

# The China Syndrome

By [FT Reporters](#) (James Kynge, Richard McGregor, Daniel Dombey, Martin Arnold, Helen Warrell and Cynthia O'Murchu).

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*Let's just talk, you know, straight realpolitik. We are in a competition with China. Take Papua New Guinea: huge energy find ... ExxonMobil is producing it. China is in there every day in every way, trying to figure out how it's going to come in behind us, come under us.*



## EDITOR'S CHOICE

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[Hillary Clinton's words this week](#) were blunt. Not only was the US head-to-head against China in a [battle for international influence](#) but Washington was losing the "information war" to emerging powers.

The comments made by the secretary of state to a congressional hearing bring bang up to date the anxieties laid bare in confidential US government cables over the surge in Chinese global influence in recent years.

Emanating from American embassies across the developing world, these characterise Beijing variously as having fewer scruples than Washington, "playing dirty" in commerce and ignoring human rights in its dealings with other countries.

"I might also mention China has about a \$600m development programme for these Pacific island nations. And what do we have in a response? Zero," Mrs Clinton added. She went on to observe that China's establishment of a multi-language international television network, Russia's launch of an English-language network and the continued success of al-Jazeera had come at a time of cuts in US networks and at the BBC.

"We are in an information war and we are losing that war," she said.

Such remarks open a crack of daylight into what is revealed by the [WikiLeaks cables](#) as a long-standing tournament of shadows – the diplomatic feints and dodges that animate often undeclared US-China rivalries – in places as varied as Africa, the Indian subcontinent, central and south-east Asia and Latin America.

The vignettes on this page, which are taken from cables written over several years until last year, demonstrate not only the number of areas in which US and Chinese interests clash, but also the varying intensity of the competition that results.

In a number of African countries, the sense of rivalry is unambiguous. Alleging that "Chinese

companies play dirty”, a cable from the US embassy in Nairobi said: “We wonder if [Beijing] simply turns a blind eye to the dirty work of Chinese firms, or if it actively contributes to the problem.” In Nigeria, US officials see a benefit to China from having fewer scruples than Washington. “In pursuing its economic interest here, China is free to ignore human rights, democracy, and other issues which complicate the US relationship,” the cable from Nigeria-based US officials said.

Cables from Algiers show a similar vein in complaints. “Competition between US and Chinese firms will continue to dominate the US-China relationship toward Algeria,” said one, noting that “more than 40,000 Chinese nationals reside in Algeria”. In Ethiopia, US companies told officials their contracts with the country’s telecommunications operator were terminated after they allegedly exposed “inadequacies and falsification of data” by a Chinese rival.

In contrast to the anxiety manifest and unsubstantiated claims made in cables from embassies in Africa, those from Asia convey a milder disappointment, such as over Sri Lanka’s apparent disinclination towards western investment in favour of China’s “no-strings generosity”. This may be “convincing President **Mahinda Rajapaksa** that he can have both his war and his infrastructure, instead of having to choose between the two”.

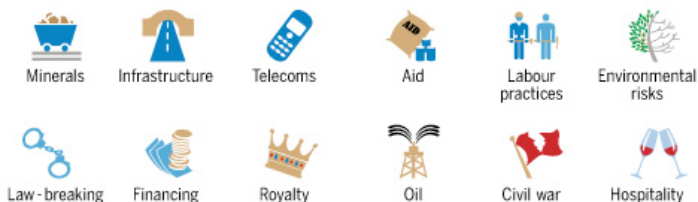
US experts endorse the sentiments. “There’s definitely a new game taking place in many parts of the world. The extent to which it has advanced has taken a lot of people by surprise, not least the Chinese themselves,” says Charles Freeman, previously America’s top trade negotiator with China and now at the Centre for Strategic and International Studies. But he also notes a sense among some countries that China has come on too strong: “People are pleading with us to stay around and stay engaged.”

A sense of this dynamic is evident in the cables. In one, a warning comes from executives at Vale, the Brazilian mining giant. At a May 2007 meeting with the US ambassador to Brazil, they said America “would need to pay greater attention to where its raw materials would come from as China hoped to lock up both South America and Africa as its suppliers”.

Washington has tried to translate Brasilia’s annoyance over unfair Chinese competition into a joint position pushing for the faster appreciation of the renminbi. So far, however, Brasilia has maintained an even hand.

China is aware of countries’ concerns. Yang Jiechi, foreign minister, wrote last month of a need for “public diplomacy” because the world “still has biases, misunderstandings and worries about China”.

## KEY



## Brazil:



The uneven relationship that has emerged from dependence on China as an export market has proved tricky for Brazil to navigate.

Some, such as Roger Agnelli, chief executive of Brazilian miner Vale, note their concern that Beijing plans to control not only Latin America’s mineral deposits but also its infrastructure networks.

In a cable seen by the Financial Times, Mr Agnelli is reported as urging America in a 2007 meeting with the US ambassador to Brazil “to think seriously ... as to what would happen if the Chinese won the struggle for access to commodities”. This would “create imbalances in the international market as the remaining customers in the US and Europe would have to pay high prices as key stocks would effectively be off the market”.

Despite these concerns, according to the cable’s author, the miner itself is deeply involved with China. “As [Vale] derives much of its record profit from sales of iron ore to China,” says the cable’s author, “in many ways it is a willing partner.”

In an earlier cable Renato Amorim, Vale’s director of foreign affairs, is reported as calling China “too clumsy in Latin America”, concluding that it is “not living up to ... the bluster and heightened expectations created from Chinese President Hu Jintao’s 2004 visit”.

Vale executives declined to comment

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## Sudan



China starts to anticipate a southerly shift in ownership of the **oil resources** of Sudan, its sixth biggest supplier, as early as 2009. Watched closely by US officials, Beijing moves its focus from President Omar al-Bashir in Khartoum towards the leaders of the south, engaged at the time in a **battle for independence**. After a May 2009 meeting with China's special representative on Darfur, US diplomats say he "suggested that the opening of China's new consulate general in Juba [proposed capital of an oil-rich breakaway state] reflected China's **increasing attention to the south**".

Chinese officials are reported nonetheless to be opposed to independence, telling US counterparts in 2010 – a year before the south voted overwhelmingly to secede – that it would result in "a domino effect".

Beijing appears uneasy defending its close ties to the Bashir regime while improving links to Juba. US diplomats say Chinese officials have told them the country must "keep one foot in each boat" and maintain "friendly" relations with all sides. The Chinese also stress their policy of non-interference in domestic politics. This shifting stance may explain why Luis Moreno-Ocampo, chief prosecutor of the International Criminal Court, is quoted as telling US officials in 2008 China "would not oppose" Mr Bashir's arrest for war crimes and crimes against humanity as long as its oil interests were protected.

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### Ethiopia and Kenya



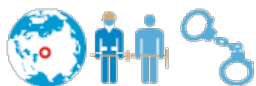
A US diplomat reports a warning from an official at US development agency USAid in 2009 that the building of Africa's biggest dam would pose "grave risks" to local people. Ethiopia subsequently struggles to find overseas financing and turns, eventually, to Beijing. In 2010, the Industrial and Commercial Bank of China agrees a \$500m loan for the €1.5bn Gilgel Gibe III project, and the Export-Import Bank of China also offers backing.

Western concern about the dam dates back to 2009, when US embassy officials in neighbouring Kenya report the USAid official as saying the dam – being built by Italy's Salini Costruttori and China's Dongfang Electric Machinery Corporation – is a threat to Kenya's indigenous Turkana people and others living near the Omo River. In his opinion, according to a cable of June 2009, "Lake Turkana is bound to be at risk, especially in low rainfall years." Gibe III "could [also] pose 'grave risks for indigenous communities in south-western Ethiopia'."

However, a Kenyan official tells US diplomats that the dam has his country's full support and there is "no cause for alarm" about its impact on water flowing into Lake Turkana, Kenya's northernmost Rift Valley "desert lake". But it faces opposition from non-government organisations, which submitted a petition and staged a peaceful protest outside the Chinese embassy in Nairobi last month.

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### Kazakhstan



US diplomats recognise that in **Kazakhstan**, history dictates that Russian and Chinese interests trump theirs. But they still report anxiety that US companies are "often at a disadvantage" when bidding against the Chinese, who make "impossible commitments on time and cost that they admit in private they will not be able to meet".

A June 2009 cable quotes a European sales manager complaining that: "Chinese workers entering Kazakhstan always wait at the end of the [immigration] line and carry plenty of cash ... because most of them enter the country illegally, without required work permits, and must pay bribes in order to pass through immigration, labour and customs controls." The allegation is later supported by a Chinese diplomat who apparently tells the US energy attaché that as extreme deadlines give China's companies no time to train local labour, they "often bring expatriate employees into Kazakhstan without visas and work permits" – though the embassy requires compliance with local law.

The sales manager claims fines have had "no effect". Kazakh officials are also "frank in their criticism". When a minister tells the US deputy chief of mission of statutory amendments that could allow abrogation of contracts on national security grounds, he assures the diplomat: "Don't worry. The law is not aimed at you. It is for the Chinese."

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### Sri Lanka



"Sri Lanka's new friends cannot compete with her old ones in the United States and EU," write US diplomats, claiming that the success of Chinese companies is undermined by concerns about quality and business methods. In December 2009, diplomats reprise a meeting with Sri Lankan mobile providers and their claims that Chinese diplomats may have been involved in **contracts won by Huawei Telecommunications**: "Some have speculated that Huawei has been assisted by the Chinese embassy, but we could not confirm whether these suspicions are well founded." The diplomats quote the local providers' allegations that Chinese-owned Huawei's equipment is "sometimes suspect and the quality of their work is often questionable" but concludes that this is "not hindering their business model". (Huawei would not comment on these allegations.) US companies do not have the financial resources to compete with Chinese state-owned groups, enterprises or consortiums "that are supported by the Chinese government", according to a cable from July 2009. The real invective is reserved for Beijing's aid following the 2004 tsunami. "High on optics, thin on substance" is the curt title of an April 2005 cable on a visit by Wen Jiabao, China's premier. It notes gifts of "modest tsunami aid and debt relief" plus "a new bust of [China's first premier] Chou Enlai for a Chinese-built conference centre".

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## Thailand



America cannot complain it lacked fair warning that its waning interest was clearing the way for an ever closer Sino-Thai relationship.

When Democratic Senator Jim Webb visits Bangkok in January 2009, King Bhumibol's deputy private secretary is reported in a cable sent soon after the meeting apologising for "having to play the China card" but pointing out that "as US focus on south-east Asia has diminished over the last decade, China has increasingly become a more important partner for Thailand". The region is seen as at the "tail end" of US priorities. The senator promises to carry this message back to Washington.

When China displaces the US as Thailand's leading export market within the year, US diplomats write in a cable dated December 2009: "Our ability to manage a counterstrategy to China's charm offensive is complicated by the fact that, unlike the Chinese, most of the US-Thai trade and investment relationship is based on decisions made by private US firms and not by the US government."

According to a dispatch of February 2010, Chinese diplomacy seems to focus on the royal family, which is wooed with "lavish VIP trips to China". Princess Sirindhorn, "the second most beloved Thai royal, has made a reported 28 trips to China since 1981 – including three in 2009 – in an effort to foster closer social and educational ties between the two nations", it reads.

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