SPECIAL REPORT

IMBALANCE OF POWER

CHINA AFRICA

WITH ITS RESOURCE-HUNGRY PUSH INTO THE SUB-SAHARA, BEIJING PUTS THE PLANET TO THE TEST.

BY RICHARD BEHAR

PHOTO ILLUSTRATION BY PLAMEN PETKOV

The No. 2 killer in Africa by parasite,

after malaria, is an organism called *Entamoeba histolytica*—or "Eh" for short. It was discovered in 1873, the year it took the life of missionary-explorer David Livingstone, that great champion of British imperialism on what his countrymen called the Dark Continent. I know this because, when I returned home from reporting in the sub-Sahara, the same pathogen was drilling through the walls of my gut. It would colonize there for months, unbeknownst to me, absorbing my nutrients and spewing its toxins, as I grew weak and emaciated.

A skillful intruder, Eh can produce a population explosion in a very short time. While its plan of attack is complex and still not entirely understood, it seems to trick human defense mechanisms into thinking all is well in the homeland. (It achieves that by killing local immune cells, then hiding the evidence by eating the cells' corpses.) Unfortunately, the more virulent the strain, the more the parasite risks killing the host—sometimes by invading the brain—rendering everyone homeless. Nonetheless, the more I've learned about Eh, the more I admire its resourcefulness, its work ethic (talk about intestinal fortitude!), and its resolve to survive and propagate. It's a shame we couldn't just get along, that my ecosystem couldn't sustain us both.

I likely picked up my dose of Eh in the Democratic Republic of the Congo, an epicenter of virulent disease, from flies that transported it from infected human feces to food. "If you were a malnourished kid in a refugee camp in Congo," remarked my doctor, a tropical-disease expert who has labored in dozens of such camps, "you would probably die from this infection." As it happened, I had just made it to age 47, the statistical end of the line for the 770 million people who live in sub-Saharan Africa. By their standards, I was already an old man.

An unfathomably vast terrain comprising 49 nations, the sub-Sahara represents nearly one-fifth of the earth's landmass. Yet its total economy is tinier than Florida's. Here, 300 million people get by on less than $1 a day. Until they don't: It is the planet's biggest tomb, where compared to the 1960s, *twice* as many children under the age of 5 are now dying each day from disease; a bottomless badland where $500 billion of Western aid since World War II (more than four Marshall Plans) has barely made a dent in the poverty; a region whose market share of world trade is shrinking by the hour as it gets left behind, perhaps permanently, in the dust of globalization; a place so desperate for everything—cash, trade, investment, infrastructure—and so powerless to negotiate strategically, that it's pretty much up for sale to the highest bidder.

During my recovery, I had time to dwell on parasites, how they invade and deplete their hosts, much as successive colonial powers have done over the centuries in places such as Africa. Anyone who thinks that kind of ravenous acquisition of resources is a thing of the past should take a close look at the suction China is applying in the sub-Sahara. The region is now the scene of one of the most sweeping, bare-knuckled, and ingenious resource grabs the world has ever seen.

While America is preoccupied with the war in Iraq (cost: half a trillion dollars and counting), and while think-tank economists continue to spit out papers debating whether vital resources are running out at all, China's leadership isn't taking any chances. In just a few years, the People's Republic of China (PRC) has become the most aggressive investor-nation in Africa. This commercial invasion is without question the most important development in the sub-Sahara since the end of the Cold War—an epic, almost primal propulsion that is redrawing the global economic map. One former U.S. assistant secretary of state has called it a "tsunami." Some are even calling the region "ChinAfrica."

There are already more Chinese living in Nigeria than there were Britons during the height of the empire. From state-owned and state-linked corporations to small entrepreneurs, the Chinese are cutting a swath across the continent. As many as 1 million Chinese citizens are circulating here. Each mega-project announced by China's government creates collateral economies and population monuments, like the ripples of a stone skimmed across a lake.

Beijing declared 2006 the "Year of Africa," and China's leaders have made one Bono-like tour after another. No other major power has shown the same interest or muscle, or the sheer *ability* to cozy up to African leaders. And unlike America's faltering effort in Iraq, the Chinese ain't spreading democracy, folks. They're there to get what they need to feed the machine. The phenomenon even has a name on the ground in the sub-Sahara: the Great Chinese Takeout.

In describing China's exploits, it's tempting to evoke the image of a benign, postcolonial West being outfoxed by a ruthless and unscrupulous neo-communist power. Don't bother. The American track record in modern Africa has been deplorable—a half-century of backing strongmen, turning a blind eye, and taking what we can get with little or no regard for the health or welfare of the locals. So no, this is not an update about the Yellow Peril, although no shortage of U.S. officials see China's safari as precisely that. Instead, this is a story about an economic model of exploitation that is at once formidably efficient and tragically flawed, about a planet that's being consumed by those who live on its surface. Today's global economy has an insatiable need for raw materials. That's as true for China's rise as it is true for the maintenance of America's economy. With China exporting some 40% of its GDP, Americans need to understand that behind that MADE IN CHINA tag at Wal-Mart is a mutually reinforcing death spiral. We are beginning to overwhelm our host.

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A RECENT REPORT BY OIL GIANT Royal Dutch Shell makes for sobering reading. In its worst-case scenario, Shell predicts that the coming decade will see the world's governments engaged in an increasingly desperate and ruthless "scramble" to secure energy supplies and natural resources, one that could trigger a new wave of global conflict and massive environmental destruction. Shell's alternative scenario has governments banding together to create "blueprints" for the future that embrace sustainability. "This will require hard work, and time is short," warns Shell CEO Jeroen van der Veer, sounding more like a heckler from Greenpeace than the head of one of the world's six oil supermajors. In other words, humans are at a juncture: blueprint or scramble?

For now at least, the answer on the ground is clear. It's scramble time. In reporting this article, I visited four African countries central to China's overall strategy: Mozambique (a key source of timber for China), Zambia (copper), Congo (a wide range of minerals), and Equatorial Guinea (oil). What I found is that while flat-footed Western governments largely watch from the sidelines, cash-flush Chinese firms—many with state-directed financing—are cutting deals at a dizzying pace, securing supplies of oil, copper, timber, natural gas, zinc, cobalt, iron, you name it.

At the most macro level, China's offensive is at once enthralling and unnerving, like watching a well-oiled war machine. Closer to the ground, China's presence in Africa can seem a chaotic and reckless free-for-all—a primordial, biological struggle in which every organism fends for itself. At times it is glorious, appearing to brim with possibility, perhaps the sub-Sahara's last chance to catch up with the world; at others, it appears little more than a revamped, upgraded replay of colonialism. At its best, China's quest is generating business that the West is too timid to undertake. But the secrecy and elitism that already define the government of China, and many of those in Africa, are poised to usher in a toxic intercontinental corruption we can hardly yet imagine.

As the 2008 Olympics in Beijing approach, China wants to present itself to the world as a strong, fast-rising economic power that has lifted 300 million people out of poverty with unimaginable speed. That is all certainly true. But China is also the world's No. 1 source of counterfeit products—and Africa is now the No. 1 transit point for fake goods entering the United States and Europe. Chinese companies are the second-most likely (after India) to use payola abroad, according to Transparency International's Bribe Payers Index. Similarly, a World Bank survey of 68 countries last year found that the sub-Sahara leads in the "percentage of firms expected to give gifts" to secure government contracts (43%). That meeting of the minds has made for hyperefficient deal making in Africa.

"It has been said that if you spend a week in China, you can write a book," notes Clem Sunter, South Africa's leading futurologist and scenario planner, and the Oxford-educated author of 13 books. "Spend a year, an article; spend five years, nothing." So too with the sub-Sahara. One thing is clear, though: Whether or not the world's key resources are running out, China is *behaving* as if they are. "I think everybody's scared," observes Lucy Corkin, the well-traveled projects director for the Centre for Chinese Studies at South Africa's Stellenbosch University, the only African think tank devoted entirely to China-Africa research. "People are not worried about saving the environment; they are worried about getting some before it all runs out. That's the mentality: 'China is just going to consume everything—let's get it *now!*'"

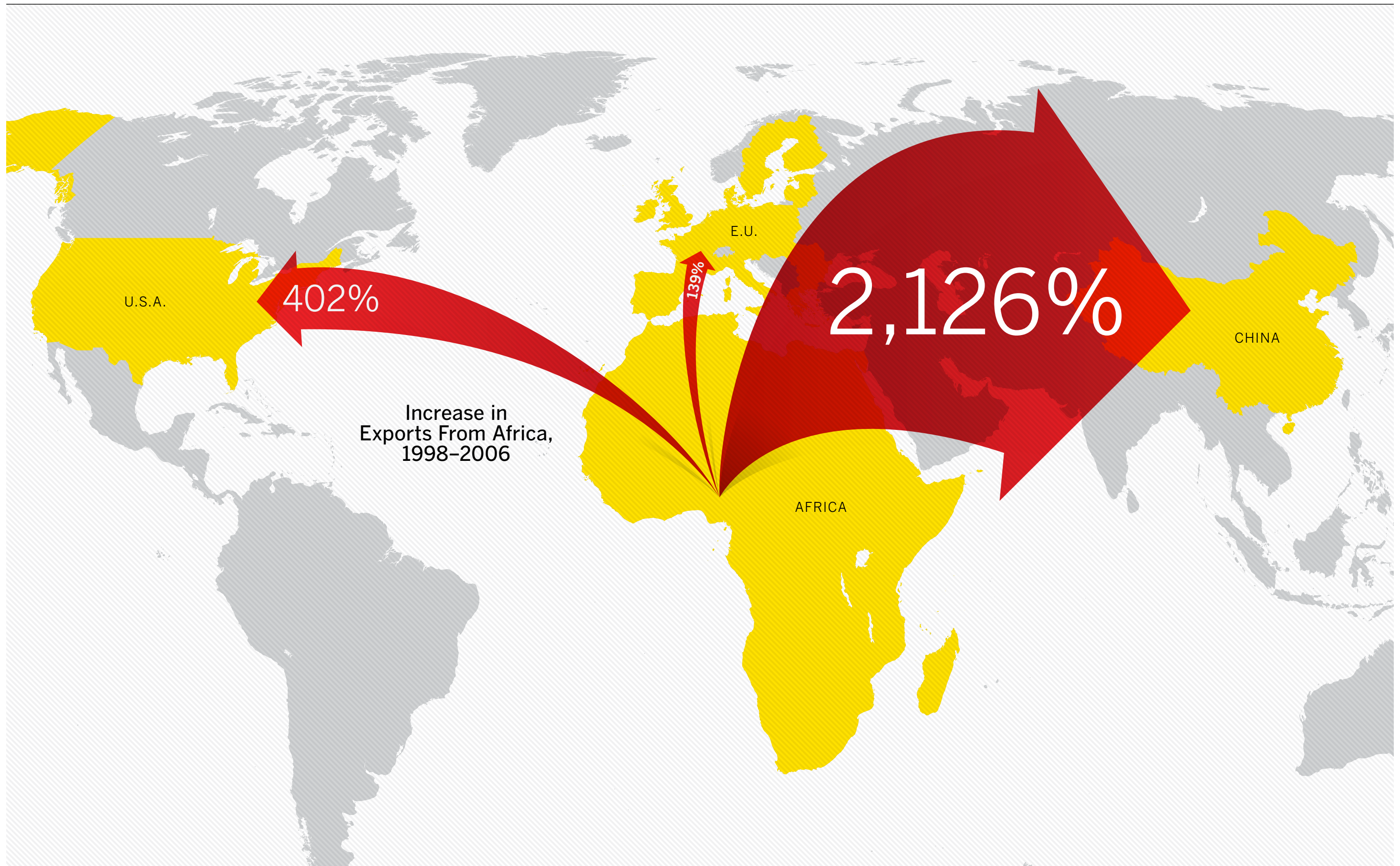
That's a blood-curdling development, one that reinforces the largely forgotten work of Thomas Malthus some two centuries ago. "The power of population," he wrote, "is indefinitely greater than the power in the earth to produce subsistence for man." Meeting the needs of today's booming population entails not only feeding people—and shortages of basic foodstuffs are now making news worldwide—but also keeping them healthy. The sub-Sahara, the region emitting the fewest greenhouse gases, now has the most deaths attributable to climate change, according to the World Health Organization. Scientists have concluded that temperature fluctuations may in turn fuel the spread of infectious diseases, including my new friend Eh.

JOURNEY WITHOUT MAPS

"Those most vulnerable to the health risks of climate change are also least responsible for causing the problem," says the University of Wisconsin's Jonathan Patz, one of the leading experts on the human health effects of environmental change. "We are disseminating death and disease around the world from our energy-consumptive lifestyle. How's that for a global ethical challenge?"

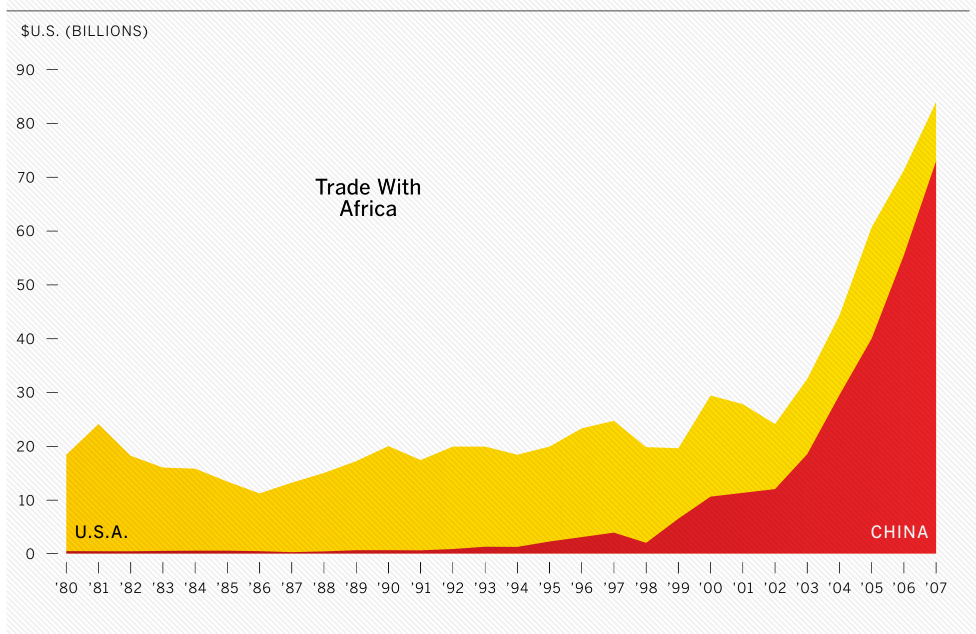
The Race for Raw Materials

Thanks to aggressive deal making in the sub-Sahara, China has dramatically boosted its economic footprint in Africa.



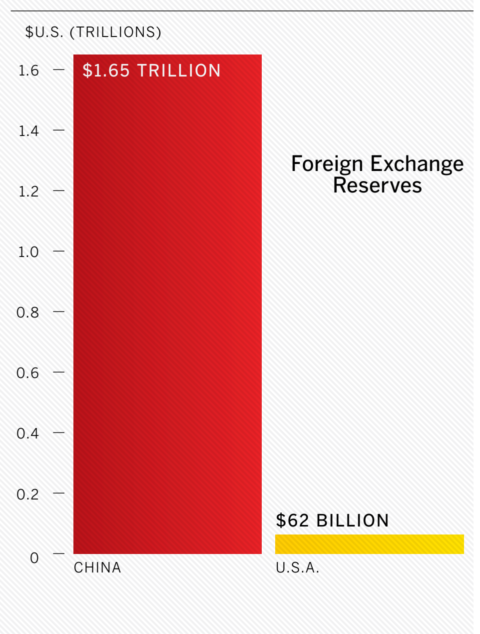
Dead Heat

China and the U.S. are now neck-and-neck in their skyrocketing appetite for Africa's riches.



Beijing's Leverage

China still has a huge war chest for African deals and, unlike the U.S., doesn't make demands for transparency or human rights.



Sources: International Monetary Fund; Direction of Trade Statistics (IMF); United Nations Comtrade Database, DESA/UNSD

MOZAMBIQUE:

A Chain Saw for Every Tree

In a 4x4 vehicle arranged by a local group that monitors Mozambique's forests, I travel to Maganja da Costa in the once-heavily-wooded Zambezia province, the country's poorest. Maganja is a tiny district, a five-hour drive along tortuous, dusty roads—traveled by villagers on bicycles with huge bags of firewood on their heads—from Quelimane, one of the country's main port cities. Quelimane was journey's end for Livingstone on his trek from the Atlantic to the Indian Ocean in 1856. But it is the start of my trans-African journey. My destination is a field office of Madeiras Alman, a unit of a Taiwanese conglomerate and one of the largest exporters of timber from Mozambique back to mainland China.

The office turns out to be nothing more than an unmarked trailer in the middle of a forest. A hand-painted sign nailed to a nearby stick reads ALMAN. The trailer is vacant, but within minutes of arriving, I am surrounded by dozens of angry locals demanding to be paid. "They think you're the Chinese owner," explains Gil, a forest technician acting as my guide. After explaining through my translator that I'm not the owner, or even Chinese, I manage to calm the men down. They say they'd been stiffed for work performed—a common complaint in the forestry trade here. They'd each been promised $120 for three months of backbreaking labor—lifting logs the size of girders by hand onto trucks, in a forest littered with land mines left over from a civil war—but were paid only $25. They've been showing up every day for months in a futile search for managers who never appear.

They are short men, under 5 feet tall, and wear ripped clothes that are likely Chinese knockoffs. A man named Pedro sports a SEAN JOHN shirt, another an orange DAVID BECKHAM tee, while a third reads VOGUE PARIS. One man's cap informs me that THIS IS THE CLOSEST THING TO A HANDYMAN THIS FAMILY'S GOT. Many are barefoot, with bloodshot eyes and missing teeth, flies moving in and out of their mouths.

One man identifies himself as Pinto, the chief, and says they are from the Alukadi tribe, which has been in the region for centuries. They never signed any paperwork with their Asian bosses, he tells me, but they yell and scream, promising to "go to war" unless they are paid. "We have the power to remove this office," one man shouts. In fact, they have no power at all.

"Let China sleep," Napoleon famously remarked, "for when she awakes, she will shake the world." Today, China is not only roused, she is devouring the world for breakfast. In just a few years, it has become the world's top consumer of timber—as well as zinc (with 30% of global demand), iron and steel (27%), lead (25%), aluminum (23%), and copper (22%), along with nickel, tin, coal, cotton, and rubber. The entire sub-Sahara currently uses one-twentieth the amount of steel China does. And although China is the planet's second-biggest consumer of oil, behind the United States, it's gaining fast.

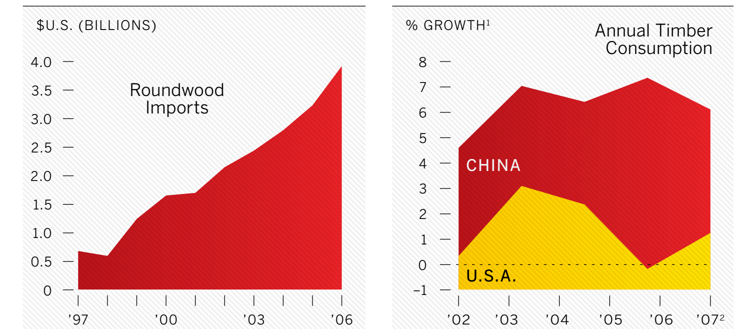
One-fifth of humankind lives in China, and an increasing number of those people are seeking a consumerist version of *xiaokang*, or "well-being." If their per capita GDP (now about $6,500) approaches South Korean levels in the next 20 years, as it is on track to do, Chinese consumption of aluminum and iron ore will increase fivefold; oil, eightfold; and copper, ninefold. As Sunter, the author and futurologist, puts it, "China is putting 1.3 billion people through an industrial revolution with neither colonies nor substantial indigenous resources besides coal. The only way it can do this is by establishing long-term supply contracts with resource-rich countries."

In sub-Saharan Africa, the Chinese seem to be everywhere: clearing trees in Mozambique, drilling for oil in Sudan, digging in copper mines in Zambia, opening textile factories in Kenya, prospecting for uranium in Zimbabwe, buying cobalt in the Congo, laying expressways in Angola. They have launched a satellite from Nigeria and built phone networks in rural Ghana and a dozen other countries. Hospitals, water pipelines, dams, railways, airports, hotels, soccer stadiums, parliament buildings—nearly all of them linked, in some way, to China's gaining access to raw materials. A $5 billion, 50-year government fund to encourage Chinese companies to invest in Africa. A $9 billion loan package for Congo. A $5.6 billion stake (20%) in Standard Bank, the biggest on the continent. And in April, $40 billion-plus in export-credit guarantees to help fund investment in Nigeria, Africa's biggest oil producer.

At any given time, roughly 800 Chinese state-owned or state-controlled corporations are operating in Africa, with China's

China's Taste for Trees

In just a few years, China has become the world's top consumer of timber.



Notes: Figures do not include the black market in timber. [1]Calculated in cubic meters of timber. [2]Forecast. Sources: UNECE.org; International Tropical Timber Organization

INFOGRAPHICS BY NICHOLAS FELTON

Export-Import Bank funding more than 300 projects in at least 36 countries. Tens of thousands of small private companies and entrepreneurs are also on the ground. In tiny Lesotho, nearly half the supermarkets are owned and run by Chinese. Mauritius, home to many Chinese-owned factories, just added the Chinese language to the national school curriculum. The value of Chinese aid in Africa—a closely guarded secret—is now thought to have overtaken World Bank assistance.

Influence of that magnitude threatens to wipe out a decade's worth of efforts by global institutions to push African governments to improve human rights and government transparency. As Sahr Johnny, the Sierra Leonean ambassador in Beijing, once said about China's projects in Africa: "They just come and do it. We don't hold meetings about environmental-impact assessment, human rights, bad governance and good governance. I'm not saying that's right. I'm just saying Chinese investment is succeeding because they don't set high benchmarks."

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CLEM SUNTER RAN the gold-and-uranium unit of Anglo-American Mining in the 1990s, and today oversees its social-responsibility fund. In 2006, he was invited to Beijing to do scenario planning with members of the Communist Party elite, a rare invitation for a foreigner. To grasp why Africa is China's "continent of choice," as he puts it, one must first appreciate how desperate China's leaders are for what the sub-Sahara has to offer. China is on track to surpass America as the world's largest economy within a few decades, and it needs to maintain that fantastical rate of growth in order to avoid adding 25 million people to the unemployment ranks each year. That is nothing short of a crisis: Unaddressed, it could lead to the undoing of the Communist Party. China is already facing 80,000 social protests per year, and the figure is rising fast. So the dragon must be fed. As bureaucrats in Beijing like to say, "China is like an elephant riding a bicycle. If it slows down, it could fall off, and the earth might quake."

Africa is one of the only places in the world where so many resources are still up for grabs. It holds 90% of the world's cobalt, 90% of its platinum, 50% of its gold, 98% of its chromium, 64% of its manganese, and one-third of its uranium. Its forests are still considered the most pristine in the world. It is rich in diamonds, has more oil reserves than North America, and is estimated to have 40% of the world's potential hydroelectric power. It already supplies a third of the oil fueling China's economic boom.

Sino-African trade hit $73 billion in 2007, a staggering thirtyfold increase in less than a decade. China recently passed France to become the sub-Sahara's second-largest trading partner, and will likely pass the United States by 2010. In terms of cumulative direct investment, America still reigns at about $19 billion, virtually all of it concentrated in oil and in a few countries. But at $2 billion and growing fast, China is gaining ground, while spreading its investments across many resources and infrastructure projects, from Angola to Zimbabwe. China today has the largest number of embassies, consulates, and diplomats in Africa, and hardly a week goes by without the announcement of a new deal or project. As the famed Hong Kong contrarian investor Marc "Dr. Doom" Faber has put it: "There is no continent better suited to China than Africa."

On the long drive back to Quelimane from Alman's forest outpost, we approach the town of Nicoadala, the only real checkpoint before timber is loaded onto container ships. A few miles before the checkpoint, a lumber truck we've followed for miles suddenly stops beside the highway. A man climbs down and vanishes into a white residential house hidden behind some landscaping. He emerges 30 minutes later and the truck continues to the checkpoint, where a man who identifies himself as João Mário Mafundisse—an agronomist and part-time forest cop—approaches our vehicle. We expect him to chase us away, but he instead unleashes a torrent of frustration. "The Chinese pay the control man here," he says, jabbing a finger at the checkpoint office. "It's a bad problem. The Chinese give money to the Mozambique people to cut too much and take the logs to Asia, and the Mozambique people never have development. Government controls are not effective because of corruption."

The sub-Sahara is now the scene of one of the most bare-knuckled resource grabs the world has ever seen.

Multiply that workaday scene a hundred-thousand times or so, and you begin to get a sense of how the game is played here—by all parties, from the East and the West. As one Western money-laundering investigator told me, "Every project in Africa has to have a politician involved. In big ones, it has to be the president or foreign minister. I don't know a country in Africa that doesn't have that, except maybe South Africa."

In Beijing's checkbook diplomacy, African governments receive multibillion-dollar deals in return for mining, timber, or oil rights. (The Chinese aren't interested in owning the land itself, only what lies within or on top of it.) The money is offered as a mix of cash, investment, cheap credit, and aid; some of it is earmarked for infrastructure projects—dams, airports, bridges, power plants, pipelines. Significantly, much of that infrastructure is crucial to China's ability to operate effectively in the country, but it can also provide a much-needed stimulus to the local economy. Of course, China's closed books make it impossible to see where the money actually goes, opening the door to all manner of inducements to local and national officials. These cash-heavy "no strings attached" offers make China's projects very hard to imitate for public companies from the West—and all but irresistible to the cliques sitting atop most sub-Saharan countries.

For the outside world, Beijing markets its efforts with flowery rhetoric—reminiscent of Mao Zedong's in Africa in the 1960s—touting China as a "selfless friend" intent on fostering a "harmonious" relationship. But China doesn't hesitate to create more lasting symbols of its benevolence: parliament buildings in Uganda and Congo, a presidential palace in Sudan, the Supreme Court in Namibia, an entirely new administrative capitol rising in Equatorial Guinea—and lavish soccer stadiums everywhere. These monuments not only distract restive local populations but are also, as one of the continent's best-known businessmen sees it, part of a subtler "psychological strategy: When the people are recreating, they will automatically revere the Chinese. And when the parliament is sitting, they will automatically revere the Chinese."

In a pinch, China's leaders revert to invoking the memory of "colonial aggression" and their common history with Africans as the subjects of outside oppression. China will never, Beijing constantly reminds them, "impose its will" on another country—a welcome relief after years of Western loan offers inconveniently premised on good governance and respect for human rights, and spending directed to alleviate poverty. In reality, there are often other strings attached. In December, for example, Malawi promptly cut diplomatic ties with Taiwan after 41 years, in exchange for an expected billion-dollar package from Beijing. And, just like projects from U.S. government agencies, the big PRC projects in Africa are "tied"—meaning that mainly Chinese companies, materials, and labor are to be used.

Few would argue that the sub-Sahara doesn't need all the big projects it can get. But with the exception perhaps of South Africa, the region is so desperate and defeated, and the forces of globalization so severe, that China undoubtedly has the upper hand in its deals. During a stopover in Johannesburg, I met with George Nicholls, who runs Pasco Risk, the largest Africa-exclusive corporate intelligence agency. Nicholls says he has studied 30 Chinese deals in Africa over the past two years, hopping from country to country, looking for a pattern. "The question is, What is the Chinese endgame in Africa?" he says over our traditional dinner of steak and *boerewors* (farmer's sausage) at Nelson Mandela Square. "My guess is they are trying to opt out of the international system for commodity prices. They are saying, 'Instead of the Western way, we'll go direct to the source and get it cheaper and more easily.' Western companies fight to own 20-year concessions. But it is irrelevant to the Chinese who owns the concessions—they want the commodity, the *offtake*, and will do whatever they can to get it."

"Chinese corporations and crime syndicates have been accused of bribery, smuggling, counterfeiting, corruption, and dumping," Nicholls says. "By the time the Americans come to the party, the Chinese will have taken it. That's the risk the West runs." Nicholls knows his "clients want to outsmart the Chinese," but the Chinese are "opaque, they go everywhere, they operate outside the international system. And they are thinking 50 to 100 years out." As to where China's role in Africa will lead, Nicholls suspects it is "analogous to the colonial drive for assets and territory. Chinese policies may ultimately do nothing to develop Africa in anything other than the short term."

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MOZAMBIQUE'S IS A SAD STORY. At its independence from Portuguese rule in 1975, the country was one of the world's basket cases. It still is. Soaring violent crime and growing organized-crime networks. Systemic corruption. A police force as crooked as the crooks they chase. Little or no government transparency. A devastating AIDS crisis. Annual flooding of entire provinces. Years of socialist mismanagement and a brutal 16-year civil war that killed a million people before it ended in 1992. More than 70% of Mozambique's 20 million citizens live on less than $2 a day, and only 8% have electricity.

The Bush administration nevertheless lavishes Mozambique with praise (and a recent $500 million aid package) for making progress on economic freedom, good governance, and transparency. And the World Bank recently called it "one of the greatest success stories anywhere in the world." Yet U.S. companies largely ignore the place. The country remains one of the most difficult in the world in which to do business, according to the World Bank's own annual index.

The Chinese, though, are suddenly omnipresent. Trade between the two countries has expanded sixfold since 2001. Steel factories. Textiles. Shoes. Motorbikes. Auto products. Hotels. Banking. A $2.3 billion soft loan for a controversial dam the World Bank deemed too risky to fund. A new soccer stadium. A glittering convention center. A parliament building. A state-of-the-art airport makeover. The humongous headquarters of the Ministry of Foreign Affairs, perhaps the most modern structure in the capital city of Maputo.

China is providing science equipment to the country's main university and helping build a satellite campus. Its embassy here is a sprawling gated complex of six huge yellow buildings that dwarfs its sleepy American counterpart. China's government blithely calls its relationship with Mozambique a "win-win" situation by two undeveloped countries that have endured similar abuses, a sentiment echoed by Mozambique's government, at least publicly. "Mozambique has a socialist past," a Western diplomat based in Maputo points out, "so it is closer to China politically than other countries. And [Mozambicans] say they remember that 'the Chinese were with us' when they were fighting for independence."

Rafique Jusob heads the Mozambican government's center for promoting investments. "China treats us like a peer," he insists. "They have a culture of respect for other people. They don't interfere, they don't invade countries. Americans? They don't even know where Mozambique is. And you [Americans] are trying to export morals which even in your own country didn't work."

Many observers, however, see China's deals here as emblematic of the imbalance of power between the two countries, what the head of the African Development Bank recently described as Africa's lack of "capacity to negotiate." That sentiment is echoed by Jim LaFleur, senior economist for Mozambique's largest business association and a longtime American resident of Maputo. "The Chinese are building things in exchange for mining rights, timber rights, fishing rights, and these are absolutely bad deals," LaFleur complains. "We've lost an asset, and in exchange we got a ministry building, which is just an opportunity cost for China." Stellenbosch University's Corkin is more categorical still: "China is very clear about what it wants from Africa," she says. "Africa has absolutely no idea what it wants from China."

In some cases, China's extractive work is clearly orchestrated and paid for by its central government or leading state-owned institutions; in others, it's more amorphous, driven by Chinese private operators—but with government-funded sweeteners or incentives. Some of the activity is legal and some clearly not. Chinese-made counterfeit products proliferate, cannibalizing embryonic local industry—or aborting it altogether. Illegal fishing along the 1,500-mile coastline is done mainly by the Chinese; Mozambique's authorities, with just 10 patrol boats, can't even begin to make a dent. And then there is the timber problem.

China introduced widespread logging bans at home in 1999, after deforestation was blamed for soil erosion and severe flooding. Now China is staging a virtual holdup on the rest of the planet's wood. It is the world's largest importer of unprocessed logs and tropical timber; of every 10 tropical trees traded in the world, 5 are destined for China. And its exports of wood products such as furniture and flooring are growing at a faster clip than domestic consumption, with the United States by far its best customer.

Few industries are as murky as the black market in wood. The World Bank estimates that 40% of China's timber imports from Russia—its largest source—are illegally harvested. In 2005, Greenpeace investigators chronicled the log trade from Papua New Guinea to China and found that 90% of it was illegal. As Chinese operators push deeper into the forests of Mozambique and other sub-Saharan countries, it's likely that most of that product—maybe the chair you're sitting in, or the flooring beneath your feet—is tainted as well. "Most logs imported into China are effectively stolen," says the Smithsonian Institution's William Laurance, one of the world's foremost tropical biologists. For the past year, the U.S. International Trade Commission has been probing China's logging practices (its report is due this month).

China's influence threatens to wipe out a decade's worth of efforts to improve African human rights and government transparency.

Timber is vital for the future of Mozambique's economy, but you wouldn't know it by the assault on its forests, which cover 70% of the nation. Mozambique is now China's leading source for wood in East Africa, and most of this timber leaves the country as raw, unprocessed logs, essentially subtracting its value from one of the world's poorest economies and adding it to what is becoming one of the richest. The best hardwood species are being obliterated, without replanting, and experts predict the forest's commercial value could be lost in as little as five years. Mozambique doesn't even have a functioning plywood industry; meanwhile the wood-products industry in China is skyrocketing, feeding local demand as well as the West's.

A 2006 report funded by the U.S. Agency for International Development describes log exporting from Mozambique as an exploitative "gold rush." And with one cop for every 125,000 acres, local enforcement is a fantasy. "A timber mafia" has arisen, concludes Catherine Ann Mackenzie, a highly regarded forestry expert who has spent months trekking across Mozambique studying the problem. Massive conflicts have arisen between the public duties and private interests of some government officials and party members, she notes. "They manipulate forest regulations, statistics, and technical information; accept bribes; and are personally involved in logging and benefiting from this Chinese takeaway."

Marcelo Mosse, too, is on the front lines, as one of only a handful of investigative reporters in Mozambique. At a meeting in his well-guarded office in Maputo, he holds up a book he co-wrote—a biography of his friend, investigative reporter Carlos Cardoso, who was murdered in 2000 for prying too deeply into bribery and influence peddling. "We don't have a political will in Mozambique to fight corruption, even though our president says it every time he speaks publicly," Mosse says. "Many Chinese companies come here and don't follow the rules we have in forestry because they have partnerships with ministers and politically connected people."

The Mozambican parliament passed a new anticorruption law in 2004, but there's no sign that anyone has been charged under it. Last year, the country's then-attorney general insisted to local reporters that there are cases before the courts, but that "it's inelegant" to name those accused. In fact, says Mosse, "You can expose corruption but you won't see any follow-up by judicial institutions. There's been no bribery case investigated or prosecuted."

Most of the country's timber operators own what's called a "simple" license, available only to Mozambican nationals. The $15,000 fee for the license gives them a specific area and a specific amount they can cut per year. But many can't afford the license, let alone pay for equipment and trucks. Enter the Chinese timber buyers, who are all too happy to issue credit for everything, letting Mozambicans front for them. That might be fine if this were as far as the deals went. But basically anything goes in Mozambique: overcutting; mislabeling species before export; undermeasuring; underinvoicing to avoid taxes; bribery of government, customs, and forestry officials.

The trade is sometimes dangerous. Simple license holders "come inside our forest to steal logs," complains Carlos Silva, a top manager of Grupo Madal, one of the country's largest timber operations. Every few months, license holders fight with Modal's guards. Industry reformers have also received threats, among them, Carlos Serra Jr., a forestry expert with the country's Ministry of Justice. By day, Serra trains judges in environmental law; by night, he is an activist, raising awareness of what Chinese loggers and their sponsors are doing. "People from the government are involved, and the private sector, and the political class," he says during an interview at the office of Justiça Ambiental (Environmental Justice), a local NGO. "And they warn you to shut up and don't investigate because there are powerful people in the business whose backs are protected. It's known as *costas quentes* ['hot back']."

For ordinary Mozambicans, desperate for any form of income, a simple license has been a road to success, no matter how they got hold of one. Four years ago, Claudia Palha, a 40-year-old in Quelimane, approached a Chinese buyer who lent her funds for a license and equipment on a 12,000-acre plot. She would pay him back in timber. Within two years, she had 15 employees and was selling 10 truckloads a day. Palha expresses concern that Mozambique's precious resources are being shipped off to China but shrugs it off as a "paradox." She wants "the timber from our province to stop going away," but her family needs the money. "This country has many resources," she says, "but many schools here have no desks, no chairs, and children are sitting on the floors."

The government of Mozambique has taken some steps recently to try to stanch the bleeding in its forests. A national ban on the export of certain popular species has technically been in effect since last June. But cynics say the Chinese (and their powerful protectors) inevitably maneuver around such limits. Indeed, a recent amendment to the ban allows the export of "planks" with no edging required. In plain speak, this means "the Chinese can buy a log, put two cuts through it, and clear it for export," says Mozambique-born Nicolas Kassimatis, one of Zambezia province's largest sawmill operators. "The crooked politicians destroy any law that comes out."

To make matters worse, the Mozambican government recently stopped issuing new simple licenses—sparking massive local protests—and is instead pushing "concessions," which few locals can afford. These are larger tracts of land available also to foreigners; they are issued for a period of 50 years, with requirements that they have a sawmill operation (to spur local processing) and a management plan for sustainable cutting. But those rules, too, are easily skirted. In Zambezia province, Kassimatis estimates that as much as 90% of conceded land is now held by Chinese interests. "To someone driving in, it's a great big forest," he says. "To someone who knows, there's nothing left in it. It's too late."

Blaming China for all of this is easy, but China is following an economic model that has long worked in the West's favor. Everyone knows the earth's forests are shrinking, but few realize the net loss is now 12 million acres a year, roughly the size of England, according to the UN. Even fewer people know just how much China has utterly transformed the timber business—or how America benefits.

"Personally, I think the Chinese are bad," says Alima Abdul Kadir Issufo, the head of Mozambique's Forest Department, in her office in Maputo. "I'm not happy with the way they do things. They are—how can you say it?—thirsty?" She laughs. But then her tone turns grave: "To understand others, you have to understand *you*, America. If you stop buying Chinese products made from our wood, then we can conserve our timber more. You will make a difference. We are all part of the problem."

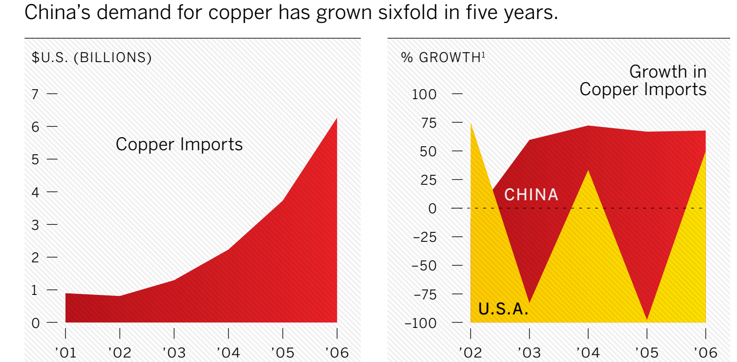
ZAMBIA:
China's Mine Shaft

I ask Xiao Ye, an Africa statistical researcher for the World Bank, whether a clear chart or table exists laying out the full extent of China's economic involvement in Africa. "I don't know anyone who has done such a thing," he responds. "As far as I know, China no longer releases [its] foreign direct investment to Africa country by country." Or as Lucy Corkin, the China-Africa think-tank expert, explains, "You've got Africa, the big black hole of data, and China, the big black hole of data—put the two of them together and it's a disaster."

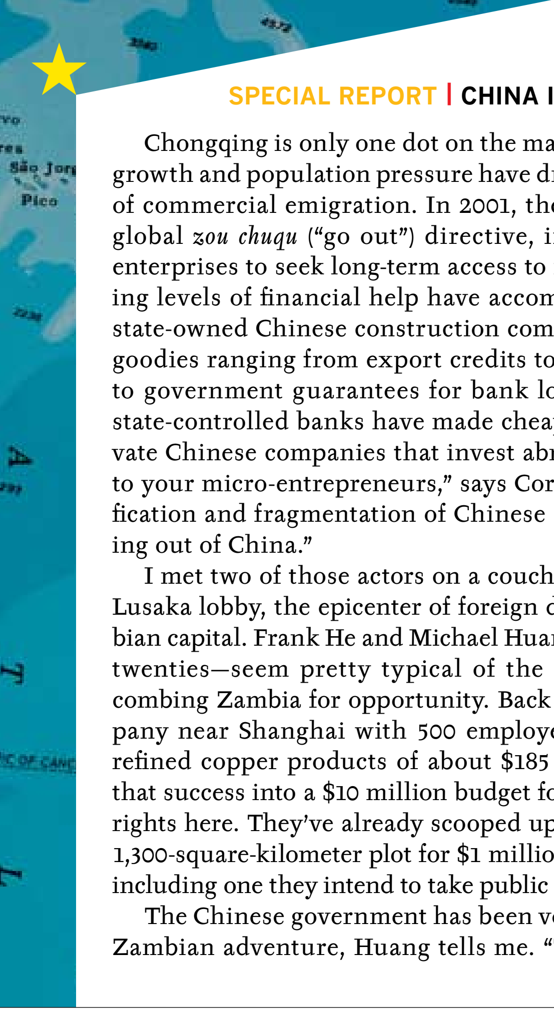
That opacity makes it hard to know how much control China's Communist Party has over events in the sub-Sahara. Anglo-American's Clem Sunter maintains that the party Politburo "can be likened to the board of the biggest multinational company in the world." To keep that company growing, the Chinese government has vowed, for example, to transform the city of Chongqing into a megalopolis—the "Chicago of the East"—by 2020, making urbanites of some 12 million farmers. The problem is, there aren't yet jobs for 12 million peasants in Chongqing. So the Politburo is urging some of them to move overseas. "To convince the farmers to become landlords abroad," says Li Ruogu, the head of China's Export-Import Bank, his office will provide capital, project development, and "product-selling channels." More than 13,000 Chinese have arrived in Africa from Chongqing alone.

The Lure of Copper

China's demand for copper has grown sixfold in five years.



Notes: Figures do not include the black market in copper. [1]Calculated in U.S. dollars. Sources: United Nations Comtrade Database, DESA/UNSD



Chongqing is only one dot on the map, however, and China's growth and population pressure have driven a systematic policy of commercial emigration. In 2001, the Politburo set down its global *zou chuqu* ("go out") directive, instructing state-owned enterprises to seek long-term access to natural resources. Varying levels of financial help have accompanied this push, with state-owned Chinese construction companies in Africa getting goodies ranging from export credits to sweetheart credit lines to government guarantees for bank loans. At the same time, state-controlled banks have made cheap funds available to private Chinese companies that invest abroad. "It's trickled down to your micro-entrepreneurs," says Corkin. "It's a huge diversification and fragmentation of Chinese commercial actors coming out of China."

I met two of those actors on a couch in the InterContinental Lusaka lobby, the epicenter of foreign deal making in the Zambian capital. Frank He and Michael Huang—brothers in their late twenties—seem pretty typical of the Chinese entrepreneurs combing Zambia for opportunity. Back home, they have a company near Shanghai with 500 employees and annual sales of refined copper products of about $185 million; they leveraged that success into a $10 million budget for buying copper-mining rights here. They've already scooped up prospecting rights on a 1,300-square-kilometer plot for $1 million, as well as four others, including one they intend to take public in Canada this summer.

The Chinese government has been very encouraging of their Zambian adventure, Huang tells me. "They said they can protect me if we get into trouble." Moreover, adds He, "if a Chinese entrepreneur invests a significant amount overseas, you could be entitled to a zero-interest loan." He concedes that "if the commodity price goes down, you can lose, but that's the risk of life." If they win, they could reap gains of 100 times their stake.

I watch the brothers open an account with a local banker seated beside them in the hotel. They then excitedly fire up a laptop to take me on a photo tour of their company and their experiences in Zambia, which included visiting the country's vice president and founding president at their homes and presenting them with gifts of silk garments. It's hard not to get swept up in the brothers' joy, their dream of a copper empire. They marvel at how globalization and a shrinking planet have led to our encounter on the couch. "The media is so open, like your coming to Zambia," He says. When I tell them Chinese embassies in Africa don't return my calls, Huang suggests, "Tell them you love China and love China's policy." Then after a smile and a pause, he adds: "If you're a journalist, they will never talk to you. Because you're American."

Nevertheless, the brothers plan on "selling copper products to the U.S.," as He tells me. That's part of their path to becoming "bigger than what my dad [who founded the company] could imagine." Americans may be competitors for raw materials, but as with Mozambique's timber, they are also the target market for finished exports from China itself. The brothers go on to highlight another driver behind their presence here: feeding the demands of American companies *in China*. "Many of the top companies in the U.S. move to China," He explains. "What do they need? Plastic, steel, copper, aluminum. People are crazy about resources! China is so competitive, so we come to Africa."

Here in Zambia, just across the border from Mozambique, it becomes clear that China's strategy in Africa is far more than piecemeal opportunism. Last year, Chinese president Hu Jintao announced that Zambia's mineral-rich Copperbelt province—set amid the rolling hills of the country's north—will become home to the first of perhaps five tax-free "special economic zones" that China will build in Africa. While the details of the $800 million plan are still vague (the upper tiers of the government have the fine print, but they aren't sharing it with the populace), China says it wants to form an export-based "production chain" with a new $220 million smelter at its heart, luring Chinese investors and potentially creating thousands of new jobs.

China is doing its utmost to paint this initiative as a win-win for everyone, Zambia's citizens included. But it may be too late to win the hearts of the locals. Since the start of the decade, Chinese firms have been snapping up huge reserves of the country's copper, used for everything from electrical wiring and construction to computers and cars. With global copper prices at record levels, Zambians have grown furious, complaining that Chinese operators—who bought the reserves at lower levels—are lining their pockets at the expense of the people. During my visit to Zambia, almost everyone I talked to outside the upper tiers of the government spoke harshly about the Chinese. When Hu himself came last year for a groundbreaking ceremony for the new "zone" in the Copperbelt, he had to cut the ribbon from the safety of Lusaka, 200 miles away, because of threats of riots.

China's interest in Zambia is simple. China is both the world's biggest user of copper, soaking up more than a fifth of total consumption, and the eighth-biggest exporter of refined copper products. China has few large-scale mines of its own; its enormous smelting industry relies on raw copper "feedstock" or "concentrate" from abroad. In Africa, Zambia has the second-largest reserves of raw copper (after Congo).

That could be a mutually beneficial trade were it not for one key fact: As with the boatloads of timber leaving Mozambique for China's ports, most of the value of Zambian copper is unlocked only after it reaches China. Zambian politicians have dreamed for years about using their copper to create a light-industrial sector before they run out of the mineral—most of which is likely to be gone by 2025—but there's still no coherent strategy to make it happen. Meanwhile, Chinese entrepreneurs are using fat bank accounts, vast credit supply, and, in some cases, government-funded incentives to buy up exploration and mining rights, just as they have with timber licenses and concessions in Mozambique. As a result, Zambia and, more particularly, ordinary Zambians are seeing very little benefit. While copper prices have quintupled since 2001, more than 70% of locals still live below the poverty line.

"A lot of Chinese businessmen are now looking for Zambians who have small licenses," Enoch Kavindele Jr., the son of a former vice president of Zambia, tells me. They could apply for a license from the government, but, Kavindele explains, "the Chinese find it easier to approach desperate and hungry Zambians who know nothing about mining but who have a license. Walk in with $100,000 in a briefcase, and it's yours."

Western-educated and charming, and wearing a tailored suit, dreadlocks, and jewelry, Kavindele hardly looks like a man being bypassed by economic development. But he says he too is worried for the future. "What will Zambia look like in 10 years' time?" he asks. "Will my children be working for a Chinese company? Will our children still have access to mining?"

★ ★ ★ ★

AT THE OTHER END of Zambia's economic scale, those questions have already been answered. For many people here, the only employment available is in a copper mine. The lucky ones may end up with a job at a Western mining giant, or perhaps with Chinese employers, such as the brothers He and Huang, who vow they will pay their local workers $200 a week (the norm is more like $200 per month). The less fortunate will find themselves with no job security, no health care, and poor safety standards at Non-Ferrous Company-Africa (NFCA) Chambishi—the largest Chinese-owned mine, in the heart of Zambia's Copperbelt.

By all accounts, the workers at Chambishi receive the lowest wages and suffer the worst safety conditions in the Copperbelt, and the mine's managers have gone to great lengths over the years to prevent a local union from organizing the workers. The mine is easily the region's biggest user of part-time or "casual" labor, which keeps costs low—and the workforce bitter.

In 2005, the biggest disaster in Zambia's industrial history took place at Chambishi when an explosion at an NFCA-linked Chinese explosives factory (aptly named BGRIMM) incinerated an unknown number of Zambians; their unrecognizable body parts are buried in a makeshift cemetery just outside of the mine's main gate. The Zambian government has never released any findings on the cause of the incident, which local experts attribute to a heavy reliance on unskilled casual workers. A year after the blast, a riot by Chambishi workers ended in five dead. Nobody was prosecuted, and whether the shooters were Zambian police, Chinese managers, or a Chinese security firm isn't known. "Zambia is a festering wound for China," says Corkin.

I decide to visit Chambishi to find out why the mine has developed such an atrocious reputation—far worse than that of the big mines here owned by Australian, British, Canadian, Indian, and Swiss investors. I arrange a meeting with the Zambian head of human resources at the mine, Wigan Mumba. It is a deeply frustrating encounter, during which he admits he is unable to give me any reports or documents about the operation and that only senior Chinese managers are authorized to talk to the media—and probably wouldn't talk to me.

On my way out of the compound, I notice the Chinese and Zambian flags flying together over the main headquarters building. By the compound's gates, I spot a white bus letting off Zambian workers. I snap a photo and am immediately challenged by a guard who approaches my car. "What are you doing taking a picture?" he yells. "No pictures here. Next time . . ." he slaps his wrists together to demonstrate how I'd be arrested. On the highway just outside the gate, a giant billboard reads, BGRIMM EXPLOSIVES—TURNING YOUR ROCKS INTO GOLD, even though the factory has been defunct since the blast.

Not far from the mine, in the heart of what is called the Chambishi Township, lies a boundless slum that is home to many of the mine's workers and their families. At the Future Inn, a listing shack selling local beer to a Bob Marley sound track, it didn't take long for about a dozen miners to surround me, each jabbering louder than the next about how much they hate the Chinese owners. I ask Lennon Nsofwa, 37, a "blaster," why he is barefoot. "How can I have shoes?" he replies. "I have a $200-a-month salary, and I'm a father of three."

The Future Inn sits alongside a pit filled with rubbish, a common sight in the township. Since the government rarely collects the trash here anymore, the residents have taken to digging these craters and tossing it themselves. That has brought a big increase in flies and mosquitoes, as well as their attendant diseases. More than 25% of annual mortality in the Copperbelt is due to malaria; one in five people here has HIV. In the township itself, where parasites proliferate alongside the desperate prostitutes, the numbers are even worse.

Francis Bwalya is the elected councillor for one of the wards near the Chambishi mine and was a safety coordinator at the mine when I visited. "We only have portable fire extinguishers, which are not for big fires," he complains. Bwalya says that in the event of an underground inferno, the Chinese depend on another local mine to put it out. "Their main interest is making money," he says. "They are overlooking the safety of employees."

Peter Mwale, a geological foreman, produces a pay stub that shows he makes $250 a month—a salary that experts in the region say is probably the lowest paid by any company in the Copperbelt to a foreman. (One Western mining executive in the area says a foreman should be earning five times that amount.) I crush a cigarette underfoot. When I move my shoe, one of the workers bends over, scoops up the crushed butt, and relights it.

Martin Soteli, 28, a laboratory science analyst at the plant, offers to spend a few hours the following morning showing me a nearby settlement called Zambia Compound, where many miners live—a dangerous place for an outsider to visit alone. The compound is a maze of feculent alleys; a four-inch layer of dirt kicks up as we walk, creating a fog that renders everything in slow motion. There is no relief from the poverty. "White man!" someone shouts, as I pass through the center of the village. Little children yell, "Chinese! Chinese!"

"When they see Chinese in this compound," Soteli says, "sometimes they throw stones." We approach the one-room house of a man in a bright yellow shirt with rotting gums who says his name is Happy. He is a casual worker at the Chinese mine, which means he is employed for a three-month period without benefits or a contract, which the law allows. "I'm working more than six months and I'm still casual," he says. "Look at my house. No electricity. One seat to sit in, for me and my wife."

Further up the dusty track is Brenda Mukosai, who says that her husband, Joseph, suffers from "smoke in the chest" and can no longer work at the mine. We come to a larger shack where locals sell vegetables and fish. There are no buyers. Everything is caked with insects.

Later that day, I manage to reach Xu Ruiyong, the mine's deputy CEO. "I don't suppose I can do anything for you," he says curtly. "I am hesitant to have contact with any journalist. I have to hang up. Sorry, good-bye."

★ ★ ★ ★

IT WASN'T ALWAYS THIS GRIM for Zambia's copper miners. Just five years after its independence from British rule in 1964, Zambia was classified as a middle-income country, its GDP among the highest of any African nation. In 1969, with copper prices soaring, the country's socialist government nationalized the mines and set up a cradle-to-grave welfare system in the mining communities. Then copper prices collapsed. Between 1974 and 1994, per capita income declined by 50%, leaving this the 25th-poorest country in the world. In the late 1990s, prodded by the World Bank and the International Monetary Fund (IMF), Zambia decided to reverse course and privatize. By 2000, the country's mines had been split into seven different units and sold off to various foreign operators. China's government took one slice in 1998 for what is believed to be $20 million: Chambishi. The terms and details of the deals were never made public.

One thing is known. As part of the Chambishi deal, the Chinese operators promised Zambia's government that it would have an independent environmental report done by the end of that year. It didn't appear until 2006, and when it did, it was damning. Among the highlights: illegal disposal of hazardous waste; failure to deliver a promised business plan for maximizing benefits to local Zambian businesses and suppliers; deterioration of the availability and quality of health services (despite initial vows to maintain them); failure to monitor air quality and prevent groundwater contamination (despite promises to do so); and a lack of training and development of Zambians. "The state seems to have developed political relationships with certain mining houses that mean that health and safety, labor, immigration, and environmental regulations can be ignored with impunity," concludes another recent study, "For Whom the Windfalls?", by copper experts from Oxford and Zambia's Copperbelt universities.

Populist opposition leader Michael ("King Cobra") Sata ran for the presidency in 2006 on an anti-Chinese platform. His campaign was so effective—he was fond of deriding the Chinese as "infesters" rather than investors—that it prompted Beijing to violate its oft-stated policy of "noninterference" by threatening to cut diplomatic relations if Sata won. He did not.

A fiery and sometimes wildly egotistical politician, Sata, improbably, eulogizes the Americans and British colonists, who, he says, left the country with a legacy of technology, civil service, and order. "The West refined the copper here and didn't leave an environmental mess," he says, sitting in his Patriotic Front party office in Lusaka. "When we took full control, they did not stop helping us. And they trained us to interpret that technology and gave us skills." Zambia's information minister, Mike Mulongoti, offers a less-rosy recollection of the colonial period: "The West left us nothing," he told me. "They were extracting [copper] and taking it away, and it's wrong for them to blame the Chinese for doing the same. You can't blame those who come afterward to try and take advantage of the situation. If it's good for the goose, it's not good for the gander?"

Nobody has a clear count of how many Chinese people are in the country. The government estimates 3,000; Sata says 80,000. Whatever the real number, there are up to a hundred Chinese-owned shops in Lusaka, and as tensions have risen, Chinese names above the doors have been frequently painted over or removed. Today, it's rare to see Chinese owners inside the stores; they may empty the registers each day, but they leave the locals to deal with customers. At one such shop, Zambia-China Mulungushi Textile, a Zambian manager behind the counter says flatly that "the Chinese are not good to work with." Pay is poor, and "if you have a problem at home and need money, they won't help you. They won't even give you an hour off to take your daughter to a health clinic if she's sick."

Amos Malupenga, managing editor of *The Post*, the country's top daily, says he believes workers have been mistreated by their Chinese employers. But he also identifies subtler, higher-level abuses. "There is a feeling our people are [being] exploited by these Chinese investors," he says, "and a feeling that the Chinese investors receive preferential treatment by the government at the expense of other foreign and local investors." The government rejects such suggestions, but the country's president, Levy Mwanawasa, has twice angered opponents by appearing to side with Chinese business owners against Zambian workers—first during a recent strike by textile workers and later in a dispute at Chambishi. Mwanawasa only reinforced the impression of subservience when he apologized to China for comments Sata made during the presidential campaign.

In March, in what might have been the most serious attack on management since privatization, 500 workers took to the filthy streets in Chambishi. They chanted anti-Chinese slogans, blocked roads, set ablaze a hostel housing Chinese workers, briefly held Chinese managers hostage, and left one Chinese worker toothless after stoning him in the mouth.

CONGO:
A Moment of Truth

A simple stroll down the streets of Kinshasa reveals how precarious life has become in the Democratic Republic of the Congo. This city of ugly half-finished buildings radiates both the optimism and the paranoia of a gold-rush town. Government banners strung across main avenues urge the citizens to stay cool: NO MORE VIOLENCE, NO MORE HATRED, NO MORE MANIPULATION and CHANGE YOUR MENTALITY. On the sidewalks below, the Congolese look sharp in their colorful dresses and short, wide ties (this was a Belgian colony, after all), but that only makes it sadder to watch them disappear down Kinshasa's muddy lanes and into its scrofulous shantytowns. In the city's center, traffic is so implacable that drivers are pushed relentlessly forward, sometimes peeling the doors off of parked cars when their owners try to squeeze inside. As I walk along a sidewalk near the headquarters of Congo's mining ministry, hands reach out of nowhere to unzip my attaché case. Sitting for a moment on a bench outside a major supermarket, I'm greeted by the shop's friendly security guards, who sit beside me and, within moments, rub their fingers together in a request for money.

White UN trucks and aid-group vehicles are everywhere. "Ninety percent of the NGOs appeared here when the World Bank, IMF, and European Union decided to give Congo money," says A.L. Kitenge, a local businessman and publisher of *Entreprendre*, a well-regarded investigative magazine. "We call them 'sucking pumps.' This is the common feeling of the Congolese about these NGOs." That may be, but experts say that the only real commercial drivers of the economy in recent years have been the NGO and UN communities. Pull them out, and the economy does a nosedive.

Outside of the fortified U.S. Embassy—the State Department warns Americans not to come to Congo at all—lies a swirl of beggars, barbed wire, homemade tin shacks, and one-legged soldiers limping on crutches. Hawkers materialize at the sight of me, shoving one item after another into my face—counterfeit Chinese watches, leather cases, towels, jeans, muffins, peanuts, eggs, even the live chickens that lay them. At night, I accompany a French businessman to a stylish club filled with wealthy and welcoming Congolese, only to be confronted upon leaving by a cop demanding the inevitable payoff. "Whites are not allowed in that bar," he claims.

At Kinshasa's airport, doctors stand beside immigration officials; travelers arriving without proof of yellow-fever vaccination get jabbed on the spot. It's understandable: Congo has perhaps the most extensive collection of known and emerging infectious diseases in the world. And the State Department warns that “outbreaks of deadly viruses and other diseases can occur without warning and many times are not rapidly reported by local health authorities.” Plague, malaria, tuberculosis, sleeping sickness, river blindness, Eh, hookworm, typhoid. I showed up in the middle of one of the worst Ebola outbreaks in years and left just before a cholera epidemic arrived. The few studies that have been done indicate that many citizens in the sub-Sahara are polyparasitic, or harboring two or more parasites, which, if not fatal, appears to affect cognitive function and wage-earning capacity. Intestinal parasites alone cause an “incalculable loss in human productivity,” says the World Bank.

At Kinshasa’s public general hospital, which hasn’t received government funds for 25 years and where the yellowing walls are covered with cobwebs, it’s commonly believed that citizens aren’t allowed inside unless they can pay. “The situation is getting worse every day,” says its longtime deputy director, Jean Marie Buana Ali. While he insists that doctors will dip into their own pockets to pay for medicines, many locals claim that patients die alongside their doctors if the cash isn’t there. Meanwhile, private Chinese hospitals are springing up. “They’re very expensive,” Buana Ali says, “and use medicines we never learned about in school.”

Chinese shops are abundant in the city, most selling counterfeit brands and employing the Congolese to do the peddling. “They pay them monkey-money,” says Billy Mbudi Butshianga, who works as a consultant for Western companies. “How can you pay someone $50 a month when they have a family to feed? So employees steal without them noticing.”

Inside the corridors of the mining ministry, federal police officers sit barefoot at desks by the elevators, eating meals brought to them in unsanitary pots. While driving his car out of the parking garage, a senior ministry official waves at an attendant who—while nonchalantly pissing into a bucket—waves back with his free hand. Just another day in the Congo.

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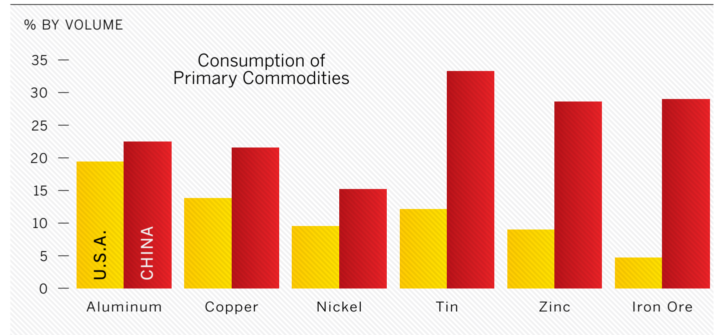
“IF WE CAN TAKE THE CONGO,” Mao said in 1964, “we can have all of Africa.” While Mao had revolution on his mind, today’s party leaders understand that Congo’s soil has every mineral known to man: 10% of the planet’s known copper; 30% of its cobalt; 80% of its coltan (used in everything from PlayStations and iPods to magnets, cutting tools, and jet engines); and untold quantities of bauxite and zinc, cadmium and uranium, gold and diamonds. “Geologists just go into raptures about Congo,” says Tara O’Connor, founder of Johannesburg’s Africa Risk Consulting, one of the continent’s leading corporate intelligence agencies. “The copper just bursts through the earth, and geologists wander around in a haze of ecstasy.”

Congo should be one of the world’s richest countries. Joseph Conrad’s 1899 classic, *Heart of Darkness*, was inspired by the discovery of its fabled mineral wealth—and the horror unleashed as those reserves were plundered. What the novelist couldn’t know was that the looting would continue for another century and beyond. Always a troubled state, Congo has been systematically stripped by a succession of slave traders, Belgium’s brutal King Leopold II (who made Congo his personal possession and a showcase for “civilizing the Negroes”), and a homegrown dictator, Mobutu Sese Seko, who presided over three decades of kleptocracy, using the

The Omnivore

China is gobbling up natural resources of all kinds.



Note: As of 2005. Source: World Bank

state’s mining monopoly as his personal kitty.

Today, the death toll in Congo—“the world’s forgotten crisis”—stands at more than 10 times that in Darfur, according to the International Rescue Committee. Nearly 5.5 million Congolese have died since 1998 in the country’s two civil wars and their aftermath, mainly from starvation and epidemics. Ongoing, rampant smuggling and corruption continues at all stages of the mining process, resulting in direct benefits to the state of a paltry $32 million in 2006. Of Congo’s 65 million inhabitants, 80% live on 50 cents a day.

To understand how things got this bad, one must go back to when Congo was known as Zaire—back to the reign of Mobutu, the leopard-skin-fez-wearing strongman who styled himself “the cock who leaves no hen untouched.” Mobutu almost single-handedly destroyed an economy that was one of Africa’s best in the 1960s. Then, while his starving people looked on, he bragged to *60 Minutes* in 1984 that he was the world’s second-richest man. Two years later, at the White House, President Reagan praised Mobutu (a useful Cold War ally) as “a voice of good sense and goodwill.” Many Congolese will never forget those words.

Mobutu essentially replaced the country’s formal, mineral-based economy with an utterly corrupt machine. “The parallel economy was not a simple substitute for the official economy,” concludes Koen Vlassenroot, a Belgium-based professor and an expert on Congo’s wars. “The official economy stopped functioning almost completely.” When Mobutu was forced into exile, the network of graft he left behind was transformed into a minerals-based war economy run by invaders, rebels, and warlords—and abetted by Western companies. Neighboring nations were willingly used as transshipment points for the contraband minerals.

Mobutu’s replacement, Laurent Kabila (father of Joseph, the current president), canceled the contracts Mobutu struck with mining houses and dished them out to new companies to finance his war chest. As Laurent marched across Congo in 1997, so the story goes, he used a satellite phone to drum up $500 million in deals. When Laurent faced his own rebellion the following year, the Zimbabwean government stepped in, demanding access to minerals in exchange for saving him. Laurent was assassinated in 2001.

Between 1998 and 2001, coltan was the most desired mineral in the warring Congo and the United States was the world’s No. 1 importer—until China overtook it in 2002. Since then, cassiterite, a derivative of tin that is also used by the electronics and computer industries, has become the most coveted Congolese mineral (its use, ironically, makes devices more eco-friendly). Those booms have sustained a rebel occupation of two entire eastern provinces, where the bulk of those minerals are mined (in some cases by locals held at gunpoint by the rebels). Last June, after a decade of delay, the UN Security Council declared that its global peacekeeping operation should consider widening its mandate to prevent the illegal exploitation of resources from fueling violence. The Congolese representative pointed out that while “blood diamonds” might be better known, there was also “blood copper,” “blood gold,” “blood coltan,” and “blood cobalt.”

One UN report after another has laid out the wreckage from Congo’s mineral-centric scrum: the looting of $5 billion of the state’s mineral assets by an “elite network” of Congolese, Zimbabweans, and Belgian businessmen and politicians; rogue investors and their overseas bagmen, stretching from a company in Cleveland to tax-haven shells in the Caymans; and evidence of Rwanda, Uganda, and Zimbabwe “systematically exploiting” Congolese resources. As a Zimbabwean defense minister mildly noted of Congo, “A number of Zimbabwean businesses are taking advantage of the goodwill there. If they don’t, others will.”

★ ★ ★ ★

“PUT THE CHINESE IN THE BUSH,” Victor Kasongo tells me, “and they survive with a bowl of rice. Europeans cost us too much. They need a satellite dish to watch rugby, casinos for the weekend. The Chinese just work, like soldiers.”

I am sitting with Kasongo, Congo’s most powerful mining official, in his office, which overlooks a squalid, windowless government building. An intensely focused technocrat in a square-cut suit, Kasongo was fresh from a trip to Beijing; scattered on the desk in front of him lay a dozen Chinese business cards. “Americans are focused on oil, but they’re not focused on Africa for *business*,” he tells me. “Americans are dormant economically.”

I had arrived at a turning point for Congo. Kasongo and his colleagues were in the throes of a decision that will define the country’s future for decades to come. The Chinese had recently offered up a then-secret multibillion-dollar mining-and-infrastructure package; Joseph Kabila’s government was trying to decide whether to accept. If it did, the deal would mark China’s largest single commitment in Africa up to that point, and in essence remake the economic map of the continent. If it didn’t, Congo had the option of an alternative route devised by a Canadian mining lawyer who was installed by the World Bank in 2005 to rehabilitate the country’s now-bankrupt mining monopoly. That plan envisioned a debt-clearing scheme leading to an eventual IPO on a Western stock exchange; it presumed major steps forward on transparency, as well as a two-year time frame to pull off. The Congo didn’t have that kind of time.

By all accounts, Kasongo is a sharp and honest reformer. He alchemized a middle-class Congolese background into an engineering degree in Brussels and a job with Ernst & Young in South Africa before returning to rise in Congo’s government. He knows how coveted Congo’s minerals have become. “Rio Tinto is knocking on our door,” he boasts to me, referring to the world’s second-biggest mining giant. “But China sees those big companies—Tinto, Billiton, all of them formed in colonial times—and asks, ‘Why make Tinto bigger?’ ”

“If China wants to dominate the world, it’s not our business to stop them,” Kasongo continues. “Who are we to close the door to them when we don’t have water or electricity? If China doesn’t come [to Congo], we’re in big shit.”

If Kasongo ever felt tenderness for China’s competitors from the West, it has cooled considerably. On the day I arrived in Kinshasa, I watched a team of exhausted Congolese investigators holed up inside the mining industry until late at night. Stacks of yellowing contracts were piled high on the floor, representing 60 joint ventures the country had signed since 1997, mainly with operators from America, Australia, Britain, Canada, and Israel. With occasional help from Ernst & Young, Rothschild of Paris, and the U.S.-based (Jimmy) Carter Center, Kasongo’s deputies were reviewing every detail, a process that has now taken a year. “Every contract is significantly flawed,” a British adviser to Kasongo tells me. “Many of the deals were corrupt, and patently so.”

China’s leaders understand that Congo contains every mineral known to man.

Kasongo explains that only 5 of the 60 deals were producing minerals, while 6 projects were still in the feasibility-study stage. “And 49 are sitting there waiting for . . . *what*, I don’t know,” he fumes. “Expertise? Financing? Investors? A better time to market?” Congo urgently needs those mines to come on line, he says, in order to keep the economy moving, however slowly. But 22 of these “partners” aren’t actively mining at all—they’re riding the spike in raw-material prices, “making a fortune with rising share prices” on stock exchanges from Vancouver to New York to London to Johannesburg. “They are mining the stock exchanges, not the *mines*!” Kasongo exclaims. “We can demonstrate that $17 billion of [stock-market value] is built on a lie to the world. People make their bucks and forget about us. We need water and electricity. The Chinese say, ‘We need minerals for growing, and you need infrastructure.’ So we have the same interests.”

Kasongo despises the old-style patronage deals in Congo, but he’s also a realist; and everyone knows there are protectors inside the government. “His political position is delicate,” says one insider. “Half the mining world wants him dead. There is a limit to how far Victor can talk about corruption on his side. But he *can* change the deals.”

After I returned to the United States, Congo announced that it had accepted China’s $6 billion offer (later upped to

$9 billion), creating not only an enormous new source of cash and support inside the country but also a serious challenge to the Western companies that had operated there with little or no competition. Since February, Kasongo has been trying to renegotiate the most egregious of the old contracts in the ministry's portfolio. He's besieged by the old guard on one side, which still has plenty at stake in the existing deals, and the World Bank on the other, which is expressing concern that the China deal is corruption-prone and may saddle Congo with still more unsustainable debt on top of the $14 billion already owed to the West. As Kasongo explains, "We asked the World Bank for roads," but it wanted to attach too many conditions. "Obviously, we want human rights," he goes on, "and we have a mechanism in place, thanks to the Europeans. But Asians listen more to our concerns without being patronizing."

The Chinese, in other words, are long on cash and short on rules. One can't help wondering if Westerners ever really had a chance to compete in Congo. After all, what Western nation (or company) could take on such gargantuan risk—especially in a country the World Bank ranks as the very worst place in the world to do business? As China's ambassador to Congo, Wu Zexian, has said, China won the contract because its no-strings offer was all upside for the Congolese government: "Unbeatable, one could say. Unbeatable by far. There won't be any competitors."

China seems to be developing an extraction master plan for the sub-Sahara, linking Congo to Zambia and Angola.

The 37-year-old Kabila, the first democratically elected leader since Congo's independence from Belgium in 1960, has staked his future—political and possibly physical—on the Chinese deal panning out. China's next trick will be to find a way to rip the treasure from the ground and move it out of a country the size of Western Europe but with scarcely 1,200 miles of decent roads, a decaying or nonexistent infrastructure, and an annual government budget of only $3.6 billion. But just as China has a coherent strategy for locking up raw materials, it now seems to be revealing a master plan for taking those materials back home. Of the $9 billion, one-third will be pumped into the Congo's war-ravaged mines. The other $6 billion will take the form of a soft loan (backed by some of the country's best mineral deposits) for new infrastructure, to be built by Chinese construction companies, primarily with Chinese labor. Indeed, when you study the outlines of the Sino-Congolese deal—it features roughly 4,500 miles of rail lines and roads—China's decision to launch its first "special economic zone," including a giant smelter, in adjacent Zambia makes perfect sense. The zone will serve as the hub of an industrial-distribution system linking Congo by rail and highway to Chinese-built networks in Zambia and Angola, and ultimately to ports on either coast.

Some critics fear the deal amounts to Congo's de facto colonization. But the package includes a mind-spinning 176 hospitals and health centers, a modernized sewer system for Kinshasa, two large universities, a new port, and 5,000 units of public housing. That kind of colonization might be worth thinking about. "What keeps me awake?" Kasongo asks. "If we fail to deliver water and electricity because we mismanaged our strong points [i.e., minerals]. Every day counts. We don't have means to deliver anything, but we can exchange what we have. If the Chinese are the solution, why not?"

In reality, China is part of the problem. Congo's official statistics show that its No. 1 export partner today is Belgium, followed by the United States. In truth, it's probably China—thanks to that still-thriving informal economy begun under Mobutu. Kasongo estimates there are 1.5 million artisanal "diggers" in Congo—black-market miners, many of them indentured to Chinese middlemen and financiers. These diggers currently produce about 75% of the minerals exported from Congo, he says, mostly by clawing for nuggets with pickaxes or their bare hands. The concentrate is typically loaded onto 30-ton flatbed trucks and smuggled to China on cargo ships via South African or Tanzanian ports. "Most of the Chinese are here illegally," adds Gaby Matshafu, one of Kasongo's deputies.

The government is trying to crack down on the smuggling, but policing Congo's gigantic border—like patrolling Mozambique's coast—is simply too big a challenge today. "We found 300 trucks lying in a queue along the border, with copper and cobalt to be processed in Zambia," fumes Kasongo. "Twenty-six smelters were waiting for it in China. We stopped it."

Kasongo seems destined to make more enemies still. One of the most controversial contracts he is examining, for example, involves a public Canadian-British entity called Katanga Mining. Congo's central bank governor sits on its board of directors and, until recently, so did the minister of portfolio. "There is no way we can run this country if people keep having conflicts of interest," says Kitenge, the local businessman and publisher. "Corruption at the top of the government is far beyond 70%. The economy is run by a mafia. And the poor are getting poorer every single day."

Like most China-Africa agreements, the fine print on the Congo megadeal has yet to be made public. But it's hard to believe that the standard pattern of corruption won't assert itself. Certainly the experience in the Congo of Frank He and Michael Huang isn't very encouraging. Before setting up their copper concession in Zambia, the Chinese brothers initially explored doing business in Congo. They left in the end, they told me, after finding the environment too chaotic and dangerous. At one point, according to Huang, Congolese immigration officials demanded a large bribe. Alarmed, the brothers called the Chinese embassy for assistance. This is the advice they received: "You came with money. Pay them."

EQUATORIAL GUINEA:
A Strongman Turns East

When my plane smacks down in Equatorial Guinea—where if the captain misses the runway, you could end up in Cameroon—I become the first American journalist to visit this pint-sized republic (population: 550,000) in nearly three years. That was when Equatoguinean officials forced two American reporters to leave after they'd spent just a few days in Malabo, the capital, asking questions. One of them, Peter Maass, was booted for "spying" simply for walking down a street chatting with a European ambassador.

That kind of reception might seem harsh, given that Americans have long been the only foreigners privileged to enter this country without a visa and given the long-standing and cozy relationship between the two countries. But it's not journalists who are welcome here in Equatorial Guinea—it's oil workers.

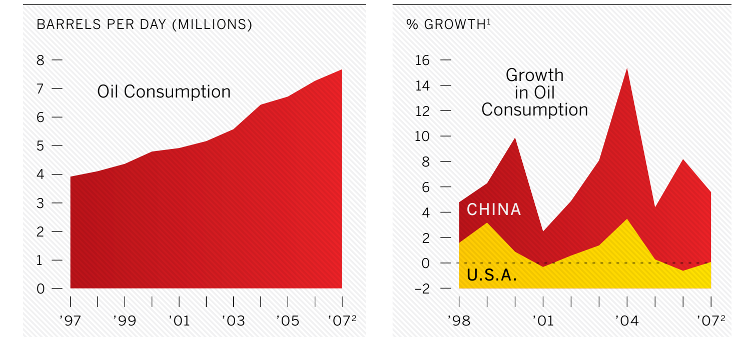
E.G. is less a country than a corrupt, extended-family business that cooked up its own national anthem. And the American oil industry has been singing along for years, cuddling up as much as necessary (and with barely any competition) to Teodoro Obiang Nguema Mbasogo, the 66-year-old despot who has ruled this backwater since 1979. Smaller than El Paso, Texas, E.G. has nevertheless managed to get itself at or near the top of just about every shameful list in the world—from the most-censored countries (according to the Committee to Protect Journalists) to the most corrupt (Transparency International) to the worst places to do business (the World Bank). Geoffrey Wood, a business professor at the U.K.'s University of Sheffield and coauthor of *The Ethical Business*, concluded in his own 2004 study of E.G. that the country is a "criminal state" that matches or exceeds the "rapacity and brutality" of the Duvaliers' Haiti, Somoza's Nicaragua, and Batista's Cuba. Despite an economy with the highest average annual growth rate in the world (21%) since 2001, more than half of the population lacks access to potable water and electricity. The UN says E.G. shows the greatest disparity on earth between per capita income ($50,000, surpassed only by Luxembourg) and human welfare (most of E.G.'s citizens live on less than $1 a day).

"Economic numbers are not the best way to know a country," one of President Obiang's sons would later tell me. "We don't really have an economy here." There are no ATMs, virtually no banks, and no credit cards or foreign currency are accepted. There is also not a single bookstore or newspaper stand—since no independent media are permitted. Only 8,000 people have Internet access (monitored, of course). State-run radio broadcasts odes to Obiang—calling him the "country's God" who "has all power over men and things"—in between songs warning citizens they will be crushed if they speak out against the regime.

Obiang prefers to be called "El Libertador" (the Liberator). But locals privately call him and his cronies "Los Gordos" (the Fat Ones). The E.G. government takes in $4 billion a year in oil revenues and royalties, and yet just about every building of any size seems to be owned by the president's family or government ministers, who tend to be one and the same. One of Obiang's sons runs the forestry ministry and owns the country's only private radio station, as well as a rap-music company in Beverly Hills; he recently bought a $35 million house in Malibu. Another son is the power behind energy and mining. Obiang's closest security adviser is his brother Armengol. His brother Antonio is minister of defense. Obiang himself has two mansions in Maryland.

A Black Hole for Black Gold

China is the No. 2 oil consumer behind the U.S.—and gaining fast.



Notes: [1]Calculated in barrels per day. [2]Forecast. Source: U.S. Energy Information Administration

As in most well-run police states, there are few actual police officers in E.G., little street crime, and no beggars. But nobody smiles, either. The joke in town is that the president won reelection in 2003 with 110% of the vote (the figure was actually 97%). Criticism of the government is not tolerated, with political detainees routinely tortured over the years in the country's notorious Black Beach prison, once overseen by Obiang. Even snapping a photo can land you behind bars. As for comparing Obiang to his predecessor (and uncle) Fernando Macías Nguema—who is said to have lined up 150 of his political opponents in a soccer stadium and had them all shot while a band drowned out their screams with a rendition of "Those Were the Days"—a local health official shakes his head in disgust. "That's like comparing Dracula to a vampire," he says. "It will take 25 to 50 years for this country to change."

The Fat Ones like to hang out at the Luna restaurant and casino (owned by Obiang's wife), as well as the gaudy new 36-room Hotel Paraiso (owned by Obiang's brother, the minister of national security, whose nickname means the "Guiding Spirit"). At the Paraiso, where a grim-faced waiter with desperate eyes and rotting teeth served me lunch, the marble lobby features disco-era decor and a gigantic painting of two people frolicking on a perfect beach—the only happy scene I saw during my stay. It's a cozy little neighborhood: The Paraiso is next door to the U.S. Embassy, which is across the street from a posh residence owned by one of the president's sons, which is catty-corner to the ExxonMobil complex. The only people I saw on the street were two Chinese men playing a desultory game of badminton.

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WITH THE BEIJING OLYMPICS bearing down fast, everyone from George W. Bush to Mia Farrow seems to be seizing the opportunity to bash China for doing big business in Sudan, where since 2003, government-backed militias have killed more than 400,000 people and displaced an estimated 2.5 million. And it's true that China buys two-thirds of Sudan's oil exports, while selling Khartoum weapons and defending it in the UN Security Council. But you don't hear any complaints in Washington or Hollywood about China's growing role in Equatorial Guinea. Nor will you.

My first discovery on Bioko Island (E.G. includes a bit of the mainland as well as Bioko, where Malabo is located) was that no American diplomat would see me, and the U.S. Embassy eventually stopped returning my calls. That almost never happens to American reporters in hazardous countries, let alone a one-horse town like Malabo (population: 96,000). But it soon became clear that my presence was more of an embarrassment to American interests than to E.G.'s leaders, who, with each passing year, seem to care less about what the rest of the world thinks of them.

Of course, until ExxonMobil discovered substantial oil there scarcely a decade ago, no one *did* care what happened in this diseased scrap of jungle, the only former Spanish colony in sub-Saharan Africa. But while E.G. may be a speck of a country, it sits at the heart of the Gulf of Guinea, where it has quietly become the sub-Sahara's third-largest oil exporter after Nigeria and Angola. It is also emerging as one of the most strategically vital places in the world for both the United States *and* China. As such, it provides a perfect platform for watching how the scramble for finite resources is unfolding. And even a short stay in E.G. reveals that things aren't exactly going our way.

"American companies here don't want people to know it," says a leading Western oil expert who has been working in E.G. for more than a decade, "but they are *shitting* about China." China is systematically challenging the American oil giants here—locking in exploration or supply contracts, winning rights to new oil fields, doing massive infrastructure development, even stepping up military supplies. (Not to be outdone, a private U.S. security firm won a contract last year—approved by the Pentagon—to train E.G.'s army and Presidential Guard. With so much U.S. investment on the ground, keeping Obiang well protected is apparently essential.) America remains E.G.'s dominant foreign investor by far, with $7 billion in cumulative direct investments over the past decade, and with ExxonMobil, Amerada Hess, and Marathon Oil leading the way. But if recent statistics are reliable, China has surpassed the United States as E.G.'s biggest trading partner, purchasing more than $2.5 billion of its oil a year. One morning at my hotel, I came down to find a huddle of dozens of Chinese oil explorers from state-owned CNOOC in the lobby, exuberant and ready for action. One confided to me that there were already thousands of Chinese in E.G., mostly in the construction sector. "We're just getting started," he added with a broad smile.

I had spent two months trying to set up a meeting with E.G.'s energy ministry prior to my arrival, but received no response. I was hoping for a tour of the natural-gas operations of Marathon, one of America's most socially responsible energy companies. Unfortunately, Marathon wouldn't even let its executives meet me in E.G. without the local government's blessing, and that never came. (I was referred instead to a local NGO that carries out antimalarial work for Marathon, a program that in four years has resulted in a 40% reduction in the number of children carrying malarial parasites on Bioko Island.)

As luck would have it, I did meet a Marathon oilman—Frank, I'll call him—seated next to me at the Paris Inn, a popular hangout for foreigners. Without a real press, these rendezvous bars (as the euphemism goes) are the only means of communicating in E.G. But "every bar has someone watching and reporting to the government," explains Frank, an American manager who has lived and worked in E.G. for years. "In this bar, that girl over there is the spy," he adds, pointing with his eyes to a bartender in a skimpy skirt. "She doesn't speak English, but this one over here does. That's why I sometimes cover my mouth when I'm talking."

Comparing Obiang to the previous despot is like "comparing Dracula to a vampire."

I was constantly reminded while moving around Malabo that saying anything critical about the government can land a person in jail. Every oil worker here has a tale about colleagues whisked away in the night. "A few weeks ago, some expats mouthed off in a bar about corruption and the conditions of the locals," says a young man named Patrick, who works for Sealion Shipping. "They were put in the cooler [jail] . . . to cool off their ideas."

Frank and I carefully swap business cards below the bar, and are soon whispering about the Chinese. "I see the State Department's briefings on E.G.," he says. "We've been warning [the U.S.] about the Chinese for years. But America is asleep. There are at least 5,000 Chinese here, and they are bribing their way to the oil. The locals joke that there will be more Chinese here than Equatoguineans soon."

China provided E.G. with a $2 billion credit line a year ago. But the barrier to entry here appears much lower than in the Congo, where Victor Kasongo and others seem to have driven a much harder bargain. True, an army of blue-uniformed Chinese laborers in E.G. is building what is known locally as Malabo II, a futuristic new capital that is rising from the jungle, stretching for miles. Obiang's pet project, it includes a louvered-glass headquarters for the state-owned radio and TV station, a gleaming oval home for the state-owned oil company, and an ostentatious blue-topped building set to house the prime minister's office. But there are no signs yet of hospitals, schools, and other services likely to help the average Equatoguinean. The project does call for 10,000 moderate-income housing units, but critics still insist that the whole thing is a misguided use of megafunds in a country that desperately needs a health-care system, housing, education, rural roads, and a reliable power supply—not to mention an oil refinery that could keep the price of gas low for the locals.

Frank told me that local officials have admitted to him that China sends convicts to E.G. to work as construction laborers—a charge I heard in several African countries. (In Zambia, an immigration consultant told me she has processed paperwork for hundreds of Chinese prisoners.) True or not, and China's government denies it, the construction workers in E.G. have recently been rioting like a chain gang. In April, a clash involving E.G.'s military left two striking Chinese contract laborers dead; 400 workers were sent home to China on two chartered flights. E.G. imposed a news blackout on its already-censored local media. "We don't want this kind of revolt in the country," an anonymous E.G. official told Reuters. "We do not want strikes in our country. We asked the Chinese ambassador . . . to find other workers."

★ ★ ★ ★

IN 1995, THE CLINTON ADMINISTRATION shuttered the U.S. Embassy in Malabo partly out of concern about E.G.'s record of corruption and human-rights violations. But China's growing influence in E.G. prompted U.S. oil companies to persuade the Bush administration to reopen the embassy part-time in 2003, setting the stage for a Sino-American clash for African oil that could well become a hallmark of the 21st century. Two other events would then unfold that infuriated Obiang—and drove E.G. even closer to China.

The first was a bizarre coup attempt in early 2004 by British and South African mercenaries (and involving Margaret Thatcher's son, for whom E.G. officials issued an arrest warrant only in March). At the time of the plot, Obiang lashed out at the United States, the U.K., and Spain, and hinted at their involvement. The second offense to Obiang was a U.S. Senate report, released early the next year, accusing the now-defunct Riggs National Bank of Washington of turning a blind eye to corruption in its handling of 60 bank accounts—and hundreds of millions of dollars—for the Obiang administration, the bank's biggest customer.

Riggs paid the largest-ever money-laundering fine, but the case was an even bigger embarrassment for Obiang and the major U.S. oil companies. The Senate report provided a rare, and strikingly clear, view of how a modern dictator manages his country's wealth. The findings: big payments by U.S. oil companies to E.G. officials, their family members, or entities controlled by them; $13 million in cash deposited into accounts controlled by Obiang and his wife, Constancia; funds moving from Riggs to the offshore accounts of various ministers as well as the president's wife; hundreds of thousands of dollars from oil giants such as Chevron and ExxonMobil for the tuition and living expenses of the kids of powerful E.G. officials; suitcases with $3 million in cash being carried into the bank's Dupont Circle branch; $445,800 in property-rental payments from Hess and its Triton Energy subsidiary to a 14-year-old son of Obiang's.

It was, former U.S. ambassador John Bennett later lamented to a British writer, "about as sad a commentary as one could imagine on U.S. business." The Senate determined that more than $35 million of foreign-oil revenue had been wired to two secret offshore companies, with a chunk of it going into an account controlled at least partly by Obiang. But the choicest moment came when Michigan senator Carl Levin chewed the head off of Riggs's CEO at a public hearing. "How do you live with yourself?" Levin asked. Then, turning to senior executives from Hess, ExxonMobil, and Marathon, he said: "I've got to tell you, I don't see any fundamental difference between dealing with an Obiang and dealing with a Saddam Hussein."

Western oilmen in E.G. are in agreement that the country's best hope is Gabriel Nguema Lima, Obiang's 36-year-old son, who picked up an economics degree in Dallas and who seems determined to try and move the country out of its terrifying time warp. They root for Gabriel—today the most powerful official at the country's energy ministry—to eventually take the throne. But they fear it might go instead to his older half-brother, Teodorin, Obiang's son from the first of two wives, who is widely regarded as a hot-tempered lightweight and believed to be his father's favorite.

Gabriel spent two years badgering his father's government to approve what is now called Luba Freeport, a magnificent new port for the oil industry. Hess, ExxonMobil, and Marathon among others, have established new tax-free logistical bases at Luba—and Chinese companies may eventually move there too. A state within a state, Luba sits an hour's drive from Malabo's corrupt and congested older port, which the oil majors are now free to shun. Obiang's government holds a minority stake in the venture (with Gabriel representing it on the board), but the port is controlled and operated by Lonrho, a London-based public company. "It will become the Singapore of Africa," predicts Howard McDowall, the port's general manager. "There's no equivalent anywhere in West Africa." As Gabriel himself would later tell me, "Luba is the *real* Equatorial Guinea."

On the day I am to meet Gabriel, his tightly wound deputy, Juan Carlos Echuaca Paco, keeps me waiting for four hours—on a flowery 1970s-style couch in an otherwise bare room without water or a bathroom. I watch Chinese businessmen with knapsacks come and go. I had been told earlier in the week that Obiang had once kept oilman John Hess waiting a full day, so I eventually locate Paco and tell him I have lost all interest in meeting Gabriel. As I walk briskly into the parking lot, he chases after me, dialing his cell phone. Within minutes, I am magically seated next to his boss. "You need to learn more patience," Paco sneers.

Gabriel begins by complaining that the foreign press has long given E.G. an unfair rap. "You were probably expecting our country was not secure, like the Congo, and that people would be following you," says the president's son. "One has to realize that Equatorial Guinea is not perfect. A lot has been done right, a lot wrong. The worst thing is only to concentrate on what's wrong."

Gabriel is a soft and likable guy; he is slight, with a goatee, thin glasses, and tender, princely fingers. While his dad shuts down traffic in the entire city every time his endless motorcade passes—there are only two major streets in Malabo, after all—Gabriel drives his own Mercedes. While his father utilizes a large force of Moroccan guards (he doesn't trust the locals), Gabriel insists on moving about town without security. But for all his down-home chumminess, a testiness rises when the questions get uncomfortable. When I mention with a smile that there is no press freedom in his country, he utters a short laugh before swiftly changing the topic.

For all of Gabriel's Western manners, he has sharp words when I ask him to compare the West with China. "If you were in our shoes—a developing country, with not a lot of funds—and the Chinese come and will do for 3 what it costs 10 from others, what would *you* do?" he asks. "The Chinese listen better, and they understand that sometimes you need to make sacrifices for a future gain. They'll do a hydroelectric plant at half the price, and, in return, they get future projects. With U.S. companies, we feel more squeezed and squeezed. They just take the oil and do nothing else. Of course they are losing ground to the Chinese. The World Bank and the IMF also come. 'No, we don't need you,' the president says all the time."

In the wake of the Riggs debacle, E.G. keeps its oil money stashed away in Cameroon. Says Gabriel: "The president is asking all the time for assistance in managing the funds. To Justice [Department]. To State [Department]. They don't listen. They're very busy." As we finish up our talk, Gabriel takes a jab at the country's former colonial masters. "Do you notice that we're not speaking Spanish in the government? In the future, we will speak English, French—maybe Chinese."

President Obiang's sense of abandonment by the West—not to mention the coup attempt and the Riggs disaster—seems to have moved him to look East, where Senate probes don't happen and where mercenaries don't pile onto planes from Beijing. In late 2005, he visited China and, on his return, announced, "From now on, China will be our principal partner for the development of Equatorial Guinea." Then, expertly playing the two sides against each other, Obiang visited Washington in early 2006, where Condoleezza Rice welcomed him as "a good friend" of the United States. Within months of that visit—despite its annual reports portraying E.G. as a land of corruption, arbitrary arrests, scant human rights, and freedoms denied—the State Department installed its first resident ambassador in E.G. in 12 years. It even gave the okay to open a consulate stateside. In Houston.

But if Obiang remains a good friend to the United States, China has now outmaneuvered us once again. Last year, during a visit to E.G., China's foreign minister described his country as E.G.'s *"best friend."*

ENDGAME: Hypocrisy, Blindness, and the Doomsday Scenario

That the West is losing the sub-Sahara does not come as news in Africa itself. One leader after another has been explicit on this point, from Senegal's president ("Today, it is very clear that Europe is close to losing the battle of competition in Africa") to Botswana's president ("I find that the Chinese treat us as equals; the West treats us as former subjects") to Nigeria's president at a banquet for China's President Hu ("This is the century for China to lead the world. And when you are leading the world, we want to be very close behind you").

If the West is losing hold, it's doing so at least partly for the right reasons. In recent years, Western companies have come under increasing pressure from shareholders and regulators to improve their ethical and environmental performance. The caseload at the Justice Department under the Foreign Corrupt Practices Act doubled between 2006 and 2007, and the FBI has a brand-new team dedicated to catching violators. Worldwide, the Paris-based Organization for Economic Cooperation and Development (OECD) estimates, there are now more than 150 ongoing foreign bribery investigations in 30 industrialized countries, and cooperation between countries is more common than ever. That shift, along with the enactment of the Sarbanes-Oxley law tightening financial oversight of corporations, has started to change how Western firms operate in undeveloped countries. Indeed, the world's largest mining firms (representing more than $700 billion in assets—including DeBeers, Rio Tinto, Newmont, and Anglo-American) have approached the UN for help in selling an idea to the developing world: a "badge of excellence" that would require all mining firms to meet high environmental and safety standards. The Congo's Kasongo calls it a "gimmick," and although it's hard not to laugh, one can hardly blame the firms for trying.

But all of this comes very late in the game, after much of America's capacity to lead has been lost or squandered. The charge of American hypocrisy is everywhere in the air. And still the United States and Western institutions manage to talk out of both sides of their mouths when it comes to transparent governance, human-rights protection, and fair trade in developing countries.

Leaders in Africa and China are well aware of this hypocrisy, of course, and use it as leverage against us. A year ago, China threatened to stop borrowing funds from the World Bank if the agency didn't heavily water down its anticorruption demands. The gambit worked flawlessly: A week later, the bank succumbed, and then tried to keep China's threat a secret. Last summer, the World Bank was preparing to publish a report that included the startling fact that 750,000 Chinese die prematurely each year from air pollution; China's government stepped in and insisted that the bank delete the figure, arguing that it could provoke social unrest. Again, the bank complied—and again tried to keep China's demand from the public.

Capital flight out of Africa shows Western hypocrisy from a different angle. For every dollar the West lent Africa between 1970 and 1996, studies show that 80 cents flowed back out in the same year, often into foreign bank accounts in New York, London, and Zurich. A 2005 report by the (Tony) Blair Commission for Africa estimates that "stolen African assets equivalent to more than half of the continent's external debt are held in foreign bank accounts."

It's believed that at least $500 *billion* is now stashed away, but Western banks and governments have done almost nothing to repatriate it—or to help African governments crack down on the thievery. "Most investigations by African countries of money laundering and tracking the funds of corruption are stifled by the developed world—by banks and governments," maintains a top Western money-laundering official with extensive knowledge of Africa. "The U.S. is the No. 1 uncooperative country, followed by the U.K."

There are two reasons for this, says the source, who would be fired if his name were revealed here. First, Western governments say they are too busy and simply ignore Africa's requests for assistance, especially if a transaction is not in the multimillions. Second, Western banks don't want to part with the funds. "It would show they never did due diligence in the first place," says the source. "And if we pulled this money back, we'd damage the U.S. and European banking systems. Africans know this. And it puts a cynical tone to all this do-good stuff. We're part of the money-corruption problem, just like the timber problem. Globalization connects us all."

Thanks in no small part to China, the overall economy for the sub-Sahara has grown by an average of 6% a year since 2004, with nations that export oil and minerals leading the pack. At the beginning of the decade, when China was just getting started, *The Economist* published a cover story titled "The Hopeless Continent." It infuriated many Africans, but it was hard to argue with at the time. Today, many of China's projects in Africa deliver real economic benefit: Improving a road, or building one, helps not just the trucker hauling copper feedstock to the coast, but also the owner of the new hotel along the route and the women selling oranges in the parking lot. Some observers believe that China is Africa's only hope for an economic jump start.

But much of the wealth China injects into Africa clearly flows into the pockets of what George Ayittey, a Ghanaian economist and professor at American University in Washington, calls a "vampire parasitic elite." Last June, the head of China's Export-Import Bank took the position that transparency will come only after China's economic might has worked its magic. "Transparency and good governance are good terminologies," Li Ruogu told an audience in Cape Town, "but achieving them is not a precondition of development; it is rather the result of it."

The problem with that theory is that sub-Saharan countries are being systematically stripped of their sources of potential wealth and seeing them shipped overseas. A major aspect of China's own development was the emergence of its competitive light-manufacturing sector; Africa may never get that chance, given the flood of cheap household goods and cheap labor coming back from China. Textiles are the traditional first step toward industrialization, but the Chinese export engine has already eviscerated clothing and footwear industries in countries such as Botswana, South Africa, Kenya, and Swaziland. China has similarly destroyed the fledgling plastics industry in Nigeria. Will sub-Saharan nations be able to ascend the industrial ladder over the next generation? Or is it their fate to serve as little more than the world's mine shaft?

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EVERY AMERICAN PRESIDENT beginning with Nixon has asserted that engagement and trade with China will lead to democracy there. As candidate Bush declared in 2000, "The case for trade is not just monetary, but moral. . . . Trade freely with China, and time is on our side."

But what if the whole paradigm is a fantasy? "Why do Americans believe that with advancing prosperity China will automatically come to have a political system like ours?" wonders James Mann, the former Beijing bureau chief for the *Los Angeles Times*. "Is it simply because the Chinese now eat at McDonald's and wear blue jeans?" Now an author in residence at Johns Hopkins University, Mann questioned those assumptions last year in a book called *The China Fantasy: How Our Leaders Explain Away Chinese Repression*. He makes a powerful case that China's emerging middle class and urban elite have every reason to fear democracy, support the Communist Party, and preserve the status quo: the 900 million hungry peasants and migrant workers sitting beneath them.

"America's current China policy amounts to an unstated bargain," writes Mann. "We have abandoned any serious attempt to challenge China's one-party state, and we have gotten in exchange the right to unfettered commerce with China." As Mann sees it, "the Chinese and American elites share a common interest in the existing economic order, in which China serves as the world's low-wage, high-volume, all-purpose manufacturing center. Thus, on the surface, it looks as if middle-class Americans are identifying with middle-class Chinese, dreaming that the Chinese, too, will one day insist on their choice of political candidates the way they are now able to select from a range of lattes and mochas at Starbucks." But the business communities of China and the United States do not share these dreams, he explains. Both profit from the Chinese system staying as it is. "Trade is trade," says Mann. "It is not a magic political potion for democracy. . . . Few in the West are willing to allow the continuing arrests and jailing of dissidents to jeopardize ongoing business with China."

So "who's integrating whom?" asks Mann. "Is the U.S. now integrating China into a new international economic order based upon free-market principles? Or on the other hand is China now integrating the United States into a new international political order where democracy is no longer favored and where a government's continuing eradication of all organized political opposition is accepted or ignored?"

To the extent that American standards are being lowered in an effort to keep open the pipeline to—and from—China, U.S. citizens are just as complicit as their leaders. When Bill Clinton was first elected president, the U.S. trade deficit with China was $18 billion. It is now $256 billion. Ravenous Westerners have become partners in Africa's environmental destruction—and in financing the political survival of Beijing's one-party regime—just as the U.S. government and American oil companies are underwriting E.G.'s one-party regime, and just as China is financing that of Sudan.

Oxford's Paul Collier, author of *The Bottom Billion* and a former

head of research at the World Bank, is a leading expert on African economies. "I think the sad reality is that although globalization has powered the majority of developing countries toward prosperity," he says, "it is now making things harder for these latecomers." In other words, he says, Africa "missed the boat." And on a divided, demoralized continent, one where the United States has lost both its economic leverage and moral authority, Beijing can cherry-pick almost at will. That spells trouble not only for Africa but also for our ability to outthink the global consumption death spiral we have all set in motion.

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THE RHETORIC OF GLOBALIZATION has for decades been driven by the logic of so-called cornucopians or boomsters, the pro-growth optimists who argue that human ingenuity always saves the day. In studying farm labor from 1800 to 1967, economist Julian Simon showed that technology increased productivity, driving down the ultimate real cost of every raw material. The price of a cooking pot today, for example, is vastly cheaper by any true measure than it was 100 or 1,000 years ago. The boomsters argue that just as a global shortage of whale blubber for lamp oil led to the discovery of kerosene, and then electricity, as China rises, we will find the kerosenes of tomorrow.

For pessimists—the Cassandras or doomsters—China's win-win blitz in Africa conjures the prospect of a hellish lose-lose, a zero-sum competition for finite resources in which one country's gain is another's loss. The doomsters note that nothing like the productivity explosion of the 19th and 20th centuries had been seen before in human history—and productivity growth has actually *slowed* in recent decades. Meanwhile, by 2050, 3 billion people will join the 6 billion already here—the equivalent of adding two-and-a-half Canadas every year.

Humanity, the doomster argument goes, is on a collision course with the natural world, and the signs are everywhere: shrinking forests, croplands, fisheries, and water tables; rising pollution and temperatures. During the next 50 years, if current trends continue, humans will use more energy than in all of previously recorded history. More environmental stress will mean less growth and will trigger more conflict—bitter clashes among civilizations over a dwindling resource pie, mass migrations, "climate refugees," uncontained diseases caused by "superbugs" impervious to modern medicines, water wars, maybe even food wars. In other words, the world will become like an episode of *Survivor,* except you can actually die.

The global boom in the cost of commodities is entering its sixth year, with no end in sight. Commodities have always been subject to boom-and-bust cycles, but many economists see a fundamental shift driving the markets now. "In the mining industry, we are all struggling to find new resources because the Chinese have created such a demand," says Anglo-American's Sunter. "For much of my career in mining, management was all about cutting costs to survive in an environment of falling prices. Now the driving issues are, Where are the next resources and we'd better hire some geologists who can find them." Or as one mining executive said to me recently, keeping up with current global demand requires that "a new super-iron-ore mine be commissioned every year—from now to eternity."

In his Pulitzer-winning *Guns, Germs and Steel,* UCLA evolutionary biologist and geographer Jared Diamond concludes that life is a struggle for survival in a world of scarcity. His latest best seller, *Collapse,* slams that message home in a series of historical horror stories of resource exhaustion and societal catastrophe. If China's 1.3 billion people are to live like Americans, he says, China would double the global environmental impact and demand on natural resources. In that scenario, the earth would need another *earth* to supply its needs. "Either we are going to resolve these problems in pleasant ways of our choice," Diamond says, "or else the problems are going to resolve themselves in unpleasant ways—not of our choice."

In the doomster scenario, the earth will need another *earth* to supply its needs.

Barring some miracle, or global trade collapse, the era of cheap basic materials does seem to be over. Perhaps we should have seen as much back in 2004, when manhole covers first started disappearing around the world. As Chinese demand drove up the price of scrap metal to record levels, "thieves almost everywhere had the same idea," writes James Kynge in *China Shakes the World.* "As darkness fell, they levered up the iron covers and sold them to local merchants, who cut them up and loaded them onto ships to China. . . . From Montreal to Gloucester to Kuala Lumpur, unsuspecting pedestrians stumbled into holes."

We cannot know precisely how the coming years will play out, but there are likely to be many holes ahead. That makes the American default in Africa and elsewhere all the more regrettable, and possibly tragic—in the true sense of the word. Had we not traded away, quite literally, our leadership potential in Africa, we could have argued for a more transparent, more sustainable global system. We could have drawn the blueprint. In the end, we seem to have acquiesced to China's game.

As all good tropical-disease experts know, hosts and parasites have an intimate relationship. They are expected to play important roles in influencing one another's evolution. When a host develops a defense against a parasite, for instance, the parasite may counteradapt. But host-parasite coevolution can turn out any number of ways. Sometimes, it's difficult to demonstrate that the host is harmed at all. Sometimes, the host drops dead.

We buy China's junk, they buy our bonds, our real estate, even our corporations; they expand into Africa with our money, enabling them to grow and sell us more junk. It's a spiderweb, a matrix—and how it spins out is as scary as it is unclear. But one thing is certain: We're all part of the same ugly scramble. Eh? FC

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