NAVAL POSTGRADUATE SCHOOL

MONTEREY, CALIFORNIA

THESIS

CHINA'S RELATIONS WITH PORTUGUESE-SPEAKING COUNTRIES: A GROWING BUT UNNOTICED RELATION

by

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September 2012

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REPORT DOCUMENTATION PAGE				*Form Approved OMB No. 0704-0188*
Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instruction, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA22202-4302, and to the Office of Management and Budget, Paperwork Reduction Project (0704-0188) Washington DC 20503.				
1. AGENCY USE ONLY *(Leave blank)*	**2. REPORT DATE** September 2012		**3. REPORT TYPE AND DATES COVERED** Master's Thesis	
4. TITLE AND SUBTITLE China's Relations with Portuguese-speaking Countries: A Growing but Unnoticed Relation			**5. FUNDING NUMBERS**	
6. AUTHOR(S) Maubere Loro Sae Da Silva Horta				
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Naval Postgraduate School Monterey, CA 93943-5000			**8. PERFORMING ORGANIZATION REPORT NUMBER**	
9. SPONSORING /MONITORING AGENCY NAME(S) AND ADDRESS(ES) N/A			**10. SPONSORING/MONITORING AGENCY REPORT NUMBER**	
11. SUPPLEMENTARY NOTES The views expressed in this thesis are those of the author and do not reflect the official policy or position of the Department of Defense or the U.S. Government. IRB Protocol number: N/A.				
12a. DISTRIBUTION / AVAILABILITY STATEMENT Approved for public release; distribution unlimited			**12b. DISTRIBUTION CODE**	

13. ABSTRACT (maximum 200 words)

As China rises and becomes a global power, its foreign and economic policies are undergoing profound changes. Today Chinese interest spans the world, from the most remote corners of Africa to the mega cities of other new rising powers like Brazil. China's growing presence in Portuguese-speaking countries provides a vivid illustration of the growing complexity and sophistication of China's new foreign and economic policies. Sino-Lusophone relations confirm some of the assumptions made about Beijing's relations with the developing world. However, this case study also reveals many incorrect assumptions and simplistic analyses of China's foreign and economic policies toward the developing world.

14. SUBJECT TERMS China-Lusophone relations; Chinese trade with Angola, Brazil, Mozambique, and East Timor; Chinese interest in Portuguese-speaking countries.			**15. NUMBER OF PAGES** 85
			16. PRICE CODE
17. SECURITY CLASSIFICATION OF REPORT Unclassified	**18. SECURITY CLASSIFICATION OF THIS PAGE** Unclassified	**19. SECURITY CLASSIFICATION OF ABSTRACT** Unclassified	**20. LIMITATION OF ABSTRACT** UU

NSN 7540-01-280-5500

Standard Form 298 (Rev. 2-89)
Prescribed by ANSI Std. 239-18

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Submitted in partial fulfillment of the
requirements for the degree of

MASTER OF ARTS IN SECURITY STUDIES
(CIVIL-MILITARY RELATIONS)

from the

NAVAL POSTGRADUATE SCHOOL
September 2012

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ABSTRACT

As China rises and becomes a global power, its foreign and economic policies are undergoing profound changes. Today Chinese interest spans the world, from the most remote corners of Africa to the mega cities of other new rising powers like Brazil. China’s growing presence in Portuguese-speaking countries provides a vivid illustration of the growing complexity and sophistication of China’s new foreign and economic policies. Sino-Lusophone relations confirm some of the assumptions made about Beijing’s relations with the developing world. However, this case study also reveals many incorrect assumptions and simplistic analyses of China’s foreign and economic policies toward the developing world.

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ACKNOWLEDGMENTS

I would like to express my deepest gratitude to my thesis advisor, Professor Thomas Bruneau, for all his assistance and deep interest in my work. With nearly five decades of work, he is one of the leading experts on Portuguese-speaking countries. A special word of gratitude goes to my co-advisor, Associate Professor Arturo C. Sotomayor, for the immense patience and dedication he demonstrated to me. At times, Associate Professor Sotomayor was very strict and demanding, but in the end, I humbly recognized that it improved my work and my own personality. I would like to thank Captain Scott Jaspar, Professor Douglas Porch, Professor Sophal Ear, and Professor Sandra Leavitt, as well as my friends Konstantin Vagin, Cody Ferguson, Caleb Slayton, and Sam Martinez. I would also like to thank the staff of the international office, the Herrmann Hall Hotel and my friends at the Salinas County jail.

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I. INTRODUCTION

This thesis is the culmination of eight years of work on China's relations with Portuguese-speaking countries. Through this period, the author produced more than thirty articles, ranging from op-eds to policy reports to articles for academic journals. This thesis synthesizes many of these published and unpublished works in an attempt to produce the first comprehensive study of Sino-Lusophone relations in the context of the People's Republic of China's growing relationship with the developing world. The aim of this work is to analyze the relationship between China and the Lusophone world[1] through a comparative and analytical study of China's diplomatic and economic strategy in the developing world.

A significant amount of attention has been given to China's relationships with major regional organizations, such as the Association of Southeast Asian Nations (ASEAN), the Shanghai Cooperation Organization (SCO), and the European Union (EU). However, China's expanding ties with the Portuguese-speaking world has gone relatively unnoticed. Eight countries—Angola, Brazil, Cape Verde, Guinea Bissau, Mozambique, Portugal, Sao Tome, and Timor-Leste—comprise the Comunidade dos Países de Língua Portuguesa (CPLP), or Community of Portuguese Language Countries. At first glance, one may be forgiven for wondering why China has devoted so much attention to the CPLP. However, closer analysis reveals that the Portuguese-speaking world is becoming an important dimension of China's foreign policy.[2]

The diversity of the six Portuguese-speaking nations analyzed in this study makes for a good and wide-ranging case study for testing Beijing's foreign policy. Focusing on

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[1] There are eight Portuguese-speaking countries: Angola, Brazil, Guinea Bissau, Mozambique, Portugal, Sao Tome and Principe and Timor-Leste. This study excludes Portugal due to the fact that it is not a developing nation and Sao Tome due to the fact that it has no diplomatic ties with the People's Republic of China. The country has established ties with Taiwan.

[2] There is very little literature on the topic of China's relations with the Portuguese-speaking countries. The very first article examining this topic was published in 2006 by the author, "China's Portuguese Connection," *Yale Global Magazine*, June 22, 2006. However, there are a growing number of sources dealing with China's relations with individual countries, particularly Brazil and Angola. Ana Cristina Alves, "Chinese Economic Diplomacy in Africa: The Lusophone Strategy," in *China Returns to Africa: A Rising Power and a Continents Embrace*, ed. Chris Alden et al. (New York: Columbia University Press, 2008), 69–81.

the six Lusohpone nations—Angola, Brazil, Cape Verde, Guinea Bissau, Mozambique, and Timor-Leste—provides an extreme richness in variety for a case study. The variety is present in all dimensions. First, the six nations are spread through three continents: Africa, Latin America, and Asia. Secondly, they are diverse in their stages of development. Brazil is becoming increasingly industrialized, while Guinea Bissau is among the tenth poorest countries in the world. Brazil stands as the giant of the group, with an area as large as the United States, a population of 190 million, and a fast-rising economy. Brazil can, in turn, be contrasted with tiny Cape Verde, with an area of just 4,067 square kilometers and 500,000 inhabitants. For these and other reasons, which will be elaborated in greater detail, the case study of the Portuguese-speaking world offers the prospect of understanding China's foreign policy towards a geographically and culturally distinct group of nations.

This thesis is an exhaustive and in-depth study of China's relations with the eight Portuguese-speaking countries. The six nations in question are used as case studies to address the following working question that is the core objective of my Masters' research: How successful has China's foreign policy been in advancing Chinese interests in the Lusophone world? This research topic is significant and relevant for the following reasons: no research has ever been conducted on Sino-Lusophone relations before, either in the Portuguese-speaking world or in Anglo-Saxon academia. Therefore, the current proposal has the potential to become a pioneering work that will hopefully generate further interest in the topic. Considering that one of the main objectives of a thesis is to break new ground and generate new ideas, the poorly researched nature of the topic makes it, in itself, an important issue to address and a contribution to both the study of China and the Lusophone countries' foreign policies.

The relevance of the study of Sino-Lusophone relations goes well beyond the Portuguese-speaking world, and offers the possibility to understand various other countries and regions. For instance, a study of China's relations with the five African Portuguese-speaking countries will contribute to a better understanding of China's growing presence in the continent. The five African Portuguese-speaking countries are important to China in ways that may have significant implications for China's future economic development, particularly its energy needs. Without question, Angola is China's most important partner on the African continent. Its importance lies in the fact that it is the second-largest oil producer in Africa, is home to one of the world's largest diamond fields and other precious stones, such as rubies and emeralds.

China's relations with the Portuguese-speaking African nations are also an interesting case study of the complexities and sophistication of China's growing ties with the continent. Contrary to prevalent Western perceptions, China's relation with Africa encompasses much more than a desire to scavenge for oil and gas. Although energy resources are a prime motivator, they are not the sole driving factor. For instance, while China has invested considerably in securing a prominent position in oil-rich Angola and in Sudan, its presence has also grown in other less-endowed territories. Chinese involvement with the resource-poor Cape Verde islands is a case in point. Cape Verde has literally no natural resources and the islands suffer from severe draught, which makes agriculture difficult.

The initial task of this research was to identify and analyze China's interests in the Lusophone countries. Research identified five main motivators and objectives behind the PRC'S strategy towards the Lusophone countries. First, energy resources—oil and gas in particular—are one the strongest driving factors behind China's strategy towards the block. Other energy products and raw materials have increased Beijing's desire to engage the Portuguese-speaking countries and consolidate its influence. Brazil possesses one of the world's largest uranium reserves, in addition to large quantities of gold, bronze, nickel, iron, manganese, and mercury, not to mention its possession of the world's largest forests. Angola, in addition to oil and gas, is the fourth largest producer of diamonds and has vast quantities of marble, emeralds, sapphire, and rubies. Mozambique, Guinea Bissau, and Timor-Leste are equally endowed with rich natural resources.

The second motivator behind Chinese interest is the search for markets for China's rising economic output. China sees the Portuguese-speaking countries, with its 230 million inhabitants, as a possible lucrative outlet for its exports. Chinese investments—both state-owned and private—are also an important motivator. The rise of China has created an increasingly wealthy and prosperous business class that is desperately looking for new markets. Chinese companies have invested heavily in infrastructure projects, agriculture, services, industrial parks, and other major areas throughout the Portuguese-speaking world. As of 2007, Brazil was China's main trading partner in Latin America with two-way trade totaling $20 billion, while Angola is its main partner in Africa with two-way trade reaching $10 billion in the same period. It is significant that trade between China and Brazil has grown at an annual rate of 60 percent for the past four years, while its trade with Angola has been growing at a rate of 50 percent for the past three years. While trade with the Lusophone members remains modest in comparison with the PRC's trade with other major countries, such as the U.S. or Japan, the potential should not be underestimated. The Lusophone world is economically significant for China's economic objectives; therefore, securing these markets is one of China's top priorities.

Thirdly, Beijing recognizes the vital importance of countries like Angola to its energy security and Brazil's importance for its trade. China hopes to minimize the influence of other powers, particularly the United States, in these countries. Beijing has taken advantage of Washington's neglect towards counties like Guinea Bissau to consolidate its presence.[3] Beijing has also taken advantage of less-than-friendly relations between Washington and some of the African states, but also, to a lesser extent, Brazil, to consolidate its influence. Balancing and curtailing American influence in the Lusophone world is a major, albeit discreet, objective of China's strategy, which fits with its overall strategy of balancing American dominance at the global level. In addition to concerns over the United States, China's relations with the Portuguese-speaking countries offer the potential to shed some additional light on its relation with other major powers.

Fourthly, by consolidating its presence among the eight Portuguese-speaking countries, China hopes to negate Taiwan any diplomatic space. Currently, only tiny Sao Tome and Principe has diplomatic ties with Taipei. In recent years, China has increased its involvement with Sao Tome through its business interests and other non-official actors

[3] "Over a Barrel: China's Problem with Oil," Gabe Collins, *Jane's Intelligence Review*, ChinaWatch (March 2008); Gabriel Collins and William Murray, "No Oil for the Lamps of China?" *Naval War College Review* 61, no. 2 (Spring 2008): 79–95.

in a clear attempt to establish its position on the island. The discovery of oil fields off the coast of Sao Tome is likely to add to Beijing's efforts to dislodge Taiwan. Massive Chinese aid to Guinea Bissau made that country reestablish ties with the PRC in 1997, and it has remained in China's fold ever since. China's policy of containing Taiwan in the Lusophone world is also part of its overall strategy to globally isolate its so-called renegade province.

Finally, China's growing engagement and involvement with the Portuguese-speaking world is aimed at enhancing its prestige in world affairs. Soft power has become an important element of Beijing's foreign policy, with its government devoting considerable resources to its promotion.[4] The spread of Chinese culture, its history, and the story of its recent economic success are important elements in creating an image of China as a world power. China aims to enhance its soft power in the Lusophone world and emerge as an alternative model to Western-inspired democracy. The Chinese model of economic development, with its emphasis on economic development and political stability, has a great appeal to many in the Lusophone world, particularly its African members.

A. LITERATURE REVIEW

As noted above, there is little or no research on Sino-Lusophone relations. The immediate consequence of such a lack of research is that anyone interested in pursuing further study will inevitably be confronted with a lack of any meaningful literature on the topic. By *meaningful*, I mean major works, such as books, chapters in edited books, journal articles, and major reports. Conversely, a student interested in research on Sino-Latin American relations would have access to several books on the topic published in the past five years. In addition, various preeminent journals, such as *Foreign Affairs*, *International Security*, and *Harvard Asia Quarterly*, have published articles on this issue. Even the U.S. Congress has held hearings on China's rising influence in the Americas. However, no such body of literature exists for the Portuguese-speaking world.

[4] Joshua Kurlantzick, *Charm Offensive: How China's Soft Power is Changing the World* (Yale University Press, 2007).

Therefore, current research relies heavily on primary sources and the author's own personal experience of having lived and studied in China and work experience in various Portuguese-speaking countries. One way to compensate for the limited number of secondary sources was to rely heavily on primary sources, such as official documents, official correspondence, transcripts of official meetings and summits, some of which were attended by the author, and a careful survey of media reports from the Portuguese-speaking countries and Chinese media available in English, such as the People's Daily and Xinhua News Agency. The author has been collecting information from the above-mentioned sources since 2004.

The author was born and lived in Mozambique for over two decades and has visited all the Lusophone countries, with the exception of Sao Tome, several times. The author is also a graduate of the People's Liberation Army National Defense University and the Chinese Ministry of Commerce Central School. The author has visited China several times since 1993, with the last visit taking place in September 2011. Personal experience was valuable in compensating for the lack of sources on the topic.

The multiplicity of sources, in combination with access to official documents, increased the reliability of the answers and general outcome of this research. Field trips and secondary material in the form of media reports, particularly from the Portuguese-speaking countries, was also used to reinforce the reliability of this research.

B. PROBLEM AND HYPOTHESIS

The main challenge to the research question is that the author was trying to measure the success of Chinese penetration and influence in the Lusophone countries. What constitutes success? How does one measures success? One could argue that growing trade is a good measure of success. For instance, the fact that China is now Angola and Brazil's largest trading partner could be pointed to as a measure of success. However, was this success the result of intelligent Chinese foreign and economic policies, or simply the result of market force and the compatibility of the economies in question?

Secondly, how does one define failure? If burgeoning trade between China and Brazil is used to indicate success of Beijing's policy, would not low trade between China and Guinea Bissau demonstrate failure?

Thirdly, considering the diversity of the Lusophone countries, should the same measures of success be used across the board? Does China have the same objectives in all the countries? For example, while trade between China and Cape Verde has not grown as rapidly as trade between China and Angola, Chinese soft power in Cape Verde seems to be quite high. Has China failed or succeeded in that country? While trade between Angola and China has expanded tremendously, Chinese soft power in Angola is rather weak.

C. METHODOLOGY AND SOURCES

This research used a combination of qualitative and quantitative methods. Due to the nature of the research, qualitative methods were used far more extensively than quantitative ones. Official documents, media reports from both the Lusophone world and China, and field trips constitute the main supportive elements of the qualitative component. However, some of the elements of the qualitative component, such as official announcements and agreements, were also used as quantitative elements.

In addition to be using qualitatively, official documents could also be used in a quantitative manner. One could use the number of agreements signed to quantitatively demonstrate an increase in bilateral relations and other exchanges. However, one could go even deeper and look at textual analysis and specific words. For instance, one could look at the appearance of certain news statements, such as "China is a sincere friend," "China helps with no strings attached," or "China respects our sovereignty" to argue that Chinese soft power is high among the elites of Portuguese Africa. This approach would be qualitative, but it could also be quantitative if one decides to count the number of times the words *sincere* and *friend* appeared in official documents and statements.

In planning this research, I intended not just to use quantitative and qualitative methods, but also to allow flexibility in the use of the various elements, viewing them as both qualitative and quantitative. Only small amounts of information could be treated as strictly quantitative. For instance, even pure numerical data on trade can have a qualitative dimension.

By relying on official documents and secondary sources, such as media reports, a process of triangulation was expected to emerge as the three sources of data are combined to reinforce the central propositions of the thesis. Despite the various measures taken to minimize bias and increase credibility and reliability, a number of flaws and weaknesses were possible. For instance, the possibility of certain Lusophone countries suddenly turning more reserved towards China may put into question the notion of success of China's strategy towards the block. There could also be certain elements, such as sudden changes in the domestic policies of either the PRC or the Lusophone countries that seriously undermine the premises of the current thesis.

II. CASE STUDY

A. THE MACAU FORUM[5]

Following Portugal's handover of Macau to China in 1999, several Portuguese diplomats and intellectuals began to debate the nature and future of Sino-Portuguese ties and Lisbon's relation to its former enclave. After 500 years of Portuguese rule, Macau was returned to China. What would be Portugal's ties to its oldest possession? Most Portuguese officials and intellectuals who pondered the issue believed that there was very little Portugal could do to retain its influence in the territory.

Despite five centuries of Lusitanian rule, Macau remains strongly Chinese with less than 5 percent of its population speaking the language of Camoes. As such, few Portuguese after 1999 thought Macau had very little ambitions concerning the future of Portugal in Macau. General Rocha Vieira, the last governor of Macau and one of Portugal's most accomplished Asian experts, was primarily concerned with preserving Portuguese culture and language and retaining strong cultural ties with the small Latinized Macanese community, which, while small, was influential. In 1999, Rocha Vieira proposed the creation of the Forum Macau to promote ties between Portugal and Macau.[6]

In due time, the idea reached the ears of Beijing who had far more ambitious and less romantic ideas. In October 2003, the Forum for Economic Cooperation between China and the Portuguese-speaking Countries (Macau Forum) was established. The Macau Forum is hosted by the Special Administrative Region of Macau and is under the auspices of the Chinese Ministry of Commerce.[7] Most of the funding for the Forum is

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[5] The author concluded this section of the thesis in early March 2012. This section was then submitted to the East Asia Forum Australian National University for publication. The Forum published on March 9, 2012, a shorter version under the same title is found at http://www.eastasiaforum.org/2012/03/09/the-macau-forum-a-chinese-diplomatic-success/. The author would like to thank the Forum for allowing the use of the material.

[6] Miguel Santos Neves, "Macau: Post Transaction Priorities," Center for Strategic and International Studies, December 2009.

[7] For detailed information of the Macau Forum, visit its official website http://www.forumchinaplp.org.mo/pt/aboutus.php.

provided by the Chinese government, while the wealthy Macau government also contributes. The Secretary General of the Forum is always a Chinese Ministry of Commerce senior official who reports directly to the minister. There are two deputy secretaries: Rita Santos, who is a Macanese of mixed Portuguese-Chinese ancestry, and Ambassador Amante Da Rosa, who is one of Cape Verde's most experienced diplomats.[8]

The Lusophone countries, with the exception of Sao Tome and Principe, who has diplomatic ties to Taiwan, have a delegate assigned to the Forum's office in Macau with the Macau and Chinese governments covering the expenses of some of the least developed countries. In addition to promoting commercial ties between China and the Lusophone world, the Forum has also organized training courses in several areas for officials from the Lusophone world. Rita Santos and delegations from the Forum regularly visit the various Lusophone countries and organize investment seminars.

The Forum and several Chinese business interests also fund several media publications, such as Macauhub and Macau Magazine. These publications report on economic and trade matters, and provide free and updated information on the economies of the Lusophone countries and China. These publications are now an important source for businesses, the government, and the public. They are by far the most respected sources on the matter.[9]

Every two years, the Forum hosts the China-Lusophone Ministers of Commerce meeting where the officials from the two sides discuss economic and trade matters. The ministerial delegations are usually followed by business delegations to hold separate meetings.[10]

Have these efforts paid off for China? Well, let the statistics talk. Between 2003 and 2006, trade between China and the Lusophone countries more than tripled, growing from a little over $10 billion to $34 billion. In 2009, Brazil became China's largest

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[8] The author has participated in several initiatives of the Macau Forum and met its secretariat on several occasions.

[9] To access these publications, visit the *Macauhub* website: http://www.macauhub.com.mo/pt/.

[10] Forum for Economic and Trade Cooperation between China and Portuguese-speaking Countries Main Activities Report 2008.

trading partner in the Southern Hemisphere with bilateral trade reaching $42 billion while, in 2010, Sino-Brazilian trade was $56.68 billion.[11] After more than eighty years of American dominance. China has surpassed the United States as Brazil's main trading partner. It is worth keeping in mind that Brazil is the seventh largest economy on earth.

Trade between China and Angola reached $27.67 billion in 2011, which made Angola China's second-largest trading partner in Africa after South Africa.[12] Since 2008, Angola had been China's largest trading partner in Africa and, in 2007, it was temporarily its largest oil supplier.[13] Trade with China has also grown rapidly in the other Lusophone countries. This was demonstrated in 2010 when Mozambique became the third-largest trading partner. China has also become a major source of soft loans for these countries, granting Angola a reported $15 billion since 2002, and over $2 billion to Mozambique, while Brazil is reported to have received a $10 billion loan to develop its Tupi oil fields, believed to be the seventh largest in the world.[14]

China has also gained some substantial diplomatic support on issues such as human rights, trade, and global warming. Chinese navy pilots trained on the Brazilian aircraft carrier Sao Paulo, and both countries jointly produced satellites and a jet liner.[15] Portugal has been sympathetic to the lifting of the EU arms embargo following the Tianamen protests and has been a sympathetic voice in international forums.[16]

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[11] "Brazil Sets Trade Records Due to Chinese Demand," *NPR*, January 2, 2012; "China Overtakes the US as Brazil Largest Trading Partner" *The Telegraph*, May 9, 2009.

[12] "Angola is the second largest African trade partner in Africa in 2011," Ministry of Commerce, PRC, February 4, 2012.

[13] Ana Cristina Alves, "The Oil Factor in Sino-Angolan Relations at the Turn of 21st Century," *South African Institute of International Affairs* 55 (February 2010); "Angola China's Largest African Trade Partner," *Xinhua*, January 19, 2009.

[14] "China lends Angola $15 bn but creates few jobs," *AFP*, March 5, 2011; "China, Brazil Agree to $10 Billion Loan Exploration," *Bloomberg*, May 19, 2009; "Petrobras' Tupi oil field may hold 8 billion barrels," *Bloomberg*, November 8, 2007; Todd Moss and Sarah Rose "China's ExImBank and Africa's New Lending, New Challenges," *Center for Global Development* (November 2006).

[15] Russell Hisao, "PLAN Pilots to Train on Brazilian Aircraft Carrier," *China Brief* 12 (2009); "Brazil and China Sign Agreements on Technology and Aviation," *DEFESA@NET*, April 12, 2011; "Brazil and China Expand Satellite Program and African Countries Receive data from CBERS) *Ministerio da Ciencia e Tecnologia do Brasil (Brazilian Ministry of Science and Technology)* May 20, 2009.

[16] "Portugal Supports Lifting of European Arms Embargo on China," *Publico*, October 28, 2010; "Lisbon Supports End of European Arms Embargo on China," *Diario de Noticias*, November 12, 2004.

Of course, the Macau Forum was not the only force behind the impressive expansion in Sino-Lusophone relations. However, it certainly played a major and crucial role in accelerating the process. With minimal but rather smart investments, China has obtained tremendous economic and diplomatic gains throughout the Lusophone world. Despite this overall success, Sino-Lusophone relations are not free of controversy. For instance, Portugal and Brazil resent China's growing presence in their traditional spheres of influence in Latin America and Africa.[17] Brazil has, in the past decade, lodged over 100 trade complaints to the WTO against China and enacted commercial measures to counter what it perceives as unfair practices. While in Angola, there are allegations that Chinese investment and loans brought very little jobs. The conference of Angola Bishops demanded that Chinese companies employ more Angolans.[18] Despite these irritants, relations are likely to continue to expand because both China and the Lusophone countries have gained tremendously from the partnership.

There are clear signs of the growing importance that China attaches to the Forum. For instance, in the December 2010 Forum meeting, for the very first time in nearly a decade of Sino-Lusophone interaction, China was represented at the meeting by Prime Minister Wen Jiabao, while several Lusophone nations were represented at the level of President and Prime Minister. In his opening remarks, the Chinese leader pledge $1 billion to assist the least developed Lusophone nations and expressed his desire for deeper cooperation.[19]

[17] "President Lula Exacerbates Brazilian Chinese Competition for African Market," *ABN*, July 8, 2010.

[18] "Bishops worried about large numbers of Chinese workers in Angola," *Publico*, August 3, 2010.

[19] "Wen, China to Assist Poor Portuguese-speaking Countries," *China Daily News* November 13 2010; "A New Era for the Macau Forum," *Revista Macau,* November 2010; "China Creates Fund for Portuguese Speaking Countries," *Estada,* November 13, 2010.

B. CHINA AND MOZAMBIQUE: STEP BY STEP[20]

China's relations with Mozambique dates back to the mid-1960s when, under the leadership of Mao Zedong, the People's Republic of China embarked on an all-out policy of supporting independence and other revolutionary movements throughout the world. Between 1964 and 1974, the Mozambican people fought the Portuguese colonial army for independence. During this period, China supported FRELIMO, the main independence movement in the country, by providing it with military training and financial support. Several senior FRELIMO leaders were trained in China, while dozens of Peoples Liberation Army of China instructors were stationed at Nachingwea in neighboring Tanzania to train FRELIMO guerrillas.[21] Upon independence, Mozambique moved closer to the Soviet Union and Chinese influence remained minimal through the Cold War. Through the mid-1990s, Beijing remained a marginal player in Mozambique and throughout the continent in general.

However, by the early 2000s, an expanding Chinese economy created an all new set of priorities for Beijing. A growing demand for energy and markets for China's newly established capital and manufacturing became a national priority. In the past three years, the People's Republic of China has been building an impressive position in the former Portuguese colony of Mozambique in southern Africa.[22]

In 2007, trade between China and Mozambique was a mere $208 million. By 2010, it reached $690 million, an increase of more than a 100 percent a year. China has been investing heavily in infrastructure, mining, and agriculture. Chinese state-owned Eximbank granted the Mozambican government more than $2.3 billion for the construction of a mega-dam in the central part of the country. Chinese companies have

[20] This section of the thesis was completed in late early May 2011 and submitted to the *China Brief* for publication. The *China Brief* published a slightly different version on May 20 under the title, The Dragon and the Mamba: China's Growing Presence in Mozambique at http://www.jamestown.org/programs/chinabrief/single/?tx_ttnews%5Btt_news%5D=37960&cHash=b3c2f4ef9e1cc17b8246f89aeee8aba6. The author would like to thank the *China Brief* for allowing the use of the material.

[21] Steven F. Jackson, "China's Third World Foreign Policy: The Cases of Angola and Mozambique, 1961–1993," *The China Quarterly* 142 (June 1995): 388–422.

[22] Sergio Chichava, "Mozambique and China: From Politics to Business?" Discussion Paper, no. 05, 2008, Instituto de Estudos Sociais e Economicos.

built roads, bridges, military installations, hospitals, and other infrastructure throughout the country. The Chinese government has contributed $160 million to modernize the country's main airport and built several important buildings free of charge; among them are the national stadium, the Ministry of Foreign Affairs, the parliament, and the country's largest convention center.[23] A Chinese company has also won a $439 million contract to build a new residential area near the capital of Maputo.[24]

According to the *Financial Times,* China's single largest investment in Mozambique to date is a $1 billion investment in the coal mining sector by Wuhan Iron and Steel.[25] In 2010, Mozambique national radio announced that the Chinese company Kingho has expressed its intention to invest $5 billion in the country's growing coal sector.[26] Following an investment seminar hosted by the Mozambican government in Shanghai in June 2010, Chinese business interests pledged up to $13 billion in investment for the next 10 years in areas such as infrastructure, mining, agriculture and tourism.[27] Around the same time, Chinese banks announced $165 million in investments. The money is to be invested in a cement plant, a cotton processing facility, and agricultural projects.

Chinese business interests have also been investing heavily in the cement sector, with Chinese companies investing $78 million in a cement plant in Magude, while CF-Moz has pledged $38 million for a cement plant in Matituine.[28] In 2010, China Development Bank granted $110 million to Mozambique and Chinese interests to build another cement plant in Beluane in the south of the country. The massive plant is expected to produce 1 million tons of cement a year. The growing investment in the cement sector aims at dealing with the country's regular shortages and reducing costs.

[23] "Mozambique: China to fund construction of Mpanda Nkuwa dam," *Macauhub,* May 19, 2009; "Trade between China and Mozambique reaches $690 million in 2010," *O Pai,"* February 7, 2011.

[24] "Chinese Company to Build Housing Complex in Matola, Mozambique," *Mozahub,* September 21, 2011.

[25] "China invests $1 billion in Mozambique coal," *Financial Times,* June 24, 2010.

[26] "China Kingho to Invest $5b in Coal Mining Projects in Mozambique," *African Press Agency,* July 22, 2010.

[27] "China to invest $13 billion in Mozambique," *Reuters,* August 27, 2010.

[28] "Cement prices to go down in 2013," *Radio Mocambique* March 4, 2011.

Chinese companies are likely to make significant profits because of the country's growing infrastructure expansion and ongoing construction efforts.

Direct flights between Mozambique and China are expected to start in 2011; this will further increase the growing economic interaction between the two nations.[29] China is the fastest growing tourism market in the world, with 50 million Chinese traveling as tourists in 2010, while Mozambique's tourism sector is among the fasts growing in the world. Chinese tourism companies hope to bring a million Chinese tourists in the next 10 years, making the PRC the most important source of tourists for the country. There are no definitive data on the number of Chinese residing in Mozambique; numbers range from as low as 7,000 to as high as 12,000. A large Chinatown is expected to be built in Catembe, across the bay from Maputo, where several thousand Chinese are expected to reside.

China has also shown significant interest in the country's large fertile land as a way to meet China's growing food demand and its shrinking arable land. In May 2008, Li Zhengdong, the Director for International Cooperation of the Ministry of Agriculture, announced that the Chinese government was in negotiations with Mozambique to lease land for cereal production, though the Mozambican government denied the report. However, in August 2010, following the investment seminar in Shanghai, the Shanghai Chamber of Commerce stated that the Mozambican government was offering a yearly lease Chinese investors 1 hectare of land for $5 for.[30] Chinese business interests from Macau were reported to be negotiating the lease of several thousand kilometers of land

[29] "China admits possible air link between Maputo and Shanghai) *Radio Mocambique*," August 28, 2010.

[30] "Go to Africa – Seminar on Investment in Mozambique," *Shanghai Municipal Commission of Commercial,* June 12, 2010; "Favorable Investment Policy in Mozambique," *Shanghai Business Registry Service,* July 23, 2010. Quotation: "There are many favorable conditions for foreign investment in Mozambique, such as labor force and low price of land. As introduced in the Seminar, it costs just $5 annually to rent 8 hectares of agricultural land. Another advantage to invest in Mozambique is that investors can take full advantage of the most-favored nation treatment given to Mozambique by Southern African Development Community (SADC) and Europe and the US, to explore and expand markets in Europe and the US, and the 19 African countries of SADC with tariff reciprocity using Mozambique as a platform."

for biofuel production. China has also invested $15 million in an agriculture research center in the country and has built three processing plants for various agriculture products.

Several Chinese companies have started prospection studies for all ranges of mineral resources, such as diamonds, rubies, gold, iron, and marble. The Chinese have, since the early 2000s, been heavily involved in exploiting the country's rich timber resources, importing enormous amounts of timber from that country. Chinese involvement in the timber sector in Mozambique is rather controversial. Widespread illegal logging saw the Mozambican government cancel several licenses from Chinese companies. The Chinese have also been accused of plundering the country's fisheries, particularly for shark fins. It should be mentioned that China is not the only culprit here.

With the intention of assisting with education and building its soft power, China has also provided hundreds of scholarships to Mozambique with more than one hundred Mozambican students now pursuing higher education in the PRC. Despite these efforts, most Mozambicans still prefer to pursue their studies in the West due to the perceived better quality of education and better financial bursaries. This may soon change. Beijing has also sent agricultural specialists, doctors, and military advisors to assist the Maputo government. Chinese is now being taught at several educational institutions.

China's presence is growing fast around several of Mozambique's neighbors, particularly in Zambia, Tanzania, and Zimbabwe. Zambia and Tanzania are hosting two of China's Special Economic Zones in Africa, with Zambia being developed as a major mining and agricultural hub. Both Zambia and Zimbabwe are landlocked countries whose nearest exits to the sea are the central ports of Mozambique. In July 2010, the author wrote in the *China Brief* that the Chinese were interested in modernizing Mozambican harbors to export the goods from their growing ventures in the interior of the continent, and that the Mozambican ports of Nacala and Beira were the most likely candidates[31].

[31] Loro Horta, "China's Relations with Mozambique: A Miss Blessing," *Center for Strategic and International Studies,* April 18, 2008; Lora Horta, "China Building Africa's Economic Infrastructure: SEZ's and Railroads," July 22, 2010.

On January 3, 2011, the Mozambican media reported that Chinese interests were negotiating with the government to modernize and expand the Beira harbor. The Chinese investors did not specify how much money they were willing to invest, stating simply that they had a lot of money to invest. The spokesperson for the consortium, George Wang, stated:

> We have extensive interests in the diamond industry in Zimbabwe so far we have been using the land route all the way to Durban. If the Beira harbor is modernized, countries like Zambia and Malawi will also use the port for it's much closer than Durban.[32]

China has, in the past five years, been modernizing and expanding several ports in the Indian Ocean in places like Tanzania, Sir Lanka, and Pakistan. Two out of five Chinese SEZs in Africa are in the Indian Ocean, Tanzania, and Mauritius. Mozambique lies in a strategically important maritime route, with the Mozambique Channel being an important alternative route to the Suez Canal.

Beijing is not alone in its interest for Mozambique. India and Brazil have begun to invest heavily in Mozambique and, just like Beijing, New Delhi's interests may be beyond Mozambique. Indian companies have a strong presence in manufacturing, mining, and services. Unlike many Chinese companies, they tend to employee large numbers of locals. Some Western academics have argued that China imports large numbers of workers from the mainland to Africa due to the lack of skilled workers. However, Indian companies investing in the same countries do not seem to have that problem, neither do Malaysian, South Korean or Brazilian companies.

The import of thousands of Chinese workers into Africa has been a source of tension between the Chinese and labor unions throughout Africa. However, in the past two years, the Chinese government has grown more aware of this problem and has been addressing the issue with some degree of success in places like Cape Verde, Namibia, and increasingly in Mozambique. Industrial relations between Chinese managers and workers have also been very problematic with widespread accusations of racism and

[32] "Government and Chinese investors to negotiate viability of Beira port," *Canal De Mocambique,* January 31, 2011.

physical abuse. In 2009, the provincial government of Manica warned the Chinese company Henan International Cooperation over its industrial relations record and demanded that the Chinese company treat their workers fairly; other local governments have expressed similar concerns[33]. Beijing already faces significant difficulties in enforcing its own labor laws in China. Doing so in Africa is an even greater challenge. However, as labor costs increase in China, more Chinese companies are moving their factories to more stable African countries to take advantage of local cheap labor, just like Western companies did in China years ago.

India has focused its investment in areas where China has also been investing heavily, particularly in the mining sector. India has pledged to invest $1 billion in the coal sector and has offered $45 million in trading and technology transfer to the country's mining sector.[34] In 2010, following President Armando Guebuza's visit to India, New Delhi granted his country a $500 million credit line for infrastructure, mining, and agriculture. India has also funded the construction of several important buildings.[35] However, India is clearly losing the race in Africa. The combination of a vibrant democracy and a highly bureaucratic system makes the disbursement of large loans slow and complicated. In early 2011, Mozambican Prime Minister Aires Ali said that India needed to be more efficient and quick at keeping its promises.[36]

With the exception of the U.S. Navy, the Indian navy is by far the dominant force in the Indian Ocean, and India has been growing quite apprehensive over China's growing presence in East Africa. In 2008, the Indian military established an electronic listening center in Madagascar, which is just off the coast of Mozambique and near Mauritius, the home of one of China's SEZs and a home to a large Indian community.[37] In 2007, at the request of the Mozambican government, Indian warships patrolled the

[33] "Murder Charges Dropped Against 2 Chinese Mine Managers in Africa," *Associated Press*, April 6, 2011; "Chinese Company Warned Over Labor Relations," *AIM*, July 7, 2009.

[34] "India wants to increase investment in the Mozambican coal sector," *O Pai*, January 11, 2011.

[35] "India open $500 million credit line for Mozambique," *AIM*, September 30, 2010.

[36] "Aires Ali asks Indian for diligence in the release of funds," *A Verdade*, March 28, 2011.

[37] "Indian Navy activates listening post, monitoring station in Madagascar Indian Ocean," *India Defense*, July 18, 2007.

capital's coast during the Summit of Heads of State of the African Union. Mozambique is important for both China and India from both a resource and an energy point of view, as well as from a strategic point of view, because both countries' navies have expanded their interest in the Indian Ocean and in East Africa. This interest is likely to increase and conflict may perhaps occur. Recently, a Chinese senior military official and various academics have called for the establishment of a naval base in Africa to defend Beijing's growing interests. [38]

Brazil, another rising power, has also been investing heavily in Mozambique and in many of the areas where the two Asian giants have been concentrating their efforts. Brazilian mining giant CVRD is competing with Chinese and Indian companies for Mozambican coal and has invested heavily in the sector. Since 2009, Vale, formerly CVRD, has invested $1.3 billion in coalmines in the central provinces of Zambezia and Tete, so far excluding Chinese and Indian investment.[39] Vale has pledged to invest up to $9 billion in Mozambique by 2014.[40] According to Brazilian state media, Brazilian investment in Mozambique grew 20 times from 2002 to 2008, reaching $4.5 billion.

Brazilian steel giant CSN has since invested $179 million in a joint venture with Australian mining giant Rio Tinto in steel processing plants. Brazilian investors have announced their intention to invest up to $6 billion in biofuel and take advantage of the Mozambican government allocation of 60,000 hectares of land for foreign investors. In early 2012, the Mozambican government offered Brazilian farmers half a million hectares of land for lease at low prices.[41]

Brazil has been involved economically with Mozambique for decades, resenting the growing presence of the newcomers, particularly China. Since April 2009, China has

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[38] Michael S. Chase and Andrew S. Erickson, "Changes in Beijing's Approach to Overseas Basing?" *China Brief* 9, no. 19 (2009).

[39] "Vale invests in energy in Mozambique," *O Globo*, March 26, 2009; "Brazilian Vale invests up to $20 billion in Africa with Mozambique as one of its targets," *Macauhub*, November 1, 2010.

[40] "Vale Mozambique invest $1.7 billion in railroad between Moatize and Nacala," *Macauhub*, March 6, 2012.

[41] "Mozambique Offers Land to Brazilian Farmers," *Agora*, August 14, 2011; "Brazilian Farmers move into Mozambique," *Voz Da America*, September 15, 2011.

become Brazil's largest trading partner and many in Brazil are unhappy with China's growing dominance in the local economy and its encroachment on Brazil's traditional markets. In order to balance China, Brazil has entered into joint ventures with Japanese, European, and Australian companies while also engaging India.[42]

So far, the FRELIMO government, in power since 1975, has been able to play a sophisticated balancing game, preventing any one country from having an overwhelming dominance over the country. In February 2011, the Mozambican government refused to grant India three additional blocks of coal mining, in part due to slow progress in previous concessions, and also to prevent that country from dominating this vital sector. As pressure grows in China and India for energy resources and other commodities, it remains to be seen whether Mozambique will be able to maintain this balancing act. As the African saying goes, "when elephants fight, the grass gets trampled."

China is fast emerging as the most important economic and diplomatic player in Mozambique, bringing billions in investments and asking no questions. While there have been a few issues of tension, such as Chinese workers and environmental degradation, Sino-Mozambican relations have been largely beneficial for both countries. China has provided Mozambique with billions in aid at a time many Western nations neglected the country and spent their time with moralizing and sometimes outright hypocritical sermons about transparency and human rights. While the West has closed its markets to Mozambican agriculture products with heavy subsidies, China has exempted 420 Mozambican agricultural products from tariffs. At a time when the West is facing a serious economic crisis, China and other emerging powers are becoming crucial for the wellbeing of several African nations. Sino-Mozambican relations are likely to grow even further with Beijing emerging as the main economic and strategic player in Mozambique and in East Africa. However, riots, high crime rates, and poor infrastructure have hindered an even faster growing expansion of Chinese influence in the country; still, China is now quickly replacing the continent's traditional former colonial powers as the main actor.

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[42] "EU, Brazil, Mozambique to sign biofuel pact," *Reuters*, July 10, 2010.

This new reality was vividly symbolized when, in October 2011, China announced it was going to fund the $300 million construction of the Maputo-Catembe Bridge after Portugal withdrew its funding as a result of the economic crisis.

C. ANGOLA AND THE PARADOX OF CHINESE POWER

Angola is clearly China's most important relation in the African continent, with bilateral trade between the two nations reaching a staggering $25 billion in 2009.[43] Angola is Beijing's main trading partner in Africa and its main source of foreign oil imports, providing China with 6.5 metric tons of crude oil in the first three months of 2008. Since 2002, Chinese state-owned banks have provided Angola with $15 billion in soft loans for hundreds of projects.[44]

The Angolan government is paying these loans with oil exports to China and by awarding contracts for such projects to Chinese companies. Chinese companies have been awarded numerous contracts throughout the vast country, such as building railroads, roads, ports, power plants, stadiums, and military installations. In 2010, China granted Angola a $1 billion loan to revive the country's agricultural sector. Angola also has the world's fourth largest diamond fields; in 2009, China surpassed the U.S. as its main buyer.[45] Dozens of high-level Chinese delegations have visited Angola in recent years, while nearly every senior official in Angola has paid a call to Beijing, including long-term President Eduardo dos Santos.

Chinese loans and companies have contributed to an impressive resurgence of the country's economy and infrastructure after nearly thirty years of civil war. When, in the early 2000s, Western institutions, such as the World Bank, imposed severe conditions on assistance to Angola and dispensed long and sometimes hypocritical speeches on transparency and accountability, along came the Chinese with billions in loans and no questions asked.

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[43] "China increase trade," *Jornal de Angola*, September 25, 2010.

[44] "China lends Angola $15 bn but creates few jobs," *Luabda (AFP),* March 6, 2011.

[45] "China funds US$1.2 billion project for revival of agriculture in Angola by 2012," *Macauhub*, August 3, 2009; "China is the biggest buyer of Angolan diamonds," *Jornal de Angola,* April 29, 2010.

Therefore, as some observers have predicted, one would expect that Angola would fall under greater Chinese control. While China has gained an impressive economic presence in Angola, its political and diplomatic influence is growing weaker by the day, and its soft power is rather weak. Along with billions in loans, came thousands of Chinese workers. There is now an estimated 100,000 Chinese believed to be residing in Angola.[46] While Chinese companies have won numerous lucrative contracts, very few jobs have been created for the Angolans.[47] Some Western scholars have claimed that China brought thousands of workers to Angola because the country lacked skilled workers. Portuguese, Brazilian, Indian, and other countries' companies do not seem to have that problem. The most insulting excuse was put by a Chinese scholar from the state-run Academy of Social Sciences at a conference that was hosted in Lisbon in June 2008. These scholars claimed that China has brought thousands of workers to Angola because many Angolan men were mutilated during the twenty-seven years of civil war and were not able to work. In November 2009, the author wrote an article for Yale Global Online Magazine in which he discussed the growing tensions between local Africans and the growing number of Chinese migrants and the potential for conflict. A year later, several Angolan media outlets and the world's leading media seemed to share the same concerns. [48]

In August 2010, the conference of Angolan Bishops expressed its concern over the growing number of Chinese workers in Angola, while state-owned Angolan oil company Sonangol imposed restrictions on the number of Chinese workers.[49] There have also been accusations of mistreatment of Angolan workers and serious doubts about the

[46] The Chinese embassy in Luanda puts the number of its citizens in Angola at 50,000 as of early 2011. However, Angolan national police estimates the number to be as high as 100,000.

[47] "China lends Angola $15 bn but creates few jobs," *Luanda (AFP)*, March 6, 2011.

[48] Loro Horta, "China in Africa: Soft Power, Hard Results," *Yale Global Online Magazine,* November 13, 2009; "China and Africa: Rumble in the Jungle," *The Economist*, April 20, 2011.

[49] "Bishops worried about large numbers of Chinese workers in Angola," *Publico,* August 3, 2010.

quality of Chinese construction, with the most notorious case being that of the collapse of the Luanda general hospital shortly after its inauguration. Several roads and other infrastructure have had similar problems.[50]

Small- and medium-scale traders also resent the thousands of Chinese traders who were quickly putting them out of business. Attacks on Chinese citizens are not uncommon, and they have led the Chinese Embassy to lodge several protests. Chinese companies have also been accused of using child labor in several rice farms around the country, as well as several other irregularities.[51] Anti-Chinese sentiment has, on occasions, reached ridiculous proportions with several negative reports in the local media expanding on the insults with claims that Chinese cannibals and sodomizers are preying on young Angolans. [52]

While most resentment is felt at the lower levels of society, Angolan elites are growing more concerned over their self-created overdependence on China and have begun to take steps to balance Chinese dominance. In the past two years, several contracts that were initially to go to Chinese companies have been given to Indian, Brazilian, American, and European companies. While China remains and is likely to remain the country's main economic partner, the Dos Santos government has strengthened diplomatic and security ties with the United States, Europe, Brazil, and other Asian powers, such as India. The United States remains the main importer of Angolan oil, a situation the Angolans have no desire to change. The Angolan government has also awarded several oil concessions to Brazilian, Indian, and European companies. [53]

In contrast to Chinese companies, American giants, such as Chevron, have employed thousands of Angolans and engaged in several community beneficent projects, investing a total of $160 million in such projects. Chevron and its subsidiaries in Angola employ an estimated 3,500 long-term Angolan workers, making that company the single

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50 "Chinese blame Angolans for the closer of Lunda general hospital," *O Pais*, March 14, 2011.

51 "Angola: Child labor in Chinese plantations," *VOA*, December 16, 2010.

52 "Chinese cannibals eat Angolans," *Informacoes*, July 7, 2009. Several blogs in Angola are full of stories of this ridiculous nature.

53 "Petrobras finds oil in Angola," *O Globo*, February 18, 2010; "Chevron Angola's oil output to rise 25 percent by 2011," *Reuters*, October 27, 2009.

largest foreign employer in the country.[54] Instead of using the excuse that Angola lacks qualified human resources, Chevron has been investing in the training and education of national staff for several years. However, this is not to say that American and Western companies have a perfect record, as shown by the Angolan government suing Chevron over environmental violations.

Despite China's tremendous economic gains, most Angolans still prefer to go to the United States and Europe for their education. Angolan bureaucrats, diplomats, and military officers are not being educated in China, but rather in the West, and these are the people who shape the country's policy now and into the future. The hardest source of friction between Angola, the U.S., and its Western allies is the issue of human rights and corruption, which has led, on occasion, to diplomatic tension. For instance, some observers have noticed that the court cases against American oil companies for alleged environmental violations are in retaliation for American criticism of such matters. Despite these irritants, American-Angolan relations have improved remarkably in recent years and American oil companies have expanded their presence in the country. If one takes into account the fact that Washington only recognized the ruling MPLA government in 1992, U.S.-Angolan relations have indeed witnessed a remarkable improvement.

The Angolan government has played a smart and sophisticated balancing game, allowing China to assume a preponderant role at a time when the West scorned the country and obtained billions in loans without having to make difficult reforms. Now, with its oil economy booming and the world's fourth-largest diamond fields, Angola is exploiting other options. In part in reaction to China's overwhelming position in Angola, Angola's traditional partners, such as the U.S., Portugal, Brazil, and the EU, have increased their commitment to Angola, further strengthening the Dos Santos regime and balancing Chinese influence.

While many in the West have expressed concern over China's presence in Angola, China's fast dominance of the continent had led many countries to re-engage the

[54] "Chevron looking for Angolan talent during recruitment fair in Lisbon," *Jornal De Angola,* March 12, 2011; "Chevron has jobs for Angolans in its projects," *Jornal de Angola,* July 15, 2011.

West and other emerging powers, such as India and Brazil, in order to balance China's preponderance. This is not to suggest that Angola sees China necessarily as a threat, but rather that it believes it has more to win by diversifying its relations.

While Angola initially encouraged China to assume a leading role in its economy, China's rapid dominance of the country made the Angolan leadership concerned over its overreliance on China. Ironically, China seems to be the victim of its own success. By gaining an over-dominant position in Angola, China weakened its political and diplomatic positions, allowing other powers to re-engage. Growing economic power did not translate itself into diplomatic and political influence. Eager to secure energy resources, Beijing has established an impressive presence in Angola. However, its growing economic dominance has weakened other dimensions of its power, and here lies the paradox of Chinese power.

The United States and other nations with interest in Africa should not be too concerned over a possible Chinese takeover, and should continue to play on their advantages—including better labor standards, better technology, and educational and cultural appeal—while abstaining from the usual moral sermons. For in the end, China may have bitten off more than it can chew. China has provided vital support to Angola, particularly in the early 2000s, when the West was not forthcoming. It is unlikely that Angola would have recovered so fast from the war without Chinese assistance. Who could have loaned Angola $15 billion in eight years? Overall, Angola has benefited from its ties to Beijing. However, there is much room for improvement on both sides.

With an ever-expanding oil industry, large diamond fields, and reports of extensive deposits of natural gas, Angola is fast emerging as a power to be reckoned with, second only to South Africa. A legacy of thirty years of civil war, where Cuban and South African troops were involved in the thousands, has given Angola one of the largest and most combat-experienced armies in Africa. A rising regional power, such as Angola, is unlikely to accept a dependent position in relation to China.

D. CHINA AND CAPE VERDE: A VERY DIFFERENT RELATION

China first established diplomatic relations with the West African archipelago nation of Cape Verde in April 1976.[55] Ties remained friendly and courteous in subsequent years, but were largely confined to intermittent cultural exchanges and rare visits to Cape Verde by middle ranking Chinese officials. China had hardly any economic interests in the archipelago nation of some 300,000 inhabitants, and Cape Verde's complete lack of natural resources made the islands a low priority in Chinese foreign policy. Nonetheless, China kept a diplomatic presence in order to prevent Taiwan from gaining entree.

The task of barring Taiwanese influence was made easier by Cape Verde's relative invulnerability to Taipei's "checkbook diplomacy." Despite its disadvantages, Cape Verde is something of a success story in terms of nation-building. Relying on a large and well-educated diaspora in the United States and Europe, good governance, and a pragmatic approach to foreign relations, Cape Verde has become one of the wealthiest nations in sub-Saharan Africa. Its GDP per capita stands at $6,000 and the country's health and education systems are among Africa's best.[56]

China's engagement in Cape Verde began to intensify in the mid-1990s, with the arrival of small-scale private Chinese investors. Their numbers were few at first, but increased steadily as the local economy prospered and stories of their success reached home. [57] This investment pattern is quite different from that seen in the oil-rich countries, such as Angola or Sudan, where large state-owned Chinese companies led the way. Typically the head of a small business (*baihuo* in Chinese)—usually the head of the family—would move to Cape Verde, accompanied by a male relative to assist him. They would set up the business, and if things went well, other family members would join

55 "China and Cape Verde Celebrate 35 years of Diplomatic Ties) *RTC*, April 26, 2011.

56 For a comprehensive background on Cape Verdi's economic and political realities, visit the CIA World Factbook.

57 Jorgen Carling and Heidi Ostbo Haugen, "Mix Fates of a Popular Minority: Chinese Migrants in Cape Verdi," *China Returns to Africa: A Rising Power and a Continent Embrace*, ed. Chris Alden et al. (New York, NY: Columbia/Hurst, 2008).

them to expand and diversify the enterprise.[58] This type of investment continues, and an estimated 300 Chinese shops can now be found in Cape Verde, concentrated on the islands of Santiago and Sao Vicente. Rather impressive if one takes into account that the country has a population of just over half a million.[59]

As is the case with other parts of Africa, reliable statistics on the number of Chinese in Cape Verde are hard to come by, but a Cape Verdean official estimates that as many as 4,000 Chinese nationals now live there "in one way or another." This is a large number, considering the country's small population; and the Chinese foreign community is second in size only to the Portuguese. [60]

Now that China's small investors have shown the way, larger investors are following. The tourism sector is a big draw in view of Cape Verde's proximity to major European tourist hot spots, such as the Spanish Canary Islands and the Portuguese islands of Madeira and Porto Santo. In early 2007, Macau millionaire David Chaw announced a $100 million project to build a massive entertainment park, with a casino, restaurants, nightclubs, hotels, and a marina, on the islet of Santa Maria, just off Praia, the capital, to be completed in 2009. He pledged a further $300 million in coming years in major infrastructure projects in the capital, including power plants, roads, and office buildings. Chaw's role in Cape Verde highlights the increasing involvement of Macau business tycoons in Lusophone Africa, including Angola and Mozambique, and even in war-torn, narcotics-infested Guinea Bissau.

Several Macanese business tycoons, including Stanley Ho, one of the richest men in the world, have requested permits to establish casinos on the island. Macau is today the largest gambling city on earth, having beaten Las Vegas several times. [61]

However, having contained a serious narcotic problem and organized crime just a few years ago, Cape Verdean society is highly divided over the benefits of establishing

[58] Jorgen Carling and Heidi Ostbo Haugen, "Mix Fates of a Popular Minority."

[59] "300 Chinese Shops in Cape Verdi," *Oje*, November 12, 2010.

[60] Statistics were provided by the Government of Cape Verdi, August 2008.

[61] "Macau Beats Vegas at its Own Game," *The Guardian*, July 20, 2007.

casinos. Cape Verde was used as a major transit route for narcotics coming from South America into Europe and, while the situation has improved, the problem is not totally resolved. There are fears that establishing a casino industry would bring money laundering and bring back the drug barons. The church also fears the negative social and moral effects in a society that is still struggling with unemployment.

For over more than five decades, Stanley Ho has demonstrated his ability of taking advantage of new opportunities well ahead of the competition. He is reported to have invested in a casino on Caravela Island in narcotics-infested Guinea Bissau and purchased a 60 percent stake in that country's only viable bank, the Banco da Africa Ocidental (BAO). Now his attention is turning to Cape Verde. In 2007, the U.S. government put Stanley Ho on its list of major international organized crime figures and banned him from entering the United States.[62] It will be interesting to watch how successfully he fares in Cape Verde, since the nearby Canary Islands, and to a lesser extent Madeira, are well known for their organized crime syndicates with links to powerful crime families of the Corsican and Sicilian mafias.

To date, the Chinese "invaders" have generally been welcomed by the Cape Verde population. Cheap Chinese commodities, such as clothing, shoes, and domestic household items, cost considerably less than comparable goods coming from Portugal and the EU zone. The new arrivals have also benefited the housing market by renting property on an unprecedented scale to establish their businesses. The rent for a small shop in downtown Praia has now reached as high as $2,000-$3,000 a month, much to the joy of the local owners.[63]

However, there have been some complaints from local unions over low salaries about long working hours in Chinese-owned establishments, who are also sometimes accused of paying only half the average national wage. A few strikes have taken place. Local business owners, meanwhile, have complained of unfair Chinese practices that are putting them out of business and killing off the already small indigenous business class.

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[62] "Giuliani's Ties Link to International Organize Crime, US Government," *The Chicago Tribune,* November 23, 2007.

[63] The author visited Cape Verdi in October 2010.

However, the Cape Verde government is taking a benevolent view of the Chinese role, which it views as healthy for the economy. On the occasion of one small shop-worker strike, the Minister of Labor said that “local unions should adapt themselves to the realities of a global economy.”[64]

This does not mean that Cape Verde will become a mere client of Beijing. Cape Verde has traditionally been very close to the west, and there are more Cape Verdeans living in the United States and Europe than in the country itself. Cape Verde is one of the most Latinized nations in Africa—a legacy of 500 years of Portuguese colonization. Its population is overwhelmingly Catholic and of mixed European and African background, speaking a Creole language based on Portuguese. The majority of Cape Verde’s elites are still being educated in Portugal’s universities, such as the University of Coimbra and the University of Lisbon, as well as in other Western schools. To this day, the national currency is the escudo, the old Portuguese currency, which was abandoned by Portugal itself when it joined the Euro zone.

Nonetheless, China’s influence will continue to grow. China’s large state-owned corporations are beginning to show interest, and the Chinese government is stepping forward in a major way with funding. The first major state-owned investment came in October 2003, when the China Building Material Industrial Corporation for Foreign Economic-Technical Cooperation signed a contract with the Cape Verde government to build a large cement plant at a cost of $55 million. The factory will be the country’s largest such facility and is expected to produce 350,000 tons of cement per year, transforming Cape Verde from a net cement importer to an exporter.

Meanwhile, the Chinese government is funding the construction of the national parliament, a government palace, a national stadium, the national library, and a national auditorium. It is worth noting that China has a particular taste for building preeminent buildings that symbolize sovereignty. In Mozambique, Ethiopia, Guinea Bissau, Timor-Leste, Laos, and several other developing nations, China has funded and built

[64] The first article on Sino-Cape Verdi relations is an article written by the author for the Center for Strategic and International Studies (CSIS) in Washington D. C.; Loro Horta, “China in Cape Verdi: The Dragon’s African Paradise,” July 7, 2008.

Presidential Palaces, Ministries of Foreign Affairs, parliament buildings, and national stadiums.[65] This seems to be motivated by Beijing's desire to make its presence felt and increase its prestige. This also ensures the gratitude of local governments. After all, as they sit in their comfortable offices, they will unwillingly be reminded that China made that possible.

China has also paid for the construction of the country's only dam, while an additional two dams are being discussed. In view of Cape Verde's severe water shortages, the dam is highly welcomed by the government and people. The fact that several Western nations refused to assist the arid nation in its dam building project further won local gratitude and enhanced Beijing's prestige.[66] China is providing a fleet of vessels to connect Cape Verde's eight dispersed and poorly linked islands; offering 100 scholarships for Cape Verdean students; and deploying an eight-member medical team on a regular basis to Praia hospital, the country's main health facility. It has pledged to build a fish processing center and make substantial investments in that sector. In addition, China has cancelled Cape Verde's bilateral debt.

In July 2007, the Chinese Deputy Minister of Commerce visited Cape Verde to discuss ways of improving tourism, tourist infrastructure, and freight handling. This was followed in October 2007 by an agreement signed by the Chinese Ambassador to Cape Verde, Wu Yuanshuan, and Cape Verde's Economy Minister, Jose Brito, pledging to make Cape Verde a major destination for Chinese tourists. With its warm climate and idyllic palm-lined beaches, Cape Verde is well poised to tap into the burgeoning Chinese tourist market. Political stability and low levels of crime and corruption only increase its selling potential as a tourist destination.

Cape Verde tried very hard to host one of the five "economic cooperation zones" China intends to create in Africa.[67] In late 2007, the Chinese ambassador stated that the

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[65] See chapters on Mozambique, Guinea Bissau, and Timor-Leste.

[66] "Poilao Dam in Cape Verde has enough water for two years," *Oje*, October 30, 2009.

[67] Pedro Borges Tavares, "Cape Verdi-China Relations: A Review of 32 Years of Cooperation," Master's Degree Thesis submitted to the Department of Political Sciences, Universidade Nova de Lisboa, December 2010.

island of Sao Vicente was high on the list because of the quality of its infrastructure, which is, in part, the result of recent Chinese investment. [68] The Sao Vicente special economic zone would be primarily developed as a major fish processing center to cater to the various Chinese fleets operating in the Atlantic. China also hopes to make the island a transit point for replenishment and logistical support for the thousands of Chinese ships crossing the South Atlantic on their way to Europe. On the other side of the South Atlantic, China is investing heavily in Brazilian ports, such as Salvador in the state of Bahia. However, in the end, Cape Verde was not selected to host the Chinese zone.

Despite this, China has remained committed to Cape Verde's development. Since 2002, China has granted the country over $80 million in soft loans. In 2009, *MacauHub* announced that China was planning significant investments in infrastructure, such as shipyards, public housing, and cement plants. This investment is worth over $240 million.[69] If these plans materialize, this will be a major investment and is likely to greatly assist the small nation. The Cape Verde government has also been actively lobbying Beijing for further funding to develop port infrastructure.

In March 2012, the Cape Verdean Ambassador to Beijing announced that China and Cape Verde were going to launch a new era of "more direct cooperation." According to Julio Morais, the plan to transform Cape Verde into a fishing and shipping hub for West Africa and the south Atlantic is at the top of the agenda. At the time of this research, Cape Verde's Minister of Finance, Cristina Duarte, was expected to visit China on the third week of March 2012, where, with other officials, she is expected to meet the Director of the China National Development Bank, a major loan provider to developing nations.[70]

China has also, in recent years, increased its defense and security cooperation with Cape Verde and has trained dozens of military and police officers. Cape Verde is in

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[68] "China and Cape Verdi Prepare Special Economic Zone in the Island of Sao Vicente," *Portugal Digital,* October 24, 2007.

[69] "China Supports Infrastructure Development in Cape Verdi," *Macauhub,* August 31, 2009.

[70] "China, Cabo Verde: Uma Nova Agenda na Cooperacao Bilateral: Defende Embaixador" (China, Cape Verde: a new year of bilateral cooperation: urges Ambassador) *Lusa,* March 14, 2012.

the process of acquiring two maritime patrol helicopters from China and has already acquired patrol boats and light weapons. China has also donated computers and other office material to the country's security services.[71]

The Cape Verde example shows that China's economic relations with Africa are becoming more sophisticated and multidimensional. The stereotypical view in some Western quarters is that China and Chinese businesses are only interested in raw materials and fast profits in Africa and are best able to succeed in despotic and internationally isolated countries, such as Zimbabwe or Sudan. This is a rather simplistic view. True, there are many instances of predatory behavior on the part of Chinese capitalists, both state and private. Today, however, Chinese business is increasingly adaptable and able to thrive, even in well-governed countries traditionally tied to the West.

The second lesson that emerges from the Cape Verde case is that small-scale Chinese private businesses may fast be emerging as the most dynamic element of China's engagement with Africa. It was the early success of private Chinese businesspeople in Cape Verde, after all, that drew the attention of larger investors and of the Chinese government, opening the way for the flourishing relationship that exists today.

E. GUINEA BISSAU: A RISK INVESTMENT

Since 1998, the West African nation of Guinea Bissau has experienced tremendous instability with several military coups and foreign intervention. In March 2009, President Nino Vieira was assassinated by rebellious army soldiers in what was rumored to be a dispute over the drug trade.[72] By 2005, the country has won the distinction of becoming Africa's first narco-state.[73] Despite all these risks, Chinese interests, both state and private, have continued building a presence in the country.

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[71] "Cape Verde acquire military helicopters in China," *PanaPress*, October 8, 2007; "China sells Helicopters to Cape Verde," *Africanidade*, April 3, 2008.

[72] "Guinea-Bissau President Shoot Death," *BBC NEWS*, March 2 2009.

[73] "US Accuses Guine Bissau Military Officers of Drug Trafficking," *Voice of America*, April 3, 2010; "How a Tiny West African Country Became the World's First Narco State," *The Guardian*, March 9, 2008.

Until recently, the People's Republic of China's main objective in Guinea Bissau was merely to keep separatist Taiwan from luring the fledgling state to its side. In other words, Beijing's presence was intended to prevent Taiwan's checkbook diplomacy. Guinea-Bissau shocked China in 1990, when it switched diplomatic recognition to Taipei after 26 years of diplomatic relations with the People's Republic of China. The switch was particularly resented because Beijing had been one of Guinea-Bissau's most enthusiastic supporters in its twelve-year struggle for independence from Portugal. The Chinese had trained many of Guinea-Bissau's guerrilla leaders, including the president at the time, Joao Bernardo "Nino" Viera, and had provided extensive diplomatic support. The fact that the party in power when the switch took place was the PAIGC (Party for the Independence of Guinea and Cape Verde), which had been founded on Marxist-Leninist principles and for decades had close party relations with the Chinese Communist Party, further enraged Beijing.[74] But, with the Cold War over and the Western countries seemingly dominant, the PAIGC, like other Marxist-oriented parties, was liberalizing the economy and moving toward multi-party elections. Taipei saw its opportunity and offered Guinea-Bissau's leaders a deal they could not to refuse.

It did not take China long to bring its "old friend" back into fold; less than a year later, the Bissau government abandoned Taiwan and restored full diplomatic ties with the PRC. Since then, the PRC has decided not to take any more chances with Guinea-Bissau and has steadily expanded its presence in the country—despite the fact that China has hardly any immediate economic interests at stake. Beijing's policy towards Guinea Bissau is one of minimal engagement, just enough to prevent Taiwan from returning. Other small benefits include Guinea Bissau's support for China on issues such as human rights at forums like the UN General Assembly.

Beijing aims at completely isolating Taiwan internationally, a strategy that has grown more aggressive as Chinese power rises. By 2010, only 18 countries had diplomatic ties with Taiwan, mostly small states in the Pacific and Central America.

[74] For a brief overview of Sino-Guinea Bissau relations, visit the website of the Embassy of the People's Republic of China in Guinea Bissau at http://gw.china-embassy.org/por/.

|Over the longer term, China may gain access to important oil reserves, if Guinea-Bissau's hopes for major discoveries materialize.[75]

Restoring ties with Guinea-Bissau was an important win for China, and in the years since, the PRC has intensified its efforts to isolate Taiwan worldwide, targeting Taipei's most committed and long-time supporters, such as the Central American states that had been loyal to Taiwan for decades. In June 2007, Costa Rica, after 58 years of relations with Taiwan, finally abandoned its old friend and established diplomatic ties with China.[76] In the Portuguese-speaking world, China has succeeded in isolating Taiwan from all but one of the eight of members of the Cumunidade dos Paises de Lingua Portuguesa (CPLP), Community of Portuguese-Speaking Countries), and judging by Beijing's continuous efforts in relation to Africa's tiny Sao Tome and Principe, it may be just a matter of time before Taiwan is completely pushed out of the Lusophone world.

While China's immediate goal in the country is to contain Taiwan, Beijing has been increasing its aid to the country. China believes that the country will eventually stabilize; when that happens, Chinese investment will pour in. Therefore, China believes that building a minimal presence when very few others are willing to do so will be advantageous when stability finally arrives. There is a long-term approach element in China's policy towards Guinea Bissau. This long-term approach will be noticed in the case of Timor-Leste. It is also worth knowing that China has very little competition in the country, as only Portugal, the former colonial power, has any meaningful presence. The United States closed its embassy in 1999.

China terms its assistance to Guinea Bissau and the developing world in general *ajuda sincera e gratuita* (sincere and friendly help). China argues that its aid, unlike the West, is free from pre-conditions and has no strings attached.[77] In part, this is true for

[75] Michael E. Brownfield and Ronald R. Charpenter, "Assessments of the Undiscovered Oil and Gas of Senegal Province, Mauritania, The Gambia, Guinea Bissau, North West Africa," US Geological Society.

[76] Jing Huang with Xiaoting Li, "*Inseparable Separation: The Making of China's Taiwan Policy*," (Singapore: World Scientific, 2010): 157–168*;* "China, Costa Rica Sign Trade Deal," *Latin America Herald Tribune.*

[77] Stephen Halper, *The Beijing Consensus: How China's Authoritarian Model Will Dominate the Twenty First Century* (New York: Basic Books, 2010).

Beijing, which usually abstains from interfering in the domestic affairs of other states. Issues such as human rights, labor rights, and the environment are not at the top of China's priorities. However, like any other state, China's foreign policy is aimed at enhancing the interests of the country, whatever they may be.

In November 2006, China announced it was going to fund the construction of a massive dam in Guinea-Bissau, 200 kilometers from the capital Bissau, at a cost of $60 million. The Ceba River dam, the first such structure in the country, will be vital to sustaining Guinea-Bissau's agriculture-based economy and meeting its future energy needs. Other major infrastructure projects include a deep-water port in Buba, which will be the country's largest such facility, the rehabilitation of Guinea-Bissau's two main highways, and the construction of a bridge over the Farin River.[78]

As in the cases of Mozambique, Cape Verde, and Timor-Leste, discussed in the next section, the PRC has also funded very visible and symbolic buildings that greatly contribute to enhancing its prestige and visibility as a major player. Under its *ajuda amigavel e gratuita* (free and friendly help) assistance program, China has offered to build the national parliament building, rehabilitate the presidential palace that was damaged during the 1998 civil war, and construct a six-story central government building, the largest project in the capital. Beijing is also putting up a 1,000-unit public housing project. In August 2007, funding was announced for additional construction, including a justice palace and the rehabilitation of schools and health facilities.[79]

Other assistance includes the provision of 100 scholarships for local students to attend Chinese universities, and $400,000 in humanitarian assistance to the northern areas of the country along the border with Senegal, where a significant refugee problem remains as a result of the civil war. A 2,000-ton gift of Chinese rice was much welcomed in view of the exorbitant price of the staple crop in the local market. It allowed the regime

[78] "Stability in Guinea Bissau Allows for the Relaunch of Buba and Boe Projects," *Macauhub,* July 18, 2011.

[79] See remarks by Chinese Ambassador to Guinea Bissau on the occasion of the opening of the newly rebuilt Presidential Palace posted at the website of the Embassy of The People's Republic of China in Guinea Bissau. Accessed July 16, 2011, at http://gw.china-embassy.org/por/; "Guinea Bissau, China Begins Construction of Military Hospital," *Lusa,* April 30, 2009.

to address the most basic immediate needs of the population while buying vital time for further shipments to arrive. This Chinese gesture may have prevented serious civil unrest, and it certainly enhanced China’s image in the eyes of the government and the people. In August 2007, this first rice shipment was followed by an even larger one of 30,000 tons and, in early 2010, an additional 2,500 tons were gifted. To help stimulate Guinea-Bissau’s economy, China has exempted 442 agricultural products from Guinea Bissau from export tariffs to Chinese[80] This initiative has also been extended to Mozambique and several other African countries.

Beijing has provided funds for direct budget assistance to Guinea-Bissau, including a $4 million donation to assist the government in paying delayed salaries to its civil servants and $1.2 million donation to help the country host the CPLP heads of state summit in Bissau in July 2005. China has also assisted Bissau with some of its diplomatic representation expenses in Beijing by providing its diplomatic mission with vehicles and office equipment free of charge. Large numbers of public servants and some military officers are expected to head to the PRC for training, and the numbers of Chinese assistance personnel in Guinea-Bissau are expected to increase, particularly in the areas of agriculture, health, and fisheries. The health sector is another area where China has provided useful and much needed assistance. In addition to sending medical teams, a crucial help considering the country’s limited numbers of doctors, the PRC has given medical supplies and equipment. China’s main health project is the rehabilitation of the Canchungo regional hospital, 70 kilometers from the capital, at a cost of $3.5 million.

In 2006, Guinea-Bissau become the first country to sign a deep water fisheries agreement with China, opening the door for large numbers of Chinese fishing vessels to operate in its Exclusive Economic Zone (EEZ). Due to the unique nature of the country’s coastal ecosystem, the fisheries agreement has raised some concerns among environmentalists. The region of greatest concern is the Bijagos archipelago, which UNESCO has declared a Biosphere Ecology Reserve. Environmentalists worry that the Guinea-Bissau navy will be unable to monitor the large numbers of Chinese fishing

[80] “China Gives Guinea Bissau 2500 tons of Rice,” *Oje*, February 11, 2010.

vessels that will eventually be deployed. Currently, the country possesses just two patrol boats at an uncertain state of operational readiness to cover a 350-kilometer coastal area with 80 islands and reefs. These fears seem to be justified. In order to dispel concerns, in 2011, four Chinese ships were apprehended for illegal fishing. [81] Chinese vessels have also been caught fishing illegally in Mozambique and Timor-Leste, particularly for shark fins.[82]

However, it is the oil sector that seems to be of greatest interest for both China and Guinea-Bissau. Since the last years of Portuguese colonization, there have been numerous reports of significant oil reserves along the coast. In the 1960s and 1970s, various French and American oil companies were reported to have approached the Portuguese government for oil concessions. However, the fascist and isolationist Portuguese government of the day, with economic policies that had made Portugal the poorest nation in Western Europe, resisted such moves. Chinese experts were expected to start major seismic studies to fully assess the true potential of the reported oil reserves. At the time of this writing, no further details are available on whether China has started any activities in the waters of the country in search of oil.

Like the deep fisheries agreement, the oil exploration plans have raised environmental concerns. There are fears that some of the areas where reserves may be located are too close to the Bijagos. If significant oil reserves are indeed found in or near the Bijagos, will an impoverished Guinea-Bissau be able to resist the temptation to drill? Or will it choose to protect its environment and one of the world's natural treasures? This remains to be seen.

While most Chinese investment in Guinea-Bissau is through enterprises linked to the Chinese government, some major Chinese private investors are beginning to take notice of the country's potential. Macao casino tycoon Stanley Ho has invested in a casino on Caravela Island in the Bijagos archipelago. One may wonder about the wisdom of building a casino in a UNESCO-protected area and about the benefits of building

[81] "Guinea Bissau: Four Chinese Ships Apprehended for Illegal Fishing in Territorial Waters," *Visao,* June 6, 2011.

[82] "China in Africa part 3 Mozambique," *Times Live,* August 10, 2011.

casinos generally in one of the world's poorest nations. Another major investment by Ho was the purchase of a 60 percent stake in Guinea-Bissau's only viable bank, the Banco da Africa Ocidental (BAO).[83]

As noted above, the United States closed its embassy in Bissau fourteen years ago, and Guinea Bissau cannot afford an embassy in Washington. The mutual lack of official representation in the two capitals is counterproductive, considering the growing importance of Guinea-Bissau as a transit point for the narcotics trade from Latin America to Europe. The issue may well become a source of contention between Washington and the European Union (EU) on the one hand, and Bissau on the other. In this context, China's growing presence in Guinea-Bissau and its aid programs may be beneficial for the United States. By helping develop and stabilize the country, China is helping the EU and the U.S. in its overall goal to contain the drug trafficking.

At one point, the international community discussed the possibility of imposing sanctions on Guinea Bissau and the U.S. has listed several military and government officials as drug traffickers. However, the EU, particularly Portugal and France, argued that sanctions will make things worse. It is rather unlikely that Beijing would join any hostile measure towards Guiney Bissau. Indeed, China has been a sympathetic voice in the United Nations towards Guiney Bissau by discouraging sanctions.[84] However, it is unlikely that China will use its veto power as it did to protect Lydia and Syria. Guinea Bissau is such a marginal country for Beijing that it is not worth the trouble. All Bissau can do is to turn to Taiwan but having relations with a country that is under UN sanctions is likely to be a great burden on Taiwan rather than an asset.

However, unless international pressure reaches a turning point, Beijing seems to have adopted a long-term commitment towards Guinea-Bissau, and is likely to conclude that, whatever Washington and the Europeans may do, maintaining and expanding this commitment is a risk worth taking. While close ties with a narco-state may create some international embarrassment for the PRC, it is unlikely that Beijing will reconsider its

[83] "Stanley Ho Increases Investment in Guinea Bissau," *Economico*, June 26, 2009; "Guinea Bissau in Stanley Ho's Plans: Tycoon Wants Hotel Casino in Caravel Island," *Jornal Tribuna de Macau,* May 2007.

[84] "G Bissau Drug Sanctions Treat," *BBC NEWS* October 3, 2008.

policy. After all, as the Burma case suggests, Guinea-Bissau is not the first country whose state is heavily involved in the drug trade and under UN sanctions to be a close friend of China.[85] Nonetheless, China could pressure Guinea-Bissau officials to move against the drug trade if it becomes too much of an international issue. There is evidence that China has supported drug eradication efforts in Burma—though most likely because narcotics from that country were a threat to China itself.

The fact that Beijing is taking great risks in its dealings with Guinea-Bissau when others are shying away may pay handsome dividends in the future, particularly in the oil sector. Major oil deposits may not be found, and cordial relations with a regime that may be tied to the international narcotics trade could one day prove a liability in world opinion. For now, however, China seems to feel that these are risks worth taking. So far, China's assistance to Guinea-Bissau seems to have significantly enhanced its prestige inside Guinea-Bissau, and to have won gratitude from the government and the people at large.

While the problems of Guinea Bissau are far from over, in the past year or so, some sense of normality is slowly taking over. As mentioned above, China believes that eventually the country will stabilize and, when that happens, previous Chinese engagement will give Beijing an advantage. Indeed, in mid-March 2012, two large Chinese business delegations visited the country to re-launch various projects started in 2006 and then abandoned as a result of internal strife and to start new ones. The Chinese have expressed their intention to build a commercial harbor, power plants, agriculture, and small industry. [86] The Bissau government and its Chinese partners intend to make use of the $1 billion fund established by the Chinese government in late 2010 to assist the least-developed Lusophone nations. Chinese business and government tend to have a long-term approach and are very persistent. Perhaps now, China is about to finally collect on its investments.

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[85] Ko-Lin Chin, *The Golden Triangle: Inside Southeast Asia Drug Trade (*New York: Cornell University Press, 2009).

[86] "Chinese Businessmen Want to Invest in Agriculture and Infrastructure," *Lusa,* March 3, 2012.

F. TIMOR-LESTE: CHINA'S SOUTHEAST ASIAN OUTPOST?

The half island nation of Timor-Leste (formerly East Timor) lies at the eastern most corner of Southeast Asia, sandwiched between its two large neighbors, Australia and Indonesia. After 400 years of inept Portuguese colonial rule and 24 years of brutal Indonesian occupation, Timor-Leste gained its independence in 2002, following a UN sponsored referendum. [87] In its short existence as an independent nation, the small territory has been witnessing a growing competition between the world's two most powerful nations, the United States and the People's Republic of China.

Timor-Leste is not strategically important for either of the superpowers. However, both consider their growing presence in the territory as a barometer for their global reputation.

In recent years, Chinese presence in Timor-Leste has witnessed a significant surge. China has built, free of charge, the new Ministry of Foreign Affairs building, the Presidential palace, the defense force headquarters, and 100 houses for the military. As with the cases of Mozambique, Cape Verde, and Guinea Bissau, China has funded and built very preeminent buildings on the island that give Beijing prestige. These types of projects give Beijing a visibility that sometimes is well beyond its real influence.

A Chinese company was awarded a $378 million contracted to build two power plants, while state-owned Poly Arms Manufactory sold two 52-meter patrol gunboats to the young nation. Timor has also purchased assault rifles and non-lethal material, such as logistic supplies and uniforms, from China. [88] An estimated 4,000 Chinese are now residing in Timor where they control small and medium commerce.[89] If one takes into account that Timor-Leste has a mere one million inhabitants, the Chinese community is quite significant. The Chinese are the second largest foreign group after the Indonesians.

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[87] Damien Kingsbury and Michael Leach, *East Timor: Beyond Independence* (Caulfield East, Victoria: Monash University Press, 2007).

[88] Loro Horta, "Timor-Leste: The Dragon Newest Friend," IRASEC Working Paper Discussion Paper, Number 4, May 2009; "E Timor Counts the Costs of Chinese Power Plants," *Sydney Morning Herald*, December 15, 2010.

[89] Statistics given to the author by the Chinese embassy in Dili.

So far, China's charm offensive in Timor seems to be working, with the country's top leadership expressing gratitude to the PRC and lending support to Beijing on several international issues, such as Tibet, Taiwan, and human rights.[90]

Chinese small traders have been taking their cheap products to the most remote areas of the mountainous island where the poor people of these regions appreciate their presence. Growing numbers of Timorese are now going to China for studies; in 2008 alone, an estimated 140 public servants went to China for training.[91] The education of foreign elites has, in the past, brought America tremendous diplomatic and political benefits through the world. China may soon begin to benefit from such investments in soft power.

In January 2011, a delegation from Chinese state-owned Eximbank visited Dili to negotiate the possible provision to Timor of a soft loan for infrastructure development. The loan, expected to be as high as $3 billion, would completely change the small country's economy and make China the nation's main economic partner. However, the deal has run into delays due to serious objections from the country's British- and Australian-trained finance minister who has more than forty Australian advisors working for her. Despite this, China's National Development Bank has recently signed an agreement with the Timorese government for economic cooperation. The details of this agreement are not yet known.

China's growing presence in Timor has led the United States to expand its presence in the country, increasing the amount of aid and strengthening its diplomatic presence. Washington is particularly concerned over the growing military cooperation between China and Timor. While not at the top of the U.S. priority list, Timor is set in a strategically important area between Australia and Indonesia, and in front of the vital Straits of Ombei and Wetar, one of the deepest underwater trenches in the world. This area is important for submarine passage linking the Pacific to the Indian Ocean, a vital "choke point" in any future conflict. Since last year, several Chinese officials and

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[90] "Nobel Prize Given to Liu Xiaobo Won't Have any Impact on China, Says Ramos Horta," *TSF*, October 8, 2010.

[91] Data provided by the Chinese embassy in Dili.

academics have openly defended the establishment of overseas naval bases to protect the country's growing maritime trade and its massive energy imports. China reluctantly accepts the security provided by the U.S. Navy in the global commons and eagerly waits for the day in which the People's Liberation Army Navy could assume the role of defending Chinese interests on the high seas. This uneasiness on the part of China is clearly demonstrated in the growing number of incidents involving the Chinese military, the U.S., and Southeast Asia nations in the disputed South China Sea. [92]

In December 2011, several media reports claimed that the Chinese government, at the invitation of the government of Seychelles, was considering the establishment of a naval base in the Indian Ocean archipelago nation. According to the reports, the base is to assist in international anti-piracy efforts.[93]

In 2001, *WikiLeaks* claimed that China approached the Timorese government to request the opening of an electronic eavesdropping base in the country's south coast.[94] The south coast of Timor faces the Northern Territories of Australia, where 70 percent of its military concentrations are located. A Chinese eavesdropping facility in the south coast would also allow the Chinese military to eavesdrop on Pine Gap, the largest electronic spy base in the Asia Pacific, jointly run by the Australians and the CIA. In 2011, the United States announced its intention to open a base in Darwin, Northern Territories, Australia, about 400 miles from Timor's south coast.[95]

The U.S. Navy has, in recent years, increased its presence in Timor and is at the front of American diplomatic efforts. Several American ships have visited the island since 2008, with the largest contingent in early 2010, when three America warships and 1,500 marines conducted landing and rescue exercises for five days, displaying the

[92] Ian Storey, "China's Malacca Dilemma," *China Brief* 6, no. 8 (2006); Collins Gabe, "Over a Barrel: China's Problem with Oil," *Jane's Intelligence Review*, ChinaWatch (March, 2008); Gabriel Collins and William Murray, "No Oil for the Lamps of China?" *Naval War College Review* 61, no. 2 (Spring 2008).

[93] "Chinese Military Base in the Indian Ocean," *Times of India*, December 13 2011; "Navy Looks at Offer from the Seychelles," *China Daily*, December 13, 2011.

[94] "China's Bid To Set Up East Timor Spy Base," *Sydney Morning Herald*, May 10, 2011; "Timor Rejected Chinese Spy Offer," *The Age*, May 10, 2011.

[95] "US Marine Base for Darwin," *Sydney Morning Herald*, November 11, 2011.

massive power of the United States. As of 2010, the United States has permanently deployed a platoon of Navy engineers, the Sea Bees, in Timor, where they engage in humanitarian assistance projects—building schools, repairing roads, and supporting local authorities. The Sea Bees are deployed to the most remote parts of the country, where they make a big difference.

The U.S. Navy has been, for several years, regularly deploying to Timor the USS Mercy, the largest hospital ship in the world, and has treated thousands of Timorese patients. The work of the USS Mercy and the Sea Bees has won the United States much respect from the local community and has greatly enhanced American soft power. Several American NGOs have been assisting the people in very remote areas of the country, where they are generally welcomed. The election of President Obama in 2008 was met with widespread celebration and dismissed the myth of America as a racist society.

America's growing engagement with Timor comes at a crucial time when Australia, Timor's main security guarantor and political partner, has grown more unpopular among the Timorese as a result of racist attitudes on the part of some of its advisors and troops stationed in the country. China's growing influence in Timor, and the relative decline of Australian prestige, is a trend seen throughout the region, where Australia is usually perceived as a neocolonial and racist country. Chinese presence is now well established in the South Pacific, where isolating Taiwan is no longer China's only objective.

Timor also has a very symbolic value for many Western nations who see the birth of the new nation as the affirmation of principles such as human rights and democracy. This explains the distortional attention given to Timor by certain Western nations and the international media. In the eyes of many liberals in the West, China's growing presence in Timor-Leste is seen as an aberration, with some pointing to the negative impacts of some of the major business deals done with China in terms of transparency and accountability. It should be noted that some of the criticism is rather misplaced and simplistic, for the Chinese did not bring corruption to Timor. The Timorese are not the twenty-first century version of the noble savage being morally deformed by the Chinese.

America's approach to building soft power in Timor does not rely so much on building impressive buildings, such as the Presidential Palace. It has been focused on reaching the grass roots through USAID and the Navy. However, using the navy to build soft power also sends a clear message that the United States is still the dominant player in Asia. American emphasis on humanitarian assistance and the quality of its diplomats, such as the widely respected Ambassador Hans Klem, has made America's image and reputation prosper in Timor.

In a time of economic difficulty, the United States could learn from its experience in Timor, where competent diplomats with very limited means have been able to obtain results far more satisfactory than allies and competitors alike with far more resources at their disposal. Humanitarian assistance, scholarships, and other grassroots diplomacy have earned the United States prestige in a country that was initially resentful of U.S. support of the Indonesian occupation between 1975 and 1999.

China, on the other hand, has focused most of its efforts on state-to-state and institutional relations, neglecting the grassroots level. While many Timorese see the Chinese government in a positive light, the growing number of Chinese traders is slowly generating some resentment among the populace[96].

Despite these problems, however, China is seen as an important and valuable partner that has assisted Timor in areas no one was willing to do so. The Chinese presence is likely to continue to grow in Timor-Leste because, while Timor is not among Beijing's priority list, China sees its presence in the territory—just like the United States—as a test to its overall global soft power and influence vis a vis the United States.

In February 2011, Secretary of State Hilary Clinton warns of the dangers of reducing American external aid at a time when China was expanding its global influence. Mrs. Clinton will have to make that case to Congress, which is eager to cut government spending, something of no concern to her Chinese counterparts.[97]

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96 Loro Horta, "Timor-Leste: The Dragon Newest Friend," IRASEC Working Paper Discussion Paper Number 4, May 2009.

97 "Foreign Aid Set To Take A Hit In U.S. Budget Crisis," The New York Times, October 3, 2011.

G. WHEN GIANTS MEET: CHINA AND BRAZIL

When President Lula Da Silva took office in 2002, establishing relations with the People's Republic of China (PRC) was defined as one of his main foreign policy priorities. In the past decade, relations between the quasi-super power and the South American giant have expanded beyond anyone's expectations. In April 2009, China became Brazil's largest trading partner after 85 years of American dominance, with trade between the two nations reaching $36 billion. Both countries have cooperated in very sensitive technology sectors, launching four jointly developed satellites. In 2009, Chinese navy pilots began training at the Brazilian aircraft carrier Sao Paulo in preparation for the deployment of China's first aircraft carrier.[98]

In 2010, the Chinese government granted Brazil a $10 billion loan to assist in the development of the newly discovered Tupi oil fields in southern Brazil. Chinese companies have won very lucrative contracts in Brazil in areas such as infrastructure, telecommunications, and the service sector, with Chinese FDI reaching $17 billion in 2010.[99] China has also invested over $2 billion in the steel industry.[100] In August 2010, China's steel giant Wuhan Steel & Steel pledged to invest another $5 billion in the country's steel sector. In 2009, Brazilian agricultural exports to China reached $4.8 billion making Brazil China's main source of such imports. The economies of both countries seem to have a great degree of complementarities and offer both countries ample opportunity for mutual benefits.

Both countries also grew increasingly close, politically supporting each other's position in issues such as the world trade regime, human rights, UN reform, and climate change. In 2009, in the wake of the world economic crisis and a weakening American dollar, both countries signed a currency swap agreement under which both nations pledged to increasingly conduct their bilateral trade in their respective currencies. China

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[98] "Interview with Brazilian Minister of Defense Nelson Jobim," *DEFESA@NET*, May 12, 2009 (in Portuguese).

[99] "Brazil needs $270 bln over 10 years for deep-water oil," *Reuters*, March 19, 2009; "Brazil turns to China to help finance oil projects," *Wall Street Journal*, May 18, 2009.

[100] "Contract was signed on No. 3 blast furnace project for Cosipar Company in Brazil," Announcement of the China Mineral Corporation, March 11, 2008.

is quite keen on reducing the influence of the U.S. currency, and Brazil seems to share the same desire. Both countries have challenged the U.S. and its allies on issues such as Iran and nuclear proliferation, and have cooperated very closely on the transfers of nuclear technology. Meanwhile, Brazilian companies, such as mining giant Vale and aircraft manufacturer Embraer, have invested heavily in China. In 2004, an enthusiastic President Lula said, “China and Brazil don't have overwhelming muscle, but by cooperating they do improve their position.”[101]

This growing economic and political interaction between the two giants led some observers to conclude that a growing political alliance was being forged between two raising powers to balance American global influence. While indeed Sino-Brazilian ties have witnessed a remarkable increase, closer scrutiny shows that things are far more complex.

Sino-Brazilian relations benefited enormously from the personal enthusiasm of long-serving Brazilian foreign minister Celso Amorim and President Lula. Amorim confronted serious reservations and opposition from the Brazilian political establishment and the business sector, who feared the negative impacts of Brazilian recognition of China as a free market economy and the opening of Brazil’s market. The Brazilian business sector has been highly critical of the country’s trade policy towards China. Brazilian steel manufacturers complain that Brazil has been naïve at opening its markets to China because, so far, China has failed to reciprocate. Since 2005, Brazil has lodged 140 anti-dumping complaints against China at the WTO.

Brazilian textile manufacturers have been hard hit by cheap Chinese imports and the once-thriving sector is struggling to survive. Joze Gomes da Silva, president of the Brazilian Textile Association, complains, “The openness of the Brazilian economy can't just lie on opening imports to every country while not getting anything in return.”[102]

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[101] “Brazil Wins China Trade Support,” *BBC NEWS*, May 28, 2004.

[102] Anuary De Sousa, “Brazil and China: An Uneasy Partnership,” China-Latin America Task Force, Center for Hemispheric Policy, March–June 2006. University of Miami; Luisa Palacios, “Latin America as China’s Energy Supplier” in *China’s Expansion Into the Western Hemisphere: Implications for Latin America and the United States*, Riordan Roett, ed. Riordan Roett and Guadalupe Paz (Washington D.C.: Brookings Institute Press, 2008); “Brazil and China, trade Tensions set to Rise,” *Financial Times*, January 31, 2011.

Many in Brazil resent the "neocolonial" nature of the relationship; there seems to be an asymmetric dimension to Sino-Brazilian ties witnessed in the nature of bilateral trade. While Brazil exports to China some high-end manufactures, such as aeronautics and gas turbines, most of the country's exports to the PRC consisted of primary goods and energy resources. Agriculture products account for 70 percent of Brazilian exports, with timber and minerals accounting for over 20 percent. Conversely, China exports to Brazil low to mid-end manufactured goods, such as TVs, phones, textiles, and machinery.[103]

The opportunities offered by the large Chinese market to Brazilian companies were expected to offset and compensate for losses caused by Chinese penetration of the Brazilian economy. The critics argue, however, that excessive Chinese protectionism has made it very difficult for Brazil's companies to operate in China. For instance, the much-acclaimed joint Venture between Brazil's aeronautic company Embraer and China's Harbin Aviation Industry for the production of a middle-sized jetliner is now marred in controversy. The joint venture was to benefit both sides by allowing China to obtain the technology no Western nation is willing to share, while Brazil would benefit from a promised order of 1,000 planes. Embraer officials complained that, by 2009, China has made far fewer orders than originally promised and was instead producing its own plane using Brazilian technology.[104]

The Brazilians also accuses the Chinese of luring them with the promise of big sales to the growing Chinese domestic aviation market simply to get their technology, only to be left them in the cold. In 2008, Embraer sales were so low that the company seriously considered terminating its operation in China after just four years. Tensions were aggravated when, in April 2010, an Embraer jet crashed in China, killing 42 people. The Chinese authorities accused the successful Brazilian manufacturer of low quality controls. An irate Embraer official pointed out that its planes are being used in far larger

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[103] "Brazilian Factories Tested by Chinese Imports," *Financial Times*, January 30, 2011; "China and Brazil Steers Towards Trade Dispute," *Financial Review*, February 1, 2012; "Brazil's Trade Policy Seeing Protection," *The Economist*, January 14, 2012.

[104] "Embraer confirms sell of jet liners and avoids closure factory in China," *BBC*, April 12, 2011; "Agreement may avoid closure of factory in China," *Agencia Brasil*, April 11, 2011.

numbers in Europe, the United States, and Australia, and so far have had no problems. The Brazilian's intern pointed to China's dismal maintenance and safety record.[105] After a joint investigation carried out by the both sides, the Chinese had to admit embarrassedly that pilot error was the cause of the accident and not the alleged poor quality of Embraer's technology.[106]

Brazil is also growing increasingly uneasy over China's growing penetration into Brazil's traditional markets in South America. In 1995, Brazil exported $5.7 billion in industrial goods to the region, while China exported $1.4 billion. In 2004, China had exported $7.8 billion, while Brazil's exports were $6.5 billion. The fact that cheaper Chinese imports are quickly replacing Brazilian products in neighboring countries further exacerbates concerns from Brazilian business interests. For instance, in 2003, 88 percent of Argentina's television sets imports were from Brazil, while China accounted for a mere 1 percent. In 2009, Brazilian televisions accounted for 37 percent, while Chinese imports reached 42 percent. In recent years, the trade deficit between the two countries has been on the rise. In 2010, Brazilian exports to China fell to 3 percent, while Chinese exports to Brazil grew 89 percent. [107]

Sino-Brazilian competition is now spreading rapidly to former Portuguese Africa, where Brazilian companies are now faced with a surge in Chinese investments. Brazilian mining giant Vale is aggressively competing with the Chinese in coal-rich Mozambique. Since 2009, Vale has invested $1.3 billion in coalmines in the central provinces of Zambezia and Tete, while Chinese steel giant Wuhan Steel & Steel has invested $1 billion. Brazil has been investing heavily in oil-rich Angola where China is now the largest trading partner of that nation. In 2008, the director of the Brazilian state investment agency denied reports of Brazilian and Chinese competition over resources in Africa. During President's Lula da Silva visit to Africa in July 2010, the Brazilian

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[105] "Brazil's Embraer Sends Investigators to China Plane Crash," *AFP,* August 23, 2010.

[106] "China says pilots error was responsible for crash of Embraer plane in China," *Estadao*, September 8, 2010.

[107] Katherine Koleski, "Backgrounder: China in Latin America," *US-China Economic and Security Review Commission*, May 27, 2011; Anuary De Sousa, "Brazil and China: An Uneasy Partnership," *China-Latin America Task Force, Center for Hemispheric Policy* (March–June 2006), University of Miami.

newspaper *Globo* ran a story entitled "President Lula Exacerbates Brazilian Chinese Competition for African Market," in which it described the growing tensions between the two giants.[108]

In early 2011, Brazilian media reported that the government was planning to introduce protective legislation to safeguard the steel and mining sector in the country.[109] Among the legislation are laws establishing limits for foreign investment in certain sectors of the economy and laws establishing quotas forcing foreign companies to meet domestic market needs. The media reports clearly state that these measures were directed mainly at China. In November 2010, in a long interview with the Brazilian newspaper *Estadao,* Celso Amorim, the main architect of the Sino-Brazilian partnership, said that Brazil needed to rethink its relationship with China.[110] After carefully nurturing this important relation, one of Brazil's longest-serving foreign ministers and one of its most brilliant thinkers seemed to be consumed with doubts and regrets.

Despite all the tensions, both countries enjoy ongoing benefits from this relationship. For instance, Chinese agriculture imports are crucial for Brazil's economy in light of protectionist policies in the U.S. and Europe. Brazil needs Chinese capital to develop its new oil fields and is likely to side with China in many international issues, such as climate change and international negotiations trade.

However, one thing seems to be certain; the enthusiasm for an alliance between two developing world giants—to counter the United States—seems to be dead. Sino-Brazilian relations are likely to be marked by pure pragmatism, for the idealism of the Lula administration seems to have been badly misplaced. When President Obama visited Brazil in March, he was warmly received, with the tone of the visit being quite conciliatory and diplomatic.

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[108] "President Lula Exacerbates Brazilian Chinese Competition for African Market) *ABN*, July 8, 2010.

[109] "Measures Against China Unlikely," *Estadao,* April 21, 2011; "Government Does Not Rule Out Measures Against China, Says Minister," *Agencia Brasil,* April 20, 2011; "Brazil and Argentina Want to Protect Their Market Against China," *O Globo,* July 24, 2011.

[110] "Celso Amorim, We Need to Rethink Our Relation With China," *Estadao,* November 27, 2010.

Brazil thought of using China to balance the United States; however, it may now need the United Sates to balance China. In October 2010, in perhaps an indication of the current state of relations, a friendly basketball game between the Chinese and Brazilian national teams ended in a massive brawl. As the Brazilian saying goes, "*Amigos amigos amigos, negocios a parte* (There is no such a thing as friendship in business)."

The Chinese seem to understand this better than the Brazilians do.

III. ASSESSING CHINA'S DIPLOMATIC AND ECONOMIC STRATEGY

As demonstrated in this work, the People's Republic of China has increased its presence through the Lusophone world in the past decade. While China has obtained substantial economic gains, the level of its success varies from country to country. In Angola, China has gained an impressive economic presence with Angola being, in certain years, the major oil supplier to China. From 2007 to 2010, however, Angola has been China's largest trading partner in Africa. Since 2002, Chinese state-owned banks have given Angola an estimated $15 billion in soft loans.

It is very hard to argue that China's economic strategy in Angola was not successful. The numbers speak for themselves. However, China's soft power in Angola and its diplomatic influence is far less impressive. Angolans deeply resent the large numbers of Chinese workers in their country who, by some estimates, could be as many as 100,000. Poor Chinese workers tend to stay in Angola after finishing their work with their original Chinese employee and look for other opportunities. Many start as street vendors and other small business. Some even resort to crime.

Poor Chinese migrants compete directly with the most poor and vulnerable Angolans, thus creating tensions. While China has been able to establish close ties to the Angolan leadership, the common Angolan remains very suspicious. Even among the elites, growing concerns over *estar nas maos dos Chineses* (to be in the hands of the Chinese) is promoting Angolan leaders to balance China's presence.

In Mozambique, China has also made some substantial economic gains. However, its diplomatic and political influence is not as significant. In Mozambique, the level of hostility from the grassroots is not as pronounced as it is in Angola. Unlike in Angola, Chinese companies began to hire more local people after an initial period of hiring very few local workers. Also in Mozambique, the number of Chinese migrants is much smaller and tends to be in activities that do not compete directly with the local Africans. Mozambique has a large South Asian minority, commonly addressed by the locals by the derogatory term *monhe*. Many locals find the Chinese traders to be less greedy and rude than the *monhe* and, unlike in Angola, Chinese migrant workers are rarely involved in crime. In Mozambique, people of Pakistani descent have long been rumored to dominate the drug trade.

Despite some impressive gains, China faces strong competition in Mozambique from its traditional partners, such as South Africa and Portugal, the former colonial power. New emerging powers, such as Brazil and India, have increased their presence in Mozambique, while the United States is slowly getting more involved.

Unlike in Angola, China is not perceived as too dominant, and therefore the Mozambican elite see China as a welcomed force to balance its traditional allies. International relations theory and the realist school of thinking argue that states tend to balance against the strongest power. While China is fast becoming a major player in Mozambique, its presence is not yet seen as a threat. On the contrary, Mozambique has been encouraging more Chinese investment.

In Guinea Bissau, China has ensured that Taiwan is unlikely to regain its lost friend and they have built a respectable presence in a poor unstable country where the United States closed its embassy more than twenty years ago. At a very low cost, China has gained the sympathy of many locals and the government. China's rice diplomacy, infrastructure rehabilitation, and budget support have endeared China to a nation with very few alternatives.

Due to chronic instability, very few Chinese live or have businesses in Guinea Bissau. The few Chinese who operate in the country are generally welcomed.

Cape Verde is an unlikely place to find a large Chinese diaspora. An estimated 5,000 Chinese may be living in the tiny nation, where they control most of the trade. Unlike in Angola, this immigration is largely welcomed by the natives who see the Chinese as providing affordable goods and generating jobs. Also, unlike in Angola, Chinese state-owned companies have very little interest in a dry and remote archipelago. Private Chinese citizens are the main economic players. However, as a result of the growing presence of private Chinese citizens, the Chinese government is now getting more involved.

In Timor-Leste, China has built close ties to the local elites and has been expanding its influence. China's growing presence in Timor is part of its general expansion into the Southeast Asian area, which it sees as increasingly under its sphere.

China has kept a quiet profile in Timor, so as not to alarm Australia and the United States. In the short to medium term, China's main interest in Timor is to retain a reasonable political and diplomatic presence, keep Taiwan out, secure a diplomatic ally, and look for economic opportunities. In the long run, as the Chinese navy expands its reach, the territory is likely to grow in importance for Beijing.

While the Chinese community has grown in Timor, relations with the locals are not particularly tense. However, if more and more Chinese—attracted by the oil economy—move to Timor, then tensions may arise. A few acts of violence against the Chinese have taken place, but they remain small in number and were not necessarily directed specifically at the Chinese. While China has succeeded in gaining a respectable presence in Timor, Australia, Portugal, and the United States remain the country's most important security and economic partners.

The way economic ties between China and Brazil have developed is breathtaking, with trade rising to unprecedented levels. While cooperation in sensitive areas, such as satellites and defense technologies, have brought the two nations closer together, the much-expected alliance of third-world giants to balance Western hegemony seems to be far from materializing, despite the fact that President Lula, his successor Dilma Rousseff, and some of the most left-wing leaders in Brazil have strongly encouraged it. It is unlikely that a right-wing government will be as enthusiastic.

China's relations with Brazil have brought both countries tremendous benefits. However, trade tensions are a regular feature in the relations. Politically and diplomatically, both countries have shared some objectives, such as their position on global warming and Iran. However, they are far from becoming a third-world alliance.

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IV. CONCLUSION

China's relations with the Lusophone world demonstrate the complexity and varied nature of China's growing presence in the developing world. In the eyes of many, China is still seen, in places like Africa, as being predatory and desperate to extract resources. Beijing is often said to cozy-up to despotic regimes—such as Sudan, Zimbabwe, and Equatorial Guinea—in order to secure energy resources.

As our analysis demonstrates, these perceptions are partly true and context driven. In Angola, China seems to be clearly motivated by its desire for natural resources, courting the long-serving regime and creating very few jobs for locals.

However, in Cape Verde, a democratic and resource-poor country, Chinese businesses have done extremely well. The case of Cape Verde shows that Chinese business people can operate in legitimate environments, as well as corrupt ones. Many tend to blame China for the increase in corruption in Africa and elsewhere. It seems clear that large numbers of Chinese did not make Cape Verde corrupt. Chinese business is capable of adapting to numerous circumstances and displays a sophistication that is not often understood.

In Mozambique, China was initially perceived as being greedy and devastating the environment and resentment existed over the lack of job creation. However, a combination of rising labor costs in China and attempts at dealing with local resentment has seen Chinese businesses create more and more jobs for the locals.

Lusophone Africa demonstrates that Chinese investment goes well beyond resources extraction to include industry, tourism, agriculture, and banking. Lusophone challenges many of our previous assumptions about China in Africa. What these cases teach us is that Africa is very diverse and so is the nature of Chinese business.

It is also evident from these cases that China has a long-term approach to its relations with the Lusophone world, and that its diplomats and business people are very patient and persistent. The image of the Chinese businessman as a corrupt and crookedly dealing with despotic regimes is far too simplistic. In countries where corruption is high, the Chinese will make use of less legitimate methods to obtain contracts and other privileges. In Cape Verde, there is hardly any complaint about China corrupting local officials. Whether China corrupts the developing world is up to the leaders and peoples of these nations more than it is up to the Chinese.

A story seldom told is that literally thousands of small to medium Chinese entrepreneurs tried their luck in the remote mountains of Timor, the deserts of Chad, and in the immensity of the Amazon. They went to places the West has forgotten. Many made a fortune, others did just okay. Some even lost their lives. Today, after many sacrifices, private Chinese entrepreneurs have established an impressive presence in Africa, Asia, and Latin America. Just like the American pioneers in the early and mid-nineteenth century, they took risks. Some lived to be rich, while others fell prey to hostile arrows. Perhaps by looking into its own history, America may better understand China.

In Timor-Leste, China has focused its attention on diplomatic and political issues, while also keeping an eye for profit. Chinese diplomats are sophisticated enough to understand that Australia and the U.S. see their presence in Timor with concerns, and have kept a low profile. Fluent in Portuguese, their diplomats have forged close ties with local elites.

Despite ongoing tensions, Sino-Brazilian ties are likely to continue to expand. However, the relationship will be one based on pragmatism, with the so-called South-South alliance unlikely to go beyond rhetoric. Today, Brazil is one of China’s most important relations.

The Lusophone countries have grown in importance for China in areas such as energy security and markets. Some, like Angola and Brazil, have become vital for Beijing’s prosperity. As such, the People’s Republic of China will continue to invest in the relationship in a proactive and determined way. The case of the Lusophone world attests to the growing sophistication of Chinese foreign and economic policies, and defies simple explanations of China’s presence in the developing world.

It is also evident from these cases that China has a long-term approach to its relations with the Lusophone world, and that its diplomats and businesspeople are very patient and persistent.

This work has focused on state actors or great companies. I would like to finish this eight-year long research with a few lines on the people. One was Hu Xi, a poor Chinese farmer, an old man from Hubei Province of China. He once took the risk to move to Timor at a time when the UN and the Peace Corp was evacuated due to the serious internal instability. After six years, Mr. Hu Xi runs a successful grocery business throughout the country, delivering affordable products to the most remote areas, often forgotten by the government. There are literally thousands of stories like this throughout Africa and Latin America. In the end, we are all so similar. We just want a better life.

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