CHINAS ROLE ON THE INTERNATIONAL MARKETS FOR NATURAL RESOURCES:

IMPLICATIONS FOR SUSTAINABILITY AND GROWTH IN LESS DEVELOPED COUNTRIES

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Abstract

While the old economic powers of the West are threatened by low growth rates, high unemployment and an overwhelming bureaucracy the new powers in South and East Asia are developing very dynamically. Especially the Peoples Republic of China seems to become the most developing market in the Asian region. In this way Chinas "hunger" for natural resources is growing fast, too. For the Chinese leaders the provision of the country with natural resources like energy, metals, minerals, etc. is on the top of the agenda. The Chinese strategy to ensure the provision of the country with gas, oil, metals, etc. has provoked much debate and discussion in the last years. China is acting politically as well as economically actively in Central Asia and in Africa. Much comments on China in Africa focus on denouncing China for bad practices. But it must be mentioned that China uses only an economic and political niche in the international competition for natural resources.

1. Introduction

While the old economic powers of the West – the U.S. as well as the old EU countries – are threatened by low growth rates, high unemployment and an overwhelming bureaucracy the new powers in South and East Asia are developing very dynamically. Especially the Peoples Republic of China seems to become the most developing market in the Asian region – or maybe in the world. Therefore Chinas "hunger" for natural resources is growing fast, too. For the Chinese leaders the provision of the country with natural resources like energy, metals, minerals, etc. is on the top of the agenda. As one result in the last years, Western producers as well as consumers realized growing prices on the international markets for natural resources.

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The Chinese strategy to ensure the provision of the country with gas, oil, metals, etc. has provoked much debate and discussion in the last years. China is acting politically as well as economically actively in Central Asia and in Africa. For instance, via the Shanghai Cooperation Organization China opened access to the natural resources like oil and gas from Central Asia. The year 2006 - the 50th anniversary of the establishment of the first diplomatic relations between China and several African countries - saw an increased focus on the relationship between China and its African partners. Much comments on China in Africa focus on denouncing China for bad practices. But it must be mentioned that China uses only an economic and political niche in the international competition for natural resources. In this paper the strategy of China to ensure the provision of the country with natural resources will be analyzed relative to the African case. Main focus is on the question which implication this strategy and the Chinese practices have for sustainable development and economic growth in this region.

2. China's need for resource imports and Africa's Riches

For the past decade, the Chinese economy has been expanding by a nearly double-digit annual growth rate. But this growth requires enormous resources, especially metals and energy. While the domestic energy demand in China is rising continuously, domestic petroleum production was declining in the same period. Additionally, the Chinese coal output is insufficient. (Brookes and Shin 2007: 2) In this way, between 2000 and 2004 China was responsible for 40 percent of the global increase in world oil demand. In 2004 China has become the world's second large oil consumer after the U.S. (Modi 2007: 40) And displaced the U.S. as the world's leading consumer of most industrial metals in the same year. (Hale 2006: 13) Chinese oil consumption is expected to increase by 10 percent a year. Additionally, Chinese oil and gas imports are forecast to rise from present 33 percent in 2006 to 60 percent in 2020. Hence Beijing is spurred to pursue stable overseas sources of hydrocarbon fuels. In this way Beijing has focused on African nations. As estimated, around 25 percent of the current Chinese total oil imports come from Africa. (Brookes and Shin 2007: 2)

The African continent provides attractive opportunities for China because of undeveloped and even undiscovered recourses in countries where Western states and multinational corporations hesitate to engage and invest. (Pehnelt 2007: 8) The exchange of goods between China and Africa has quintupled between 2000 and 2005. Nowadays, China is Africa's third most important trading partner, ahead of the United Kingdom and behind the U.S. and France. (Frynas and Paulo 2007: 231) However, also every industrialized country has markedly increased its trade with Africa especially with oil and gas purchases, since 2001.

(de Lorenzo 2007) China now accounts for 68 percent of Sudan's exports, 36 percent of Angola's, 32 percent of Burkina Faso's, 28 percent of the Congo Republic, 20 percent of Chad, and 9 percent of South Africa's. (Hale 2006: 16) In 2010 at latest, China is expected to be the African top trading partner. Natural resources, indeed, play the main role. Already now, China imports 30 percent of its oil from Africa, mostly from Angola, Sudan and Nigeria. Cameroon and Congo are exporters of wood, while Ghana, Namibia and Zambia supply non-ferrous base metals, which are very important raw materials for China's booming industrial sector. In all cases the exports involve only very limited processing within the African export nations with the only exception of steel exports from South Africa. The only other product China imports significantly from African states is cotton from Cameroon, Sudan and Tanzania. In contrast, all the exports from China to Africa are of manufactured goods. (Jenkins and Edwards 2006: 213-216) In this way economic growth in Africa is estimated to have risen by one or two percent thanks to support from China. (Fues et al. 2006: 1)

Table 1: Projections for China's Commodity Import Demand

		Annual Demand		**2006 – 2020,change**	
Commodity	**Unit**	**Latest**	**2020**	**Total**	**Avg. p.a.**
Iron ore	m tones	148	710	380%	10%
Oil	m tones	91	1,860	1,940%	20%
Soy	m tones	26	50	80%	4%
Coal	m tones	11	810	7,400%	20%
Copper	m tones	3	20	600%	10%
Manganese	m tones	3	13	360%	10%
Meat	m tones	0.3	4	1,260%	20%
Wood	m cubic meters	34	150	330%	10%

Source: Naidu and Davies 2006: 72.

3. China – Africa – Cooperation
3.1 Political framework of cooperation

China's interest in Africa isn't new. But while in the 1960s and 1970s Beijing's interest centered on building ideological solidarity with other less developed countries to advance Chinese-style communism, following the Cold War Chinese interests turned into trade-oriented aspects. (Brookes and Shin 2006: 1) Nowadays, there are three main components of China's economic engagement in Africa: trade, investment and aid. (de Lorenzo 2007) But within the trade topic natural resources are the driving factor. However,it is very difficult to distinguish China's engagement in Africa in the fields of development on the one side and of trade, investment, credit and culture on the other side. The Chinese government is not familiar with the Western notion of development policy as an independent policy field. In contrast Beijing pursues an integrated, coherent approach which bundles different instruments involved, adapting them to the special conditions and needs of given partner countries. (Fues et al. 2006: 3) For China, energy security seems to be the main motive for its involvement in Africa, but it is not the only one. Economically, the Chinese search for a market for its goods must be mentioned. Diplomatically, China seeks African support for its status as key power in world affairs. (Frynas and Paulo 2007: 238) Additionally, China's political as well as economic cooperation with Africa also reflects Beijing's global quest to isolate Taiwan diplomatically. In this context it must be mentioned that seven of the 26 states that have diplomatic relations with the Republic of China are African. (Brookes and Shin 2006: 2) There are also economic reasons for Beijing's active policy in Africa. The Chinese government provides financial support to Chinas national oil and gas companies for at least two reasons: First, there is a widespread perception in Beijing that Chinese companies are handicapped in the global competition for oil, gas and other natural resources because they are late-comer in this business. For instance, China's oil corporations have been active abroad since the early 1990s, while some international companies have been operating since more than a century. Second, the sustained rise in world oil and gas prices since 2002 has shifted bargaining power away from international companies to ward the oil-producing countries. (Downs 2007: 51-52)

Because China does not participate in the statistical reporting procedures by the OECD there are no systematic, internationally comparable data available on China's aid to African countries. But according to Chinese sources, Beijing has already granted 31 African countries dept relief amounting for a total of $1.3 billion. Additionally, China lifted import tariffs on 190 goods from 29 low-income countries in Africa in 2005. The Chinese run African Human Resources Development Foundation has trained 16,000 African specialists in the course between 2000 and 2005. (Fues et al. 2006: 3) Combining aid, loan and investment quests China established an institution for its dialogue with Africa, the China Africa Cooperation Forum (FOCAC). The FOCAC meets every three years, and has been held first in 2000 to promote stronger trade and investment relations between China and its African "partners" in both the government as well as the private sector. (Brookes and Shin 2006: 5) At the 2003 Addis Ababa China Africa Forum meeting Beijing presented the Addis Ababa Action Plan, characterized by the establishment of the Africa Human Resource Development Fund which should train 10,000 Africans in administration and good governance by 2006. (Gu 2006: 71) In 2005 the Chinese government announced the concept of a "harmonious world" including fife guidelines of China's external relations. These "Fife Principles of Peaceful Coexistence" have been applied first in a

Sino-Indian cooperation agreement in 1954 and are basic foundation of Sino-African relations nowadays. The principles are:

1. Mutual noninterference in internal affairs.
2. Mutual respect for territorial integrity and sovereignty.
3. Mutual nonaggression.
4. Equality and mutual benefit.
5. Peaceful Coexistence. (Fues et al. 2006: 2)

At the 2006 China Africa Cooperation Forum, China pledged $3 billion in preferential loans and $2 in export credits to African states over the next tree years. Additionally, China established the China-Africa Joint Chamber of Commerce. (Gill and Reilly 2007: 39-40) Additionally, China announced its intention to:

- double aid to Africa by 2009,
- provide concessional credits to Africa totaling $5 billion by 2009,
- establish a fund to support Chinese investments in Africa ($5 billion),
- lift tariffs on 440 goods from less developed countries,
- implement different single measures in the fields of qualification of workers, hospitals and schools. (Fues 2006: 3)

As some observers point out, "the Chinese government has combined its efforts to secure exclusive access to African natural resources with an aggressive political campaign to integrate itself with Africa's tyrants and despots." (Brookes and Shin, 2006, p. 2) Or, as the Chinese Deputy Foreign Minister Zhou Wenzhong has emphasized relative to the crisis in Darfur: "Business is business. We try to separate politics from business. Secondly, I think the internal situation in the Sudan is an internal affair, and we are not in a position to impose upon them." (French 2004: A12) Additionally, by its cooperation policy the Chinese government actively advocates a Chinese-style economic development model to Africa. This model is characterized by a restricted market system constrained by overarching priority of maintaining a single party as well as a totalitarian government. This system seems to be more attractive for many authoritarian regimes on the African continent than the Western-style free-market and democracy approach. (Brookes and Shin 2006: 6)

Whether these practices will entail risks for Africa's long-term development perspectives as well as for regional efforts in the areas of human rights, democracy, and sustainability, is very questionable. For instance, political controversial has been China's aid to Zimbabwe, a country run down by its dictator Mugabe since decades. Here China supplies Zimbabwe with expertise, technical assistance, and agricultural equipment, including tractors, and agro-processing. A Chinese state-owned company has been contracted to farm 250,000 acres in southern Zimbabwe. Observers believe that the project will yield 2.1 million tons of corn every year. Of course, Beijing is supporting Harare because of Zimbabwe's natural resources. (Eisenman 2005) But also Beijing has learned that business and policy cannot be divided. Especially Beijings involvement in Sudan as well as in Zimbabwe has curtailed the reputation of the Chinese government in the international community. For instance, in the March 2007 U.S. – China subdialogue the Chinese side acknowledged the need for the international community to step up efforts in leveraging their respective influence on Darfur. (Gill et al. 2007: 14)

3.2 Chinese investments in Africa

China's active role in Africa relative to aid, loans and diplomacy have to be seen in the light of its investment structure on this continent. In total, more than 700 Chinese companies – mostly affiliates of state-owned enterprises in China - are involved in cooperation projects in Africa. Main focus is the capital-intensive resource extraction sector (such as oil and gas), accompanied by the construction sector. (Gill and Reilly 2007: 40) The reason for Chinese investment in Africa can be manifested by the important oil sector. Africa is one of the most promising regions of the world for oil production in the future. China began its investments in this region at a time when other countries were reasserting state control over their oil industries while African oil producers have been open to foreign investment in exploration and production. In this context it must be pointed out that three quarters of the world's oil reserves are closed to foreign investment. (Downs 2007: 45) China had to find a niche in the international oil market, regions, countries and political regimes, not dominated or restricted by other international powers. This can be shown by a few examples: Sudan, Angola and Nigeria.

Sudan, which supplies 7 percent of China's total oil imports has benefited from Chinese investments since 1995. When China National Petroleum Corporation (CNPC) entered Sudan the corporation took advantage of the dearth of competition from other oil companies due to Sudan's North-South civil war. (Downs 2007: 58) Nowadays, CNPC is the single largest shareholder in the Sudanese Greater Nile Petroleum Operating Company with 40 percent. This corporation controls Sudan's oil fields and has invested \$3 billion in refinery and pipeline construction. (Brookes and Shin 2006: 3) Another large state-owned oil company from China, Sinopec, is constructing a 1,500-kilometer pipeline to Port Sudan on the Red Sea, where China's Petroleum Engineering Construction Group is building a tanker terminal. At all, 13 of the 15 largest foreign companies in Sudan – mainly in the resource sector – are Chinese. For the country at all, this is very advantageous. While Sudan was an oil importer before Chinese firms arrived, now the country earns some \$2 billion in oil exports a year. (Gill and Reilly 2007: 40) Nowadays, oil accounts for 99 percent of Sudan’s exports while China accounts for 65 percent of total Sudanese exports. (Modi 2007: 40)

Angola has been described as a country that has moved from “Afro-Stalinism” to Petro-diamond capitalism”. But Angola is also a state where corruption and patronage reign supreme. Currently, Angola is China’s second large trading partner in Africa. (Taylor 2006: 946) In 2004, Beijing extended a $2 billion loan to Angola in exchange for a contract to supply 10,000 barrels of crude oil a day. As the agreement mentions the loan will be heavily reinvested in infrastructure construction while 70 percent of the money will go to Chinese companies and 30 percent to local subcontractors. (Brookes and Shin 2006: 3) The loan should help to reconstruct Angola’s war-ravaged economy. Angola will repay the debt through the export of oil, only. In March 2006, China and Angola signed additional nine cooperation agreements including the development of oil and natural gas, financial aid, and infrastructure development like modernization of telecommunications. China also agreed to provide Angola with more development aid funds worth about $6.3 million in interest free loans. In this way, nowadays China is Angola’s largest export market after the U.S. And oil is Angola’s sole export. (Modi 2007: 40)

In 2005, Petro China concluded an $800 million deal with the Nigerian National Petroleum Corporation. 30,000 barrels of oil per day should be provided for one year. And in 2006, China National Offshore Oil Cooperation (CNOOC) purchased a 45 percent stake in a Nigerian offshore oil and gas field for $2.27 billion, after failing to acquire the American Unocal. Additionally, the cooperation promised to invest additional $2.25 billion in field development. (Brookes and Shin 2006: 3) As one can imagine, at the moment African output of China’s oil companies is concentrated in Sudan, but will diversify when the two large projects in Nigeria and Angola will begin to produce. (Downs 2007: 45)

According to the Chinese investment in the African oil sector it must be emphasized that China’s oil companies are relative small players. Indeed, China Petroleum Corporation (CNPC) dominates the whole oil sector in Sudan. But in the rest of Africa Chinese oil companies are minor actors among the foreign investors, including Libya, Nigeria, Algeria, and Angola. With the exception of three projects in Africa (Heglig and Unity fields, Sudan; Akpo field, Nigeria; Greater Plutonio field, Angola) most of the African assets held by Chinese oil companies are of a size and quality of little interest to international oil companies. For instance, the commercial value of the Chinese oil investment in Africa amounts for 8 percent of the combined commercial value of the international investments in African oil and only 3 percent of all companies invested in African oil. (Downs 2007: 44)

Additionally, Chinese firms are engaged in the African mining sector. For instance, Chinese investments in Zimbabwe concentrate on the country's vast mineral and precious metal deposits. Zimbabwe owns the world second largest deposits of platinum. Additionally, the country has deposits of more than 40 minerals including ferrochrome, gold, silver, and copper. Because of the country's inability to unearth these assets due to the nation's vast poverty and estrangement from Western countries the Chinese investments have been welcome. (Eisenman 2005) In Zambia, the dormant Chambishi Copper Mine, which was closed in 1998, was resurrected by a Chinese company that brought in investment and management. By 2006, the mine was producing 50,000 tones of copper. China has invested nearly $170 million in Zambia's mining sector as well as in other industries. (Naidu and Davies 2006: 78) As one can imagine, also in this case Chinese corporations used a niche in the international competition for natural resources. All these investments in natural resources are accompanied by Chinese activities in the manufacturing, transportation, electrical, textile, and communication sectors in Africa. For instance, Chinese firms are building the Merowe Dam in Sudan, worth $650 million. (Gill and Reilly 2007: 41)

Table 2: Overview on Chinese Investment in Africa

Year	**Country**	**Major Projects**
Since 1996	Sudan	Oil exploration (CNPC), production, and transport (Sinopec)
Since 1997	Zambia	Textile mill, mines (e.g. Chambishi Copper Mine), manufacturing projects, construction companies and agriculture
2004	Mauritania	Oil and gas exploration (CNPC)
2004	Angola	Oil exploration (Sinopec)
2004	Gabon	Offshore oil fields (Sinopec)
2006	Equatorial-Guinea	Production sharing contract (CNOOC)
2006	Nigeria	45% stake in oil and gas field (CNOOC)

Source: Naidu and Davies (2007): 74.

The extent to which Chinese involvement in the African natural resource patch has contributed to an erosion of the "rules of the game" relative to foreign investment, foreign aid and human rights may be exaggerated in some cases. Additionally, it must be pointed out that these rules are established by Western governments as well as Western-run international financial institutions (e.g. IMF, World Bank), not by the Africans themselves. (Downs 2007: 43) Another question is how far the Chinese investment in Africa in general and in oil sector in particular is coherent and centrally planned by the Chinese government. On the one hand, Beijing has certainly encouraged Chinese companies to expand internationally. Additionally, it has improved the market access for these companies in Africa by an accompanying trade, loan and aid policy. Occasionally the government in Beijing intervened in the companies’ foreign investment decision making. But on the other hand, when it comes to choosing where to invest, the companies are almost the driver themselves. This became possible by the shift of power in the Chinese energy sector in the last decades. Nowadays, after the transformation of the Chinese economy into something like a “Socialist Market Economy” private-run companies exist and state-run companies are not directly dependent from the central government. In this way, the prevailing wisdom among many Western observers that Chinese investments in Africa are part of a highly coordinated quest for oil and gas assets in which the companies are only puppets of the central government in Beijing must be rejected. Additionally, it must be mentioned that Chinese observers see chaos generated from the “bottom-up”. (Downs 2007: 48-49) However, for the African nations it isn’t interesting whether the Chinese involvement in Africa is centrally driven or from the bottom-up generated chaos. So first, it must be asked for the implications of this process for the development of these undeveloped countries.

3.3 Implications of Chinese activities for the LDCs in Africa

Africa’s oil, gas, and other natural resources are the only outstanding exceptions to the perceived insignificance of Africa as political and economic partner in the world. Without these resources no Western government or observer would mention the Chinese activities. But, for instance, the U.S. will soon depend on Africa for a quarter of its total crude oil imports. As result, in a world where both developed as well as less developed countries require huge quantities of resources, especially oil and gas, Africa has once again become strategic for the major actors in the international system. And there is little doubt that access to the natural resources in Africa is an important consideration in China’s active role in this region. (Frynas and Paulo 2007: 229, 236) The implications of this process for sustainability and growth in Africa can be divided into political and economic ones:

From a political point of view the implications of China’s involvement in Africa are controversial among Western and Chinese observers. As already mentioned, one main aspect problematic for the African societies must be seen in the basic principles of China’s foreign policy, in particular the principle of noninterference in internal affairs as well as its determination not to impose conditionalities. As Western observers point out severally, for instance, China’s loans to Angola weaken the IMF’s efforts to improve oil revenue transparency. Or, Chinese oil investments in Sudan undermined international efforts to end the Darfur crisis. (Downs 2007: 56-58) Indeed, African leaders have identified Chinese unconditional financial resources, cheap products, and know-how as an important tool to fend off pressure for political and economic reform from Western dominated international organizations and Western governments. (Frynas and Paulo 2007: 239) They are, one reads elsewhere, “tired of the ‘Big Brother behavior’ of the West”. It must be emphasized at this point that good governance, democracy and less corruption cannot be imposed from the outside but must ultimately come from within. (Hofmann et al. 2007: 84) In this way, it is understandable that the other side points to the priority of development, poverty reduction and national sovereignty over political goals. (Fues 2006: 2)

Additionally, it must be pointed out that Western countries often pursue their own egoistic national interests relative to trade, financial and security policy, or securing natural resources, staying clearly in contradiction to the humanitarian-ethical foundations of their announced development policy. (Fues 2006: 2) For instance, the U.S. government offered economic incentives like financial facilities by the U.S. Export-Import Bank for doing business in Nigeria. Also military aid is given by the U.S. to cooperating countries in Africa, in this way the largest portion was aimed to Nigeria and Angola. But, while Western governments assisted private companies in obtaining oil concessions for oil exploration and production, Beijing focuses instead on securing oil supplies through bilateral agreements. For instance, Sinopec – a Chinese state owned oil company - acquired oil concessions in Angola’s block 3 and 18 on the back of a $2 billion oil backed credit from China in 2004 to rebuild the country’s railways, government buildings, schools, hospitals and roads. Of course, the former contractor, France’s Total oil company, was pushed out of the business in Angola by this way. (Frynas and Paulo 2007: 238-239) Chinese critics are also quick to point out that the U.S. is also engaged in an uncritical embrace of autocratic, corrupt and unstable regimes like Equatorial Guinea. (Gill et al. 2007: 13)

Table 3: Main Chinese Trading Partners and Governance Quality

Partner	Share of Chinese imports from Africa (2005)	Share of Chinese oil imports from Africa (2005)	Freedom House Index		
			Civil Liberties Score 2006	Political Freedom Score 2006	Status
Angola	27.4%	50%	5	6	Non free
South Africa	20.6%	< 1%	2	1	Free
Sudan	13,4%	19%	7	7	Non free
Republic of Congo	9.8%	16%	6	6	Non free
Equatorial Guinea	6.3%	10%	6	7	Non free
Total	77.5%	95%	-	-	

Source: Pehnelt 2007: 12 (for further information see www.freedomhouse.org)

In contrast to the political effects of the Chinese involvement in Africa, the economic effects of the new Chinese-African relations must be seen as contradictory in nature. On the one hand, the Chinese demand for natural resources is boosting exports potentials in Africa as well as world market prices for these raw materials. (Fues 2006: 3) This development benefits African producers and improves the terms of trade of some African countries. Within Sub-Sahara Africa in 2003/04 oil and mineral exporting countries attained large gains from terms of trade improvement (>3 percent of GDP) e.g. Angola, Nigeria, and Zambia, while moderate gains (1 to 3 percent of GDP) were found in Cameroon, the Democratic Republic of Congo, and Sudan. Of course, providing that China as well as other Asian drivers continue to grow and industrialize further, their contribution to world energy and mineral demand is certain to increase. (Jenkins and Edwards 2006: 217-218)

Additionally, African consumers benefit from cheap products offered by Chinese firms. For instance, Chinese plastic sandals conquered the whole African continent in the last years. That changed the daily life of African women and children enormously in that way that going shoeless is relative to the past in poor African countries. But the balance of trade between China and its partners in Africa is out of balance. China exports much more goods to Africa than it imports. In this way African natural resource exports can be seen as necessary “payments” for Chinese consumption goods accompanied by a growing financial dependence of all African partners from China. Therefore the Chinese government is afraid of being perceived as a new colonial power in Africa, and established a program for Chinese tourists to Africa to balance the African trade deficit. (Gu 2006: 64) On the other hand, Chinese companies threaten to crowd out African competitors out of Africa and other markets, e.g. in the textile sector. African textile producers are not able to compete with the cheap Chinese products. Some observers even talk about a “Textile Tsunami” from China. (Gu 2006: 71) But at all, it must be mentioned that for most African countries the structure of their exports is quite different from that of China. In this way, no larger competitive threat in third markets must be estimated. (Jenkins and Edwards 2006: 218)

Also the widespread use of Chinese workers in African projects as well as the environmental and working conditions in Chinese-run companies must be seen as doubtful for a sustainable development in Africa. (Fues 2006: 3) All Chinese investments are accompanied by the Chinese workers staffing Chinese projects efficiently and at low costs as well as by Chinese migrants building trade networks and supplying chains linking China and Africa. By 2006, approximately 74,000 Chinese workers were involved in Chinese projects in Africa on a temporary basis, ranging from higher-paid “foreign experts” to menial laborers. (Gill and Reilly 2007: 38-41) In this way China’s policy of promoting the expansion of Chinese companies into Africa will be counteracted. Chinese companies' pursuit of profits leads them to operate in ways that generate local resistance sometimes. For instance, in Zambia mine workers rioted at a Chinese-run mine over poor working conditions. Additionally, in 2006 an explosion at a Chinese-run copper mine killed 51 Zambian workers. In October 2006 Gabon ordered the Chinese energy corporation Sinopec to halt exploration in Loango National Park because of protests. Of course, all these occurrences undermine China's broader diplomatic and economic objectives but the Chinese government has no direct lines of authority over Chinese corporations in Africa, as already mentioned above. (Gill and Reilly 2007: 45-46)

As quantitative studies have shown countries with a high share of natural resource exports have had lower economic growth rates than countries without these resources. This is well known as "Dutch Disease": large inflows of foreign exchange make exports of agricultural and manufacturing goods more expensive and draw resources from non-mineral sectors, thereby stifling the development of these sectors. (Frynas and Paulo 2007: 248) This means for African economies that especially their undeveloped manufacturing sector will suffer from the rise of demand for natural resources. Additionally, in the long run this development will make African countries anymore dependent from their deposits and prices of natural resources than they are nowadays or have been in the past.

5. Outlook

While Western governments, international financial institutions and some African critics focus on the disadvantages on Chinese involvement in the African market for natural resources also a lot of advantages for the African countries can be seen. For instance, African nations get a better possibility to emancipate from Western paternalism. Western aid – financial as well as ideal – has not been able to solve the problems of poverty, non-development, famines etc. in Africa for decades. From our – Western! – point of view the Chinese approach of unconcessional aid connected with investment and trade broadening may be the wrong way. But Beijing offers African nations not only an alternate consumer for their resources, but also a model of successful development, and trade politics that can be more benign than Western initiatives (Kurlantzick 2006: 1). Nowadays, African leaders get the chance to choose among different ways of institutional development, different trade partners or in other words among different political and economic systems. This improves the functioning of institutional competition according to these points. While until now Western governments can be seen as closed oligopoly of trade partners, aid donors, and foreign investors with China a new competitor is changing the rules of the game. Now

Western governments have to reconsider their relation to Africa. They have to compete with "China's hunger for natural resources".

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