China often supported limited but very visible assistance projects in many parts of the continent—roads, railroads, stadiums, government buildings, etc.—as well as some Marxist liberation movements that were not funded by Moscow. Actual Africa/China trade, however, remained quite small.

In the aftermath of the Cold War and in the context of more recent Chinese economic success, Africa has seen a growing Chinese presence largely oriented towards economic engagement. The main elements of that presence appear to be the following:

- Finding new markets for Chinese goods.
- Expanding access to raw materials.

- Maximizing the number of African nations that maintain official relations with the PRC, rather than Taiwan which is still recognized by seven African governments (Burkina Faso, Chad, The Gambia, Malawi, Sao Tome & Principe, Senegal, Swaziland).
- Demonstrating its emergence as a major power, especially in the United Nations and other international organizations.

In many respects, China's engagement is essentially classic Adam Smith value free capitalism in action. It's worth noting, too, that while we refer to "China," Chinese engagement also involves a wide range of private enterprises, semi-private businesses, and local government entities that engage in trade not directly linked to official Chinese government policy.

DIPLOMATIC TIES

On the political and diplomatic front in Africa, we see a more visible Chinese presence, including the increase in the number of Chinese diplomats; deepened bilateral relationships and dialogues with a number of countries ranging from South Africa, Nigeria, Gabon, Angola, and Equatorial Guinea, to Sudan and Zimbabwe; and increased participation in UN Peacekeeping Operations, mostly in Africa.

High-level visits and exchanges are further evidence of this trend. Visits of African leaders to China are numerous, including most recently that of Zimbabwe President Mugabe. This commitment to Sino-African diplomacy is not new. For the past seventeen years the Chinese foreign minister has begun each new year with a trip to Africa. China's official presence in a number of African countries also is being upgraded significantly. China is building a substantially larger embassy in Pretoria, for example, as it has in several other countries.

In 2000, Beijing created the Forum on China-Africa Cooperation (FOCAC) as a vehicle for expanding Sino-African economic, trade, and political ties. The two triennial FOCAC conferences held so far (Beijing in 2000, Addis Ababa in 2003) had high-level representation, including African presidents, vice presidents, prime ministers, and foreign ministers. China's President, Vice President, and Premier were all present at the first FOCAC conference, in Beijing. Premier Wen Jiabao represented China at the second FOCAC Conference, held in Addis Ababa in December 2003.

As you know, Africa constitutes the largest voting bloc in the UN and can provide needed support in the General Assembly on various issues. African countries have at times sought to avoid unwanted UNSC actions and hoped that China, as a permanent member of the UN Security Council, might employ the veto threat to stave off unwanted UNSC actions. Although China has threatened to use the veto on a number of occasions, it has not actually employed its veto in this way. This points to the fact that, with China's emergence onto the world stage, it has no interest in letting itself be isolated on such key issues with respect to Africa or other areas of the world.

ECONOMIC OUTREACH

China's growing presence in Africa is most visible on the economic front, a natural consequence of China's economic growth. Africa-China trade doubled between 2002 and 2004, with two-way trade reaching $ 21.6 billion in 2004, according to the International Monetary Fund (IMF). Africa's imports from China are increasing—from $ 3.6 billion in 2000 to $ 9.6 billion in 2004, and Africa's exports to China increased—from $4.5 billion in 2000 to $12 billion in 2004. Still, even with those increases, that two-way trade remained at just under half the level of U.S.-Africa trade in 2004. Much of the increase in China-Africa trade is attributable to rising imports of oil from Africa, with Angola now accounting for almost 14 percent of Chinese oil imports. Although most African imports from China are still either textiles or comparatively inexpensive, often low-quality goods, it also is beginning to import more sophisticated products, including telecommunications equipment, often accompanied by extremely generous credit or other arrangements in support of potential contracts.

Chinese direct investment in Africa also has increased over the past couple of years. State-owned enterprises (SOEs) account for a considerable share of Chinese overseas investment, and in some cases, seemingly poor investments are the result of direct central government involvement in overseas investments in what are considered "strategic" areas. (Some experts, however, say that more than half of Chinese SOE overseas investments lose money because of inadequate and inexperienced management, or of purchasing overvalued assets.) The number of joint ventures between African state-owned companies and Chinese companies has been on the rise.

In Sudan, for example, Chinese firms built a refinery north of Khartoum in 1999 and now own it jointly with the Government of Sudan.

Still, we should not overestimate Africa's place in China's foreign policy or its influence in Africa. Even with the remarkable increase in African exports to China in 2004, Africa only accounted for 2.8 percent of China's total imports. China's realized foreign direct investment (FDI) in Africa in 2004 was only USD 135 million, accounting for less than 4 percent of China's FDI for the year. By comparison, Latin America captured approximately half of Chinese investment. Another 40 percent went to the rest of Asia. Even in South Africa, the continent's biggest economy, Chinese direct investment remains minimal.

A number of large contracts for infrastructure projects in Africa, including some financed by the international donor community have been won by Chinese construction firms. China's bid for Ethiopia's Takazee Dam, one of Africa's largest hydropower stations, to be located at the headwaters of the Blue Nile, won out over several Western companies. The Chinese volunteered to construct and fully fund a proposed stadium in Dar es Salaam when European donors balked at the idea of Tanzania using donor budget support for the project. In Botswana, for example, Chinese firms now win approximately 80% of all construction contracts from the government, which in turn commissions 80% of the country's total number of construction projects. This has angered some local firms, which argue that they cannot compete with the prices and "different labor culture" of their Chinese competitors, including the importation of Chinese laborers and a generally tolerated reliance on illegal Zimbabwean immigrants.

The spread of Chinese-operated retail shops through much of Africa is anecdotal but also highly visible, and occasions some local complaints about such businesses and their business practices. In most cases, African-manufactured products cannot compete with low-cost Chinese goods, and there is growing awareness that African manufacturers face strong competition from Chinese manufactured goods.

African countries also receive continuing assistance from China, although it is difficult to determine the amount of such aid because China uses different methods of measuring aid than Western countries do. Such aid generally consists of training and scholarships in China or of prominent projects like the construction of national assembly buildings or stadiums. Host nations often note that such projects are built almost exclusively with Chinese labor and materials (and so do not provide many local jobs except at the most unskilled level). Host nations also often receive grants and soft loans for infrastructure projects, again usually to be constructed with Chinese labor and equipment. China also provides some financial assistance and debt relief. In 2000, during the first FOCAC conference, China announced, for example, that it would cancel more than $1 billion of African debt. China is also a member of the African Development Bank and contributes to the African Development Fund.

To put this in perspective, it's important to look at our economic relations with Africa, as opportunities and accomplishments abound. Last year when President Bush signed the AGOA Acceleration Act, he was ensuring that Africa would have the opportunity to continue its unprecedented economic growth through trade well into the next decade. AGOA is a symbol of the United States' belief in the entrepreneurial spirit of Africa and of the positive benefits that increased trade and investment between the U.S. and sub-Saharan Africa can accrue to both sides.

During the recent AGOA Forum President Bush also announced the African Global Competitiveness Initiative, which will provide $200 million of additional resources over the next five years for trade capacity building and technical assistance programs. As part of this initiative, USAID will also open a new fourth technical assistance hub, to complement the efforts of the USAID trade hubs already located in Accra, Ghana; Gaborone, Botswana; and Nairobi, Kenya.

Through the Leland Initiative USAID is bringing the benefits of the global information revolution to the people of Africa, builds on existing capacity with the ultimate aim of facilitating internet access throughout each country. Earlier, in March 2003, President Bush launched with President Wade of Senegal the pilot program for the Digital Freedom Initiative, which leverages the leadership of the U.S. government with the creativity and resources of American business, and the vision and energy of local entrepreneurs in partner countries to promote economic growth using information and communications technology (ICT). The Senegal pilot assists universities, medical institutions, civil society and micro-enterprises with training and increased access to financing and equipment designed to help bring Senegal into the information age. In all of these ways, and more, the United States is having a positive economic impact in Africa in ways that advance both Africa's interests and our own.

AFRICA'S NATURAL RESOURCES

An issue that has been the subject of much attention here in the United States is Africa's natural resources—oil, iron ore and other minerals, fish, timber, and other raw materials. In the earlier years of its economic expansion, China sought critical raw materials primarily from sources in Asia, but as its economy has continued to expand, China has increasingly looked elsewhere, including to Africa as a source of key commodities. Timber exports to China are of growing importance to several African countries, for example, and deforestation is a concern, as is exploitation of African coastal fishing resources by unregistered trawlers from many nations, including from China

The most important natural resource that Africa sends to China is oil, in particular from Angola, but also from Sudan, Nigeria, Equatorial Guinea, and other countries. China's oil demand is steadily increasing; oil consumption rose 11% in 2003 and another 18% in 2004, and this pattern is virtually certain to continue as domestic crude production remains stagnant. China is now the world's second-largest consumer and importer of petroleum after the United States (albeit at considerably lower levels).

Oil from the Gulf of Guinea region—stretching from Nigeria down to Angola, also offers a comparative advantage for China because that oil is sweet crude and thus most suitable for the existing capacities of Chinese refineries. Chinese purchases of West African crude in the global market have increased significantly over the past few years. In 2004, Africa accounted for almost one third of total Chinese oil imports, and a recent report from the Center for Strategic and International Studies projected that Africa would provide up to 45% of China's oil by 2010. Africa is expected to account for 25 percent of U.S. oil imports by 2015. That would make the United States and China the two largest importers of African oil.

The only African country where Chinese interests have made a significant breakthrough in oil production is Sudan. The China National Petroleum Corporation (CNPC) owns 40 percent of the largest oil producing company in Sudan, Great Nile Petroleum Operating Company (GNPOC). GNPOC is currently producing about 300,000 barrels per day and owns and operates the 1610 km export pipeline linking Heglig production oilfields with Port Sudan. This pipeline, the longest in Africa, was built by Chinese construction firms at a cost of $1.6 billion. We have expressed our concern about China's investment in the Sudan and the use of Chinese funds to underwrite infrastructure development and exploration in a nation that does not respect human rights and which has been engaged in a policy of genocide. In response, the Chinese have supported achievement of the Comprehensive Peace Agreement, and have encouraged the Sudanese government to end violence in Darfur and negotiate a political settlement. Moreover, the Chinese supported the establishment of a UN peace monitoring operation for the North/South accord, and China is a scheduled troop contributor, to provide an engineer battalion.

MILITARY ASSISTANCE

Africa also is seeing increased military-related interaction with China. When a project is agreed upon, military equipment and training often come along with the deal. Such projects or agreement do not take into account a recipient country's security and human rights record. Many African militaries view Chinese military training as a worthwhile alternative to U.S. training, particularly if U.S. training is not available, and we are seeing an increase in the number of African military officers going to China for such training. The military equipment African militaries purchase from China also is comparatively simple and inexpensive, just what many African militaries are looking for. Zimbabwe, Sudan, Ethiopia and Eritrea, and other countries all have purchased equipment or benefited from security-related projects. The first-ever Chinese military ship visit to an African country took place to Tanzania in 2000.

The U.S. however, also is intensively engaged across the African continent to promote professionalization of African militaries, including respect for democracy and human rights, and to promote regional conflict resolution. This year we allocated $10.8 million for the International Military Education and Training (IMET) program in Africa; $26.3 million for the Foreign Military Financing (FMF) program; and $43.9 million for Africa Regional Peacekeeping efforts. Additionally, $14.8 million was allocated directly for the ACOTA program plus the lion's share of the $80 million Global Peacekeeping Operations Initiative (GPOI) funding will also go to support capacity building for African militaries and regional headquarters. Additionally, the Department of Defense executes a broad range of mil-to-mil programs (largely through the Combatant Commanders' Theater Security Cooperation Plans) using DoD funding.

PUBLIC DIPLOMACY AND INFLUENCE

In Africa and other areas, China pursues effective public diplomacy efforts ranging from libraries, exchanges, and even sophisticated English-language television programs. This points to the continued importance of our own extensive public

In troubled nations like Sudan and Zimbabwe, we want to ensure that foreign investment does not serve to support those governments at a time that when major human rights violations are occurring. We have made these concerns clear in relation to Chinese investment in Sudan, and activities in Zimbabwe, including diplomatic support, economic and trade deals, and close military ties. Within the past week Zimbabwe's President Mugabe has visited Beijing to meet with Chinese President Hu Jintao and other Chinese officials and is expected to ask for a financial assistance package in a last-ditch effort to obtain funds from its dwindling number of allies and stave off eviction from the IMF. Mugabe had earlier proclaimed a "Look East" policy in an effort to showcase ties with China as a substitute for waning business with the West. We will be raising with the Chinese our concerns that Mugabe needs to reform his economic and political policies.

Finally, it should also be noted that many African countries are astute players of the international aid game, attempting at times to play off one donor against another. Getting into such a context would be counter-productive to both our interests and for African development. In general, African countries see China for the economic actor it is.

THE UNITED STATES IN AFRICA

A close look at U.S. relations with Africa provides perspective on China's engagement in Africa. United States ties to African nations have grown dramatically in recent years. President Bush has noted that during his Administration U.S. aid to Africa has tripled, and he has stated that we will double it again by 2010. Thus the United States is not in danger of being eclipsed in its demonstration of interest in and concern for Africa. More importantly, our growing ties with Africa are based on a shared commitment to democracy, free markets, and economic integration and, even more fundamentally, on shared cultural roots, values, and history.

Much of Africa is undergoing a positive long-term transformation that we are supporting. Despite tragedies in areas such as Darfur, more and more countries are undergoing peaceful transfers of power, and such countries are cooperating to advance regional stability and democracy. Regional organizations run by Africans, for Africans—such as the African Union, the Economic Community of West African States, and others—are facilitating those changes. In formulating our own policy goals for Africa, we need to be aware of these successes and are building on them. Importantly, as we expand our engagement with Africa, we are coordinating our efforts with the European Union, its member states, and other interested countries like Japan. U.S. leadership in this dynamic multilateral approach reinforces U.S. influence and maximizes the impact of shared efforts to promote democracy and development.

The United States also is helping African states and regional organizations strengthen their own ability to respond to and resolve conflict. One of our most successful programs has been our African Contingency Operations Training and Assistance (ACOTA) program, which has resulted in the deployment of U.S.-trained, African-led peacekeepers to several of Africa's trouble spots. Congress has recognized that success and is building on it with a five-year Global Peacekeeping Operations Initiative (GPOI), which aims to train 75,000 peacekeepers over the next five years, half of them in Africa. The Trans-Saharan Counter-terrorism Initiative (TSCTI), a newly planned program, also will enhance border security in West Africa and thereby contribute to the vital goal of regional security.

POTENTIAL FOR COOPERATION

President Bush has said that "the peoples of Africa deserve the peace and freedom and opportunity that are the natural rights of all mankind," and U.S. policy is advancing those goals. The Administration will continue its programs on the African continent and advance our agenda by focusing on bolstering security, strengthening democracy and economic freedom, promoting prosperity, and investing in people. To advance this agenda, we will need the continued support of Congress.

China's growing presence in Africa is a reality, but it can increase the potential for collaboration between the United States and China as part of a broader, constructive bilateral relationship. China should have many of the same interests in Africa as the United States, based, among other elements, on our shared reliance on a global oil market, shared desire to diversify sources from the Middle East, and

shared concern over volatile oil prices. We should share interests in conflict resolution and promotion of national and regional stability. China's willingness to take on infrastructure projects can complement Western investment and assistance programs. We should also share an interest in economic frameworks that promote trade, markets, resource exploration and production in a sustainable way.

The future of U.S.-China relations in Africa has yet to be charted, but a focused, direct dialogue is an essential starting point. The Administration will continue to advance U.S. interests in Africa actively and to engage China directly, at all appropriate levels, to seek to develop new concepts of cooperation that can advance our common interests.

Our challenge is to continue helping African countries transform their societies and extend the benefits of democracy and economic reform to all their citizens. Despite China's growing presence in Africa, the United States has been, and will continue to be, the long-term partner of preference of most African people—based on shared values and common long-term objectives. There is a tremendous appreciation in Africa of our sustained and expanded engagement with the continent in ways that directly benefit its people. The very high priority the Administration attaches to Africa policy will continue to build goodwill and advance the U.S.-Africa Partnership.

Mr. SMITH. Mr. Ambassador, thank you very much for your testimony and for your great service on behalf of our country. Let me ask you a couple of opening questions, if I could.

As you know, China is noted for cooperating with African Governments without regard to their conduct as it relates to human rights and democracy issues. Nowhere is this more apparent in a multilateral approach than at the U.N. Human Rights Commission every year where actions to try to hold accountable to some extent the Chinese Government for its egregious human rights abuses are tabled.

I myself have lobbied with many African Ambassadors in Geneva, only to get a very polite answer that no, they will not support a United States resolution, which we often table in Geneva. The more one digs into it, the more one realizes that the Chinese Government really holds a gun to the head of these African countries.

If they do not toe the line, and if they don't vote for a "no action," economic projects, including foreign aid, could be put at risk. I heard that from so many diplomats as I made the rounds, usually off the record.

It seemed very clear that this is the pattern. There is also the concurrent concern that this could also be happening with the WTO, and could happen at the WTO, but it certainly is happening at the U.N. Human Rights Commission.

What is your take on that? Because it seems to me that the more that we take the pressure off any government that has human rights abuse anywhere on earth, the more those abuses occur. Again, who gets hurt in the end? The dissent, the religious believer, the person who is the brunt of the abuse itself.

Secondly, the Sudanese People's Liberation Movement, the SPLM, has fought a 21-year war against the China-supported Sudanese Government, and I remember numerous hearings and briefings where it became very clear that, had it not been for the petroleum dollars that were created by Khartoum from the Chinese, fighting would have stalled. The weapons that were procured because of the profits, the quid pro quo with the Chinese Government, would not have been there, and fewer lives would have been lost because there would have been an exhaustion when it came to resources.

We all know that the SPLM delegation visited China in March of this year. Do you have any insight into what took place in those meetings? Now as we are moving to try to hold to account those that have killed and maimed in Khartoum, or in Darfur, is Chinese complicity a part of that in any way, shape, or form?

It seems to me that you don't have to pull the trigger necessarily, or provide the AK-47 and hold it in your hand and shoot somebody if you are providing the means by which that is in the hands of somebody doing the killing. You said they are implicit. Will the Chinese be held accountable in any way for that in the South, as well as in Darfur?

Mr. RANNEBERGER. Well, Congressman, thank you for those questions. On the issue of human rights, as I said, by far the most important thing to emphasize is that the United States makes the promotion of human rights and holding countries accountable for human rights, a key element of our policy in Africa.

I think the most important thing, regardless of what the Chinese may or may not be doing through their influence, is that we proceed ahead vigorously with that. And I think one of the Congressmen who was making a statement expressed a concern about tradeoffs somehow, and that we might somehow tradeoff our vigorous approach on that because we want to work with China on something else.

And I can absolutely assure you that will not happen. Human rights and support for democracy will remain an absolute centerpiece of our efforts, and in fact, when you look at what is happening in Africa, the trend is mostly in that direction.

It is not universal. We have the cases of Zimbabwe and the Sudan, when you look at the number of new democracies, and 50 democratic elections in the past 4 years in Africa at all levels, and a greater number of African countries joining the community of democracies, and a more vibrant civil society, democracy, and human rights are on the move.

And that is where—and I might also say that our aid programs as you know, the Millennium Challenge Account, and other efforts, have human rights criteria built into those programs.

Now, with respect to China, yes, I think everyone knows that it is not a secret that China has not been helpful at the U.N. Human Rights Commission. But that has not been, I don't think, a decisive element. Part of the problem that you have at the U.N. Human Rights Commission has been the way that the whole commission is structured.

You may recall, and I think it was 2 years ago, that we were actually thrown off the Human Rights Commission, which was an amazing development.

But it reflects, I think, the composition, and so what you get is a number of countries on the committee who don't want to focus on human rights, and other countries that are afraid that there might be a focus, and who join together. So I don't know that it is China, predominantly, that plays that role.

Mr. SMITH. Could you suspend just very briefly so that I could point out that what I heard not just from the Africans, but from some of the other delegates as well, is that the Chinese made it

conditional. You table this or else all of these other benefits are put at risk. That includes investment, as well as foreign aid.

Mr. RANNEBERGER. Well, I have to say, Congressman, that I have not heard that explicitly, and so I can't verify that one way or the other. I mean, I don't know that it would be surprising if they did try to use their leverage.

But one point that I wanted to make before I finish with that answer is that of course we want to see reform of the U.N. Human Rights Commission, as well as other parts of the U.N. organization, as part of this overall effort to focus on the Security Council and the restructuring of the U.N.

If I could turn to your second question a bit. There is certainly a dark history in the Sudan, including up to very recent years, and I think that one of the terrible things that happened in the Sudan was the clearing out of the oil production areas. Literally, the systematic removal of populations from a number of those oil producing areas in order to open them up for companies, and I might say not just Chinese companies, but other companies as well.

And that is something that we condemned at the time. It is something that we raised in the strongest terms, and that is a reality, and we are not dismissing that. However, that said, there is, of course, a new day that has dawned in Sudan.

We now have the Government of National Unity that has been formed, and that oil production in the South at any rate at this point will now directly benefit the SPLM, and the Government of Southern Sudan.

So to the extent that the Chinese are involved in oil blocs that straddle the North and the South, they are going to have to deal with the Government of Southern Sudan, and the comprehensive peace agreement that was signed calls for responsible use of the oil resources back to the producing areas.

And that will certainly, I think, provide some possibilities for helping those populations that in fact suffered as that oil production was being launched. In terms of the SPLM visit to China in March, I am afraid that I don't have any specific details for you on that.

But I think that may be an indication of what I was just saying, which is that the Chinese themselves realize that they will now have to deal with the new Government of Southern Sudan, and of course with Dr. John Garang as the new first Vice President of the government. And I think there is a natural interest also in the SPLM opening up those channels.

And in terms of accountability, your final point, Congressman, let me just say that we have made accountability a central element of what we are doing on Sudan. I can assure you that we have no meetings with the Sudanese Government where we do not stress the need for accountability.

As you know, we led the resolution in New York at the U.N. Security Council that called for targeted sanctions on the Sudanese of all parties who are committing crimes and atrocities in Darfur.

We also did not block, despite the concerns that we have with the International Criminal Court, that resolution. So that accountability process will proceed. We don't know who, obviously, is on

the list at this point, and who will be identified as culpable in those crimes in Darfur, but we certainly support full accountability.

Mr. SMITH. I have another half-a-dozen questions, but I will only ask one out of deference to my colleagues. With the recent Chinese bailout of Zimbabwe, does that change in any way our strategy vis a vis Mugabe, and to what extent are arms sales flowing into Zimbabwe?

Mr. RANNEBERGER. Well, Congressman, again, we are not pursuing or going to pursue a policy in Zimbabwe with reference to, particularly, what the Chinese are doing. I think the most important aspect of what is happening in Zimbabwe is this: Despite whatever China is going to be doing as a result of Mugabe's visit, China is virtually completely isolated internationally. China is under pressure quietly from the rest of Africa to do something.

China has targeted sanctions on it from the United States, the European Union, and other countries, and that is, if anything, tightening and more and more pressure is being brought to bear.

There is now a move in the Security Council to consider this issue of the forced removals of people in the slum areas, and in this clearing project that Mugabe launched. So our efforts are going to be directed at maintaining, and, to the extent necessary, increasing pressure on the Mugabe regime.

And I think that this also touches, if I may say, on a broader point, which is that there is some tendency to think that China, perhaps its engagement, which perhaps does not link human rights elements to what it is doing, is somehow a way out for African countries.

I don't see it that way at all, because the preponderance of aid, China can't begin to approach the kind of aid that is coming in from the United States and the rest of the world.

When you look at what is happening in the G-8 process, and with the European Union and the United States, there is no way that countries can turn away from that and cooperate with us. That does not provide an out. But I do think that there is potential for China to work with us.

Mr. SMITH. Mr. Payne.

Mr. PAYNE. Thank you very much. As I have indicated, I don't really have—you know, I have listened to the conflicting policies, and that diplomacy is very difficult. There is no question about it, and maybe that is why I am not a diplomat, and I don't try to be one, and that is a difficult job.

And I am glad that there are people like you who do it. But once again, we have to look at—I think that it makes no sense for Zimbabwe to be purchasing weapons, or to be attempting to buy weapons, or that weapons are being sold to Zimbabwe by China.

However, by the same token, I was supportive of the U.N. attempting to have a ban on conventional weapons in general. It had a conference 2 years ago where this Administration refused to participate.

Over 50 percent of conventional weapons are sold by United States weapons dealers, and so we sell more than the rest of the world put together. It does not make it right for China to be selling weapons to Zimbabwe, but we also have to take a look at, and

which we don't, about our proliferation of conventional weapons around the world.

For example, our Government, 2 weeks ago, approved a license to sell weapons to Haiti. Now, for me, and I know that may not be your area, but what does Haiti need with more weapons?

One of the problems in Haiti is that there are too many weapons. Why would we need to sell weapons to Haiti at this time? There is no government. There is lawlessness. I met with a family yesterday that flew up from Port-au-Prince, whose husband was killed in a kidnapping attempt a week ago. The two sons and the mother met with me in my office. Ms. Lee was there.

But we approved selling weapons to Haiti 2 weeks ago, and the reason that I bring in these other things is because I think there has to be consistency.

I have to commend the Chair, because he is consistent on human rights, and wherever it is, the line is consistent, and the questions are similar wherever and whatever country it is.

We have a lack of consistency in our policies, and so as we attack China for selling weapons to Zimbabwe, we sell them to people that we should not be selling to them either. So a lot of times, we should have to look at our own self, because the other countries point to us and say, "You do it and why shouldn't we, or why can't we? Why do you have the opportunity to do these things and we don't have the opportunity to do these things?"

So I guess my question is that just in your opinion, do you feel that there is going to be sort of a Cold War-type dynamic in Africa once again as it relates to the United States and China; or do you think that there is the possibility for coexisting and moving forward in the continent?

Mr. RANNEBERGER. Well, one of the things that has to be said is that there is a lot of potential for cooperation with respect to Africa in particular, and I am not an expert on other elements of the Chinese relationship, but what I will say is that we have made it very clear that where there are areas of difference—and certainly how we handle the issues of human rights and questions like that, are areas where there are differences.

And they are part of the dialogue. They are part of the very frank and open dialogue. But the point is that there are also equal, if not more, opportunities to forge a cooperative relationship that can be mutually beneficial.

And as I was saying in my testimony—and I truly believe this—in Africa, there are a number of possibilities for shared interests, and I don't just mean, necessarily, economically.

But let us start with the economics. Our shared interests in oil from Africa provides the potential to create open markets, and you can only obtain that oil if you have open markets, if you have infrastructure to be able to deliver it, and that is in our interests.

And those open markets, in-turn, promote economic reform, and promote open economies, and we have always said that economic reform and open economies are keys to democratic structure.

So there are relationships there that I think, overall, can contribute to progress in Africa toward the kinds of goals that we want to see achieved. And it is not just that. I mean, there is the recogni-

tion on our part, for example, Congressman, that the African Union needs to play a much greater role on the continent.

That it has tremendous potential and needs to be helped. And I was saying that China was one of the supporters of the African Union and has provided financial support. So that is an encouraging development.

We, of course—and when you look at the 5 or 6 key objectives of the United States and Africa, one of those 5 or 6 is also fighting terrorism, and ensuring that Africa does not become a safe haven for terrorists.

That is an area where we share concerns with China, and the question of Islamic fundamentalism and the spread of that. So there are a number of areas where we can work together, and obviously as the relationship develops, other areas can open up that we can work with.

I mean, this is a very much work in progress, and as I was indicating, our high-level or senior-level dialogue with China is only just beginning, and Deputy Secretary Zoellick is in fact there, and I think there just about now, to do that.

So it is obviously a little early to judge exactly what is going to come out of that. So I really don't see us drifting into a situation in Africa where we have a new type of Cold War, or some kind of ugly competition.

I see this scenario where our interests don't have to be mutually exclusive. It is not by any stretch of the imagination of a zero sum gain. I think we deal with the reality of China being there, and we try to focus on constructive elements, and where we have differences, we will work on them.

But at the same time, we need to move ahead very vigorously with our own African policy, and I think we are doing that. I mean, I don't want to waste your time here to recite everything that we have been doing, but you know that our aid has tripled in the past 4 years, and there are all sorts of issues underway.

So we have never been more engaged with the African continent than we are right now.

Mr. PAYNE. And let me just—and I appreciate that, and I was very encouraged when the Bush Administration initially took office, and I was invited to the White House with Congressman Wolfe and others, and Trancredo, and Senator Brownback, and Frist, when Senator Danforth was appointed as Special Envoy.

Of course, unfortunately, that was about 4 or 5 days before that Thursday before September 11. And that day of infamy, which I think changed the number of many things, as the world will note and long remember. However, we had an aggressive policy in the Sudan.

Congress declared a genocide, and Secretary Powell went, and we had lawyers taking testimony, and 1,300 people interviewed, and came up with a declaration of genocide. We had a policy of moving forward, and an excellent, strong, wholesome policy against the Basir Nationalist Islamic Government.

However, what is disturbing to me is that we have seen now—and that is why I get to fear that the Cold Warism might creep back in. We have seen almost a total metamorphosis turnaround

in Sudan. We have seen Mr. Zoellick say, "Well, I don't think that the numbers are nearly as high as NGOs are saying they are."

We have heard that we have flown over the head of their intelligence agency to Washington, DC, and had him meet with our CIA officials, and which to me was sad. We have seen a sort of moving back from some of our strong pronouncements, and even as Secretary of State Rice was on her way to Sudan, she even said that we are looking to move to Ambassador level, and have sanctions perhaps questioned, and looked at, and moved toward normalization, which the Government of Sudan knew and heard before she got there.

However, when her entourage arrived, our State Department officials were roughed up, and treated in a very terrible way. Media people were pushed aside and tapes removed. So I think that we need to be very careful that we don't slide into the Cold War, and look the other way, if they give us some information regarding our war on terror, because that is our number one issue, and all these other issues become secondary.

And I fear that tends to be creeping in, and I would hope that we do not compromise our issues. And finally, we do have to be careful that we—and I don't want to get into a debate about tripling aid, but that is a question that I raised with some of the other State Department people at Brookings, and we have come up with—and it has been increased, and there is no question about it, and substantially.

But there is a question about the tripling of aid. What is happening in Zimbabwe is terrible, a clearing out of people of their places, and pushing people out. And it should not happen.

The government says, well, there is this second economy. There is some rationale, but it is not a good thing to happen. However, this happens in a number of countries, and we should, as a policy—and we are going to come down hard on Zimbabwe, and we should.

It has happened in Nigeria for decades, and it happens in India today. It happened in South Africa all the time. You see, my problem is that when we get a country that we don't like, things that happen, we should speak out against them.

However, this has been happening for decades, and it has happened even recently, as I said, in the greatest democracies, or the second largest democracy in the world, in India, and we never speak out about it.

These shanty towns are torn down all the time, but now the focus is on Zimbabwe because we don't like Mugabe. I don't think that he is a good leader at this point. I think his time was there when he was, and I think that time has come and passed.

I think Zimbabwe would do well to have a new leader. But when we focus on countries that we dislike, if we had a policy about this in general, wherever it happened, and raise our opposition to it as it happened in Nigeria, and as it happened in South Africa, and as it happened in India, and now as it is happening in Zimbabwe, perhaps it might not have happened because they would have known that we had a policy and something that would frown against.

This is the first time that I have been in Congress for 17 years that I have heard opposition to this policy, which has bothered me

forever, especially when I used to go around South African shantytowns.

And so my point is that we once again need to be somewhat evenhanded, and have a policy that applies to all. It is hard to have one policy that fits all, but we ought to be consistent. It is horrible what is happening in Zimbabwe.

It should have been criticized in these other places, is my argument, and I have never heard one real word of condemnation. And like I said, I oppose what is happening in Zimbabwe. I make that pretty clear, but we need to have a level policy as we move around the world. I would like you to respond to that.

Mr. RANNEBERGER. Well, if I could start with the Sudan piece of it. Like I said, we are not, Congressman, walking back on Sudan, and let me say that we very much appreciate the support that you have given us on Sudan, in terms of support for funding, and for calling attention to the human rights issues, you and the Chairman, and Members of the Committee.

That is extremely important and it remains at the center of what we are doing in Sudan, because what our policy in Sudan is all about—and we have explained this—is the democratic transformation of that country, and we have made no secret about that. We have said that quite openly.

We want to see elections as called for under the comprehensive peace agreement and all of that. So, we are not lessening, but our feeling is that we are launched in a process here which is making progress, and that if we pursue it, it is going to get us to the end goal where we want to be, which is this democratic transformation.

If we look at what is happening, Congressman, we had the comprehensive peace agreement, and it is a major achievement. We have not got Dr. John Garang in the government, and we have a lot of aid coming in for the country, and we have already gotten a lifting of the state of emergency, and that sort of thing.

And then if you look at Darfur, Darfur is still a tragedy, and it is still genocide, and it is still a problem there. But, in fact, the large-scaled organized violence in Darfur has diminished substantially.

And I think the reason for that is several-fold. It is not just that they burned all the villages, because I will tell you that I have flown over Darfur fairly recently, and there are hundreds and thousands of villages that are quite populated and still there.

The reason that it is happening is that we have tightened up the pressure through these U.N. Security Council resolutions, which even China didn't block, and the African Union has expanded its presence in Darfur, and what we are finding is that despite all of the skeptics, the African Union presence is having a dramatic impact on the ground in constraining that violence.

At the same time, we have got this political process launched which has produced the declaration of principles. So we feel that we are moving in that direction. The various trips that the Deputy Secretary has taken, and then most recently Secretary Rice, have been intended to push on what we regard as these two interrelated issues, which we see as mutually enforcing to move us in the direction that we want to go in.

So we are keeping the pressure on Darfur. We have said, and Secretary Rice has said very clearly to the government that there won't be any normalization of relations without continued implementation of the comprehensive peace accord, and without further progress to end the violence and achieve a political settlement in Darfur.

So our policy remains, frankly, consistent in that sense. On the Zimbabwe situation, again, I can't speak to some of the non-African issues that you raised, because I am not as familiar with those, Congressman. But on Zimbabwe, we have been outspoken in supporting this British effort to bring this issue into the Security Council, and have them take a look at it, and that is something that is being done right now.

And certainly in other countries where I have been involved in Africa, we have spoken out on this sort of thing, and we made a major intervention with the Sudanese Government recently when they basically tore down a camp around Khartoum, and where 100,000-plus Southerners were living in sort of a shantytown that had sprung up.

And the Deputy Secretary raised it in the strongest terms with the government, and we managed to stop further action. So I think that all I can speak to is our Africa policy, but what I can say on our Africa policy is that human rights are right at the center of that, and they are going to remain so.

And we do apply these across the border, in terms of pushing for what we want to see on human rights and democracy on the continent.

Mr. SMITH. Mr. Flake.

Mr. FLAKE. Thank you. Just very briefly. I apologize for coming in late, and I apologize if you have already covered some of this, but with regard to the Security Council action in Zimbabwe, and the shantytowns, isn't China at this time blocking such a resolution?

Mr. RANNEBERGER. As I understand it, this is sort of a breaking thing, and so I may not have the absolute latest. But as I understand it, there was a procedural vote on whether this issue could be brought into the Security Council, and China voted against it, but it didn't veto it, or did not absolutely block it, and that procedural vote carried.

But the next steps are not totally clear in terms of how this issue is going to be brought before the Security Council, but the U.K. has taken the lead on that. Again, we have certainly been supportive of that approach. So we will see over the next couple of days how that works. It is something that is happening right now.

Mr. FLAKE. Could we expect, in Zimbabwe, China's involvement to increase as things are more desperate there? I spent time in Zimbabwe in the early 1980s, and obviously the Chinese were backing Zanu and the Soviet Union Zapu, and now I think they see that when Mogabe goes, so does their influence.

Will that prompt them, or is it prompting them now to become more involved in propping up Mogabe and one of his cronies later?

Mr. RANNEBERGER. Well, as someone on the Committee was pointing out, the relationship between China and Mogabe goes back, obviously, a long, long time. And so there has been a growing

involvement of China in Zimbabwe, in terms of some limited military support, and trainers, and that sort of thing.

Now we have the Mogabe visit to Beijing, and talk of a large loan, and that sort of thing. So, yes, as Zimbabwe becomes more isolated, they are looking for the few avenues that they have to help them remain propped up, and China is one of those.

So that is part of it. But, again, Mogabe may see that as a short-term fix, if you will, but it is not going to be a way out that is international isolation. And as I pointed out, the various bilateral sanctions that we, and the European Union, and all the member states have, if anything, are tightening, and the lists are expanding on people who are covered by travel bans, and potential asset seizures, and that sort of thing.

And so the international pressure is only going to increase, and we are—and certainly this is one of the issues, as I indicated. We have a frank dialogue with China, and I don't have any doubt that this will be one of the issues that we will be discussing with them, and how do we handle this issue, and how do we move Zimbabwe away from the current course, and toward something that will be better, and that will treat the people of Zimbabwe the way that they need to be treated.

Mr. FLAKE. In Southern Africa, and in Mozambique, I know that there is an infrastructure support being given by China, but elsewhere in the countries of Southern Africa, is there any involvement other than commerce?

Mr. RANNEBERGER. Other than commerce?

Mr. FLAKE. Yes.

Mr. RANNEBERGER. Yes. China has, again, a multifaceted approach. Some of it is pure commerce. You have Chinese businesses.

Mr. FLAKE. Yes, but in Southern Africa, in Mozambique, and Namibia, and Zambia, and the smaller countries of Lesotho and elsewhere, other than commerce, do we have any military sales, or training, or anything else that is going on?

Mr. RANNEBERGER. Well, yes, there are. In Zimbabwe, as I said, we do have some military involvement.

Mr. FLAKE. Yes, I understand that, but outside of Zimbabwe.

Mr. RANNEBERGER. In terms of the other countries in Southern Africa, I am not immediately aware of military involvement. There might be some limited military involvement. I think where China is the most involved militarily is in other areas of sub-Saharan Africa, and in the Congo, and in Eritrea, and Ethiopia, and Sudan, and that sort of thing.

There may be some others, and I can get back to you, if you would like, and I can check that out and get back to you with more detail.

Mr. FLAKE. I would like that.

Mr. RANNEBERGER. But there is a growing presence there, and in terms of Southern Africa, China has had a longstanding relationship, as well as South Africa. But it is largely, as I understand it, it is largely commercial- and infrastructure-related, but there may be some limited military.

Mr. FLAKE. Thank you.

Mr. SMITH. Thank you. Ms. Lee.

Ms. LEE. Thank you, Mr. Chairman.

It was good to hear your testimony, and I will read it in depth later, but the points that you highlighted, I think, were very important. I wanted to ask you two questions. One has to do with long term food security on the Continent of Africa.

Now, here we are faced with a humanitarian disaster in Niger, and Burkina Faso, and Mali. It is my understanding that we have sent maybe about $4.6 million in food assistance. I think the U.N. asked last year, and no one actually responded last November.

And so we see over, and over, and over again millions of people dying of starvation, and we don't have a long term farmer assistance, agricultural assistance and training effort taking place on the Continent of Africa. Of course, we have our farm subsidy issues that we have to deal with here, and we have all of the complication.

Now, I know that China has a very active investment in the agricultural sector in various countries in Africa. But I am just wondering that given the fact that we constantly respond, and sometimes robustly to famines and to these disasters, but we don't have an investment strategy to provide that type of food security that Africa needs through the investments. China does.

So what do you think we can do to catch up with China on that front? And then the second question I have is just with regard to, and I think that Mr. Payne laid out all of the trade preferences, and the cozy business relations that we have with China. And China benefits enormously from our policies.

Why can't we use this leverage that we have with China now to ask China to be more aggressive with the Khartoum Government, and tell them that they should insist that this genocide stop? And that if they don't do that, they will have to take another look at their oil connections, and perhaps begin to look at divesting. Now, the United States, I think quite frankly, because of the benefits that we provide China, should weigh in very strongly with China, and to get China to weigh in with Khartoum, and I think we need to do that as part of our overall strategy to end the carnage that is taking place in the Sudan.

Mr. RANNEBERGER. On the agriculture issue, that is an interesting point that you raised there, and first of all, with all due respect, I would not say it is a question of catching up with China. I think it is a difference of approach there.

But what I would say on that, Congresswoman, is that of course to some extent, when you talk about food security, you are at the mercy of the weather and all of that. So it is hard to plan long term, although USAID has facilities in place, and stocks of preposition and all of that.

So we are responding in a tremendous way to East Africa. The President, as you know, announced $624 million, I believe it was, to assist in East Africa, and we are helping in parts of Southern Africa. So we are responding to that.

But your point of course is more fundamental; how do we help to reform and restructure the African agricultural sector so that it can produce more, and therefore help to make itself more self-sufficient to respond?

And there, there are a number of things. USAID, and again I can't speak specifically for USAID, but let me try anyway here.

USAID does have agricultural programs in a number of countries, and is still a part of it. In fact, in Sudan, which I know particularly well, in Southern Sudan, support for agricultural production is going to be a very significant part of what USAID is going to be doing down there, so that Sudan can become the breadbasket that it once was.

We have programs in West Africa, and I was in Mali as Ambassador, and we had a very active program in the whole Niger delta area. So we are very active on that. The other thing to point out is that some of our new initiatives, like the Millennium Challenge Account, are very much focused toward this.

A couple of the programs that have already been approved by the MCA deal with issues like land reform. You know, how do you reform land tax systems, and how do you get the land record system in place? This is part of the program in Madagascar that is taking place.

So we are focusing on it from a number of different angles. The Chinese, of course, there is some investment in the agricultural sector, but one of the interesting things, I think, to point out about the Chinese efforts overall in Africa is that they don't leave a whole lot behind.

They come in and they build the infrastructure, and they invest. It is a trade relationship. There is not a whole lot of change taking place for, say, Africans to carry on. And it is very important to note that in the kind of programs that we are carrying out, that training and capacity building is a huge part of what we are doing.

Years ago, and I am not speaking for USAID, but years ago, we moved away from a lot of these big infrastructure projects, because we found that they weren't terribly productive, and we went into a direction much more oriented toward capacity building and training.

So we are doing a lot of that; and again, we can clearly get you a lot more detail, because it is a very important point.

Ms. LEE. And with regard to the Sudan?

Mr. RANNEBERGER. Yes. What I can say on that, because I have been intimately involved in this, is that we have raised this with the Chinese repeatedly. It has been part of our dialogue, and I think the fact—and dialogue at very high levels.

I mean, I can tell you that when we were working in the Security Council to get those resolutions that put pressure on Sudan, this was the subject of very high-level exchanges. And it was partly as a result of those exchanges that China c' se not to block that action in the Security Council.

And so we have exercised influence, but again, I think that we should view this, because I really truly think that is the way or the future of the relationship. I think we should view this in a way of how can we work together.

It is not as if there is a competition, or we have to whack them in this area in order to get something in this area. I think they saw, in the case of Sudan, and I think this is a good example, but in the case of Sudan, I think they can see what is happening.

There is an evolving situation. It is evolving toward democracy and reform, and they——

Ms. LEE. And in Darfur, genocide is occurring, and I am convinced that, yes, dialogue we must engage in. But using our leverage with the Chinese Government to say that if you don't let leverage with the Khartoum Government, and if you don't work with them and insist that they stop this, that we will begin to do what we need to do to make you pay.

Mr. RANNEBERGER. Well, as I said, Congresswoman, I can absolutely assure you that when we were trying to mobilize this international pressure, like I said, there were very high-level exchanges, and that did result in a more constructive Chinese approach, at least in terms of not blocking it.

And the Chinese, while they have not been at all outspoken about this, because they do put the most emphasis on the commercial elements here, they have joined in support of the comprehensive peace agreement, which I think is very important.

And on Darfur, they have said the right things to the Sudanese Government about the need to end the violence in part, because I think they want to see this pressure on the Sudanese Government. So the need to end the violence and the need to achieve stability in the country, because we also need to remember that when you are looking at—let us say the Chinese approach is based purely on commercial interests. Let us say that, and I am not saying that it is.

Stability in a country like Sudan is absolutely crucial, and of course the situation in Darfur is highly unstable. So, again, not to put too fine a point on it, but the Chinese do have an interest in seeing stability in Sudan.

And so I think we are seeing a positive development there. And the situation there—and I want to be clear on this—is still horrendous in Darfur, and an enormous amount still has to be done. And the Secretary pressed very, very hard on that when she was out there and we are going to keep the pressure on.

Mr. SMITH. Thank you. Ms. McCollum.

Ms. MCCOLLUM. No, thank you.

Mr. SMITH. Ms. Watson.

Ms. WATSON. Thank you so much, Mr. Chairman, and I want to say to the witness that we appreciate the time and the insight that you are giving us. As we look at the Continent of Africa and we look at the developing countries on the continent, what would you focus on as the most critical area of the continent where China might play a role?

Now, we visited the Sudan together, the three of us here on this side, and we saw the devastation in the eyes of the refugees, 250,000 along the border of Chad and the Sudan. And we saw the pictures that the children drew of the machetes, and planes with the insignia of the air force of the country flying overhead.

And to me that was critical. They told us of the trouble that they had getting water in there, and other goods and services, and when trucks were sent out, they never reached their target.

We traveled with Paul Besedina, who was the actual manager in the hotel, and he told us the real story, and it was quite touching. That to me is a prevalent problem. Niger and the starvation that is going on there, like Ethiopia was a little while ago, and the droughts and all.

I hear Zimbabwe come up again, and I think their issues go in a different direction, in terms of the politics and what they are doing in their country. So we have a lot of areas on the continent that need immediate attention.

We are also looking at China to be our go-between with North Korea, and so we are asking for a lot, and maybe we should. There are 1.3 billion people, and gaining economic clout, and maybe we should ask them to do more.

So I would like to hear from you, from someone who has been on the ground, where do you think they could be most forceful and provide the greatest help and assistance?

Mr. RANNEBERGER. I think there are several areas that we should focus on, and some of these are cross-cutting. I don't know that they are country-specific situations. One clearly is Sudan. We talk so much about Sudan, in part because it is so fundamentally important for the future of Africa, because if we can achieve—it is one of the largest countries in Africa, but setting aside that. It has traditionally been an Islamic fundamentalist regime, a country of tremendous human rights abuses, a country with the longest running civil war in Africa. If we can turn that around, and if we can bring about real democracy throughout the whole of Sudan, that is going to be a fundamental transformation, and that is going to have an enormous impact on the Horn of Africa region, and a ripple effect far beyond, even into the Middle East.

So it is terribly important. So to the extent that we can get China to play a constructive role in Sudan, that is awfully important. The other areas that I would point to, and a lot of this was in my testimony, Congresswoman, but the issue of open markets if you will. I mean, China is interested in expanding trade and access to all materials in Africa. There is nothing wrong with that. I mean, it would be counterproductive and actually not in our interests to try to block that.

Let them participate in these open markets to acquire these resources. We will do that as well, but to the extent that desire to expand its trade and access to resources helps to open up African markets, and to provide the infrastructure that allows these African countries to develop in a better way.

That is extremely positive, and I think that is not country specific. That is throughout the whole continent. And then the third area, which we have said should be a major focus of United States policy, is the African Union. Again, in our view, that organization is crucial to the future of the economy. We have had the old Organization of African Unity, which was something of a disappointment. But the new African Union reflects, I think, a new reality in Africa, a new commitment to joining the rest of the world in terms of democracy, human rights, and development, and a new commitment on the part of the world to helping Africans in a true partnership.

And that partnership has to be exercised, I think, to a large extent in cooperation with the African Union. So I would say that is an area where our interests may coincide as well, because the African Union will help promote development, and stability, and of course those are in China's interests as well.

And there are other areas in which I could enumerate, but you asked me for some of the key ones, and there are three that I would highlight for you.

Ms. WATSON. One of the things that I have noticed about China, and when I was out in Micronesia, they came in, crews of Chinese workers, to build public facilities, and to plant crops.

Now, they came in and provided a service. Disregarding their form of government, and their violations of human rights, what I saw was a seduction, which worked for us, because they came in and they provided what that island nation needed.

And I can see them, and if it is a race, it is a competition, and then we need to look and see what they do, and then see if we can merge and make it a positive benefit, not only for the continent, but for us, too, because we are waiting for them to really get us out of this threat that is there in North Korea.

So what is the State Department doing in working with China to be able to partner with it as it seeks greater opportunities on the continent?

Mr. RANNEBERGER. Well, that again is part of this senior-level dialogue that is just beginning in Beijing, and so the planning of this hearing is actually very interesting, because that dialogue is just about to begin out there, and it is being led by the Deputy Secretary.

So this is something that is beginning here, and we obviously have had contact with China for many, many years on Africa and every other issue. So, there has been a continuing dialogue, but this senior-level dialogue is intended to systematize that, if you will, and take it to a higher level.

And to really focus on areas where we can cooperate together, and of course also focus on areas of difference and how we manage those. So certainly among all the other issues that are discussed, Africa will be among those, and our assessment is that there is a tremendous field for cooperation.

I have enumerated some of the areas here, and there are others as well, and as I said, on counterterrorism, that is another area where we can certainly cooperate, and we will do that.

Ms. WATSON. Thank you.

Mr. SMITH. Ms. McCollum.

Ms. MCCOLLUM. Thank you, Mr. Chairman. I have here an article from the *Financial Times*, and both Presidents are together, the President of Zimbabwe and the President of China, talking about their diplomacy, and just so you know, and for your benefit, I did hear all the testimony.

So China's policy with Zimbabwe is pretty clear, and we had a hearing back sometime in May, in which we asked what our policy was, and we did not get an answer, and we wrote a letter, and we still have not heard back.

And it sounded from your testimony, in answering Ms. Lee's question, that we had a policy. Is it on paper someplace that you could show it? Because we have been waiting.

Mr. RANNEBERGER. Congresswoman, I would like to think that we always have a policy on these things. We do have a policy on Zimbabwe, and it is kind of interesting because a lot of times people don't perceive that. The policy——

Ms. MCCOLLUM. Well, we asked for something in writing, and that is what we were promised, and so it is not a question of not paying attention. I think someone is giving you a note.

Mr. RANNEBERGER. Yes. No, the policy is—well, it is actually pretty straightforward. It is to maintain pressure on the Mugabe regime for change, and to try to work—and as an element of that by working through the U.N. Security Council, and we are working with individual countries, the European Union in particular, and the U.K., and others. But also with African Governments to reach out and to have a dialogue with the African Union and say that you need to do more on this.

Ms. MCCOLLUM. Mr. Chair, Mr. Zoellick seemed to think that he could provide something back to the Committee, and there is also a vote going on, and so I also wanted to touch on something else. So I apologize for interrupting you and cutting you off.

Mr. RANNEBERGER. That is fine.

Ms. MCCOLLUM. You talked about training, and something that I think the United States does very well and should do more of is Peace Corps, and President Bush in fact, after September 11, talked about a doubling of the size of the Peace Corps.

And we have not seen from the President a budget that would direct Congress that this is in fact a high priority. You mentioned training, and I noticed from the testimony that was given earlier, and some other information that I have, of tens of thousands of students that China is educating for free.

So China is doing some training. Maybe not as much as the Africans would like, or could use, but at the same time, I hear from Ambassadors and from students of how difficult it is for them to access our colleges, and they are paying.

Now, I know that the State Department has worked very hard to make this work a little better since September 11. We are all for security, and we all want to protect our borders and our citizens, but this is a competition for the hearts and for the minds. And what better place to learn about democracy than to attend school in a democracy, rather than in China?

So I would like for you to maybe comment on that, and just one comment. If I understood correctly from a news report, the Government of Sudan was cited within the last week or so of being involved in another attack in Darfur, and so I know that you were pointing out some things that appeared to be progress for you in Darfur.

But the fact that the Government of Sudan continues to participate in the genocide is not a good sign. And, Mr. Chair, I did have another thing, but I will give the witness a chance to answer before I leave to vote.

Mr. SMITH. All right.

Mr. RANNEBERGER. Congresswoman, you raise a very important point on this issue of training. And first of all, I want to say that on that letter that you referred to on Zimbabwe, it is on the way to you, and so that should arrive shortly.

On the training issue, you raise—and it is a little bit of a dilemma when you have these kinds of security issues, and over the years—and I don't have all the facts and figures, but I can tell you

that in general terms, yes, there have been some cutbacks in terms of training back in the U.S.

On the other hand, there has been an increase in the number of exchanges that we do with people, and bringing people over for shorter periods to expose them to American culture and that sort of thing.

Of course, as you said, there is a commitment to the Peace Corps, and when I was talking about training, I was mainly talking about on-site training. I mean, the kind of training that Africans, and let us say businessmen or farmers get working with USAID and who are non-governmental organizations who are implementing programs.

And there is a training component in all of that, and that is happening on the scales of tens and tens of thousands throughout Africa as people work alongside our own folks in the field. That is not only in agriculture, but it is in microenterprise development. So that is happening.

Ms. MCCOLLUM. Yes, I am aware of that. Land of Lakes, which is in Minnesota, is a strong participant, but what are we doing, the United States Government?

Mr. RANNEBERGER. Again, that is, of course, funding through the United States, and you are referring to the programs back here, and what we are doing in terms of bringing people back to schools in the United States, and I don't have all of those figures, of course, with me.

But that is something that we could get back to you on, but there are expanded exchange programs for sure. On Sudan, if I could, there was an attack, and you are right. What happened is though, and as all these things are not always as clear cut as they seem once they get reported in the press. But what happened is that the Darfur rebels—the African Union has done an investigation on this, and we have done our own, and so we have facts and figures. The SLM, one of the rebel commanders, attacked a Government of Sudan convoy about a week ago, and killed a couple of officers and a couple of other soldiers.

In retaliation for that, after a number of days, the Government of Sudan then went out to attack this rebel group. In fact, there may have been some civilians killed in that, but as near as we can tell, they primarily focused on a military target, and they actually were going after this SLM group that was in retreat.

So it was a mixed picture. Nonetheless, our response to that was to go back immediately to the Government of Sudan and say, "Look, no violence, period, provoked or not. We can't have that."

But we also went back to the rebels through various channels and said, "Look, you have got to honor the agreement that you have already signed, and one of those is a cease-fire." So it was a little bit of both sides being involved here.

But this is a case where the African Union, again through a quick response and getting on the scene, certainly helped the situation from deteriorating or expanding.

Mr. SMITH. Let me, if I could, we have two votes on the Floor, and let me then ask one final question, and I have another six or so that I would like to submit for the record, and others may have

some. So, Ambassador, if you could get back to us as soon as possible.

Mr. RANNEBERGER. Sure.

Mr. SMITH. There is a story in the *American Enterprise Institute* authored by Roger Baak, in which he says that Zimbabwe's Robert Mogabe sells platinum rights to Chinese in an effort to cling to power.

I am sure that you have seen that. We know that Sudan obviously continues to provide upwards of 5 percent of the oil that China needs. All of this strikes me, and I am sure you and many others, that China is really looking for minerals and raw materials.

Our next panel will include Alan Thornton, President of the Environmental Investigative Agency. He brings out and focuses on a number of things, including illegal wood.

He makes the point that China is the largest importer of forest projects in the world. China's role in Africa's illegal logging practice is predatory in nature, and poses a threat to forests. Illegal logging, in general, is a global problem of a staggering scale, and Mr. Thornton points out that it is proliferating.

Illegally harvested logs likely account for more than half of all logging in vulnerable regions such as Central Africa. My question is: What is your take on this illegal logging? What has been the effect of the President's Initiative against illegal logging in the Congo Basin that was announced back in July 2003? Is it working, and does it have any impact on what China is doing?

If I or my colleagues have to leave, I would ask that you keep answering, and I thank you in advance for having been here. We will look at the record when we come back. Please proceed.

Mr. RANNEBERGER. Well, thank you, Congressman. Yes, China's desire and need for raw materials extends to timber, and there is no doubt about that. And they are importing increasing amounts from Africa.

And there has been a tremendous problem with illegal logging as you know, not only in the Congo Basin, but for example, in Liberia, and Charles Taylor exploited that. So there are a number of initiatives out there to try to prevent that and preserve the environment.

The Congo Basin Initiative, in our view, is a substantial success. As you know, we led that effort for a number of years, and the French have not taken it over, and we are a member and are still supporting it.

That has had a significant impact in sort of constraining some of the illegal activity. So that is a success. In Liberia, I believe that there has also been a fair amount of success there in trying to cut back on the illegal logging.

So this is a continuing issue obviously, and I don't necessarily put China at the forefront of that problem. I mean, again, this has been exploited by a number of governments and groups.

And in the Congo, as you know, there are quite a number of militia groups and others that seek to exploit the resources in an illegal way. So this is a much broader problem, strictly speaking, than China.

Mr. SMITH. But in our dialogue with China, how is that engagement occurring? Do we admonish them, or do we tell them that they are breaking internationally recognized law on this?

Mr. RANNEBERGER. The dialogue with China, we raise issues as we need to with China, of course, and I couldn't cite you chapter and verse if we have raised this specific issue. We certainly talked about the need to exploit resources in a rational fashion.

And there was a point that I made earlier about the interest that China should have in wanting to see an open established market, as opposed to carrying out activity illegally. And I think that is clearly the direction that they are moving in as you look at the kind of activities.

I mean, they are expanding ports and roadways, and that sort of thing, for established markets, and so that is the thrust of what I think they are doing. I think it is moving in the right direction.

Mr. SMITH. I appreciate that. Unfortunately we are out of time. We will take a 15-minute respite here while we vote, and then will resume our second panel. Thank you so much, Mr. Ambassador.

Mr. RANNEBERGER. Thank you very much, Mr. Chairman.

[Recess.]

Mr. SMITH. The Subcommittee will come to order. I apologize to our witnesses for that delay, attributable to the vote on the Floor. I want to thank you nevertheless for being here and for providing testimony which we will, I can assure you, widely disseminate among our colleagues, beginnir with our Subcommittee and the Full Committee.

Let me just begin. We will first be hearing from Commissioner Carolyn Bartholomew, who was reappointed to the U.S. and China Economic and Security Review Commission on December 16, 2003, for a 2-year term.

We have known each other for a number of years, and it is great to see you, Carolyn. Commissioner Bartholomew worked at senior levels in the U.S. Congress, serving as long term counsel, Legislative Director, and most recently as Chief of Staff. She has also served as a professional staff member on the House Permanent Select Committee on Intelligence. Previously, she was a legislative assistant to then-U.S. Representative Bill Richardson.

Commissioner Bartholomew was a lead staff on legislation to establish the Department of Homeland Security, and led efforts in the establishment and funding of the global AIDS programs and the promotion of human rights and democratization in countries around the world.

Commissioner Bartholomew was a member of the first Presidential delegation to Africa to investigate the impact of HIV/AIDS on children, and served as a member of the Council on Foreign Relations Congressional Staff Roundtable on Asian Political and Security Issues.

In addition to United States and China relations, her areas of expertise include terrorism, trade, proliferation of weapons of mass destruction, human rights, U.S. foreign assistance programs, and international environmental issues.

We will then hear from Alan Thornton, who is the President of the Environmental Investigation Agency, and has worked at EIA since its inception in 1984. He previously worked for Greenpeace

and was a founder of the original Rainbow Warrior in 1978, and has over 30 years experience in campaigning to protect the environment.

Working extensively on illegal logging issues, he instigated EIA's international campaign against illegal logging in 1995, and produced a global review of illegal logging by transnational companies, titled "Corporate Power, Corruption, and the Destruction of the World's Forests" in 1996, leading to commitments by G-8 nations to take action against illegal logging and associated timber trade resulting.

Mr. Thornton is Chair of the Advisory Group of NGOs and industry to the East Asia FLEG governmental task force. He is the recipient of numerous awards, including the Albert Schweitzer Award in 1991 by the late Senator John Heinz for his work in documenting and exposing the international trade in poached elephant ivory.

In 2001, *BBC TV* presented him with a Lifetime Achievement Award for his achievements in protecting wildlife.

In 2002, EIA was nominated by the United Nations Environmental Program to its Global Roll of Honor for outstanding achievements in protecting the environment. In 2004, Mr. Thornton was awarded the Order of the British Empire, to be presented at Buckingham Palace for his achievements in protecting the environment.

We will then be hearing from Ernest Wilson III, who has held a variety of senior positions in international affairs in the U.S. Government, the private sector, and in research. Among other topics, he has worked on Africa, China, and international petroleum issues.

He served as Legislative Assistant to the Chair of the Africa Subcommittee in the House. He was later Director of the International Programs and Resources, the National Security Council, with responsibilities for international economic programs, as well as foreign assistance and democracy. He has been an advisor to the State Department, the Defense Department, USAID, and has directed the Office of Planning for the U.S. Information Agency.

Internationally, he has been an advisor to the Executive Director of the Economic Commission for Africa, the African Development Bank, the World Bank, and a variety of U.N. agencies.

Mr. Wilson has traveled to the People's Republic of China more than a dozen times over the past decade, researching and writing on the politics of high technology industries. He is currently a Senior Research Fellow and a Professor in the Department of Government and Politics and African American Affairs. MIT Press will publish his book, *The Governance of Global Electronic Networks*, in 2006. *Negotiating the Net: The Politics of the Internet in Africa* will appear next with Lynne Rienner Publisher.

There is a very extensive background for each of our witnesses, and it is an honor and a privilege to have each of you testifying. I would like to begin with Commissioner Bartholomew.

STATEMENT OF MS. CAROLYN BARTHOLOMEW, COMMISSIONER, U.S.-CHINA ECONOMIC AND SECURITY REVIEW COMMISSION

Ms. BARTHOLOMEW. Thank you very much, Mr. Chairman. On behalf of the U.S.-China Economic and Security Review Commission, thank you for the opportunity to testify today before the Subcommittee on the important topic of China's influence in Africa.

Thank you also, Chairman Smith, and Ranking Member Payne, for your leadership and dedication on issues relating to human rights in China, and so many other locations around the world. It was an honor for me to have worked with you and your able staffs on these causes for the many years that I served here in the House of Representatives.

The U.S.-China Commission included a panel on China in Africa in its July 22 hearing on China's growing global influence. We focused on how and why the Chinese Government is strategically reaching out to developing nations to secure natural resources and to gain diplomatic clout on the world stage. I will discuss today some of what we learned.

On July 2, 2005, hundreds of thousands of people around the world attended the Live 8 concerts designed to draw attention to African poverty before the G-8 meeting.

On that very day the Chinese company, China Great Wall Industry Corporation, was announcing a deal with Nigeria to cooperate on future satellite launches. The China Great Wall Industry Corporation was sanctioned by the United States in 1991 for selling missile technology to Pakistan.

Its actions to secure a satellite technology pact with Nigeria are part of the Chinese Government's cooperation and investment initiatives to ensure access to Nigerian oil and gas.

The Chinese company beat out 21 companies from countries including the United States, France, and the United Kingdom. This deal is one example of a trend that has implications for U.S. energy security, our diplomatic and development initiatives, and our national security.

All nations conduct business deals, use diplomatic leverage, and jockey for access to natural resources. What makes the Chinese strategy for energy security and its diplomatic effort in Africa of particular concern is the very nature of the Government of the People's Republic of China and how that translates into its outreach in Africa.

On energy security. In the Commission's 2004 report to Congress, we reported that:

> "China's approach to securing its imported petroleum supplies through bilateral arrangements is an impetus for non-market reciprocity deals with Iran, Sudan, and other states of concern, including arms sales and WMD-related technology transfers that pose security challenges to the United States."

The Department of Defense's report on Chinese military power, released just last week, echoed this concern, stating China's dependence on overseas resources and energy supplies, especially oil and natural gas, is playing a role in shaping China's strategy and policy.

Such concerns factor heavily in Beijing's relations with a number of countries, including Angola and Sudan.

The goals of China's energy security strategy are to diversify its sources of oil and gas, and to acquire control of natural resources. China works to diversify its sources by focusing on establishing relationships with suppliers that the United States refuses to do business with, and suppliers that it can leverage access to through economic and diplomatic incentives.

China obtains 25 percent of its oil from Africa, mainly from Angola and Sudan. China's energy strategy in general is a concern for United States energy security because of the Chinese Government's interest in controlling oil and other natural resource production at the source, rather than making investments to ensure that there is a greater supply on the world market.

As we stated in our 2004 report, while China's direct investment into energy production could increase global energy supplies, its strategy of securing its own stake in an energy-exporting state, particularly in states of concern, does not appear on balance to contribute to the larger energy security picture for other energy importing nations.

Sudan is the perfect example of China's strategy in Africa. As Ambassador Princeton Lyman testified before the Commission last week, and again I quote:

> "Sudan represents the clearest example of how China comes to Africa with the complete package: Money, technical expertise, and the influence in such bodies as the U.N. Security Council, to protect the host country from international sanctions."

China controls a significant portion of the oil fields in Sudan. It obtains 7 percent of its oil from Sudan. And Chinese investment in Sudan is about $4 billion. This investment is directly related to China's support for Sudan at the U.N. Security Council, and its active opposition to efforts by the international community to stop the genocide in Darfur.

The Chinese Government, as you know, watered down United States drafted resolutions on U.N. sanctions against Sudan. Just last week, a Chinese People's Liberation Army official stated that Sudan and China will increase military exchanges, expressing:

> "China's appreciation of the Sudanese Government's adherence to the One-China policy, and its support to China on international issues, such as human rights."

There are also reports of Chinese security guards dressed in military-looking uniforms guarding Sudanese oil facilities.

On diplomatic and development initiatives regarding development assistance, Chinese President Hu Jintao, in 2004, stated that providing African countries with aid without any political strings within our ability is an important part of China's policy toward Africa.

China is offering a wealth of assistance in building African infrastructure without concern about whether the benefits are accruing to the African people, or only to corrupt leaders, and without condi-

tions to improve governance that Western countries and organizations demand.

In initiating the Millennium Challenge Account, the United States formally recognized that lasting progress and sustainable economic growth on the African Continent will not happen without transparent governments that recognize the basic human rights of their citizens.

Other major donor countries and institutions have also embraced this reality. In contrast, of course, the Chinese Government is itself not a transparent government that recognizes the basic human rights of its people. Its diplomacy and economic outreach in Africa are not contingent upon this fundamental requirement. The result is that China's outreach in Africa may undermine important United States development and diplomatic goals in Africa.

China's relationship with Zimbabwe is illustrative of this dynamic, and we heard a fair amount about that in the earlier panel. As you are well aware, Mugabe is looking to China because the larger international community has shunned him due to his blatant human rights abuses.

He now has a "Look East Strategy," seeking aid from China and other Asian countries that are not turned away by his human rights abuses. I noticed that Congresswoman McCollum, and I was going to mention this too, that yesterday's *Financial Times* reports that Beijing's state-run foreign affairs college hailed Mugabe's "brilliant contribution" to diplomacy and international relations.

This absurdity would be funny if the situation on the ground was not so tragic. I would mention again that the FC-1 fighter jets from China in late 2004, that was an order for 12 of them. This was China's most advanced military aircraft order from an African nation, a move that angered South Africa, where many analysts fear it could begin an arms race in sub-Saharan Africa.

The principles underlying the Chinese Government's willingness to use its diplomatic position and generous economic incentives go no further than addressing its own self-interests, generally tied to the acquisition of energy resources.

But there are other goals that the Chinese Government is seeking to achieve. Thus, China established relations with South Africa following South Africa's recognition of China's One-China policy in late 1997.

South Africa reportedly sought greater influence at the United Nations, which China's permanent security council seat could provide. South Africa is China's largest trading partner.

Following South Africa's recognition of China as a market economy in 2004, China announced that it would launch free trade agreements with South Africa. Market economy status is important to China, because as a non-market economy in the World Trade Organization, other WTO nations may bring forth critical dumping and subsidy cases.

China would like to eliminate this issue and getting South Africa on board is a start. The United States and the EU do not currently consider China a market economy. We also, of course, should not ignore China's consuming interest in Taiwan.

Several people mentioned that there are only seven nations left in Africa that recognize Taiwan, and there are also signs that one

of these, Sao Tome and Principe, may also be switching sides soon as well, which is something to watch.

On national security, the Chinese Government's strategy and policies in Africa have a number of implications for United States national security, including energy security. However, we know that terrorist cells seek out safe havens in failed and failing states.

China's propping up of corrupt regimes hinders the United States's ability to stop rogue states, and to help to create stable, prosperous, and open societies, where governments respect the basic human rights of their citizens.

When Western countries want to use the leverage of assistance or investment to encourage reform in African countries, the Chinese Government is ready to fill the investment hole without constraints.

When we want to use multilateral institutions to censure appalling human rights practices, even genocide, the Chinese Government stands in the way. The leaders of the G-8, at Gleneagles, emphasized the importance of transparency, good governance, and accountability to increase aid effectiveness.

As China is not a beacon of any of these three, the Chinese Government's practices in Africa can be expected to undermine United States goals. China is willing to provide economic, military, and diplomatic assistance to undemocratic African regimes in direct opposition to political forces that have spent years attempting to encourage change there.

We should expect that the Chinese Government will pursue its interests in Africa and elsewhere in accordance with its fundamental tenets. But what we must do is recognize how United States policy is being adversely affected by the Chinese Government's actions, and to determine what steps we must take to counteract those actions.

Thank you again, Mr. Chairman, and thank you, Member Payne, for the opportunity to testify on behalf of the U.S.-China Economic Security Review Commission.

[The prepared statement of Ms. Bartholomew follows:]

PREPARED STATEMENT OF MS. CAROLYN BARTHOLOMEW, COMMISSIONER, U.S.-CHINA ECONOMIC AND SECURITY REVIEW COMMISSION

Thank you for the opportunity to testify today before the Subcommittee on the important topic of China's influence in Africa. Thank you, also, Chairman Smith and Ranking Member Payne for your leadership and dedication on issues relating to human rights in China and so many other locations around the world. It was an honor for me to have worked with you and your able staffs on these causes during the years I worked here in the House.

The U.S.-China Commission included a panel on China in Africa in its July 22nd hearing on China's Growing Global Influence. We focused on how and why the Chinese government is strategically reaching out to developing nations—to secure natural resources and to gain diplomatic clout on the world stage. I will discuss today some of what we learned.

On July 2, 2005, hundreds of thousands of people around the world attended the Live 8 concerts designed to draw attention to African poverty before the G8 meeting. On that very day, the Chinese company, China Great Wall Industry Corp., was announcing a deal with Nigeria to cooperate on future satellite launches. The China Great Wall Industry Corporation was sanctioned by the United States in 1991 for selling missile technology to Pakistan. Its actions to secure a satellite technology pact with Nigeria are part of the Chinese government's cooperation and investment initiatives to ensure access to Nigerian oil and gas. The Chinese company beat out 21 companies from countries including the U.S., France, and the United Kingdom.

Why should this deal be of concern to the United States? This deal is one example of a trend that has implications for U.S. energy security, our diplomatic and development initiatives, and our national security. All nations conduct business deals, use diplomatic leverage and jockey for access to natural resources. What makes the Chinese strategy for energy security and its diplomatic effort in Africa of particular concern is the very nature of the government of the People's Republic of China and how that translates into its outreach in Africa.

On energy security:

In the Commission's 2004 Report to Congress, we reported that "China's approach to securing its imported petroleum supplies through bilateral arrangements is an impetus for nonmarket reciprocity deals with Iran, Sudan, and other states of concern, including arms sales and WMD-related technology transfers that pose security challenges to the United States." The Department of Defense's report on China's military power, released just last week, echoed this concern, stating China's "dependence on overseas resources and energy supplies, especially oil and natural gas, is playing a role in shaping China's strategy and policy. Such concerns factor heavily in Beijing's relations with Angola, Central Asia, Indonesia, the Middle East (including Iran), Russia, Sudan, and Venezuela to pursue long-term supply agreements . . ."[1]

The goals of China's energy security strategy are to diversify its sources of oil and gas and to acquire control of natural resources. China works to diversify its sources by focusing on establishing relationships with suppliers that the U.S. refuses to do business with and suppliers that it can leverage access to through economic and diplomatic incentives. China obtains 25 percent of its oil from Africa, mainly from Angola and Sudan. Sudan and Angola, which are ostracized by the international community, are important strategic diplomacy targets for China.

China's energy strategy in general is a concern for U.S. energy security because of the Chinese government's interest in controlling oil and other natural resource production at the source rather than making investments to ensure there is a greater supply on the world market. As we stated in our 2004 Report, "while China's direct investment into energy production could increase global energy supplies, its strategy of securing its own stake in an energy-exporting state, particularly in states of concern, does not appear on balance to contribute to the larger energy security picture for other energy-importing nations."

Sudan is the perfect example of China's strategy in Africa. As Ambassador Princeton Lyman testified at the Commission last week "Sudan represents the clearest example of how China comes to Africa with ... the 'complete package:' money, technical expertise, and the influence in such bodies as the UN Security Council to protect the host country from international sanctions."

China controls a significant portion of the oil fields in Sudan. It obtains 7 percent of its oil from Sudan. Chinese investment in Sudan is about $4 billion. This investment is directly related to China's support for Sudan at the United Nations Security Council and its active opposition to efforts by the international community to stop the genocide in Darfur. The Chinese government, as you know, watered down U.S.-drafted resolutions on UN sanctions against Sudan.

In response to requests from the U.S. that Sudan limit its ties to Chinese oil companies, the Sudanese Information Minister recently stated, "we refuse such pressures. Our partnership with China is strategic. We can't just disband them because the Americans ask us to do so."[2]

Just last week, a Chinese People's Liberation Army official stated that Sudan and China will increase military exchanges expressing "China's appreciation of the Sudanese government's adherence to the one-China policy and its support to China on international issues such as human rights." There are also reports of Chinese security guards dressed in military-looking uniforms guarding Sudanese oil facilities.

On diplomatic and development initiatives:

China's diplomatic effort in Africa includes a large economic component. The Commission heard testimony last week that while China's trade with Africa constitutes only 3 percent of its global trade; it increased by 700 percent in the 1990s and nearly doubled between 2000 and 2004. China also provides debt relief to Africa. So far Beijing has forgiven nearly $1.3 billion in 31 countries. And China agreed to abolish tariffs on 190 goods imported from 25 African nations.

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[1] Department of Defense, *Annual Report to Congress: The Military Power of the People's Republic of China 2005*" July 2005.

[2] Mark Magnier, "China Stakes Claim for Global Oil Access" *LA Times*, July 17, 2005.

Regarding development assistance, Chinese President Hu Jintao, in 2004, stated, "Providing African countries with aid without any political strings within our ability is an important part of China's policy toward Africa."[3] China is offering a wealth of assistance in building African infrastructure without concern about whether the benefits are accruing to the African people or only to corrupt leaders and without conditions to improve governance that Western countries and organizations demand.

In establishing the Millennium Challenge Account, the U.S. formally recognized that lasting progress and sustainable economic growth on the African continent will not happen without transparent governments that recognize the basic human rights of their citizens. Other major donor countries and institutions have also embraced this reality. In contrast, of course, the Chinese government is, itself, not a transparent government that recognizes the basic human rights of its people. Its diplomacy and economic outreach in Africa are not contingent upon this fundamental requirement. The result is that China's outreach in Africa may undermine important development and diplomatic goals in Africa.

China's relationship with Zimbabwe is illustrative of this dynamic. Zimbabwean President Robert Mugabe, an international pariah, has been in China seeking to sign economic deals to provide lines of credit to fund his country, which has triple digit inflation, unemployment of over 70 percent and $4.5 billion in foreign debt.[4] As you are well aware, Mugabe is looking to China because the larger international community has shunned him due to his blatant human rights abuses. This ostracizing has led to Mugabe's "Look East" strategy seeking aid from China and other Asian countries that are not turned away by Mugabe's human rights abuses. Just yesterday, China stated that Zimbabwe is a key partner in Africa. China, in fact, is honoring Mugabe's leadership. Yesterday's *Financial Times* reported that Beijing's state-run foreign affairs college hailed Mugabe's "brilliant contribution" to diplomacy and international relations. This absurdity would be funny if the situation on the ground was not tragic.

While Zimbabwe faces economic collapse and its people face starvation, Mugabe's government ordered 12 FC1 fighter jets from China in late 2004. (The FC1 is similar to Russia's MiG–33.) This was China's most advanced military aircraft order from an African nation, a move that angered South Africa, where many analysts fear it could begin an arms race in Sub-Saharan Africa.

There are also reports that complaints by some Chinese businessmen that local traders were hurting their business are part of the reason for the abominable, Operation Murambatsvina or Drive Out Trash.[5] A Zimbabwean official reportedly stated that President Mugabe "pledged to protect the Chinese shop owners after [the Zimbabwean Vice President Mujuru] informed him of their problems and he approved the on-going operation to close down flea markets."[6]

The Chinese may also hold a special place in Mugabe's heart because they supplied at least the roofing tiles for President Mugabe's new palace. In hindsight he should have held out for more, considering they donated almost $7 million for the construction of Namibian President Sam Nujoma's palace in 2003.

In Angola, a country with questionable human rights practices, China signed a $2 billion infrastructure loan program with officials as part of recent oil deals. Angola is currently China's second largest supplier of oil. In the process of securing relations with the Angolan leadership, China also provided a gift to Angolan officials of housing surrounded by a security fence, presumably to keep out the shantytown dwellers that surround it.

The principles underlying the Chinese government's willingness to use its diplomatic position and generous economic incentives go no further than addressing its own self-interest, generally tied to acquisition of energy resources. But there are other goals the Chinese government is seeking to achieve.

Thus, China established relations with South Africa, following South Africa's recognition of China's one-China policy in late 1997. South Africa reportedly sought greater influence at the United Nations, which China's permanent Security Council seat could provide.

South Africa is China's largest African trading partner. Bilateral trade increased to almost $6 billion last year. Following South Africa's recognition of China as a

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[3] "Consolidate Traditional Sino-African Friendship, Deepen Sino-African All-round Cooperation—Address to the National Assembly of Gabon (2 February 2004), Hu Jintao

[4] "Zimbabwe, China sign economic cooperation deal" *Reuters*, July 26, 2005.

[5] Roger Bate, et al "State in Fear: Zimbabwe's tragedy is Africa's shame," *Papers & Studies, AEI Short Publications*, June 6, 2005. and "Mugabe Sacrifices Zimbabwe Traders to Save the Chinese," *Zim Online (Johannesburg)*, May 21, 2005. and "Dealing with Dictators," *South China Morning Post*, July 17, 2005.

[6] "Mugabe Sacrifices Zimbabwe Traders to Save the Chinese," *Zim Online (Johannesburg)*, May 21, 2005.

market economy, in 2004, China announced it would launch Free Trade Agreements with South Africa. Market economy status is important to China, because as a non-market economy in the World Trade Organization (WTO), other WTO nations may bring forth critical dumping and subsidy cases. China would like to eliminate this issue and getting South Africa on board is a start. The United States and the EU do not currently consider China a market economy.

We also should not ignore China's consuming interest in isolating Taiwan. From the 1950s to today, China and Taiwan have both engaged in diplomatic efforts throughout the world, including Africa, to gain diplomatic recognition. Both have used economic incentives as a tool for recognition. In the 1980s, both South Africa and Liberia maintained diplomatic ties with Taiwan, but by the late 1990s, all but 7 African countries, Burkina Faso, Chad, the Gambia, Malawi, São Tomé and Principe, Senegal, and Swaziland, recognized the PRC's One-China policy, which disavows Taiwan as a separate diplomatic entity. There are signs that São Tomé and Principe (STP) may be switching sides soon as well. Recently, the opposition leader in STP has hinted that in the next election he would make Taiwan's diplomatic expulsion from STP an issue and favor greater oil cooperation and diplomatic ties with China.[7] It will be interesting to see if the opposition party receives Chinese aid in the next election.

And, China has provided arms to African nations for decades. China is not concerned about which side it is providing support to in some conflicts. For example, China provided arms to both Eritrea and Ethiopia during their two-year border dispute and war. China's arms sale relationship with Zimbabwe could, as mentioned above, spark an arms race in southern Africa, which would in turn support China's further arms sales.

On national security:

The Chinese government's strategy and policies in Africa have a number of implications for U.S. national security, including energy security. Because the U.S. will not conduct business with nations of concern in Africa, such as Sudan, our access to energy resources are limited until those nations produce regimes with whom the U.S. can work.

Additionally, we know that terrorist cells seek out safe havens in failed and failing states. China's propping up of corrupt regimes hinders the United States' ability to stop rogue states, and to help to create stable, prosperous and open societies where governments respect the basic human rights of their citizens. When Western countries want to use the leverage of assistance or investment to encourage reform in African countries, the Chinese government is prepared to fill the investment hole without constraints. When we want to use multilateral institutions to censure appalling human rights practices, even genocide, the Chinese government stands in the way.

The leaders of the G8, at Gleneagles, emphasized the importance of transparency, good governance, and accountability to increase aid effectiveness. As China is not a beacon of any of these three, the Chinese government's practices in Africa can be expected to undermine U.S. goals. China is willing to provide economic, military, and diplomatic assistance to undemocratic African regimes in direct opposition to political forces that have spent years attempting to encourage change in these regimes and respect for the principles of basic human rights.

We should expect that the Chinese government will pursue its interests in Africa and elsewhere in accordance with its fundamental tenets. What we must do is recognize how U.S. policy is being adversely affected by the Chinese government's actions and determine what steps we must take to counteract those actions.

Thank you, again, for the opportunity to testify on behalf of the U.S.-China Economic and Security Review Commission.

Mr. SMITH. Commissioner Bartholomew, thank you so very much for your testimony. We will get to questions momentarily, but Mr. Payne has to leave momentarily for a meeting with USAID. He had invited Dr. Wilson to be here. So, Mr. Thornton, if you don't mind, we will go to Dr. Wilson, and Mr. Payne, your comments.

Mr. PAYNE. Let me just commend all three of you as witnesses. Each of you have such thorough backgrounds, and it certainly is

[7] "China in Africa Digest, 1–14 July," *BBC Monitoring*, July 14, 2005. FBIS ID#: AFP20050715950059.

very helpful to us as policymakers to hear your points of view. We read your material very thoroughly.

And even though I will have to leave, I guess the *Nightline* program on Niger 2 nights ago spun and stirred a lot of compassion, and so we are meeting with Mr. Pearson, who just returned from Niger yesterday, and will be meeting with me on this crisis.

And normally I reserve time so that at our hearings I can sit through them as the Ranking Member, and this is unusual, but this is an unusual situation. It even says that Ethiopia is worse off than what we saw in Niger. So that is a country of 60 million, which means that it has a tremendous proportion of drought, and dying, and suffering.

So, Dr. Wilson, thank you very much. I apologize. I have looked through your work, and like I said, it is just great to have a person who, for so many years, from Congressman Diggs, to the present, to still remain involved and engaged, and I will certainly look through your—as I briefly looked through your testimony, we may have some questions to all of you in writing. But I do apologize, and thank you, Mr. Chairman.

Mr. SMITH. Dr. Wilson.

STATEMENT OF ERNEST WILSON, PH.D., ASSOCIATE PROFESSOR IN THE DEPARTMENTS OF GOVERNMENT, POLITICS AND AFRICAN-AMERICAN STUDIES, UNIVERSITY OF MARYLAND, COLLEGE PARK

Mr. WILSON. Mr. Chairman, and distinguished Members of the Subcommittee on Africa, Global Human Rights, and International Operations, I am really delighted to be able to meet with you today on this very, very important topic.

And I think it really presents a set of challenges for those of us who are trying to make some recommendations to this Subcommittee, and perhaps say something also to the Administration.

Because we are confronting a situation where we have one huge power interacting with 50 smaller states, then we should try to understand and find a pattern between the relationship of China and these 50 different countries.

And then within each of the 50 different countries, we are tracking and evaluating half a dozen critical foreign policy issues, from petroleum, to foreign aid, and to democracy.

And then at the end of the day, we are asked to say, "So what? What difference does it make to the United States of America if these things are going on?" And I will try to be brief, as I know that we stand between you and adjournment, and departure, and so it is an unenviable position, and I think we all appreciate that.

But I would like to concentrate on the "so what?" question. I think we have heard some very good descriptions of the empirical conditions and what is happening on the ground, and I think the question that I would like to address is: What should the Congress do about it, and what should the Administration do about it?

Let me point, if I may, to just a couple of things that make this more problematic. Number one is that there has been a real spike in China's interest in Africa, and I think we all see that. But it has been a spike across the board.

There has been a spike in oil, and there has been a spike in diplomatic relations, and there has been a spike in geostrategic issues. So it is always difficult to figure out if that is a pattern that is gc g to keep going up, or is that a one time spike?

Secondly, the spike has occurred in a relatively limited number of African countries. It is not 50 African countries. It is really only about 5 African countries where China has been particularly active.

But the third point is that their activities have been very problematic. They have been linking petroleum sales with human rights, with environmental violations, and with democracy violations. So I think we are confronted with a puzzle.

Is this a one-time spike, or is this a trend? Is this going to take place in just 5 countries, or is it going to expand to 50 countries?

And, thirdly, what do we make of the fact that these are very problematical relations that China has with these countries? After carefully reviewing a great deal of the evidence on oil, minerals, trade, manufacturing, security, and democracy from a variety of sources, I would conclude, respectfully, that the current state of China-Africa links is not a significant foreign policy threat to America's interests in Africa.

It is not on the Richter Scale of great foreign policy issues, and this is not a 9.5. It is not a 0, but it is not a 9.5. But having said that, I do not believe that we should be unconcerned.

Instead, there are several positive actions that the Administration should take with the Africans and with the Chinese to smooth the way forward, and I would like to very briefly describe what those steps might consist of, and then I will conclude my remarks.

The paper, as you will note, goes through 4 or 5 policy areas—petroleum, human rights, geostrategic issues. Then it goes through an examination of some of our bilateral relations with the leading countries, South Africa, Nigeria, et cetera.

But as I mentioned, a lot of that has been dealt with, and so I won't deal with it here. Let me just offer 3 or 4 recommendations. Number one, the new Assistant Secretary of State for Africa and her team should continue to monitor closely China's foray into Africa. So it should be paid a lot of attention to, and I congratulate the Chairman and the Members of the Committee for holding this very important hearing to help the Administration remember that it should focus on these issues.

Secondly—and here I echo my good friend and colleague, Princeton Lyman, who spoke before another similar Committee—I think you have a real opportunity, the Administration has a real opportunity to engage with the Chinese on matters of transparency and openness in Africa, especially around oil issues.

This should be a higher profile, explicit effort on the part of the State Department and others who are concerned, to seek common positions on how best to advance the continent's economic, and social, and political development. This was the principal takeaway, I think, from Ambassador Lyman's comments, and I think that is right on target. The United States, the U.K., and others could point usefully to their own sometimes ruinous experience with various African petro dictators and diamond despots.

In the not so distant past, before we discovered our new found attention to African democracy, we actually had a lot to do with

dictators. And I think if we address the Chinese in a bilateral way, and other fora, and say that we have been there and done that, and it really, really doesn't work, then I think that one would find, perhaps, a receptive ear on the part of the Chinese.

I think our colleague from the State Department said it is in China's interests over the medium to long term to have stability and economic growth. I think the Chinese are relatively new at this because a lot of their diplomacy used to be ideologically driven, and not driven by real economic concerns.

Two other quick points and then I will conclude. We also need to listen to what the Africans are saying about the Chinese. I think it is very important that we do that, and that we listen to what the African Union and other bilateral partners are saying. We could say, "Well, guys, what do you think we should do in the area, and are there ways that we could work cooperatively?" to address the Chinese challenge.

And then I will also say that perhaps one of the greatest direct impacts on Africa from China has been in part the human rights abuses, but it has also been the terrible, terrible impact of the liberalization of the textile trade via the WTO, there has been what some of the press calls a "Textiles Tsunami," that has washed across Africa, closing factories in Lesotho, and closing factories in South Africa, and closing factories in Botswana.

And I would simply put on the table whether or not there are some bilateral things that could be done through the Department of Commerce on the USTR that might be able to address some of these issues that are so devastating for those countries at the first rung of industrialization.

Let me conclude though by saying that we should lay down a set of criteria of what we believe would constitute an increasing threat to America's national security and national interests.

I don't believe we are there yet, but if the spike that I talked about continues to go up, and if the Chinese reintroduce in 10, and then 15 other countries what they are doing in the 5 countries, if they fail to link foreign assistance and investment with human rights issues, then I think we have to revisit the question.

And I think at that point, Mr. Chairman, it would certainly be appropriate to have another hearing to see whether or not we want to reevaluate our position toward China.

But in conclusion, I believe that what this essentially means is that we will now have to treat China in the same way that we treat the European powers who have been very active in Africa. That is, when we act in Africa, we have to figure out, well, how will the French react? and how will the British react? what will the Japanese do? what will the EU do?

Well, now the people who sit in Foggy Bottom will have to figure out and add to that mix, what will the Chinese do? But at the same time, the Chinese, in efforts to move more into Africa, will have to figure out how they can engage in a constructive discussion and dialogue with the United States of America.

So I think that there is a tremendous possibility for cooperation, and I would suggest that the Committee urge our State Department and the Administration to see this as an opportunity to create better linkages between China and the United States so that

Africa can be advanced. Thank you very much, Mr. Chairman, and I appreciate your considering my comments.

[The prepared statement of Mr. Wilson follows:]

PREPARED STATEMENT OF ERNEST WILSON, PH.D., ASSOCIATE PROFESSOR IN THE DEPARTMENTS OF GOVERNMENT, POLITICS AND AFRICAN-AMERICAN STUDIES, UNIVERSITY OF MARYLAND, COLLEGE PARK

INTRODUCTION

Mr. Chairman, Members of the Sub-Committee, I am pleased to be invited to testify before you today on matters of such importance to America's multiple relationships with two very important, and very different, regions of the world. China and Africa share certain common features, but are separated by a great many differences. Our relationship with Africa is complicated; our ties to China are equally if not more complex. Exploring their links and identifying their implications for future U.S. policy making is therefore a real challenge. I will do my best to shed some light on these important issues.

Mr. Chairman, Members of the Sub-Committee, I bring to this challenge some experience working on Africa, on China, and on U.S. foreign policy. I had the privilege of working for a previous Chair of the Sub-Committee on Africa, as a Legislative Assistant to Rep. Charles C. Diggs. I served as a visiting Senior Fellow on Africa at the Council on Foreign Relations, and advised such institutions as the U.S. Department of State, USAID, the World Bank, the Economic Commission for Africa and other bodies on African development issues.

As oil and gas will be an important part of our discussion today, let me point out that I have written widely on petroleum issues, both on African exporters like Nigeria and on the politics of the world oil market ("The Petro-Political Cycle"), as well as a book entitled *The Decade of Energy Policy*. More recently I shifted my focus more to China, and have visited that country about a dozen times in the past ten years, working mostly on the politics and economics of high technology issues like IT. My book *The Information Revolution and Developing Countries* uses China and Ghana) as case studies. Finally, I was also privileged to serve on the National Security Council as Director for International Resources and Programs, where issues of democratization and trade were in my portfolio.

OVERVIEW AND SUMMARY

Mr. Chairman, divining U.S. interests out of the intersections of China and Africa is truly a daunting challenge. We are dealing with more than 50 African countries, each quite different from the others, and each with different relations with China; we are tracking and evaluating half a dozen critical foreign policy issues, from petroleum to foreign aid; and from this mix we then try to distill answers to the question—"So what? What should America do, if anything, about the influence of China in Africa?" Let me take up each of these in turn.

China and 50 Nations.

China is the world's most populous nation and its second or third largest economy. It is a rising world power, with far reaching ambitions. By contrast, Africa is a continent of more than fifty nations that are among the world's smallest and poorest, and China has relations with many of them. In other words, 'China-Africa relations' is actually embedded in 50 plus distinct relations. Of course, some are more important than others as I will suggest: China (and the United States) have close ties to the two continental giants, South Africa and Nigeria, to which I will give special attention. Zimbabwe, Angola, Congo and Sudan also figure very prominently in Beijing's sights these days, as I will discuss below. My point here is that we should be cautious extrapolating from China's relations with five countries to their relations with fifty. They may indicate patterns, they may not.

China and Many Policy Areas.

These half a hundred disparate relations in turn occur across a variety of pressing strategic policy areas: *petroleum and minerals; trade and manufacturing, democracy and transparency; security* (including terrorism and military matters), and broader matters of *geo-strategy*. Discerning whether there are consistent policy and strategic continuities across all six is a matter of investigation.

China, Africa and America: So What?

This is, of course, the 64 billion dollar question that the Members of this Sub-Committee must wrestle with. Is China's growing influence in Africa—and its influ-

ence is certainly growing—a really big deal for US-China-Africa relations, or a small deal? Should Congress urge the administration to substantially change its foreign policies to respond to the new conditions, or maintain the status quo? Ultimately the answers to these questions revolve around the big question of whether China is a threat to U.S. national interests in the region, a competitor, or an ally. (I set aside the larger question of the global strategic relations between China and the U.S.)

This is the same question that arose in earlier hearings your sister sub-committee held on China's actions and ambitions in Latin America. As expected, the testimony reveals different interpretations of opinion, and I suspect that will also be the case today. But on balance their conclusion (including the administration's spokesman) seemed on target. And it is the one that is also very appropriate for China's influence in Africa.

After carefully reviewing a lot of evidence on oil, minerals, trade, manufacturing, security and democracy, I conclude that the current state of *China-Africa links is not a significant foreign policy threat to America's interests in Africa.* But having said that, I do *not* believe we should be unconcerned. Instead, there are several positive actions that the administration should take with the Africans and the Chinese to smooth the way forward. I will describe those concrete steps below.

The evidence shows that like other global players in Africa—the British, the French, the Japanese—the Chinese level of political and economic engagement is still sufficiently modest so as not to constitute a threat. The same is true of their diplomatic, security and other initiatives. There will be heated competition and jockeying for advantage among all the player, but that's the way of the world. However, while the aggregate picture is relatively benign (i.e. China's relations with 53 states), there are two parts of this picture worth noting. One is that the Peoples Republic of China's (PRC) engagement has spiked upward rapidly in all areas—oil imports, textile sales, speeches by the leadership, etc., in a very short period of time. Second, these rapid changes are concentrated in a just a handful of countries—Angola, Sudan, Zimbabwe, for example—countries that are problematic politically. The sharp rise, and the concentration in a handful of problematic states, should be reviewed carefully. Is this a trend for the future, or a static pattern?

My bottom line: On the foreign policy Richter Scale this is not a big quake. (By contrast, America's abject failure to design a serious national strategy to meet China and India's threat to our superiority in knowledge-based sectors is a very big deal. America needs immediately to rethink our national approach to creating a competitive, highly-educated and innovative knowledge society to compete globally. But that is another matter for another day)

POLICY CHALLENGES IN CHINA-AFRICA RELATIONS

In this section I analyze the major policy issues that are especially relevant to China's influence in Africa from the perspective of U.S. interests. I do not attempt to be exhaustive, but to point out the most salient conditions in several topical areas. Nor do I spend much time on the long trajectory of China's relationships with Africa. In brief, from the 1960s through the fall of the Berlin Wall, those relationships were driven mainly by anti-capitalist ideologies of Marx and Mao, as well as by the Party leadership's efforts to counter Soviet influence in states like Angola and the Congo. The PRC's anti-Western and anti-Soviet thrust, combined with their self-identification with Third World struggles, shaped their foreign aid activities in Africa, including assigning Chinese doctors to Africa, hosting African students in China and big-ticket items like building the first railway linking Tanzania and landlocked Zambia during the period of opposition to apartheid South Africa's regional hegemony. In general, African states view China as one of their own—a Third World country. Although it has done well economically, China is viewed as a developing country sometimes at odds with the developed G–8 nations, and a champion on the UN Security Council.

ECONOMIC AND COMMERCIAL RELATIONS: FROM MAO TO MARKETS

China and Africa have complementary economic and commercial needs. Africa is capital-short, has a low manufacturing base and is highly import dependent., even for basic goods. Africa needs basic infrastructures, and it exports a lot of petroleum. China (Taiwan and the PRC together) has ample investment capital, a huge manufacturing export base, and imports petroleum. It is willing to build infrastructure. China's 5 largest trading partners are South Africa, Angola, Sudan, Nigeria and Egypt. With these five, and thirty five others, China has signed 40 trade agreements since 2000. Market motives are up, Marxism is down.

Petroleum.

With economic growth at 6–9% per annum for the last decade China has been importing 800 million barrels a year (2004), and recently replaced Japan as the world's second largest oil importer. (Le Monde) In 2004 it paid Africa about $10 billion for its oil.(Wall Street Journal, 3/29/05) Of that total, 25% originates in Africa, mostly from Sudan and the Gulf of Guinea. This contrasts with the U.S. which imports only 15% of its oil from Africa, although this is expected to grow to 20–25% over the decade. But oil is still a highly fungible commodity and will remain so, with price and supply driven mainly by international markets, with two-third's of world supply centered in the Gulf. Indeed, African exporting countries are cashing in on Asia's oil thirst. On the down side, we should be aware of the continuing risks associated with propping up export-dependent oil enclave economies on the continent, too often a platform for extraordinary corruption, where the export revenues rarely find their way to goods and services for the people. I provide additional details on China-Africa petroleum links in my discussion on Nigeria, Angola and Sudan.

Minerals.

Chinese companies have been especially active in the mineral rich countries of central and southern Africa. China has become the world's largest user of copper, and has copper investments in war-torn Democratic Republic of the Congo, as well as in cobalt, and in hydro-electric facilities. The country has invested $170 million in Zambian copper and other minerals.

Trade and Manufacturing

Trade and Investment. China's trade with Africa (exports plus imports) is only 2% of its total, and concentrated in extractive industries. This is consistent with Africa's global position; the entire continent accounts for only about 1–3% of total world trade and investment, almost all of it in extractive industries. According to *Le Monde* Africa had $15 billion of foreign direct investment (FDI), of which $900 million came from China. In 2002 two-way trade stood at $12.4 billion. A year later that figure went up by 50% to $18.5billion, and last year stood at more than 20 billion dollars. *The Economist* reports that most experts expect trade to reach $30 billion by 2006. (Economist, 11/25/04). At this rate China is catching up with, and in some cases, surpassing Africa's traditional trading partners, i.e. the former colonial powers. By the end of 2005 China will have greater trade with Africa than the UK, ranking third after the U.S. and France. The IMF predicts that trade relations will remain strong, as they expect Africa to grow by 5.8% by the end of 2005, the highest rate in thirty years.

Manufacturing and Services. China's direct interests in the region are mostly in the extractive industries. Still, there is some interest in manufacturing investments and operations, often conducted by the 674 Chinese state owned enterprises (SOEs) that operate in the continent, including a pharmaceutical enterprise in Uganda that produces a new anti-malarial medicine. (There is ongoing concern around the world that Chinese companies receive direct and indirect benefits from the state—subsidized loans, tax rebates, etc.—which allow them to make decisions that genuinely private companies could not, making them unfair competitors) The Chinese firm Huawei was recently awarded contracts worth $400 million ? for servicing mobile phone networks in Kenya, Zimbabwe and Nigeria. Construction has also been big for the Chinese in Africa, with recent examples being the airport terminal in Algeria, and hotels and other big jobs in Botswana and South Africa.

The Special Case of the *Chinese textile 'tsunami'.* The most direct and deleterious impact of China's policies on many African countries is their massive export machine, especially textiles, which has swamped many fledgling African producers. The press and textile manufacturers call the current situation an African "textile tsunami". Until January 1, 2005, African textile manufacturers operated under special arrangements permitted under the Multi-Fiber Arrangement, including the US African Growth and Opportunity Act (AGOA). It permitted duty free textile imports from Africa, including products sewn in Africa using non-African textiles (including from China). On January 1 the MFA ended and the free-trade WTO provisions superceded them. There was no longer an advantage for investors and manufacturers to set up in Africa. The consequence was a veritable flood of extremely cheap Chinese clothing imports The effects were immediate: 8 factories closed in Kenya, 6 in Lesotho, 4 in Swaziland. Thousands lost their jobs. While the owners knew the WTO changes were on the way, they had no way of anticipating that at the same time the yuan would be undervalued by 20–40%, slapping Africa with a lethal double-whammy.

FOREIGN POLICY

As a rising world power, China is actively seeking allies. It needs votes at the United Nations and in other forums, and seeks global legitimacy. It wants to steer a path between the conventional foreign policies of the West, and the conventional policies of the global South. For its part Africa seeks allies for its own special economic conditions, and whatever flexibility and maneuverability it can get from the great powers. China uses a variety of tools to do this, including traditional diplomacy, commercial diplomacy (as we saw above), and increasingly, public diplomacy and 'soft power'.

Foreign Aid. Chinese foreign aid has tended to concentrate on basic infrastructures and education, areas where western donors have cut back substantially compared to earlier periods. In contrast to most other donors (especially the U.S. and the U.K., France much less so) they do not impose political and economic conditionality requirements, making them an attractive source of aid, especially when as in Angola and Zimbabwe International Financial Institutions (IFI) like the IMF or World Bank, or bilaterals, are trying to alter the behaviors of governments by imposing political conditions. Rail and road construction is still provided by Chinese aid agencies, which the West tends to ignore (P. Lyman). They also have cancelled African bilateral debt, $10 billion since 2000. According to Thompson, about 10,000 Africans are trained annually in Beijing supported by the African Human Resource Development Fund. Since 1963 15,000 doctors have worked in Africa, with 940 in Africa at the end of 2003 (Thompson). Still, there seems less information easily available on Chinese foreign assistance programs relative to what we know about Japan or Western countries. As we see below, the Chinese are adept at combining 'foreign aid' packages with commercial and oil deals.

Transparency and Democracy. It is clear that neither democracy nor transparency have much standing in China's policy repertoire. China has a consistent policy of not imposing explicit political conditionalities on its aid recipients. Their philosophy of non-interference in the internal affairs of other nations fits well with the policy preferences of many African heads of state. Trade trumps transparency. Said President HU to the parliament in Gabon—China wants business "with no political conditions." (Economist, 02/05/04. They are cozying up to characters that other nations are trying to hold at arms lengths. This conflicts with the pro-democracy policies of the Bush administration and the British.

Security. Curiously, China's direct impact on security in Africa, whether conventional military security matters or post-9/11 issues of terrorism do not figure prominently in the press or think tank world that would be expected to follow such matters. There seems little *direct* impact or influence of China's policies on the war on terrorism. In terms of broader security operations, China has contributed some troops to Liberia and to other African peacekeeping operations. Perhaps this is a sign of its greater willingness to be a good international citizen as befitting its size and influence; some report more cynically that the troops were committed in Liberia two months after the government agreed to shift its recognition from Taiwan to the PRC. Only about a half dozen African countries still do recognize Taiwan as the legitimate government of China. This is a topic that bears further review.

Geo-Strategic Activities.

The PRC has in various national and international forums laid out its ideas of 'China's peaceful rise'. This is the notion used by some (but not all) powerful elements around President Hu. They want to put the best face possible on the PRC's strategy of engagement with the rest of the world. They contend their motives are strictly commercial, minimally political, and peaceful; they eschew any militarist ambitions. There is some historical justification to this, but their strident position on Taiwan and their expanding defense budget growing at more than 12% is certainly worrisome. Part of their geo-strategy is to draw on their Third World credentials when dealing with Africa and other developing regions. *Jane's Intelligence Review* wrote (10/12/04) that "China is able to expand its influence in Africa partly because it is viewed with more credibility than Western states with imperialist legacies." As such, the PRC remains an attractive strategic partner for many African leaders.

The Chinese government has drawn on that tradition in creating the China-Africa Cooperation Forum, an umbrella organization designed to encourage better diplomatic relations, trade and investment (Thompson). It met for the first time in 2000 in Beijing, and its second session was held in Addis. A Chinese-Africa Business Council was formed in October 2004, and China has hosted more than 100 meetings in China with visiting trade and foreign affairs officials.

Still, there are some concerns of a "new imperialism" from the Middle Kingdom. South African observer Moeletsi Mbeki says China represents both a "Tantalizing opportunity and a terrifying threat. We sell them raw materials, they sell us back manufactured goods."

CHINA'S BILATERAL RELATIONS WITH AFRICAN COUNTRIES: EXAMPLES

As important as these aggregate figures are, they do not convey the dynamics involved in the interplay of these different activities as they actually appear in particular African countries. There are 53 African governments, and the PRC has a wide range of relationships with these 53, and their influence differs from one country to the next. Still, there has been an increase in Chinese activities across the continent. When asked several years ago by the Assistant Secretary of State for Africa to indicate whether they had seen a greater Chinese presence in their country, half the ambassadors raised their hands. While relations with most of the 53 are low key, some countries are more important than others from the PRC's perspective. Not surprisingly, these are countries also important for the U.S. and Europe.

Sudan. Much of the recent attention to China's influence in Africa has correctly focused on their ties to the government in Khartoum, Sudan. Their willingness to downplay the violence and genocide in that country at the same time they are pumping tens of thousands of barrels of crude oil is especially salient because other nations have imposed trade sanctions, including on oil operations. For ten years Chinese oil companies have been active in the Muglad oil fields in the South, where they take 50% of its production. In total Sudan provides 5% of the PRC's oil (CSM,3/30/05). Chinese workers have also built a 1,600 km pipeline. Thirteen of the 15 most important foreign companies in the country are Chinese. The PRC carefully nurtures its ties with the present regime, which is widely criticized by other developed nations. When a proposal came before the UN (resolution 1564) to impose an arms embargo on the Sudanese government, China threatened to impose a veto, then watered down the language, then cast an abstaining vote. They are far less critical of Khartoum than most of the rest of the world.

Nigeria. One of Africa's largest oil exporters, one of its biggest markets, and an influence in international diplomacy, Nigeria is well within the sights of the Chinese. In July the PRC signed an 800 million dollar crude sales agreement, and over the next five years is expected to purchase annually 30,000 b/d. It won licenses to operate four oil blocks "as part of incentives to build a hydro power station" (Lyman). In total, China is reportedly considering $7 billion worth of investments covering many sectors (ibid.) China also launched Nigeria's first space satellite.

South Africa. The other continental powerhouse is South Africa. Exports to South Africa doubled between 2000 and 2004 (Economist, 11/24). South Africa's trade deficit with China went from $24 million in 1992 to $400 in 2004. The most visible domestic matter is the reaction of labor and business to the textile tsunami. There was a threat of a boycott of stores that carried Chinese goods in the last quarter of 2004. Unions also complained that the South African technology industries were getting flattened by Chinese exports of computers and telecoms equipment. Some local activists want local stores to agree to a 75%–25% balance of locally-made to imported goods. The Chinese response has been that South Africa should learn from Chinese policies of low taxes, etc. Diplomatically, the countries enjoy a positive bilateral relationship.

Zimbabwe. A great deal of attention has been devoted to China's warm relations with the leadership in *Zimbabwe*, which has achieved near-pariah status with many other powerful countries including the U.S. The government's economic policy has brought the once-prosperous country beyond the brink of ruin, and its political authoritarianism has imposed non-democratic one party rule on its suffering population. Most developed countries have taken a hard line against the regime of longtime dictator Robert Mugabe. By contrast, the Chinese have embraced him. They helped design the new presidential residence and contributed its now-infamous bright blue Chinese roof tiles. On the 'commercial' front they buy most of the country's much reduced tobacco crop, and twice weekly direct flights between China and Zimbabwe are expected. The Zimbabweans have purchased 12 fighter jets and about 100 trucks from the Chinese (CSM). Mugabe has traveled to Beijing where he was warmly welcomed by the government. It is clear the Chinese have decided to bail out Mugabe despite the international sanctions.

Angola finds itself equally in the good graces of the Chinese, who take 25% of that country's oil production. As with Zimbabwe, the regime in Luanda is widely viewed as particularly corrupt. The PRC offered the Angolans a $2 billion soft loan to be used for reconstruction, perhaps as part of an exploration bid, for 10,000 b/d (Econo-

mist, 11/24/04) It was reported by human rights groups that some of that money was channeled into the ruling party's campaign coffers.

CONCLUSION

When evaluating one big country's relations with 53 others, and the implications for U.S. national interest and foreign policy, a sense of proportion is key, especially against the background of the highly controversial effort of the Chinese state oil company to buy an American oil company, Unocal. Chinese direct investment in Africa is still less than a billion dollars, while U.S. investment in the PRC is fifteen times that. Nonetheless, just as the Unocal bid (and the overvaluation of the currency) has provoked an important debate in the U.S. about how best to pursue our relations with the PRC, China's newfound attention to Africa has prompted a parallel discussion among those who care about U.S.-Africa relations. It is in everybody's interest—Americans, Africans, Chinese—to promote a stable and democratic Africa.

Mr. Chairman and Members of the Committee, let me reiterate what I said earlier. The current situation of China's influence in Africa merits several modest but important responses. First, the new Assistant Secretary and her team should continue to monitor China's forays into Africa closely. Second, she and her colleagues at the State Department should seek to engage with the Chinese on matters of transparency and openness in Africa, especially around oil issues, seeking common positions on how best to advance the continent's economic, social and political development. As Ambassador Princeton Lyman wrote recently on this same issue, we should engage with the Chinese on matters of common concern, where our interests coincide. (Lyman) The U.S., the U.K. and others could point usefully to their own sometimes ruinous experiences with various African petro-dictators and diamond despots, in that not-so-distant past before we discovered our new-found attention to African democracy. Thirdly, and importantly, we need to listen to what the Africans themselves are saying about China's influence in their continent; we are not always as good at listening as we should be. More concretely, we should explore what if anything can be done bilaterally or across the international community, including the PRC, to salvage the African textile industry. A deep devaluation would be very helpful, but is highly unlikely.

Looking forward, we should decide what would constitute a more troubling expansion of Chinese influence in Africa. What are the threshold points that would prompt a re-evaluation of our policy? Short of full scale scenarios, let me suggest a few to consider:

- *Petroleum and Human Rights Policies.* Will the PRC accelerate its pursuit of its petroleum (and other mineral) interests with a consistent policy of overlooking human rights abuses? Or will it start to adopt the more global standards of the other world powers? If they pursue their interests mainly in pariah petroleum states, that is a cause for concern.
- *Mix of Commercial and Political Motives.* There are half a thousand state owned enterprises operating in Africa. Will they follow the accepted commercial practices of the international trading system? Or tilt more toward statist trading behaviors with subsidized loans for investment that contravene accepted practices under the WTO and other arrangements?
- *Tied Aid to Africa.* All powerful nations blend foreign aid, foreign policy, and commercial objectives. It's what states have always done. Will China accelerate this practice in Africa, or keep it at current levels?
- *Anti-Terrorism Actions.* Will the PRC support anti-terrorist actions in Africa, a major concern of the administration? (one quarter of the outside rebels in Iraq come from Africa) Or will they minimize their attention to such actions if they contradict petroleum or commercial interests?

Mr. Chairman and Members of the Sub-Committee, United States Africa policy has always had to factor in the interests, perspectives and behaviors of other non-African nations, whether former European colonial powers like France, Britain and Portugal, or recent arrivals like Japan. Usually there is mutual accommodation; sometimes, as in Rwanda, South Africa or Egypt, there are clashes. France and the U.S. have seriously competed for markets, natural resources and influence in francophone Africa for decades. Now U.S. policy toward Africa needs to factor in the behaviors of the Peoples Republic of China as well, just as the PRC will need to reach accommodations with the West.. The challenge ahead is to achieve these new balances through a subtle and nuanced American foreign policy, not through a one-size-fits-all approach to China's influence in Africa.

Thank you Mr. Chairman.

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Mr. SMITH. Dr. Wilson, thank you so very much. I would like to now invite our third witness, Mr. Thornton.

STATEMENT OF MR. ALLAN THORNTON, PRESIDENT, ENVIRONMENTAL INVESTIGATION AGENCY

Mr. THORNTON. Thank you very much, Mr. Chairman, for the opportunity to address the Committee on such an important matter. Illegal logging has become the foremost priority of the international community in trying to promote sustainable forest conservation around the world.

The massive increases in China's consumption of natural resources generally, and illegally-cut logs and timber in particular, are major concerns for the international community, given China's non-cooperation in major initiatives to address forest law enforcement and governance.

The Environmental Investigation Agency, or EIA, is a non-profit, non-governmental organization. We investigate and expose environmental crimes and promote practical solutions to such issues.

The EIA focuses on illegal logging and the international trade on illegal logs, timber, and wood products; the illegal trade in wildlife; and the illegal trade in ozone-depleting chemicals.

We have investigated illegal logging over the past 10 years and provide detailed evidence to governments, enforcement authorities, and NGOs, and to the media all over the world.

We have worked cooperatively with the Department of Justice, with the State Department, with the Fish and Wildlife Service, USTR (U.S. Trade Representative), EPA (Environmental Protection Agency), and Homeland Security. EIA has also cooperated extensively with governments and their enforcement personnel in Africa, Europe, Asia, and Latin America.

We have good relationships with the Chinese authorities, developed over the past 13 years on all of these issues. Chinese Customs use EIA video to promote training of their agents on how to detect illegal trade in CFCs, and intelligence provided by EIA prompted several seizures of poached elephant ivory by Chinese authorities last year.

However, China's failure to take meaningful action against illegal logging and timber imports is alarming. The continued spectacular increase in imports of logs and timber is fueling a global crisis.

Even as the United States and other G-8 nations committed to ban imports of such illegally-logged timber products at the Gleneagles summit in the U.K. last month, China's role in Africa's illegal logging crisis is destablizing some African Governments, and poses a major threat both to the forests and the communities that rely on them.

African elephants are also suffering from increased poaching. China has developed a burgeoning demand for illicit African ivory, often supplied by North Korean diplomats that smuggle tusks in diplomatic baggage, or by Chinese workers returning from Africa with tusks or carvings in their baggage.

China is the largest importer of timber products in the world, currently importing 120 million cubic meters of logs and timber in 2004, which is a tripling since 1997's imports of 40 million cubic meters.

Its log imports alone went from 1 million cubic meters in 1997 to 16 million cubic meters last year. China is a major importer of logs and/or timber from Gabon, Cameroon, Equatorial Guinea, and Mozambique, nations that are suffering from illegal logging.

China has also been a major importer of conflict timber from Liberia. Gabon is China's fourth largest source of logs, and although Gabon requires log processing prior to export, the Chinese demand has created "flagrant" disregard for the law.

In Cameroon, the Hong Kong-owned Vicwood-Thanry Company is a major violator of forestry laws. Chinese brokers are fostering illegal logging in the northern provinces of Mozambique, where illegal logs are ferried to Chinese ships offshore.

China is also a major buyer of logs from Equatorial Guinea, with up to 90 percent of the exports to China estimated as illegal, supplied mainly by the Riumbunan Hijau Group of Malaysia, which is infamous for its worldwide illegal logging practices.

In 1999, China imported no logs from Liberia. But as the civil war erupted in that country, China moved in very quickly, and by 2001, it was the largest importer of logs, abetted by companies with close ties to the Chinese Government.

A USAID report stated:

> "Harvested timber is bartered to Chinese and other trading partners either directly or in exchange for weapons and munitions needed by Charles Taylor to carry on his wars, or are sold to raise funds to achieve the same end."

On May 6, 2003, the U.N. Security Council imposed an embargo on Liberian timber products. China imported 365,000 cubic meters of logs from Liberia in 2003 before the sanctions locked in.

Much of the illicit logs and timber removed by Chinese interests from Africa are manufactured into items that are then re-exported to the United States, where unwitting retailers and consumers contribute to the illegal destruction of Africa's forests, thereby undermining the U.S. Government's support for the Congo Basin Initiative, where the United States has committed $56 million to assist in setting up a number of new national parks in the Congo Basin

countries, including some where China is leading illegal destruction of forests.

Elsewhere, the EIA has observed China's damaging role in the illegal log trade firsthand. Last February, EIA and our Indonesia partner Telapak, after 2 years of investigations, exposed a billion-dollar-a-year log smuggling operation from Indonesia's Papua Province, where 300,000 cubic meters of logs were shipped each month to China, despite an Indonesian Federal log export ban.

In response to the exposure, Indonesia's President, to his credit, ordered a major crackdown on the massive illegal logging in Papua and the trade to China, producing what is almost certainly the largest crackdown on illegal logging in history.

China, in contrast, has done nothing, despite repeated assurances from Chinese officials that action would be taken against the illegal log imports. China has also refused to implement a bilateral agreement that they signed with Indonesia 3 years ago to stop illegal trade in logs and timber.

Mr. Chairman, EIA urges further congressional activity to encourage measures to curb China's booming imports of illegal logs and timber. This is an area that the United States has considerable leverage available to them through the power of the American imports from China.

In addition, the U.S. should be seeking to level the playing field to address the dumping of products on the U.S. market that are derived from cheap, illegally-logged wood that unfairly competes with U.S. producers and manufacturers.

Give priority to enacting G-8 commitments to end imports of illegally-logged timber and wood products by closing the existing loophole in the Lacy Act. The Lacy Act bans import of wildlife products taken in violation of the laws of a foreign country, but needs to be amended to cover foreign illegally-sourced timber and wood products.

The U.S. Government should encourage the Chinese Government to enact comparable measures to stop the import of illegal logs and timber to align itself with the G-8 commitments.

We further recommend that the United States promote a bilateral agreement with China to coordinate measures to eliminate the flow of illegally-logged products into and between the two countries, and to encourage cooperation on enforcement measures within such an arrangement.

Lastly, we recommend that the U.S. designate illegal logging and the associated timber trade as an offense under existing money laundering laws to penalize the money flows from this illicit trade, thereby empowering enforcement authorities to target key offenders importing and trading in such timber and products. Thank you very much, Mr. Chairman.

[The prepared statement of Mr. Thornton follows:]

PREPARED STATEMENT OF MR. ALLAN THORNTON, PRESIDENT, ENVIRONMENTAL INVESTIGATION AGENCY

Mr. Chairman and Distinguished Members of the Subcommittee on Africa, Global Human Rights and International Operations:

I would like to thank Chairman Smith for the opportunity to address this committee on such an important matter. China's global political and economic influence has grown dramatically in the past decade. The massive increases in China's con-

sumption of natural resources generally, and forest products in particular, underline this global trend of voracious demand.

My organization, the Environmental Investigation Agency (EIA), is a nonprofit, non-governmental organization that investigates and exposes environmental crimes and promotes practical solutions to remedy such issues. Our work is focused on illegal logging and the international trade in illegal logs, timber and wood products; the illegal trade in wildlife; and the illegal trade in ozone-depleting substances. Today I will primarily address illegal logging and timber trade as it applies to China's growing consumption of forestry resources and China's imports of illegally-produced logs and timber from Africa.

EIA has investigated illegal logging for the past 10 years providing detailed evidence to governments, enforcement authorities, NGO's and the media all over the world. We are a leading source of evidence and documentation in the areas we address. We have worked cooperatively with the Department of Justice and its environmental crimes unit, the State Department, the Fish and Wildlife Service and its law enforcement division, the office of the United States Trade Representative, and the Environmental Protection Agency.

EIA has undertaken extensive work with governments and enforcement personnel in Africa, Europe and Asia. We have developed constructive relationships with the Chinese authorities over the past thirteen years on issues ranging from smuggling of rhino horn, elephant ivory, ozone-depleting substances to the illegal timber trade. Chinese customs use EIA video to train agents on how to detect illegal trade in CFC's and EIA intelligence has prompted several seizures of poached elephant ivory by the Chinese authorities.[1]

China's failure to take meaningful action against illegal logging and timber imports, failure to meet existing commitments or even to adopt meaningful policies is alarming. China's continuing spectacular increase in imports of logs and timber, much of it illegal in origin, to either manufacture for re-export to the United States and other countries or for its domestic use and the large scale Olympics building program underway is, in effect, fuelling a crisis that the United States and other G8 nations have given increasing priority, including in the Gleneagles Summit in the UK last month when commitments were made to end imports of illegally logged products.

China's role in Africa's illegal logging crisis is predatory in nature and poses a threat to forests, the communities that rely on them and weak governments susceptible to corruption.

Illegal Logging Overview

Illegal logging[2] is a global problem of staggering scale and, based on EIA's experience, it only appears to be proliferating. Illegally-harvested logs likely account for more than half of all logging in vulnerable regions such as Central Africa, Southeast Asia and Latin America as well as roughly 10% of the global timber trade.[3] Illegal logging fosters corruption, degrades the environment and destroys the social fabric of some of the world's poorest countries and peoples. Cheap illegal timber in the marketplace also unfairly competes with the United States timber industry. The American Forest & Paper Association recently estimated that illegal logging costs

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[1] China has emerged as the main destination for illicit African ivory. Ivory products are widely available in China and EIA investigations into the country's ivory retail market reveal a total absence of meaningful control. In April 2002, the Chinese authorities smashed a smuggling ring responsible for bringing 14 metric tons of illegal ivory into the country. 2002 also saw the world's largest seizure of ivory in Singapore, lifting the lid on a well-organized ivory smuggling network that had been operating undetected since the mid 1990's. This network had successfully shipped huge amounts of ivory from southern Africa to China and Japan. If China fails to stem its demand for illegal ivory, elephant populations in many range states are doomed. "*Back in Business*," Environmental Investigation Agency Oct. 2002.

[2] Illegal logging occurs when timber is harvested, transported, bought or sold in contravention of national or international laws. Illegalities can span the entire supply chain from source to consumer. The harvesting procedure itself may be illegal through cutting within protected areas, extraction of timber in excess of permitted limits, under-reporting the amount cut, harvesting without permission, or taking of protected species. Illegalities can occur later in the supply chain as well, including: illegal transporting or smuggling, illegal processing, false reporting of species harvested, using false or forged shipping or customs documentation, employing illegal accounting practices and/or false reporting of harvest to evade fees and taxes, and the illegal export and sale.

[3] Illegal-Logging.info briefings page, *The scale of the problem*, Royal Institute of International Affairs, *http://www.illegal-logging.info/* Last visited July 26, 2005.

the United States roughly $1 billion every year in lost export value and devalued domestic sales.[4]

The destruction wrought by illegal logging and its associated trade has received increasing attention at all political levels. As examples, the Group of Eight Industrialized Nations committed to a range of actions to combat illegal logging earlier this month in Scotland; President Bush launched his President's Initiative Against Illegal Logging in July of 2003; and several regional political processes are currently underway in various parts of the world designed to strengthen Forest Law Enforcement and Governance (FLEG), including the African FLEG process.

China's Imports of Illegal Wood

China is the largest importer of forest products in the world and its imports of forest products have tripled in less than a decade.[5,6] In 1998, China placed stringent restrictions on domestic logging, forcing the country to import a high percentage of its total wood consumption. Since then, China climbed six spots to become the top forest products importer, taking in 120 million cubic meters in 2004.[7] China is now the top importer of round logs and, in 2003, China's consumption of other wood products ranked second for industrial roundwood, second for wood-based panels, pulp, paper and paper boards, and fifth for sawnwood.[8] China depends on imports for over 40% of its total forest products consumption.[9]

China is undoubtedly importing significant quantities of illegal timber. As the American Forest & Paper Association describes in a recent report on illegal logging, **"China's sources for hardwood log imports reads like a 'Who's Who' of countries with problems with illegal logging."**[10] The report goes on to describe that the general response from Chinese importers when asked about illegal wood in their supply chain was that of indifference.[11] Following a customs data analysis, Forest Trends concludes that "trade statistics and reports on forest production and trade from exporting countries suggest that China is one of the major destinations for timber that is harvested unsustainably or illegally."[12] Considering China's current economic expansion, this trend may continue for years to come unless action is taken. Unfortunately, China has done very little to curb its rapacious demand for illegal forest products.

China's Failure to Act Against the Trade in Illegal Timber

The Environmental Investigation Agency has observed first-hand China's refusal to address its imports of illegal timber. In February 2005, EIA and the Indonesian organization Telapak released a groundbreaking report entitled, *"The Last Frontier: Illegal Logging in Papua and China's Massive Timber Theft,"* along with a video exposé. Resulting from two years of undercover investigations in Indonesia's Papua province and China, the report and video revealed, in vivid detail, a billion-dollar-a-year timber smuggling operation originating in the Asia-Pacific region's last substantial tracts of undisturbed tropical forest.

In response to the exposé, Indonesia's president and cabinet ordered a major crackdown on the massive illegal felling and smuggling of merbau—a valuable hardwood—from Papua to China. The Indonesian effort represents the largest crackdown on illegal logging in history, although EIA remains concerned that key timber elite were untouched by the effort.

China, on the other hand, has done nothing in response to the evidence included in *The Last Frontier*. Several Chinese government officials have stated that the government will investigate, but thus far their words have not been matched with action. In addition to broadly sharing the findings of the report, EIA has provided the relevant government agencies with information about the illegal and widespread use of false Certificates of Origin disguising Indonesian shipments as Malaysian. EIA

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[4] Seneca Creek Associates, LLC and Wood Resources International, LLC, *"Illegal" Logging and Global Wood Markets*, prepared for AF&PA, Nov. 2004, p ES–4.

[5] Sun, Katsigris and White, *Meeting China's demand for forest products: an overview of import trends, ports of entry, and supplying countries, with an emphasis on the Asia-Pacific region*, Forest Trends, January 2004.

[6] Forest Trends, *China's Forest Product Exports: overview of trends by segment and destinations*, 2005 (prepublication draft).

[7] *Ibid.*

[8] Sun, Wang and Gu, *A Brief Overview of China's Timber Market*, Forest Trends, January 2005.

[9] National Timber Distribution Association, *China Timber Information*, Issue 4, 2004.

[10] Seneca Creek Associates, LLC & Wood Resources International, LLC, *"Illegal" Logging and Global Wood Markets*, prepared for AF&PA, 2004, p 125.

[11] *Ibid*, p 139.

[12] Sun, Xiufang et al., *China's Forest Product Import Trends 1997–2002: analysis of customs data with emphasis on Asia-Pacific supplying countries*, Forest Trends, January 2004.

has even provided detailed information about specific suspect shipments. Despite overwhelming evidence and Indonesian requests for assistance, China has failed to respond.

Chinese lack of action against illegal timber imports is not new. Following the 2001 seizure of two Chinese-owned vessels carrying large amounts of illegal logs, China initiated a bilateral agreement with the government of Indonesia to eliminate illegal logging and timber trade. Three and one-half years later, China has undertaken no action to enact the commitments made in this Memorandum of Understanding (MOU) with Indonesia.

This refusal to staunch the flow of illicit timber from Indonesia is illustrative of China's failure to address illegal timber entering its borders from all over the world, including Africa. Chinese government officials have repeatedly stated that illegal logging is a problem that should be dealt with by the producer country rather than by Chinese action. In addition, China's participation in the international political processes designed to strengthen forest law enforcement and governance has been grudging at best.

China's Predatory Timber Trade from Africa

China's political and economic influence has been steadily increasing across Africa in recent decades, especially in nations rich in natural resources. From platinum in Zimbabwe[13] to oil in Sudan,[14] China has been partnering and investing in countries with minimal human rights standards to gain access to their abundant supply of resources. This trend extends to forest products.

The major timber exporting African states lie in the Congo River Basin and Ivory Coast regions of west/central Africa. In 2003–2004, these nations exported slightly less than a quarter of their total log harvest.[15] Due to colonial ties and geographic proximity, log exports from the region have historically gone to Europe, but China has increased its market share substantially in just the last five years. From 1998 to 2003, Chinese log imports have increased from 25% to 42% of all log exports from this region.[16] China's plywood industry is "totally dependent" on imported wood for plywood face veneers (e.g. okoume from West Africa),[17] and the country buys 22.5% of its hardwood log imports from Africa.[18] However, African exports make up a negligible part of Chinese sawn timber and plywood imports.[19]

China demands materials in their rawest form. China eliminated import tariffs on logs and sawn timber,[20] contributing to China's successful and dramatic increase in raw log imports.[21] This increase was despite many African nations' attempts to promote domestic value-added production in their timber sectors.[22] While, in aggregate, logs and lumber accounted for roughly 85% of the value of wood product exports from West/Central Africa in 2002, they accounted for an even higher percentage to China.[23] By demanding raw logs and timber, China is stripping the natural resources from this region at the absolute lowest cost. Africa is not benefiting from the jobs and higher prices that can be achieved from value-added processing.

Illegal Logging in Africa

Illegal logging is rife throughout Africa. Estimates of the illegal timber harvest for specific countries in the region hover at 50–60%.[24] AF&PA conservatively estimates that 30% of production in west/central Africa is conducted illegally, "however . . . because of the degree of uncertainty surrounding data on timber production in

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[13] Wines, Michael, "From Shoes to Aircraft to Investment, Zimbabwe Pursues a Made-in-China Future," *New York Times*, July 24, 2005.

[14] Rone, Jemera, *Sudan, Oil and Human Rights*, Human Rights Watch, 2003.

[15] International Tropical Timber Organization, *Annual Review and Assessment of the World Timber Situation* 2004, December 2004, document GI–7/04.

[16] Seneca Creek Associates, LLC and Wood Resources International, LLC, *"Illegal" Logging and Global Wood Markets*, prepared for AF&PA, Nov. 2004 pp. 91–92.

[17] *Ibid*, p. 131.

[18] *Ibid*, p. 133.

[19] *Ibid*, p. 94.

[20] *China Daily*, "Import Tariffs on Wood Products to Be Cut," February 19, 2002.

[21] Chunquan, Taylor and Guoqiang, *China's Wood Market, Trade and the Environment*, WWF International, Science Press USA, Inc. 2004.

[22] International Tropical Timber Organization, *Annual Review and Assessment of the World Timber Situation* 2004, December 2004, document GI–7/04, pp 15, 18 and 44.

[23] Seneca Creek Associates, LLC and Wood Resources International, LLC, *"Illegal" Logging and Global Wood Markets*, prepared for AF&PA, Nov. 2004, p. 94.

[24] *Ibid*, p. 96 (citing groups such as WWF, Friends of the Earth and Global Forest Watch).

this region, it is quite possible that the percentage of illegal logging could be higher than 30%."[25]

African governments lose millions of dollars in revenue every year due to illegal logging and poor regulation of production. The World Bank estimated in 2002 that the illegal timber trade costs Cameroon $5.3 million, Congo Brazzaville $4.2 million, Gabon $10.1 million and Ghana $37.5 million every year.[26] This is revenue that could be used to improve infrastructure, health care and education systems in some of the poorest countries on earth.

China is now **Gabon's** largest trading partner.[27] In 2003 Gabon supplied 40% of China's log imports from the west/central African region,[28] and China imported 46% of Gabon's total forest exports.[29] Gabonese law requires processing before export, yet China's demands are for raw logs. China's influence in the sector encourages "flagrant disregard for the law," and taxes are not paid on 60% of the area allocated as forest concessions.[30] National law states that failure to gain Ministry approval of a management plan for a forest concession within three years triggers forfeiture of the concession, yet only five of the more than 200 companies (representing 30% of concessions) in 2000 had even stated their intent to start writing a plan. Additionally, all five of these companies had already logged their concessions for more than three years.[31] The illegal timber exports to China have been estimated to be as high as 70% of total timber exports.[32]

China is a major market for logs from **Equatorial Guinea**, another country with significant illegal logging problems.[33] One company, Rimbunan Hijau's subsidiary Shimmer International, has close ties with the Minister of Forests and, along with its many subsidiaries and associated companies, is the dominant player in the logging sector.[34] Maximum allowable cut and concession sizes are largely ignored, and it is estimated that up to 90% of the total harvest going to China is illegal.[35]

Mozambique instituted a system of 'Simple License' forest concessions to support local businesses. The simple licenses are restricted to Mozambicans and are for a limited amount of timber. This system is being abused by Chinese middle-men who hire the local license holders to cut the timber and then funnel it through informal ports along the coast. This timber is then transferred to Chinese 'mothership' offshore. Local informants comment that 'the town is crawling with Chinese timber men,' particularly in the northern provinces of Cabo Delgado, Nampula and Zambezia.

The Centre pour Environnement et Developpement estimates that at least 50% of logging is illegal in **Cameroon**.[36] Friends of the Earth estimates that 96% of logging violations in Cameroon in 1992–1993 were followed by incomplete judicial procedures, and one in five cases in this time period were dropped after intervention by an "influential person."[37] Hong Kong-owned Vicwood Pacific Ltd. acquired the Cameroon subsidiaries of Thanry Group in 1997. As of 2002, Thanry was one of the principle loggers and international timber traders in the Congo River Basin and had established itself as a major violator of forestry laws and a creator of regional social unrest. Between 2000 and 2002, Thanry was fined over $1.3 million for what has been called 'anarchic logging,' including cutting undersized trees, logging outside

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[25] *Ibid*, p. 96.

[26] World Bank/WWF Alliance, *Forest Law Assessment in Selected African Countries*, SGS Trade Assurance Services, October 30, 2002.

[27] International Tropical Timber Organization, *Annual Review and Assessment of the World Timber Situation* 2004, December 2004, document GI–7/04.

[28] Seneca Creek Associates, LLC and Wood Resources International, LLC, *"Illegal" Logging and Global Wood Markets*, prepared for AF&PA, Nov. 2004, p 133.

[29] Toyne, O'Brien and Nelson, *The Timber Footprint of the G8 and China: making the case for green procurement by government*, WWF International, June 2002, p 31.

[30] Global Timber, *China: Illegal Imports and Exports*, compiled by James Hewitt, July 2002.

[31] Global Forest Watch, *A First Look at Logging in Gabon*, World Resources Institute, 2000 (as reported by Ed Matthew in *Briefing: European league table of imports of illegal tropical timber*, Friends of the Earth, August 2001).

[32] Global Timber, China: *Illegal Imports and Exports*, compiled by James Hewitt, July 2002.

[33] Seneca Creek Associates, LLC and Wood Resources International, LLC, *"Illegal" Logging and Global Wood Markets*, prepared for AF&PA, Nov. 2004, p. 92.

[34] Greenpeace, *The Untouchables: Rimbunan Hijau's world of forest crime & political patronage*, January 2004, p 11.

[35] Global Timber, *China: Illegal Imports and Exports*, Equatorial Guinea, compiled by James Hewitt, July 2002.

[36] Centre pour Environnement et Developpement, *Inside Cameroon* (as reported by Ed Matthew in *Briefing: European league table of imports of illegal tropical timber*, Friends of the Earth, August 2001).

[37] Matthew, Ed, *Briefing: European league table of imports of illegal tropical timber*, Friends of the Earth, August 2001.

legal boundaries, and logging in unallocated concessions.[38] The World Bank also discovered that the origin of many of Thanry's logs had been falsified so as to avoid Cameroon's export controls.[39]

China and African Conflict Timber

In recent decades, conflict timber[40] has been identified as a major problem in several African nations, and China seems to have few reservations about buying forest products whose sale promotes war and human rights' violations. Although much illegal logging in Africa could be considered conflict timber, the examples of Liberia and the Democratic Republic of the Congo strikingly exemplify the problem.

Rebel leader turned President Charles Taylor relied heavily on timber resources to support his own military efforts and to fund mercenaries in neighboring Sierra Leone and Cote d'Ivoire. Taylor gave Liberian timber companies, most importantly Oriental Timber Company (OTC), unrestricted access to the nation's forests. This included allowing OTC to set up its own militia that has been accused of intimidation and harassment of local communities.[41] Taylor used the revenue gained from the sale of the timber to buy arms for troops, support foreign mercenaries, create enormous personal wealth and support the personal security forces that were essential to his power. The timber transport vessels were also used to traffic arms throughout the region.[42]

China rapidly increased its log imports from Liberia and, by 2001, was Liberia's largest buyer of wood products. That year, China imported $42 million worth of logs (58% of the country's total exports),[43] most of which came from OTC through Chinese importer Global Star Tradings.[44] Global Star is part of the Indonesian Djan Djajanti group that was founded by Chinese businessman Burhan Uray and has significant investments in China.[45] Both OTC and Global Star were directly linked to Global Timber Corporation, based in Penglai, China and with very close ties to the Chinese government. Global Timber was a major processor of Liberian wood exports and has a long-term agreement to import from OTC.[46] The process is summarized in a report commissioned by USAID: "harvested timber is transported to Liberian ports where it is bartered to Chinese and other trading partners either directly in exchange for weapons and munitions needed by Taylor to carry on his wars, or is sold to raise funds to achieve the same end."[47]

On May 6, 2003, the UN Security Council imposed an embargo on Liberian timber products. China had imported 365,000 m3 of logs from Liberia in 2003 before the sanction, but log imports plunged to 30,000 m3 in the second half of 2003, and China does not appear to have imported Liberian logs during the first half of 2004.[48]

In over four and a half years of civil war in the **Democratic Republic of the Congo** (DRC), between three and five million people have been killed. Throughout the war, DARA Forest company consistently exported timber from DRC without any certification procedure. DARA Forest is a subsidiary of DARA Great Lakes Industries which is partners with several international firms, including Shanton President Wood Supply Co. Ltd. based in China. Together with a Thai firm, SPWSC brokered a deal to export 30% of DARA Forest wood to the Far East, including China, Japan and Singapore.[49]

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[38] Greenpeace, *Vicwood-Thanry: destroying Cameroon's ancient forests*, April 2002.
[39] World Bank Group, *Internal Report*, October 2000, p 14–29.
[40] Global Witness defines conflict timber as "timber that has been traded at some point in the chain of custody by arms groups . . . involved in armed conflict, either to perpetuate conflict or take advantage of conflict situations for personal gain," from: *http://www.globalwitness.org/campaigns/forests/*
[41] Global Witness, *Logging Off: how the Liberian timber industry fuels Liberia's humanitarian disaster and threatens Sierra Leone*, Global Witness Publishing Inc., September 2002.
[42] Global Witness website: *www.globalwitness.org/campaigns/forests/liberia*
[43] Global Witness, *Logging Off: how the Liberian timber industry fuels Liberia's humanitarian disaster and threatens Sierra Leone*, Global Witness Publishing Inc., September 2002.
[44] Global Witness, *Liberia: Back to the Future*, Global Witness Publishing Inc., May 2004.
[45] United Nations, *UN Panel of Experts on Liberia* report, S/2001/1015.
[46] Global Witness, *The Usual Suspects: Liberia's weapons and mercenaries in Cote d'Ivoire and Sierra Leone*, Global Witness Publishing Inc., March 2003.
[47] Baker, Murl et al., *Conflict Timber: dimensions of the problem in Asia and Africa*, vol. 3 African Cases, report by ARD, Inc. submitted to USAID, 2004.
[48] Seneca Creek Associates, LLC and Wood Resources International, LLC, *"Illegal" Logging and Global Wood Markets*, prepared for AF&PA, Nov. 2004.
[49] *Report of the Panel of Experts on the Illegal Exploitation of Natural Resources and Other Forms of Wealth of DR Congo Source*, report submitted to the UN Security Council, April 2001.

United States Involvement in this Trade

The trail of the illegal timber trade does not end in China. At least one-half of all timber imports into China are processed and then exported as finished products.[50] The United States is the largest market for China's forest product exports and currently there is no process in place to ensure that only legal timber is being exported to the United States. Thus, it is clear that wood products manufactured in China from illegal timber are coming into the United States in great volume.

Illegal African timber processed in China may end up in a range of products sold in the United States, from hardwood flooring to child's toys, but two significant markets are wooden furniture and plywood. Furniture is America's largest import commodity and China is by far our largest supplier.[51] In 2004, more than 40% of China's total wood imports went into the furniture manufacturing industry.[52] China has also become the world's second largest plywood producer and is the US sixth-largest hardwood plywood supplier.[53] Much of China's hardwood plywood is made from imported tropical species such as okoume. Okoume only naturally occurs in Gabon and Congo (Brazzaville), two states with significant problems with illegal logging. Using Port Import Export Research Service data, EIA identified over 1200 shipments from China of plywood labeled as okoume in an 18 month period ending in February 2005.

Recommendations

In closing, Mr. Chairman, EIA recommends congressional action be taken to encourage meaningful progress in addressing China's booming imports of illegal logs and timber. Given that the United States imports substantial wood products produced in China from such illicit timber, Congress should:

- Give priority to enacting G8 commitments to end imports of illegally logged timber and wood products by closing the existing loophole in the Lacey Act. The Lacey Act bans import of wildlife products taken in violation of the laws of a foreign country but needs to be amended to also cover foreign illegally sourced timber and wood products.
- Encourage the Chinese Government to enact comparable measures to stop the import of illegal logs and timber to align itself with the G8 commitment.
- Promote a bilateral agreement with China to coordinate measures to eliminate the flow of illegally logged products into and between the two countries and encourage cooperative enforcement arrangements within such an agreement.
- Designate illegal logging and the associated timber trade as an offence under existing money laundering laws to criminalize the money flows from this illicit trade, thereby empowering enforcement authorities to target key offenders importing and trading in such timber and products. The United States would simply need to add illegal logging to its list of activities covered by its anti-money laundering legislation. Exemplary prosecutions of illegal timber barons would send a significant message to this illicit industry.

Thank you.

Mr. SMITH. Thank you very much for your testimony and for your excellent work. If you could provide the Subcommittee a further expansion on your thoughts with regards to amending existing law, and with the Lacy Act as you mentioned a moment ago, that is something that I would be very interested in following up on.

I would ask our other panelists if they have any thoughts on the illegal logging issue, and I think it is accurate what Mr. Thornton just said, that many of these products are being bought unwittingly and ending up in U.S. homes.

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[50] Jintao Xu and A. White, *Understanding the Chinese Forest Market and its Global Implications*, International Forestry Review, 2004, vol. 6(3–4), p ii. (The percentage may actually be much higher: see Forest Trends, *China's Forest Product Exports: overview of trends by segment and destinations* (pre-publication draft).

[51] Port Import Export Research Service, *Trade Update* email, April 2005.

[52] Illegal Logging: calls to give it the chop, *Straits Times* (Singapore), May 14, 2005.

[53] Dave Rogoway, President of the *Engineered Wood Association* in a statement to the *Forest Products Society* annual meeting, June 22, 2003.

We need to know that and we need to do something about it. It reminds me of something that we still have not gotten a hold on in China, and that is Guoji-made goods. We have a memorandum of understanding with the People's Republic of China that, as Commissioner Bartholomew knows with her work with Nancy Posey all those years, and as I have raised it many times with the Clinton Administration, with Bush I, and now Bush II, it is not worth the paper that it is printed on.

If we want to take some action against the import of slave-made goods in China, we have got to tell them what we think is happening. Then they investigate it, get back to us 60 days later, and then there may or may not be something that is done.

It is a Swiss cheese-type of MOU, and it seems to be that we need to be looking at this other tightening as well, especially since it is leading to deforestation and a lot of other problems in Africa. Mr. Thornton, if you would respond to that in a moment. You heard Ambassador Ranneberger's response to my questions, and I quoted from your testimony.

Are you satisfied that the Administration is doing enough on this issue?

Mr. THORNTON. I believe the Ambassador probably didn't have sufficient information immediately in-hand to answer the question as fully as he probably would have liked. I believe there is a much greater opportunity to ratchet up the activity that could be taken to progress this issue and the most immediate, obvious, and easy thing that could be done would be to close the loophole in the Lacy Act.

And I believe you will find that there is quite a strong consensus. It is not just the environmentalists that would like to see this. We believe the leading U.S. timber associations are also quite receptive to this.

And the American Forest Paper Association, which represents most of America's leading timber producers, has produced a study which is quite comprehensive, and reflects many of the findings that we have made.

They do show that in eight foreign markets, the U.S., because of illegal logging and the easy availability of these products, that U.S. producers are losing something on the order of $450 million a year in sales to those countries.

And also due to the devaluation of timber products worldwide and the widespread abundance of illegally-logged timber, prices are actually deflated about 7 to 16 percent, and that, roughly, is losing American producers around another $500–700 million.

So the industry has estimated that it is losing already a billion dollars a year, and so I think that this would be something that would give a huge incentive to the Chinese and send a major signal to the market that the G-8 commitments will be enacted, and that is something that could be done relatively promptly, the same as amending money laundering laws, which probably could just be done by administrative regulation. It does not require, I don't believe, any new legislation as such. So the laws are already there, and they just need to have this added as an offense.

And the U.S. is particularly good at this kind of enforcement in targeting money flows, and of course has a very professional and

excellent service in the enforcement authorities that could progress it.

Mr. SMITH. I think that your testimony on the intervention is very timely, and we will follow up. I will follow up personally, and I do thank you. What are your views on that, Dr. Wilson?

Mr. WILSON. Again, Mr. Chairman, that is not an area of expertise that I really have. I would defer to my colleagues on the environmental issues.

Mr. SMITH. Ms. Bartholomew.

Ms. BARTHOLOMEW. Mr. Chairman, I was just looking at the mandate of the commission to see if there is any way that we can start talking about environmental issues, and perhaps we have to talk with your Committee about possibly adding some issues, and the way that they could connect with the mandate. I was certainly unaware of the extent of the illegal logging trade, and it obviously has consequences.

Mr. SMITH. Thank you. Let me ask a question of Dr. Wilson. You mentioned the importance of listening to Africans as to their view on the Chinese, and I know that the Chinese textile tsunami certainly has cost African textile workers thousands of jobs.

When you add that with the devaluation of the Chinese currency, it seems to be making matters worse, as you point out. What is the feedback, not from the governments and all the diplomatic niceties that we all hear when we talk to governments, but from the Africans themselves?

There seems to be the idea that trade is not panning out for these textile workers, and it is reminiscent of what we have seen in our own country. With some of our agreements with NTR, NAFTA, textile workers very often are the ones who take it on the chin.

Mr. WILSON. I think that is an excellent question, Mr. Chairman. If one looks at the press coming out of Southern Africa, and not just South Africa, but also Lesotho and other countries in the region, such as Botswana, it is hitting the average African worker very, very hard.

As you know, we passed the AGOA Act, which was very, very positive for Africa. The Africans understood, both the unionists and the owners of companies, as well as the government, that they were going to have to respond to the elimination of the MFA Agreement and have to compete with China.

I think what no one anticipated was the 20 to 40 percent undervaluation of the Chinese currency. So when you add those two things together, it has really been a double whammy.

And I do think that—and I know that the Administration has proposed $200 million extra to help African nations adjust to this challenge, but I think what is really sad and sort of shocking is that in the press, and in talking to the people from Africa, we see that the devastation that has hit small businessmen, as well as larger businessmen, and in cooperation with foreign investors, means their hopes are being drowned by all these textiles coming in.

I am not sure what the solution is. Probably one of the solutions is to have the Chinese currency revalued in a proper way, but that is a hard nut to crack, but there might be other things that could

be done to affect, as you point out, the average man on the street, who has been badly hit by these activities.

Mr. SMITH. Yes, Commissioner Bartholomew.

Ms. BARTHOLOMEW. Mr. Chairman, I have one thing, which is that somebody sent me an e-mail, or I wouldn't be looking at the Blackberry right now, but that according to *E-African*, which was published in South Africa in February 2005, African States must band together if they are to resist what some see as a new form of colonialism, and that is why China's growing manufacturing policy is a direct threat to Africa.

So the threat, of course, is not only the ability of African companies to export and get some export-led growth, but also their ability to manufacture for domestic consumption, because they are being drowned by cheap textiles that are coming in. Thank you.

Mr. SMITH. Let me ask you a similar, but not exact question. Is there any resentment among the African countries that it is deja vu all over again, as you pointed out, Dr. Wilson? In a way the Chinese are learning from some of our multinationals that when you have all of these large mineral deposits and oil, diamonds, platinum and the like, they come in and pay a very, very small amount of money in the form of bribes to government officials and others, and then they fleece the nation.

It seems like the Chinese not only learned from that, they are doing it, especially in Zimbabwe. This platinum deal, although we don't know the full extent of it, seems to be another installment of that sorry book. What is your sense on that?

Do any of the other governments say, "Time out, we are not getting our fair share, and if we are going to do business with China as equals and you are going to take some mineral wealth, then you are going to pay a fair price for it."?

Mr. WILSON. Mr. Chairman, I think, again, a very good question, and in reading the African press over a period of time, there have been claims that this is sort of a new colonialism, or the new imperialism coming in from the East this time rather than from the West.

I think part of what is going on is that China itself, and I see this in my visits and in talking with officials in China, in Beijing, is that their policy has been driven by ideology in the past; anti-Western, pro-Third World kind of justification.

And what they are doing now is that they are playing in a very different league. They are playing in a more market-oriented, and not a Maoist-oriented, kind of framework. And I don't want to be patronizing about this, but my hunch is that they have not quite figured out that this is not the 19th century, or the early 20th century, or even the middle 20th century.

And it is simply unacceptable in the international arena to do the kinds of things that we are seeing in Angola, or in other countries in Africa. But I tend to be an eternal optimist about this, and I think that people do learn.

My hunch is that the Chinese will eventually learn that it is not in their long-term interests to have a lack of conditionality with their foreign investment, and so I think that with pressure from the United States, and as importantly with pressure from the Afri-

cans, perhaps from the AU, that one can move in a more positive direction.

I think the Ambassador said in his testimony that the Chinese are not very good at capacity building. The United States is the best in the world at capacity building. So I think one of the things that we can do through our aid programs and other bilateral programs is to emphasize that issue of capacity building, because that is something that we do better than the Chinese.

But again I would return to my recommendation, that these are issues that need to be worked out, I think, in a principled way, and a set of bilateral discussions with the Chinese, but also between the Americans and African Governments and institutions, to figure out what we can do together, Mr. Chairman.

Mr. SMITH. Commissioner.

Ms. BARTHOLOMEW. Mr. Chairman, it is wonderful to hear Dr. Wilson's optimism. But I am afraid I am a little bit more pessimistic on some of these issues. One of these, of course, is market orientation, and it is kind of a skewed description when you talk about resource companies that are almost wholly-owned by the Chinese State Government, and the deep pockets that they can go into, and the other agendas that they have going on.

But I think one of my questions always is: What incentive does the Chinese Government have to embrace some of these trends that we are talking about, and to promote increased transparency, accountability, and anti-corruption, when we know that those are all problems, vis a vis, the Chinese Government itself in China? And I think that will probably be the trick, which is: How do we encourage them to embrace, in Third Counties, actions, activities, priorities, and values that they are not embracing, themselves, at home?

Mr. SMITH. Commissioner Bartholomew, unfortunately there is another series of votes on, and so for any additional questions from either myself or my colleagues, we will submit them and ask you to get back to us. Regarding the killing fields in Sudan, the South, and now the ongoing killing in Darfur, including the complicity of the Chinese, is that understood and recognized in Africa by other countries in Africa, and by the AU, for example?

We all know that would have spent itself through lack of resources a long time ago had it not been for the Chinese infusion of weapons, and obviously they received oil in exchange. What is your sense on that?

Ms. BARTHOLOMEW. Chairman Smith, I would have to say that we would have to do a little bit of digging, because I actually don't have an answer for you on how much China's role is actively acknowledged and recognized, but we can certainly get back to you on that. I don't know if Dr. Wilson has any information on that.

Mr. WILSON. As someone said earlier about the pressures that are put on other countries bilaterally, I think that there is some evidence that the Chinese are leaning on the folks that they have trade deals with.

And I think it goes back to the broader issue that we need to do a slightly better job of listening to what the Africans on the ground are saying about these kinds of things, because my hunch is that

they would be very close to the American position rather than close to the Chinese position.

Mr. SMITH. Are they likely to get the unvarnished truth given the fact that a country like Sudan, or Mogabi's Zimbabwe, so censor the press?

Mr. WILSON. Well, I think in places like Angola, and in Zimbabwe, it is going to be tough, but those places have been dictatorships for years now, and I think the challenge is for us to look in the long term, and engage with the other countries, and say here is the reality on the ground in Sudan and in Zimbabwe, and I think that plays to American strengths as well.

Ms. BARTHOLOMEW. Mr. Chairman, finally, it is interesting because the challenge means that we, this Government here, also has to embrace the reality of what is going on there on the ground and acknowledge that, and then we can move forward and talk about it elsewhere to make sure that people have access to information.

Mr. SMITH. Thank you. I do have other questions, and you have been very generous with your time, but I have 3 minutes to get to the vote on the Floor. I want to thank you so much for your expertise, your wisdom, your counsel, and your advice.

It is so helpful, not just for us, but for the Administration as well, and we will follow up on your recommendations. Thank you.

The hearing is adjourned, and I do have to run. Thank you.

[Whereupon, at 5:40 p.m., the Subcommittee was adjourned.]

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