CHINA IN AFRICA

An Introduction

In the past decade, China has become a prominent global power. In 2010, the Chinese economy bypassed Japan, becoming the second largest in the world. The country has achieved impressive economic growth, through a combination of economic liberalization and strong political leadership. Beijing authorities have developed an economic model to rival the western. The critics are numerous: labor unions cite weak protection of workers' rights, environmentalists demand a stronger focus on climate change, and human rights activists call attention to repeated attacks on the principles of democracy and the rule of law.

Opponents of the regime are rarely as outspoken as when it comes to China's growing presence in Africa. Here, Chinese projects challenge what has long been seen as close to an aid monopoly based on differing goals and values. But modern China is no new actor in Africa. Cooperation, stretching from diplomacy and aid to trade and investment, has increased ever since Egypt became the first country to establish formal bilateral relations with Chinese authorities in 1956. Even so, it is only in the last decade that the West has truly realized the extent of Sino-African relations, which has in turn spurred a lively debate on likely consequences.

Western skepticism was clearly voiced by US Secretary of State Hillary Clinton during a visit to Zambia in the summer of 2011. "We do not want a new colonization of Africa," she stated, referring to Chinese engagement on the continent[i]. Reactions to the statement were strong; several African actors voiced both anger and indignation, accusing the Secretary of lack of historical context, and for neglecting to mention that Western involvement is often conceived as primarily furthering Western interests.[ii] These reactions clearly showcase the polarization of the debate on China in Africa.

This paper will highlight some crucial aspects of Chinese involvement in Africa, focusing on four central questions: How have Sino-African relations developed? What does the cooperation consist of? Why is it so controversial? And what is the road ahead?

1. How has Chinese presence on the continent developed?

Four events have contributed the lion's share in shaping Western perceptions on China in Africa. In 1999, while civil war was still raging in Sudan, the Chinese National Petroleum Company (CNPC) decided to invest in the oil fields of Muglad. Human rights activists accused the Chinese corporation of financing a regime involved in "slavery, genocide and terrorism".[iii] Thus began the debate on the Chinese policy of 'non-involvement' came under attack.

Later that year, Chinese authorities launched their "Go Out" policy, an initiative that sought to increase Chinese investments overseas and diversify exports. There was no longer any doubt that China was looking outwards, not the least towards Africa.[iv]

The Forum for Chinese-African Cooperation (FOCAC) was created the following year, and the first ministerial meeting was held in Beijing. Officials of 44 countries were present, in addition to 17 international and regional organizations. A watershed in Sino-African relations was the third ministerial meeting in 2006, by which the term 'strategic partnership' was launched as the main principle for further cooperation. Prime Minister Hu Jintao pledged to further aid African development through a commitment to eight touchstones, including debt relief and enhanced access to credit through aid and low-interest loans. Trade and investment were given an additional push by the establishment of

Special Economic Zones (SEZ) in Africa, following the Chinese model. At the same time, African exports were given easier access to Chinese markets.[v]

With the conflict in Libya in 2011, a new chapter of Sino-African relations seems to be in the coming. The long-held principle of non-intervention was toned down as Beijing sought to encourage dialogue between Libyan authorities and rebel forces.[vi] China is showing a growing willingness to engage in other forums as well, such as multilateral peacekeeping within the framework of the UN and the African Union, and contributions to the anti-piracy efforts off the coast of Somalia.[vii] China has also signed the Paris Declaration on Aid Efficiency.

2. What is China's role in Africa?

The economic and political ties between China and Africa rest upon three basic principles: equality, non-interference and mutual gains.[viii] Business as development strategy has blossomed with the emergence of China as a global actor, and underlies investments, aid and loans to Africa. Chinese authorities have become a major exporter of the East Asian development model to Africa.

China is Africa's major trade partner as of 2010. Total trade value is estimated at around 65 billion USD for the first five months of 2011. The value of imports is 40 billion dollars, and the exports of Chinese goods constitute the remaining 25 billion.[ix] Chinese exports are more diverse than imports from Africa, as African countries primarily export natural resources.

Chinese investments are estimated to grow close to 70 percent in the next four years, reaching 50 billion dollars by 2015.[x] These investments will primarily be within the sectors of extraction of natural resources and commercial agriculture. Much of what is produced will be exported.

China has been strongly criticized for lack of openness around their aid commitments, which has given rise to suspicions among Western donors. Partly to counter these claims, the authorities officially released their aid strategy in the spring of 2011.[xi] Chinese aid can take three forms: grants, low interest loans and conditional loans. Total assistance by the end of 2009 was around 40 billion dollars, of which 17 billion were grants, and the remaining 23 billion as soft loans.[xii] In comparison, total aid from industrial countries (OECD) was 120 billion USD in 2009 alone.[xiii]

According to official figures, projects in which Chinese actors undertake the entire project from beginning to end constitute around 40% of all expenses. Technical cooperation and investment in human capital are of special interest, as one of the main criticisms against China is insufficient technology transfer.

In addition China gives emergency aid, debt relief and has recently established a program for young volunteers. 51 countries in Africa regularly receive support, mainly within the fields of infrastructure and agriculture, but also education, medical assistance and other public goods. China engaged in multilateral aid programs as far back as 1996 through cooperation with the UN's Food and Agriculture Organization (FAO).[xiv]

3. Is the criticism of China in Africa well founded?

Different types of criticism, stemming from different quarters, are directed at China in Africa. The most common can be summed up in seven main arguments.

The New Colonialist argument

China is accused of robbing Africa, primarily because it extracts raw materials, as stressed in the Zambia speech by Hillary Clinton. Martin Davies, director of the South African consultancy firm Frontier Advisory, on the other hand, sees unique opportunities for Africa, specifically a twenty to thirty years long 'super cycle' brought about by Chinese demand.[xv] For export of raw materials to bring about economic development, however, rules and regulations securing that income does not only benefit those that constitute the political elite are needed.

The Wolf in Sheep's Clothing argument

Some commentators insist that transfers from China are not assistance, as the recipient countries have to buy Chinese goods and services.[xvi] The criticism against tied aid is twofold, the first point being that the donor country would constitute a monopoly seller of goods and services, which could lead to higher prices for the recipient country. Surveys do not indicate that this is the case when it comes to China, which on the contrary has low costs as a main competitive advantage. The main argument, however, is that the decision making power of recipient countries becomes limited. The main reason for tying aid is to limit the misuse of funds, which can potentially be a large problem for projects of the size that Chinese companies tend to undertake. The tradeoffs involved are problematic, even for Western donors, which tend to shy away from fully untied aid such as budget support.

The Responsibility argument

China is less critical than the West concerning who they chose to cooperate with, and is therefore more likely to give economic support to questionable political regimes. This correlation is necessarily difficult to measure, as what constitutes a 'bad' leader depends on differing points of view. In the cases where such an analysis has been attempted, however, no significant correlation between the degree of democracy and whether China is active and the West has abstained has been found. Additionally, Western countries and China increasingly invest in the same countries.[xvii]

The Environmental argument

Chinese companies are often accused of being less concerned with environmental and social costs. This is no doubt a challenge. China has, nevertheless, increased its focus on 'balanced development' in its new five year plan, implying more ambitious targets both within environmental standards and social equality.[xviii] The Chinese state bank for export and import, China Exim Bank, which is the main institution for conditional loans, launched their environmental strategy in 2007. According to this strategy, a study of environmental effects must be included in all feasibility studies.[xix] Sustainability is still a long way of, but as a first step it gives reason to hope.

The Exploitation argument

As Chinese businesses have low costs as one of their main competitive advantages, wages are necessarily low. In mainland China, this is changing, as a consequence of economic growth and industrialization. As wages increase, an ever larger number of Chinese enterprises will look to other markets, not the least in Africa.[xx] This will in turn mean higher African wages and productivity. As for labor conditions, local authorities are in the end responsible for maintaining laws and enforcing regulations

The Technology Transfer argument

Chinese projects, particularly within mining and oil drilling, are criticized for failing to make use of local labor. As a result, technology and competence is not being transferred to the African countries. Norway is often cited among the few resource rich countries that have followed a successful path, both in developing its resource extraction sector as well as how the revenues are managed. Early on, the authorities made sure that technology was transferred to Norwegian management and workers.

It should be noted that Norway at this time already had a highly educated population and a well-developed industrial base. In contrast, only a relatively low share of the African population has the educational skills required to absorb technological know-how. China has taken some steps towards addressing this challenge, and educates 10 000 African students at Chinese universities and colleges every year.[xxi] Capacity building is among the goals of the economic zones, where support is given to African businesses that wish to invest in the zones, at the same time as management training programs are being offered.[xxii]

The Competition argument

This argument is rarely voiced, but is likely to have a significant effect. Western authorities have in later years increasingly promoted a business agenda in African countries. China is not only competing with the West as an economic and political model. Chinese companies are also competing with Western ones. This is tough competition, as Chinese actors tend to have lower costs, shorter and less complicated procurement procedures, easier access to credit, are willing to accept higher risks, in addition to already being well established in the majority of African countries and have gained intimate knowledge of market conditions and regulatory frameworks. There is reason to believe that some arguments directed against Chinese involvement on the continent are motivated by more selfish Western interests. Western fear of being outcompeted by China has been heightened in the aftermath of the financial crisis, which has accelerated the relative decline of Europe and the United States.[xxiii]

4. What is the road ahead?

Chinese and Western actors cooperate with African countries within different frameworks, and to a certain degree within different sectors. Although both are involved in aid, business development and extraction of natural resources, some rough generalizations can serve as a starting point for analysis.

China tends to prioritize larger projects within infrastructure, extraction of natural resources and industry. These are areas in which Chinese companies can use their competitive advantages. The West tends to focus on more traditional assistance—financial support to projects within health, education, hygiene etc.—in addition to capacity building, consultancy work and democratization. To the degree that they focus on business development and projects within the energy sector it tends to be as engineers, project managers and advisors. The exception is within extraction of raw materials, where western actors tend to take a more active role regarding both financing and development of projects.

That Western and Chinese actors have different priorities makes synergy effects possible. As an example, better infrastructure eases access to schools, health centers and other social services, while improved governance creates a better business environment. Better infrastructure could also further intra-African trade, which could lead to a more diverse and specialized business environment. In other words, Chinese and Western actors can complement each other in a way that might strengthen African economic conditions and social development.

In 2009, a joint forum for Chinese aid authorities (IPRCC) and the donor organization of industrial countries (DAC) was created. The aim was to ease dialogue and coordination of assistance. At the same time, DAC acknowledged that African countries could learn from Chinese experiences with economic development. Deborah Brautigam, who has done extensive research on China in Africa, sums up the most important lessons: Africa is open for business. Both ownership for African actors and partnership is important, and the key is demand driven financing. Too much weight might have been put on governance and economic conditions. As a result, a situation has come to existence where 'recipient countries pretend that they're making changes, while donors pretend to believe them.' The importance of infrastructure to the further development of the continent cannot be overstated. African authorities should be given room for political experimentation, so that the development can mirror own history, capacity and the wishes of the population.[xxiv]

That both Western and Chinese actors continue to be active in Africa is not just the best way forward—to a large degree it is the only way. The financial crisis meant a lower level of investments and imports from Western countries, and neither the Eurozone nor the US is sufficiently stable.[xxv] At the same time, China faces large challenges with its overheated economy, and its model for development shows clear weaknesses.[xxvi] In other words, Africa cannot put all its eggs in one basket.

Chinese engagement in Africa is not unproblematic. In Zambia, employees and the Chambishi melting plant opposed low wages and bad labor practices in 2008. Opposition leader, now president, Michael Zata has run for election three times under the anti-Chinese slogan 'Zambia for Zambians'.[xxvii] As China increases its presence, further tensions will arise, and dialogue around these challenges should be high on the agenda.[xxviii]

At the same time, both Chinese and Western actors should keep in mind that Africa is far from a homogenous, static arena where their interests and models are played out. Which models African authorities choose to adopt, partly or fully, will vary from sector to sector, from country to country, and from decade to decade. Last but not least, one should not underestimate the steps African authorities can take to secure that Chinese investments benefit them. [xxix]

In the words of Martyn Davies: "Ultimately, you can't outsource responsibility for the development of Africa. The responsibility will always lie with the recipient African state, rather than countries like China".[xxx]

Recommended reading:

Deborah Brautigam is the author of The Dragon's Gift: The Real Story of China in Africa (2010), and has recently published a paper for Norfund, entitled China in Africa: What Can Western Donors Learn. http://www.norfund.no/images/stories/publikasjoner/andre_publikasjoner/Norfund_China_in_Africa.pdf

Brautingam recently published articles on her blog, China in Africa: The Real Story www.chinaafricarealstory.com

Chinese state news agency Xinhua has published an official policy paper on Chinese aid, available at her:http://news.xinhuanet.com/english2010/china/2011-04/21/c_13839683_4.htm

The African Development Bank (AfDB), the Organization for Economic Cooperation and Development (OECD), UN Economic Commission for Africa (UNECA) og UN Development Program (UNDP) publish a yearly report entitled African Economic Outlook. The theme of the report for 2011 is "Africa's Emerging Partners", and the full text is avaiable at http://www.afdb.org/en/annual-meetings/programme/launch-of-the-african-economic-outlook/

The African Development has further published the paper "Chinese Engagements and Aid Effectiveness in Africa", which can be downloaded at her:http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/WPS%20No%20129%20China's%20Engagement%20and%20Aid%20Effectiveness%20.pdf

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Endnotes

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