

Richard Behar, Investigative Journalist

Business reporter Richard Behar has garnered 20 journalism awards over a career spanning 25 years. He was called “one of the most dogged of our watchdogs” by the late Jack Anderson—a founding father of modern investigative reporting. From 1982-2004, Behar worked on the staffs of Forbes, Time and Fortune magazines. He has also done assignments for BBC, CNN, FoxNews.com and PBS. In 2005, Behar launched Project Klebnikov, a global media alliance committed to shedding light on the Moscow murder of Forbes editor Paul Klebnikov and to furthering the investigative work that Paul began. Behar’s travels have taken him to more than 40 countries—most recently within the sub-Sahara, where he penned a 24-page special report for Fast Company magazine on “China in Africa.” Major awards include the Daniel Pearl, Loeb, Polk, National Magazine, Overseas Press Club and Worth Bingham, among others – on subjects ranging from counterfeiting in Beijing to terror financing in Karachi; from organized crime in Siberia to corporate wrongdoing on Wall Street. Behar was included among the 100 top business journalists of the 20th century by The Journalist and Financial Reporter, and was named Business Journalist of the Year in London in 2001. He also received the rarely-bestowed Conscience-in-Media Award from the American Society of Journalists and Authors, for a Time cover story on the Church of Scientology. A graduate of New York University, Behar today serves on the advisory committee of the school’s business journalism masters program.



“China in Africa: The West’s Moral and Economic Default”

Thank you to the Hilton Foundation for this great honor in speaking.

I’m going to take you all on a little trip, so I hope you’ll come along with me. I’m sitting with Victor Kasongo, the most powerful mining official in the government of the Democratic Republic of Congo (DRC), where most of the people live on less than 50 cents a day. There are Chinese business cards scattered on his desk while a security guard down the hall is eating out of a dirty pot in bare feet, and downstairs in the government’s parking garage an attendant is urinating in full public view into a bucket. That’s Congo right now. Victor is fresh from a trip to Beijing, and he’s at a crossroads. He could go with a World Bank-driven plan to restructure the country’s nearly bankrupt mining monopoly—it would eliminate debt, lead to an IPO with a Western investment house, but it would take about two years. Or he could take as much as \$9 billion from China almost immediately. It would be the biggest single investment China has yet to make on the continent, and it would provide massive infrastructure to the Congo—roads, highways, ports—in exchange for minerals. Is it any surprise which way he turned?

“If China wants to dominate the world,” he told me, “it’s not our business to stop them. Who are we to close the door to them when we don’t have water or electricity? The Chinese were the first to listen to our concerns, they were very receptive.” And then he continued. He said Americans are not focusing on Africa for business except for oil. “Americans are dormant economically, when they have a pretty good political platform. We asked the World Bank for roads, but they wanted to attach too many conditions. Obviously, we want human rights and we have a mechanism in place, thanks to the Europeans. But Asians listen more to our concerns without being patronizing.” He then raised his voice at how Western mining firms had cheated the DRC in one exploitative mining deal after another over the past decade while Congo was especially vulnerable and desperate in the middle of two civil wars, and how those Western firms were mining the Western stock exchanges instead of the actual mines of the Congo that they were controlling, reaping billions while Congo got nothing. Of course, many citizens of Congo have longer memories, to that day in 1986 when U.S. President Ronald Reagan praised the country’s dictator, Mobutu, as “a voice of good sense and goodwill” even as he was financially raping his country and bragging on Western TV that he was the second richest man in the world while his country starved. By the way, at the time, documents showed that the World Bank knew that loans they were funneling to Mobutu’s government were likely to be stolen or not repaid.

In that one moment that I had with Victor, it encapsulated everything. Replicate that perhaps dozens or hundreds of times across the continent, and I started to understand how the West was losing in Africa—defaulting morally and economically—a situation that I think can only become more magnified by today’s economic crisis.

Not long ago, I traveled to the sub-Sahara for *Fast Company* magazine to see what China was doing there. The results are in a 24-page article. So what did I find, and what did it mean for the bottom billion? It’s not very pretty, in my view. You have one of the most corrupt and non-transparent countries in a major and growing partnership with one of the world’s most corrupt and non-transparent regions—a recipe for disaster. I don’t need to lay out the West’s track record in Africa since World War II to *this* crowd here—you know it. Whether through incompetence, ignorance, bureaucracy, corruption or the West’s own desire to grab what it can, we’ve spent more than \$500 billion, maybe up to a trillion—four Marshall Plans, I think—and we’ve hardly made a dent on the whole in poverty on the continent.

The West, and especially America, has consistently failed to enact the kind of long-term policies that would truly help people there. So, as one Western government after another has been asleep, China has moved in and they’ve made astonishing inroads in the last decade. They’re now the most assertive investor nation on the continent. In trade, they passed France recently and they’re on a path to pass the U.S. next year. There are more Chinese embassies in Africa than of any other nation, and perhaps a million Chinese are circulating—nobody knows the exact figures. But they’re *everywhere*. The main thrust is to get minerals to feed their economy back home, which, by the way, needs to grow about 9% a year or else 25 million people join the unemployment doles in China. With 80,000 social protests a year already in China, that could lead to more and endanger the party’s control and they know it. So they’ve got to feed the machine.

Today, China is the world’s largest consumer of one commodity after another, from copper, tin, aluminum, iron, timber. And Africa is the planet’s largest repository of so many of them. It’s the final frontier in a world where more and more experts increasingly fear that we’re running out of vital resources. To be fair, the Chinese are absolutely doing positive things for Africa that the West has not been able to do enough of since World War II—highways, buildings, water pipelines, ports. But I’m not going to mince words. China today has a vastly corrupt business culture. That doesn’t mean that it will in 10, 20 or 50 years, but it does today. It’s the world’s number one nation, by far, in terms of counterfeit products and that’s a subject I’ve done exhaustive research on. For 20 years, the Communist Party has paid lip service to the promise to crack down and they can’t, because at least 10-15% of their economy is entirely dependent on fakes. According to Interpol, Africa recently became the number one transit point for Chinese counterfeit goods that move to the West. And Africa, as everyone knows, has long been a dumping ground for those fakes. Those counterfeit goods are obliterating light manufacturing and textiles, which are typically the first level of a nation’s economy. China’s export engine has eviscerated the clothing and footwear industries, the plastic industries, and others, so one asks, will African nations ascend that industrial ladder or is their fate to serve as little more than the world’s mine shaft? There are two stats that, to me, show the answer at this stage. In the 1980s, Africa received 30% of the world’s foreign direct investment and today it’s around 7%. In the 1970s, Africa’s share of world trade was 5%. As of 2005, it was 1.5%. They’re falling behind.

Not long ago, *New York Times* Shanghai bureau chief Howard French wrote, China’s economic revolution has led to “*an explosion of an old ethical order that bound the country together*” into a new society that doesn’t seem to know right from wrong and that often seems governed by “*what one can get away with.*” If you think tainted milk is hurting Chinese citizens today—and we recently learned that the central government there is preventing people from seeking justice in those cases—we don’t even know the extent that fake Chinese medicines are harming or killing African children because, as regulators in Nigeria have pointed out, most nations in the sub-Sahara don’t even *have* regulators who can monitor and collect the data. But it’s a severe problem. China remains the largest jailer of journalists in the world. According to Transparency International, it is, along with India, among the top countries in terms of using bribery in business affairs overseas.

Every U.S. president since Nixon has said that, if we trade with China, it will loosen the Party's grip on power. That's kind of been the religion. President Bush said, in 1999, "*The case for trade is not just monetary, but moral. Trade freely with China, and time is on our side.*" But that's just a mere hope. It's just as likely that it can strengthen the Party's grip. As scholar James Mann has pointed out, and I think he is especially brilliant, "*Trade is trade. It is not a magic potion for democracy.*" Just because teenagers in Shanghai are wearing blue jeans and sipping their lattes from Starbucks does not mean that they're going to soon have a democracy. In fact, as Mann explains, the emerging middle class and the urban elite in China have every reason to fear democracy and keep the status quo. That reason are the 900 million peasants and factory workers who are on the bottom rung. But these are subjects people don't really want to talk about today. It's called China-bashing, it's not politically correct.

In reality, Western firms rely on this lack of democracy in China to instill stability so they can knock out their products built with Africa's minerals, in places like Shenzhen. Who in the West will allow the continuing arrests of dissidents and journalists to put their ongoing business with China at risk? And, let's face it, the West moved its manufacturing base to China knowing that it was more polluting than Europe, Japan and the U.S. They cared about the cost of labor, and today we're reaping the results. China just became the number one polluting nation, and the U.S. of course is number two. Most people don't know that the region hurting the most from this pollution and climate change is the region contributing the least to it—the sub-Saharan. University of Wisconsin's Jonathan Patz is one of the world's top experts in the human health effects of environmental change. He said that we are disseminating death and disease from our energy-consuming lifestyle, and we're doing it to people who aren't contributing to the problem. What a moral dilemma *that* is...

One thing I learned in the sub-Saharan is just how interconnected we all are. Consider this—in Mozambique, a timber Mafia has arisen in which Chinese operators are moving vast amounts of wood out of the country illegally, thanks to corrupt partnerships with government officials at the national and provincial levels. The forest is being decimated. The wood goes to China and is made into products that head West, especially to America. The head of the forest department sat down with me and she blew my socks off. She said that, "*to understand others, you have to understand you, America*"—she called me America. "*If you stop buying Chinese products made from our wood, then we can conserve our timber more. We're all part of the problem.*" The senior economist for Mozambique's biggest business association, an American, said that the Chinese are building things there in exchange for mining, timber and fishing rights and these are absolutely bad and non-transparent deals. Bribery is rampant in Mozambique, the public is kept in the dark, and despite new anti-corruption laws, not a single official has been charged with bribery.

In Zambia, where copper is the bread and butter of the country, the biggest China-owned mine is, by all accounts, the most ruthless operator, paying the least to workers, exploiting them and exposing them to harsh, unsafe conditions. That copper winds its way into our China-made Apple iPods, so I guess we can drown out the cries of the bottom billion while we listen to our music. The son of the nation's former vice president in Zambia told me that, as far as copper licenses go, the Chinese are scooping them up. As he put it, "*Walk in with \$100,000 in a briefcase, and it's yours.*" A government official in Zambia told me that there's massive capital flight by Chinese operators, heavy under-invoicing, tax evasion, money laundering, and—a charge I heard in Zambia and many other countries in Africa—that China is bringing convicts in as laborers. I was startled at how I kept hearing that from so many different people in different countries.

In the DRC, most of the minerals leaving the country are going illegally via Chinese operators who use women and kids to mine, and where the rebels—as everyone knows—have long used that business to finance wars. You've heard of blood diamonds, there's also blood cobalt, blood coltan, and blood copper. America and China, over recent years, have been the world's largest users and some of these products help power our cell phones, our laptops and our Sony PlayStations for our kids. We are all inter-connected, and with China exporting 40% of its GDP and with nearly 60% of those exports sourced from foreign-owned corporations on the mainland, we are all chained to what happens in Africa and China.

There was at a summit last year for U.S. businesses in Cape Town, and a director of the U.S. Export-Import Bank said that he was stunned that a session focusing on China “*did not discuss human rights, and it made no difference between us and their country. There is a difference.*” To which South Africa’s trade minister said that the U.S. was being subjective in its focus on human rights, and he asked him why the issue was not raised about U.S. businesses in *China*. It’s a great point. But, you may ask, surely Sudan and Darfur are examples where the West’s moral position is a shining light? After all, China’s helping, through massive oil investments, prop up a rotten dictatorship that’s led to so many hundreds of thousands killed in Darfur. No argument.

But look at what America does in Equatorial Guinea. EG is less a country than a corrupt extended family business that cooked up its own national anthem. It has managed to get itself on top of nearly every shameful list in the world, from the most censored countries to the most corrupt to the worst places to do business. Yet the American oil industry has been cozying up and thus strengthening the dictator there for years. In the mid-1990s, our ambassador there spoke out about human rights. He received death threats and the U.S. shut the embassy. A few years ago, the U.S. reopened it—with a new ambassador who knows how to keep his mouth shut. I was the first American reporter to visit there in over three years, as the last two were quickly forced to leave right after they asked a couple of questions. When I arrived, the U.S. Embassy wouldn’t see me and stopped returning my calls eventually. That is really unusual for a seasoned reporter in a foreign country, especially a foreign country that could be dangerous—and especially a one-horse town like Malabo where there are 90,000 people in the capital and only 500,000 in the whole country. But they didn’t want me to witness what was happening there—how most of the people, the citizens in this oil-rich country, are living below the poverty line.

Capital flight shows Western hypocrisy from a different angle. For every dollar that the West lent Africa between 1970 and 1996, studies show that 80 cents flowed out the same year—often into foreign bank accounts right here in Switzerland or further west to London and New York. A recent European Commission report estimates that stolen African assets, equivalent to more than half the continent’s external debt, are held in foreign bank accounts. As you know, some African leaders have begun to focus on repatriating it—they’ve been trying as part of their anti-corruption efforts. They’re following a precedent set by the Holocaust Claims Commission, recovering assets stolen from Jewish people by the Nazis. 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 money flows today. I spoke to a very, very important Western money laundering official who has extensive knowledge of Africa. He said the following: “*Most investigations by African countries of money laundering and tracking of funds and corruption are stifled by the developed world, by banks and governments. The U.S. is the number one uncooperative country, followed by the UK.*”

Why? He gave two reasons. First, Western governments are too busy, especially with the War on Terror, and they simply ignore African requests for help, especially if the transactions are not in the multi-multi-millions. Secondly, he said, the Western banks do not want to part with the funds. It would show they never did due diligence in the first place and, if we pulled this money back, we would damage the U.S. and European banking systems. Mind you, he told me that before the latest financial crisis with the banks, so what hope do African leaders have of getting that money now?

I’m going to wrap up. I’m going to say that President Bush traveled to Africa earlier this year, and I think that was really kind of symbolic of our lack of a clear policy about Africa, let alone a clear one about China. He avoided visiting controversial countries, such as Kenya, that really could have used his leadership at that time. He talked more about aid than trade, and everyone in Africa told me, “*We need trade. We know we have problems with AIDS, we don’t need everyone to keep reminding us. We need trade. We need the American dream.*” He also talked about AFRICOM. I could talk for hours about this vague humanitarian program that’s being run by the Pentagon, which sends a message to the African continent that’s very scary. I can only think of maybe two or three African countries that even want it, and yet we’re doing it. They had a ribbon-cutting ceremony, I think, a couple of days ago.

After that Africa visit, President Bush told *Time* magazine—in a swipe at China in Sudan—he said, “*Human suffering should preempt commercial interests.*” Really? I think the long-suffering citizens of Equatorial Guinea, where the U.S. oil firms dominate, would sure love to have heard that, only there’s no free press there to tell them what President Bush said. In reality, unfortunately, all governments seem to care very little for international niceties like human rights when mountains and mountains of resources are up for grabs. Thank you.