



**S. RAJARATNAM SCHOOL
OF INTERNATIONAL STUDIES**
A Graduate School of Nanyang Technological University

RSIS COMMENTARIES

RSIS Commentaries are intended to provide timely and, where appropriate, policy relevant background and analysis of contemporary developments. The views of the authors are their own and do not represent the official position of the S.Rajaratnam School of International Studies, NTU. These commentaries may be reproduced electronically or in print with prior permission from RSIS. Due recognition must be given to the author or authors and RSIS. Please email: RSISPublication@ntu.edu.sg or call 6790 6982 to speak to the Editor RSIS Commentaries, Yang Razali Kassim.

The changing nature of Chinese business in Africa: The case of Cape Verde

Loro Horta

17 January 2008

Many tend to associate China's presence in Africa with a frenetic search for natural resources such as oil and gas. Chinese state companies are usually singled out for criticism in the West due to their links with despotic African regimes all for the sake of profit. The nature of Chinese business in Africa is however becoming more complex

CHINA'S RELATIONS with the tiny West African archipelago nation of Cape Verde have traditionally been friendly and courteous since the two nations established diplomatic relations in April 1976. However, until recently China had hardly any economic interests in that African country, with interactions confined to a few cultural exchanges and rare visits by mid-ranking officials. Cape Verde's small size, a population of a mere 300,000 inhabitants and its complete lack of natural resources, made the islands a low priority in China's foreign policy and economic considerations. Despite this China has always kept a diplomatic presence in the country to prevent Taiwan from gaining recognition.

The role of China's private businesses

The task of barring Taiwan from the archipelago was a rather easy and cheap endeavour. By the 1990s, despite Taipei beginning to challenge the one-China principle through its aggressive "check book" diplomacy, China did not have much to worry about its relations with Cape Verde. For despite its small size and lack of natural resources, Cape Verde has become a success story in nation-building. Relying heavily on a large and well-educated diaspora in the United States and Europe, honest and responsible governments and a pragmatic approach to foreign relations, Cape Verde has become one of the wealthiest and more stable nations in Sub Saharan Africa, with a GDP per capita of US\$6000, as well as one of the best health and education systems in the continent.

Cape Verde's lack of resources and its economic and political success allowed Beijing to maintain a light engagement at little risk. This is unlike other African countries that had attracted Beijing's attention as a result of their vast natural resources in particular oil and gas. Chinese interest in Cape

Verde differs in several ways. Most Chinese investments into Cape Verde come from small private businesses looking for a better chance in new lands, rather from major state-owned companies. Most are small family businesses who take their chances with small investments such as street shops, restaurants and small import-export activities. Unlike in other parts of Africa there are no major resource extraction projects or even investments in the agricultural sector due to the island's arid climate and total lack of natural resources.

Chinese private businesses began to settle in Cape Verde in the mid 1990s, coming in small numbers that later grew as the local economy prospered and the stories of success reached home. Typically the head of the small business, usually the head of the family, moves to Cape Verde accompanied by a male relative to assist him in starting the business. They set up a business, and if things progress well enough, other members join and the business is expanded and diversified. As with the number of Chinese citizens in other parts of Africa, reliable statistics on Chinese in Cape Verde are hard to come by. However as of 2006 a Cape Verdian official estimated that as many as 2000 Chinese nationals lived in Cape Verde "in one way or another". Considering the small size of the country's population the Chinese constitute one of the largest foreign communities, second only to the Portuguese.

Portuguese heritage

As more stories of success reached home, larger and more powerful Chinese interests began to converge on the islands. The tourism sector is expected to attract significant Chinese investment in the near future. Macau millionaire David Chaw announced in early 2007 a US\$120 million project to build a massive entertainment park, with a casino, restaurants, night clubs, hotels, a marina and other recreation facilities on the islet of Santa Maria, just in front of the capital Praia. This project is to be concluded in 2009. He pledged a further US\$300 million in the coming years in major infrastructure projects in the capital, such as power plants, water sanitation, roads and office buildings. Other major projects include shopping centres, hotels, and transportation. Business tycoons from Macau are increasingly playing a central role in the economic life of Portuguese Africa with significant investments in Angola, Mozambique, Cape Verde and even war torn and narcotics-infested Guinea Bissau.

While the Chinese state and its large state-owned companies have shown little interest in the archipelago, China has not totally neglected government contact. China may indeed be in the process of intensifying these exchanges in order to complement the gains made so far by private Chinese ventures. The first major state-owned investment came in October 2003 when the China Building-Material Industrial Corporation for Foreign Econo-Technical Cooperation signed a contract with the Cape Verdian government to build a large cement plant at the cost of US\$55 million. The factory, the country's largest such facility, is expected to produce an estimated 350,000 tonnes, transforming Cape Verde from a net importer to an exporter. The country's current cement demands stand at 200,000 tonnes. The plant will allow 150,000 tonnes for export, primarily to nearby countries where China has significant infrastructural projects.

Cape Verde's strategic location

Due to its strategic location, close proximity to both Mediterranean Europe and West Africa, political stability and a well-educated population, Cape Verde is a strong candidate to be selected as one of the five special economic zones China intends to create in Africa. From mere diplomatic and political ties, Sino-Cape Verdian relations have mushroomed in recent years and have placed China as one of the main political and economic actors in the archipelago. It is a position that is likely to be further consolidated in the coming years.

Unlike other African nations rich in raw materials desperately needed by China, Cape Verde offers other possibilities, such as becoming a major commercial hub for Chinese interests and a launching

pad for further Chinese political and economic expansion into West and North Africa as well as Mediterranean Europe. The fact that China was able to gain such a pre-eminent position in a fairly wealthy -- by African standards -- and democratic country with no natural resources shows that China's economic relations with Africa are becoming far more sophisticated.

Risks of stereotyping

The stereotypical view held in some Western quarters of Chinese businessmen being a bunch of dubious characters, willing to do anything for raw materials and profit, maybe fast becoming an oversimplification. As with many capitalist societies, private business interests are now playing a significant role in influencing Beijing's foreign and economic policies. While initially the Chinese state had little interest in Cape Verde, the growing involvement of private Chinese citizens has led to a reconsideration of the policy that culminated in an impressive Chinese involvement with the archipelago. Cape Verde's case shows that China's relations with Africa are fast changing. Simplistic and stereotypical explanations are unlikely to provide the appropriate answer to understanding China's presence in Africa but will instead undermine our ability to properly deal with this new phenomenon.

Loro Horta is an associate research fellow and a PhD candidate at the S. Rajaratnam School of International Studies (RSIS), Nanyang Technological University, Singapore. He has lived and worked in Africa for several years and has written extensively on Portuguese Africa.