

# São Tomé e Príncipe: A Key Piece in Beijing's Chessboard?

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China is set to make its first direct infrastructure investment in São Tomé e Príncipe. The memorandum of understanding, signed in October 2015 with Chinese state-company *China Harbour Engineering Company* (CHEC), concerns the construction and concession of a deep-water port endowed with world-class infrastructures, so as to serve logistical needs in the Gulf of Guinea. The project, which is expected to be completed in 2019, has an estimated cost of \$800 million, with the CHEC contributing \$120 million.<sup>1</sup>

The port has the potential to transform São Tomé e Príncipe into a transshipment hub for large vessels, enabling the small archipelago to serve regional economies. This is all the more relevant when considering that neither West Africa nor the Gulf of Guinea have a natural hub. Most vessels use ports in South Africa, Morocco or Spain to serve the region.

Notwithstanding, some countries in West Africa have been developing plans toward becoming regional hubs.<sup>2</sup> These countries' potential are, however, limited, since they are located in a region plagued by political instability and maritime insecurity.<sup>3</sup> Due to São Tomé e Princi-

pe's geographic location, relative small number of pirate attacks within its territorial waters, and political stability, the small country fulfills, at least in theory, the conditions to take on such a role.

## A win-win situation

The deep-water port will allow São Tomé e Príncipe to diversify its sources of revenue beyond cocoa and coffee — which make up more than 80% of total exports.<sup>4</sup> In fact, Prime Minister Patrice Trovoada has been insisting on the need to reorient the country's economy toward trade, emulating the Dubai model. In other words, to transform the country into "a platform, offering services to our neighboring countries".<sup>5</sup> On the other hand, this new infrastructure will enable the country's government to abandon or lessen the focus on the potential of oil exploration, which is still uncertain.

In addition, the country's geographical position is also conducive to turn the small archipelago into a monitoring and surveillance advanced post right at the heart of the Gulf of Guinea, hence contributing for maritime security in an area that is key for global trade and energy security, and comprised of countries with high levels of economic growth —

1 "Empresa chinesa vai construir porto de águas profundas em São Tomé e Príncipe" (*Lusa*, 13 October 2015).

2 "Hub heavyweights: West Med vs West Africa" (*Drewry Maritime Research*, 3 February 2015).

3 "Horn of Africa piracy contained; Gulf of Guinea remains hotspot" (*Defence Web*, 7 May 2015).

4 "São Tomé e Príncipe" (*African Economic Outlook*, 2014), p. 12.

5 Cahal Milmo, "São Tomé: How the tiny island plans to become the 'Dubai of Africa' after securing Chinese investment" (*The Independent*, 17 October 2015).



the region has been growing at an average annual rate of 7%. Having said this, if the potential benefits for São Tomé e Príncipe are evident, what can China gain from investing in the port?

São Tomé e Príncipe is one of the three African countries, and one of the 22 globally, to diplomatically recognize Taiwan, and in April 2015 both governments deepened cooperation ties.<sup>6</sup> Beijing, for its part, regards the Taiwanese government as illegitimate and admits retaking the territory by force if necessary. On the global stage, the Chinese and Taiwanese government have been engaged in a “diplomatic war”, i.e. seeking to isolate one another internationally.

After the establishment of diplomatic relations between São Tomé e Príncipe and Taiwan, in 1997, Beijing immediately cut all ties with the archipelago. It was only in 2014, 16 years later, that those ties were resumed. Thus, considering the historical tensions between China and Taiwan, why did Beijing decide to deepen ties with São Tomé e Príncipe?

As a global power, China acknowledges the need to foment good and friendly relations in the international stage, not only to extract economic benefits, but also to widen its base of politico-diplomatic support, protect strategic interests and project influence. This is a necessary approach, especially when considering that the African continent has been increasingly attracting the attention of major world powers, as exemplified by the EUA-Africa Summit, in 2014, and the third India-Africa Summit, in October 2015. São Tomé e Príncipe's government officials were present in both events.

### Africa and China's grand plan

The expansion of Chinese interests in São Tomé e Príncipe is also relevant in terms of one of Beijing's great goals: to establish the “Silk Road Economic Belt” and the “Maritime Silk Road”, jointly known as the “One Belt, One Road” initiative — introduced in 2013 by Chinese President Xi Jinping. The initiative envisages the creation of an economic zone connecting China to the Persian Gulf and the Mediterranean Sea, and including Central and East Asia. This area would include many developing countries, a combined population of 4.4 billion and a GDP of \$2.2 billion.<sup>7</sup> As a matter of fact, China has already been acting toward putting that plan into action, as shown by the multitude of infrastructure development and financing projects across the globe.

Although there are no official signs that the initiative includes the African continent, the vast numbers of Chinese investments in African infrastructures — namely of logistical nature, such as roads, ports, airports and railways — suggest that it is already an integral part

of Beijing's grand plan. This possibility was boosted in January 2015, when a memorandum of understanding was signed between Beijing and the African Union (AU), in which Chinese authorities expressed their commitment to develop logistical and industrial infrastructures across the continent.<sup>8</sup>

East Africa, and Kenya in particular, has been at the forefront of China's offensive in the continent. In fact, Kenya's coastal region is represented in a Maritime Silk Road map designed by Xinhua News Agency,<sup>9</sup> and the country is being targeted with massive infrastructure investments by Chinese companies, particularly ports, airports and railway networks, connecting Kenyan ports to neighboring countries.<sup>10</sup>

Africa's inclusion in this equation and the levels of infrastructure investment across the continent will open new markets for Chinese exports, secure new contracts for national companies and, through the relocation of industries, work toward countering the effects of rising labor costs. On the other hand, the resulting facilitation of the flow of raw materials will feed the Chinese industry, something that is key to satisfy its economic growth needs. Also worth noting is the abundance of largely untapped lands in Africa and its potential to supply the Chinese market with much needed agricultural goods.

In sum, all of this will boost China's economic growth and boost job creation, in turn ensuring socioeconomic stability.

Infrastructure investments in Africa's Atlantic coast also places this region within the context of the “One Belt, One Road” initiative. Beijing has been actively contributing to the development of ports in the region — such as in Cameroon, Gabon, Ghana and Senegal — and recently concluded the railway connecting the Atlantic coast of Angola — the port of Lobito — to the border with the Democratic Republic of Congo, which will subsequently link with the Angola-Zambia and Tanzania-Zambia railway lines. According to the Chinese company behind the construction of the track section in Angola, this network is part of a wider project aimed at connecting the Atlantic to the Indian Ocean.<sup>11</sup>

São Tomé e Príncipe emerges in this context as a transit point for maritime trade between the Atlantic, Africa and the India Ocean. This transcontinental link is part of Beijing's plan to direct flows of hydrocarbons, minerals and other African natural resources to transshipment hubs in the Indian Ocean, from where they will be directly shipped to China.

6 “São Tomé e Príncipe e Taiwan assinam programa de cooperação bilateral para 2015” (*Lusa*, April 2015).

7 Shannon Tiezzi, “China's ‘New Silk Road’ Vision Revealed” (*The Diplomat*, 9 May 2014).

8 “AU, China to cooperate on infrastructure, industrialization” (*Xinhua*, 27 January 2015).

9 Shannon Tiezzi, “China's ‘New Silk Road’ Vision Revealed” (*The Diplomat*, 9 May 2014).

10 “China to build new East Africa railway line” (*BBC News*, 12 May 2014).

11 “Angola rail line, built by China, gets rolling” (*China Daily*, 16 February 2015).



### More than economic interests

China's rising economic power coincided with an increasingly assertive foreign policy, according to which Beijing wants to build a new world order and stand on an equal footing with the United States. This means that China is willing to project power and influence across the globe, something that has gained new impetus with President Barack Obama's Pivot to Asia.

Beijing regards this incursion by the United States in its sphere of influence as unacceptable, thus driving China to project its power in areas of the globe where American influence is traditionally dominant, such as in the South Atlantic and the Gulf of Guinea. Moreover, the Asia Pivot and the end of the United States energy dependency culminated in Washington shifting its attention away from the South Atlantic and the Gulf of Guinea in particular, opening a window of opportunity for Beijing to expand its interests in the region and take another step toward consolidating its global power status.

However, to sustain its assertion on the international scene and counter American power, Beijing needs to secure stable sources of supply of large quantities of hydrocarbons and other resources, like minerals and agricultural goods. This implies establishing a strong presence in resource-rich regions, such as the Africa continent. It is not surprising, then, that Beijing's growing interest in Africa has coincided with large oil discoveries in the continent, particularly in the Gulf of Guinea. China's offensive in the Gulf of Guinea, however, is not solely driven by the abundance of natural resources. Beijing recognizes the need to ensure security and stability along the maritime trade routes of a region where it has been deepening and expanding its economic and political presence. This presence also brings with it the mobilization of Chinese nationals, forcing Beijing to act toward ensuring their security — the frequency of attacks involving Chinese nationals in the Gulf of Guinea has increased over the last five years.<sup>12</sup>

That being said, although the Maritime Silk Road has, in its essence, an economic nature, obvious strategic implications arise. The need to secure and protect its interests inevitably embeds a security dimension in the Maritime Silk Road. With this in mind, Beijing has been developing a chain of ports, intelligence centers and observation posts, as well as increasing its participation in anti-piracy operations, and the number and frequency of military exercises in the Indian Ocean.<sup>13</sup>

### The securitization of Beijing's interests

China has been making use of its economic and financial power to exert influence. One of Beijing's strategies consists on relaxing loan conditions in exchange for control

(or access privileges) over certain foreign ports that were financed or developed by Chinese companies. As a result, Beijing adds a security element to those infrastructures. Such was the case with Sri Lanka's commercial port. In addition, in November 2014, a Chinese nuclear submarine docked in Colombo's commercial port and not in the military one, suggesting that ports operated by Chinese companies are likely to have a dual use: civil and military. A similar situation happened with a port in the Maldives.<sup>14</sup> Taking into account the Chinese investment and financing surge in Africa, it would not be surprising if Beijing decides to use its economic and financial power in various ways so as to ensure civil and military access to ports in the African continent.

As a matter of fact, Beijing has already used such an approach in Djibouti, one of the major strategic hubs in Africa and host to military bases from the United States, Japan, France and Germany. China is currently investing \$9.8 billion in several infrastructure projects in Djibouti, amounting to six times the national GDP. The deepening of Chinese influence in the country motivated the switch of the Djibouti's port operating contract from a Dubai-based company to a Chinese one. Moreover, in May 2015, President Ismail Omar Guelleh said he was in talks with Beijing over the installation of a Chinese military base in Obock, Djibouti's northern port city, something which was not confirmed by Chinese authorities.<sup>15</sup>

Nonetheless, such a possibility must not be disregarded. In November 2014, *The Namibian Times* reported that Beijing was considering setting up a naval base in Namibia's Walvis Bay. The newspaper adds that this would be one of a total of 18 bases to be built in several parts of the world, for replenishment, berthing and maintenance purposes. Apart from Asia and the Middle East, these plans include bases in Africa. Notwithstanding the fact that these allegations were denied by China's Defense Ministry and Navy, the latter did not rule out the establishment of Overseas Strategic Support Bases. In turn, Namibia's Ministry of Defense spokesperson, Lieutenant Colonel Monica Sheya, confirmed to *The Namibian Times* that talks over the installation of a naval base had taken place.<sup>16</sup>

Regardless of Beijing's line of action in the Gulf of Guinea — naval bases or military access — the goal will always be to ensure the expansion of interests, project power and establish a greater presence in the South Atlantic. That is a logical step, warranted by Beijing's intention to assert itself in the international arena and by the need to protect its expanding interests at the global level, partic-

12 Hang Zhou and Katharina Seibel, "Maritime Insecurity in the Gulf of Guinea: A Greater Role for China?" (*The Jamestown Foundation*, 9 January 2015).

13 Shannon Tiezzi, "The Maritime Silk Road Vs. The String of Pearls" (*The Diplomat*, 13 February 2014).

14 Tom Wirth, "China's Expanding African Military Footprint" (*Global Politics*, 17 February 2015).

15 "China 'negotiates military base' in Djibouti" (Agence France-Presse, 9 May 2015) e, "China military declines to confirm Djibouti base plan" (Reuters, 25 June 2015).

16 David Tweed, "China Mulls Building Naval Base in Namibia, Namibian Times Says" (*Bloomberg*, 27 November 2014).



ularly in countries located on the vast Atlantic rim, while taking advantage of the shift of Washington's strategic considerations away from the region.

With this in mind, China has been expanding its investments in South America, which inevitably places the region within the Chinese sphere of interests. This adds up to the potential of South America-Africa trade, as well as to the fact that maritime trade routes between the region and Asia cross the southern limits of the Gulf of Guinea.<sup>17</sup> That being said, a foothold in São Tomé e Príncipe provides Beijing with greater monitoring capabilities and control over a maritime trade route of great and increasing potential, while enabling it to follow closely the evolution of its presence in the South Atlantic.

### São Tomé e Príncipe in Beijing's strategic considerations

São Tomé e Príncipe has limited financial resources and is highly dependent on external financing — 93% of capital expenditure during 2014 was financed through foreign assistance.<sup>18</sup> Considering Beijing's capacity to exert influence and also eventual future investments and financing in the archipelago, will São Tomé e Príncipe be tempted to grant the Chinese navy access to the new port? The above mentioned examples give further strength to such a possibility. Surely that Beijing acknowledges São Tomé e Príncipe's geostrategic value, as the United States did in the not so distant past. During the 2000s, the United States showed interest in establishing a deep-water naval base in São Tomé e Príncipe, driven, to a large extent, by the country's geographical position and also by the fact that, by then, around 30% of American oil imports transited through

São Tomé e Príncipe's territorial waters and the Gulf of Guinea. An American official went so far as to describe São Tomé e Príncipe as "another Diego Garcia," referring to an island strategically positioned in the Indian Ocean and which hosts the Camp Justice air-naval base.<sup>19</sup>

Given that the United States considered that possibility, why wouldn't China do the same? In fact, Beijing has developed a strategic line of action similar to that of the United States. In other words, a strategy consisting on the establishment of strategic outposts across the world, providing Beijing with greater capacity to project several types of power, beyond the military one. Those types of power function as political and economic tools that can be used to build and maintain alliances, and secure privileged access to other markers, resources and investment opportunities.

Considering China's ambitions to become a global power on equal footing with the United States, its growing dependence on energy and other natural resources, as well as the entrenchment of its interests in the Gulf of Guinea and South Atlantic, it would not be surprising if Beijing decides to establish a military presence in those regions, particularly in a country that is so geographically strategic and politically stable as São Tomé e Príncipe.

Inevitably, the increasing Chinese influence and power in those regions will be regarded as a threat and a challenge to American and Western interests. It is crucial that the West acts strategically in line with the Chinese expansion, as it is highly unlikely that Beijing will abandon its aspirations. São Tomé e Príncipe stands, in this context, as a piece of immense strategic value in a constantly changing global chessboard.

17 Adriana Erthal Abdenur e Danilo Marcondes de Souza Neto, "China's Growing Influence in the South Atlantic" (*BRICS Policy Center*, October 2013), p. 18.

18 52.4% through loans. "São Tomé e Príncipe" (*African Economic Outlook*, 2014), p. 2.

19 For decades, the India Ocean base helped ensure U.S. domination over Middle Eastern energy supplies. "Sao Tome Sparks American Military Interest" (*Voice of America*, 28 October 2009).

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