



China in Africa: New Colonialism or Sustainable Development?

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Abstract:

This paper examines the criticisms China has received over its involvement in Africa over the past decade. By utilising case studies of two sub-Saharan African countries, empirical data, and economic development theory it seeks to investigate and answer those criticisms. The criticisms revolve around three aspects; human rights, poverty, and the environment. This paper will argue that on the first two the criticisms are mostly unjustified, however, on the issue of environmental concerns, Chinese involvement in Africa raises serious concerns. Finally, the paper will argue that traditional development aid is in need of reconfiguration to achieve its desired outcomes, and that the binary world view on aid and involvement in Africa must be reconsidered.

Keywords: China, Africa, development, aid, economic colonialism, aid organizations, criticism of Chinese foreign policy, economic development theory, sustainable development.

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Chapter 1: Introduction

1.1 Chinese Foreign Aid

After six decades of communist rule, three decades of reform and economic growth, China has transformed from an underdeveloped and war-torn country to the second largest economy in the world. Continued development in this direction at this pace will undoubtedly transform China into a fully fledged superpower. With the recently launched Liaoning aircraft carrier, one can see indications of Chinese military development heading in the direction of modernization and force projection.

However, until recently China has been relatively closed-off and inward-looking. Perhaps as a result of a century of being taken advantage of, perhaps as a result of the revolution, perhaps due to the realities of the cold war, and perhaps due to the pressing needs of the domestic issues. Particularly, there are two compounding factors that seem instrumental in China's nascent global outlook; the globalizing trend in the world as a whole, and the transformation of the Chinese economy, first into a major exporter and with an increasing consumer base also a major importer.

Now, and for some time, China is rising. It has reached the point where there exists a discussion on whether it is a developing or developed country. It has the world's second largest economy, it is the world's largest exporter, and is the world's largest emitter of climate gases. The exceptional sustained growth has also led to the Chinese economy outpacing China's resources, and for it to meet its growing energy demands, foreign supply must increase. There are many discussions and debates around these issues, but combined they entail the necessity of an active Chinese foreign policy to satisfy Chinese interests.

These challenges, though, are not exclusive to China. It is not the only the only major power that has grown beyond its borders. The US and Europe, in particular, are major actors outside of their own domains, even towards China. Along with Japan, the EU and the US are China's main trade partners, and all have large, influential and deep-reaching economies. Consider, for instance, how the European economic recession impacts China with lessened demand for Chinese exports.

With its rapid economic growth and newfound position on the global economic stage, China has been increasing economic cooperation with many countries.

However, China's increased economic activity in Africa and willingness to engage in trade with authoritarian regimes without pressure for human rights reform has drawn criticism from Western governments, academics, and aid organizations.

This thesis seeks to investigate the correlation between Chinese economic involvement in sub-Saharan African countries and development of human rights and living conditions.

1.2 Thesis Question

In order to do this, some parameters must be defined. The first thing one must clarify is from which position are the critics of China's involvement in Africa approaching the position. That is, what is their desired outcomes for the African countries in question? After answering this question, one must begin with first establishing what "Chinese involvement in Africa" actually is, and then, finally, one can look at how China's involvement in Africa affects these desired outcomes.

Preliminary, one begins with the issue of who the critics are. Primarily, they are Western non-governmental organizations (NGOs) mainly vested in emergency- and development aid. Organizations such as Doctors Without Borders, Norwegian Church Aid, and so forth. However, criticism towards Chinese involvement in Africa often also originates from Western media and academics.

The desired outcomes of African development for these critics will be further elaborated upon in chapter 2, but for now it can be briefly summed up as three main aspects: political development, economic development, and environmental concerns. For the first aspect, this centers around democratization; Western critics of China argue that Chinese involvement in Africa helps sustain authoritarian regimes and hinders democratization of the countries in question. For the second aspect, criticism revolves around "new colonialism" with China being the foreign power pillaging African states for their natural resources so that their wealth do not benefit their citizens. And, finally, the third aspect, environmental concerns, is with regards to how rapid industrialization and use of non-renewable resources affects both the global climate as well as local environments.

Upon further examination of these claims, one must first, as previously mentioned, determine the level of Chinese involvement in Africa, for the purposes of its scope in and of itself, but also relative to the scope of Western corporate involvement. The former to determine if the level of Chinese involvement is as large as claimed, and the latter to determine if it actually is China who is the big player on the continent, rather than the West.

With these issues in mind, the thesis question becomes: "Is Chinese economic involvement harmful or beneficial to sub-Saharan African countries?"

1.3 Finding the Answer

In order to provide a context for this question, a range of theories must be discussed. First and foremost, the criticisms leveled at China must be elaborated and formed into observable statements. Secondly, academic texts regarding what exactly China's involvement consists of must be brought in to ensure the validity of the thesis question itself, and contrasted with the criticisms. Thirdly, development theory must be taken into account as a theoretic base for what China's activities are expected to entail.

After the theory section, the methods used to find answers to the thesis question will be explained. In this paper, several data sources will be utilized to construct case studies of two countries with a large degree of Chinese involvement; Angola and Zambia. This data will show development in the countries in question, and data on Chinese (and other countries') level of involvement.

In addition to the case studies, theoretical arguments will be brought forth to examine the reliability of the criticisms against Chinese involvement.

1.4 Terms and Definitions.

Immediately, an issue that springs up is the nature of Chinese involvement in Africa, Western involvement, emergency aid, development aid, trade, and commerce. In this paper, the term "Chinese involvement in Africa" will be using a wide-ranging definition of all aspects of Chinese

involvement on the continent that is at least to some extent connected to the central government in Beijing, including commercial enterprises by companies in which the Chinese government is an active shareholder, and more independent Chinese companies receiving financing from China Eximbank. The main reason for this wide-ranging definition is that the main criticisms of Chinese involvement conflate different kinds of involvement by any Chinese source as part of an overarching hierarchical structure.

1.4.1 What is aid and development?

Aid is a concept that can be difficult to operationalize. Were one to ask the proverbial man in the street, he might point to emergency aid, in the form of basic foodstuffs, water, and healthcare, or development loans, or particular projects, such as vaccination projects by the Bill & Melinda Gates Foundation. In other words; gifts and concessions. Or, on the other hand, one could see increased aid, through either free trade agreements with beneficial terms for the “recipient country” or other incentives from the governments in “donor countries” for their companies to trade with developing countries. The latter is interesting in light of the question at hand, since an increase in bilateral trade is the method preferred by China in its development work abroad (Zhao, 2010: 424-430) and it is precisely this China is criticized for as being advantageous to them over their African partners (Hawkins, 2013).

On this basis it is thus important to use a wide understanding and definition on what is seen as aid in the context of the thesis question. For this reason, this paper will define the term aid as both consisting of emergency aid (such as handing out foodstuffs, mosquito nets, and drinking water) and all forms of economic trade outside the free market (that is, examples such as loans to countries which otherwise might not be able to obtain such loans, loans with interest rates below market rates, resource-backed credit, bilateral trade agreements, etc), as well as an increase in trade within the free market (for instance, Chinese companies competing for profitable projects).

Development is another term that may have a debatable meaning. Historically development has often been operationalized as growth in gross domestic product (GDP), or growth in GDP per capita. There are, however, certain problems with using GDP-growth as a measure of development. Kenneth Pomeranz (2012: 137) argues that the development must first and foremost be sustainable. If, for instance, a developing country basing its national economy on oil exports experiences a time

of increasing oil prices, it will appear as a great growth of its GDP, however, this would not be sustainable without a diversification of the country's economy should the oil prices return to a lower level. An example that will come up in this paper is Angola, which experienced high levels of GDP growth in the last decade, however, as will be seen in the article by Erica Downs (2007) later, a great deal of this must be attributed to increasing oil prices.

Furthermore, Pomeranz points to that even though the U.S. and Europe had great, and lasting, economic growth in the post-war period, few would call this development. A better way, thus, to measure development is by using the Human Development Index (HDI). This index provides a better way in which to measure development as it shows tangible improvements in the life standards of the population and better represents a country's ability to withstand and handle external economic events, such as decreasing oil prices (or increasing oil prices for non-producing countries).

Chapter 2: Theory

2.1 History of Sino-African Relations and the "Beijing Consensus."

When looking at the history of Sino-African relations from the establishment of the People's Republic until present time, there are two significant events that can be seen as paradigm shifts. The first is the People's Republic taking over the China seat in the United Nations Security Council in 1971, and the second is the end of the cold war with the fall of the Soviet Union.

The first form of Chinese involvement in Africa after the establishment of the People's Republic was the traditional type of socialist foreign aid, as a part of the revolutionary Third World strategy for reaching out to like-minded regimes (Dittmer, 2010). This included agricultural machinery, infrastructure development, medical teams, and political support to friendly regimes (Brautigam, 2007). An example of this is the railway between Zambia and Tanzania, built and operated by the Chinese, a model of Chinese developmental aid that has continued to this day (Brautigam, 2011). This also developed into a deeper focus on another aspect, which was the competition for legitimacy as "the true China" versus the regime in Taipei. Beijing needed states to recognize it, rather than Taipei, as the legitimate China. Dubbed dollar diplomacy, this consisted of increased aid and support in exchange for recognition in the UN (Gill and Reilly, 2007). To a great extent this ended with Beijing's ascendancy to the United Nations Security Council permanent seat in 1971, and today only five African nations still recognize the Taipei regime as the legitimate rulers of China (ibid.).

The third aspect was the global political climate of the Cold war, with China being among the non-aligned countries, or the so-called third world. As an aside, it bears mentioning that for the purposes of this paper we shall use the Western definition of the three worlds, where the first world is the United States and allies, the second world is the USSR and allies, and the third world is the non-aligned countries. Though a great portion of the world was entangled in the cold war with allegiances on the capitalist or soviet-communist side, another great portion found itself unaligned, or unwilling to align. With Mao at the helm, China adopted the policy of 'leaning to one side' (Saich, 2011), but with a deteriorating relationship between Moscow and Beijing after the death of Stalin and the subsequent Soviet criticism of Stalinism, China found itself in a state of somewhat

international isolation, especially with the lack of international recognition of the Beijing regime.

However, China was not the only country that did not find itself a comfortable fit in either the Soviet or American spheres of influence. An increasing cooperation between the non-aligned countries began at the Bandung conference in 1955, where China was represented by Zhou Enlai.

This aspect can be seen to be continued today, after the fall of the Soviet Union, albeit in a different form. While Beijing espouses bilateral relations as desirable, a new polarity appears to be manifesting itself in the world: no longer between the capitalist west and the socialist east, but now between the rich north and the poor south. Or, in other words, developed countries on the one hand, and developing countries on the other. Within this context, the Beijing Consensus can act as a counterweight to the Washington Consensus. The Beijing Consensus focuses on bilateral agreements over multilateralism and the Chinese model of development where state-directed economic growth supersedes democratization (Barr, 2011). Young Nam Cho and Jong Ho Jeong (2008) argue that the Beijing Consensus can be a great source for soft power for China, with sustainable economic development and self-determination for states as its main selling points. However, it is important to note that the term Beijing Consensus has been criticized for just being a catch-all phrase referring to everything related to China's rise and that there really is no consensus at all, merely pragmatic realpolitik (Suzuki, 2009).

Nevertheless, the Beijing Consensus can still be a useful tool for approaching the question of how Beijing views foreign policy. Particularly its focus on bilateral relations can indicate an unwillingness to compete directly with the current major power constellations in the world, as despite an adverse economic climate, world power is still concentrated around the North Atlantic, both militarily and economically. For instance, in the post-Soviet world, the only remaining blue water navies, the United States, the United Kingdom and France, are all NATO members, and the European Union is the world's largest economy, with the US being the world's largest single-country economy. And with a potential EU-USA free trade agreement, China might be wary of an increased concentration of power around the North Atlantic, greatly mitigating the increased influence of Beijing.

Today, there are clear indications of an increased interest from the Chinese side for a greater degree of involvement in Africa. Gill and Reilly (2007) argue that "Beijing seems to sense that Africa is on the verge of an economic and political renaissance." This argument has also been strengthened with

an increasing frequency of state visits to African nations by the new Chinese leadership.

2.2 Criticisms levelled against Chinese involvement in Africa

Among those who have levelled criticism against China's involvement in Africa, Western aid organizations stand at the forefront. Secretary General of Norwegian Church Aid, Atle Sommerfeldt, for instance, stated, in conjunction with the 2010 Nobel Peace Prize to Chinese dissident Liu Xiaobo, that he saw the Prize as a potential positive correction to China's influence in African nations (Kirkens Nødhjelp, 2010). He continues to state that it is "China's methods, tied to ethics, social standards, and companies' social responsibility that must be challenged" and that additionally "[Chinese companies] do not have the same environmental standards as Western actors."

Sommerfeldt acknowledges the economic growth resulting from the Chinese involvement and praises it as positive (Kirkens Nødhjelp, 2010), so his criticism is limited to concerns with regards to human rights and democratization.

Chinese involvement in Africa has also frequently been criticized in and by the media. These criticisms range from the more measured, such as the ones by Norwegian Church Aid, to the more comprehensive including other aspects affected by Chinese money and investment. One such comprehensive critical piece can be found in the British newspaper *The Telegraph*, by author David Blair, entitled "Why China is trying to colonise Africa" (Blair, 2007).

In his article, Blair begins by juxtaposing the 19th century "scramble for Africa" by Western powers and the current Chinese entry to Africa, criticising the lack of attention paid to China's activities compared to 19th century imperialism; "No one alive could at the close of the 19th century could have missed "the scramble for Africa" (...) where [the European powers] carved up the continent. (...) Today, few appear to have noticed that a second "scramble for Africa" is under way. This time, only one giant country is involved, but its ambitions are every bit as momentous as those of Rhodes and company" (Blair, 2007). The country he is referring to, of course, is China.

Blair argues that reliable information on the scope of Chinese involvement is difficult to obtain, however “we do know that trade between China and the world's poorest continent totalled about £30 billion [in 2006] – a sixfold increase since 2000” (Blair, 2007). In addition to acquiring one third of its oil in Africa, Blair points to “Beijing acquiring mines in Zambia, textile factories in Lesotho, railways in Uganda, timber in the Central African Republic and retail developments in almost every capital” (ibid.). He continues to argue that the reason for China's scramble for Africa is a result of the combination of its own diminishing resources and its growing demand for more, and that the West have already acquired the majority of contracts on the majority of the world's oil supplies in the Middle East.

The result of this, argues Blair, is financial support to unsavoury regimes which allows them to carry out atrocities:

“Thanks to Beijing's interest in Sudan's oil, President Omar al-Bashir's regime in Khartoum has received a windfall. Ten years ago, Sudan's oil revenues were negligible; last year, Chinese investment ensured that they totalled at least £3 billion. Without this ready cash, Mr Bashir could never have sustained the war in Darfur, where four years of fighting have claimed about 300,000 lives, either from violence, starvation or disease. The military machine that has laid waste to vast tracts of land, forcing hundreds of thousands to flee their homes, was, in effect, bankrolled by Beijing. Moreover, China has sold weapons directly to Sudan, notably Fantan ground attack aircraft.”

(Blair, 2007).

In addition to Sudan, Blair brings up Zimbabwe where he claims Chinese financial support has provided Robert Mugabe, otherwise a pariah in the international community, with the resources to strengthen his party, Zanu-PF. China, Blair argues, has become the ally of choice for the worst regimes in Africa. To underscore his argument, he points to the 2006 presidential elections in Zambia where he claims the opposition leader ran on an anti-China ticket, and even though eventually losing the election, gained tremendous support in the areas affected by Chinese investments (Blair, 2007).

Finally, Blair claims that the influx of Chinese goods and products on the African market have not assisted the economy, rather he claims Zimbabweans refer to them condescendingly as "zing zong" products, which has a tendency to break apart in one's hands, and that the employment opportunities

provided by Chinese copper mines in Zambia are based on exploitation of local labour with a disregard for basic health and safety standards, while simultaneously driving local companies out of business by flooding the market in cheap Chinese imports.

To sum up Blair's article, he claims that China financially supports and enables atrocities carried out by their allied African regimes, destroys local economies by flooding the markets with cheap imported Chinese products, and exploits the local labour force to fuel its own growing economy at home.

Scott Zhou, a Shanghai-based analyst on China's politics, economy and international relations, is the author of another article in which criticism of Chinese involvement in Africa comes to the fore. Entitled "China as Africa's 'angel in white'" it was published in Asian Times in 2006 and revolves around the Chinese response to some of the criticism regarding China's actions in Africa, as well as adding some criticism of its own.

The article begins by reporting that as a result of increasing criticism on its "neo-colonialist conduct in Africa" Chinese authorities have issued a code of conduct for Chinese workers and investors on the continent (Zhou, 2006). Zhou continues by drawing a line from the Maoist era when China sent doctors and nurses, so-called 'white angels,' to Africa to the current era of businessmen and workers. The heavy criticism, particularly from Western sources, this has incurred, argues Zhou, has led China to readjust its approach to Africa as Beijing is growing weary that such criticism may sow discord and sour business relations. A manifestation of this readjustment is the code of conduct, which requires Chinese companies to abide by local laws, bid on contracts in a transparent manner, protect labour rights of employees, protect the environment, etc. (Zhou, 2006).

Zhou (2006) argues that China's investments in Africa have paid off handsomely, mentioning that 30 percent of China's crude oil imports originate from Africa, and that this trade relationship is turning towards a balance heavily favouring China, which receives raw materials in exchange for manufactured goods. The scope of this, Zhou claims, will pass \$50 billion in the year of his article. He continues to state that this relationship will ensure that the African countries, as a result of it, will remain weak economies.

Concluding his article, Zhou (2006), argues that despite China wanting to use the former colonial

excesses of Western powers in Africa to establish a moral high ground, as well as a business advantage with countries in which these memories and repercussions still shape current realities, China might indeed be the colonial power of the current era.

Another source of media coverage of Chinese involvement in Africa can be found in the British newspaper *The Guardian*. On its websites it features a running article series entitled "China in Africa: soft power, hard cash." Among the articles featured in the editor's pick section, the article entitled "China commits billions in aid to Africa as part of charm offensive" (Provost and Harris, 2013) appears.

The article is for the most part rather positive and optimistically minded of Chinese investments in Africa, and revolves around newly published research from AidData at the College of William and Mary that shows that a large part of Chinese financial investments in Africa have been towards health, education and cultural projects. As examples, the article mentions installations of solar traffic lights and funding of a malaria prevention centre in Liberia, as well as a National School for Visual Arts in Mozambique (Provost and Harris, 2013). Quoting Vijaya Ramachandran, senior fellow at the Washington-based think-tank Centre for Global Development, it states: "The dominant narrative has been one of China's insatiable desire for resources. But in fact [this data] suggests there may be many more things going on" (Provost and Harris, 2013).

However, the article also points out that of about 1,700 projects in the data, only about 1,000 have been carried out, or are under way; the rest have simply failed to materialize (Provost and Harris, 2013). In addition, a great deal of the programmes, argue the authors, can be linked to the Chinese trade agenda. One mentioned was that while Chinese doctors have been operating in African countries, recently their objectives were expanded to include promoting Chinese pharmaceuticals (Provost and Harris, 2013). Another programme, of training journalists in Angola and Zimbabwe, was criticized for being inconsistent in the relation between what the programme purported to teach the journalists and what the realities of journalism in China was (Provost and Harris, 2013).

However, it should also be noted that among the articles in this series, there are also some that are predominantly positive in their outlook on Chinese involvement. One such is entitled "Chinese hospitals heals sore spot in Zambia" and is written by David Smith (2013). The article takes the

form of a human interest story, detailing the change in circumstances for both a young local mother who now has access to health care, and for the Chinese staff of the hospital.

In the article, Smith (2013) highlights the positives of Chinese investments and aid work in Africa, however, this is also linked with Chinese business aspirations on the continent:

“Greg Mills, director of the Johannesburg-based thinktank the Brenthurst Foundation, said: “Essentially, the Chinese will realise, like others before them, that good governance norms are not luxuries but necessities in protecting investments and relationships from the vagaries of leadership and paucity of institutions, in Africa as elsewhere.

“Similarly, soft power is an important tool in reducing sensitivities to a fear of outside domination, whether by the west or Chinese for that matter, especially important given Africa's colonial history and the pernicious prevalence of a zero-sum mentality among Africans when it comes to investment and operations in Africa by outsiders – a fear of outsiders taking what rightfully belongs to them.”

(Smith, 2013)

These concluding paragraphs put the Chinese hospital in a context of a desire from Beijing to build soft power and improve business relations by bringing positive change to partner countries in Africa. While these paragraphs, along with earlier sections of the article, appear regretful over the cynicism by which results have been achieved, the article nevertheless expresses the view that on the whole this is a positive development for Zambia.

In addition to the media and aid organizations, there have also been academics criticizing China with regards to its involvement in Africa. One of those is anthropologist Jane Goodall. Primarily, her criticisms concerns environmental degradation, but in an interview with Agence Presse-France, she expanded her criticisms by stating that "In Africa, China is merely doing what the colonialists did. They want raw materials for their economic growth, just as the colonialists were going into Africa and taking the natural resources, leaving people poorer" (Rawstory, 2014). In the same interview she describes Chinese involvement in Africa as a "disaster." As stated, her concerns are primarily with regards to the environment, however, as the above quote exemplifies, she argues that the Chinese involvement in Africa makes Africans poorer.

Goodall's concerns and criticisms rest on two factors. The first being the environmental damage done by Chinese industry in Africa, focusing on short-term financial gains while simultaneously destroying local ecosystems, polluting locally as well as globally, and shifting too many economies too quickly towards an unsustainable, environmentally, economic model. Secondly, she argues that what China is doing in Africa is economic exploitation, chaining Africans to being the bottom rung countries, stuck in a subservient trade relationship with a more powerful country, which reaps all the benefits by building up its own manufacturing industry and receiving needed raw materials to fuel it.

To briefly sum up, these criticisms revolve around three main aspects; democracy, environment, and poverty. The critics of Chinese involvement in Africa claim that it hinders democratization of African authoritarian regimes by sustaining the regimes in question by providing access financial assets and by obstructing international response in forums such as the UN.

The criticism on environment revolves around the lack of sustainability and accountability of businesses in the rapid industrialization of poor countries and plundering of non-renewable resources.

And finally, with regards to poverty, China is accused of exploiting poor countries and trapping them in an economic relationship where China retains the upper hand and the higher gains, while destroying the local economy, both by out-competing local small businesses and by hindering diversification of economies.

2.3 “The Dragon's Gift.”

Deborah Brautigam, a professor of comparative politics at Johns Hopkins University and expert on Sino-African studies, is the author of "The Dragon's Gift: The Real Story of China in Africa." As a researcher of contemporary politics, Deborah Brautigam goes beyond reading existing studies and hopes to base her research on her own experiences. Since the 1980s, she has spent a great amount of time living in China and several African countries, visiting and interviewing companies, government officials, scholars, and local workers and residents.

In this book, relying on “nearly three decades of scholarship” and “field research in South Africa, Nigeria, Tanzania, Zambia, Mauritius, Mozambique, Sierra Leone, and Zimbabwe, as well as interviews in Washington, Beijing, and Europe” (Brautigam, 2009: vii), Deborah Brautigam presents “the real story of China in Africa” from a historical perspective.

The first two chapters review the history of the China-Africa relationship. In the first chapter, Brautigam introduces Chinese foreign aid before and during Mao era and compares it with the aid from the west. While the latter is usually known to have origins “in the missionary outposts of the Victorian age and the development and welfare funds set up in the last decades of the colonial period” (Brautigam, 2009: 22), the content of Chinese aid and the way their aid is delivered differ from the West (Brautigam, 2009: 24).

The “Five Principles of Peaceful Coexistence,” introduced by China’s former premier Zhou Enlai in 1954, have been and are still used today as the bedrock of China’s foreign policy and aid strategy: according to Brautigam, “Equality and mutual benefit” are reflected in Chinese leaders’ frequent insistence that aid is a partnership, not a one-way transfer of charity (Brautigam, 2009: 30). During the Maoist time, despite the continuous political clashes, China was still able to establish its first round of aid programs across thirty African countries and even “gave more aid than the USSR” (Brautigam, 2009: 34).

Chapter 2 moves on to discuss the effect of China’s economic and social transition on its aid policies since Deng Xiaoping took power. In 1982, the current Chinese premier Zhao Ziyang visited eleven African countries in a four-week trip, which marks the announcement of henceforth four sets of principles of the new China’s relationship with other developing countries — equality and mutual benefit; stress on practical results; diversity in form; and common progress (Brautigam,

2009: 53).

Back in Beijing, Zhao and Chinese aid officials, by “feeling the stones”, introduced three reform focuses for aid: the structure of the aid system, the standard operating procedures for aid, and the African local human resources (Brautigam, 2009: 55). These reforms set the base for the speeding up of future Sino-African cooperation. Another point Brautigam argues is that Chinese leaders, in the early stage of their relationship with the African countries, had already strategically linked aid to investment. Either leasing the aid projects, or setting up joint ventures — China had been sticking to its “mutual benefit” principle from the beginning.

Chapter 3’s title, “Going Global: Foreign Aid in the Toolkit of a Rising China,” reveals that China’s foreign aid has played an important role in helping Chinese enterprises in “going global.” Brautigam briefly summarizes China’s overseas endeavours since the introduction of Deng Xiaoping’s “Open Door” policies from the 1970s and into the new millennium. While many foreign investments were “brought in” to China, more and more Chinese companies were encouraged to “go out,” to find new markets, establish brand names, and invest overseas (Brautigam, 2009: 74).

In this socio-historical background, Brautigam argues that, “characteristically, the Chinese embrace of globalization, and the role aid would play in that embrace, would not look much like globalization viewed from the West” and that “Beijing’s engagement with Africa involved a well-thought-out and long-term strategy, not the hasty, desperate scramble familiar from media headlines” (ibid). She describes the three steps Chinese government took in addressing the political and economic challenges from within and outside of the nation:

"First, a major aid reform in 1995 created new instruments to link aid, trade, and investment together. Second, after 2000, Chinese leaders took on a much higher profile stance as promoters of “common prosperity,” creating regional organizations to support a series of programs that combined aid and economic cooperation. Third, parallel to joining the World Trade Organization, Beijing refined its portfolio of tools to aid its domestic restructuring by pushing its mature “sunset” industries offshore. A quiet decision to establish up to fifty special economic cooperation zones in other countries would become the most visible signal of this step."

(Brautigam, 2009: 78)

Brautigam also emphasizes that the mandate from China's State Council Ministry of Commerce is to "combine aid to Africa, mutual cooperation, and trade together" (Brautigam, 2009: 80). Later in the chapter, she writes about how the Chinese government helps Chinese enterprises to invest in Africa (e.g., providing lower-cost loans to companies, launching China-Africa Development Fund to support investment, setting up overseas zones to reduce risks and uncertainty, etc.) In comparison, many US and European manufacturers have "shied away from investing in African factories" and official support lacks in these countries (Brautigam, 2009: 92). She concludes the chapter like this:

"Above all, these programs reflect the lessons of all the experiments since Mao died, the spirit of China's 1995 aid reforms, and the continued emphasis on aid as a lubricant for mutually beneficial cooperation. The \$10 billion in preferential finance promised at the UN Summit in 2005 would target turn- key infrastructure projects but it would also be available, Hu said, for promoting cooperation between Chinese enterprises and those in developing countries. The Millennium Development Goals and China's own plan to "go global" came together in this pledge. It underlined the enormity of the resources available in China's coffers, and it was a wake-up call for the traditional donors. China, they could now see, was a player in the global system of aid and development finance. But, as we shall see in the next chapter, the mysterious new player with the large pot of money was not necessarily going to be playing by the traditional rules."

(Brautigam, 2009: 104)

Chapter 4 describes the history and structure of the Chinese foreign aid, topics including China Eximbank's concessional loans, the Development Bank that doesn't give aid, China's medical aid, Foreign-aid-based training, humanitarian aid, volunteer programs, "cash aid", and dumping debt. Continuously, the following chapter answers the question of how the Chinese aid works. Among others, Brautigam uses Huawei as an example to illustrate how China mixes aid and commerce:

"(...) Huawei developed several projects with Sierratel, the state-owned telecommunications company. One of these, financed through Chinese foreign aid, involved extending the wireless telephone system operated by Sierratel. There were no bids for this project. "Huawei proposed it to Sierratel," the Chinese ambassador told me. Here is how the process worked.

Huawei negotiated and signed a preliminary contract for the project with Sierratel in July 2006, pending financing. Five months later, Sierra Leone's Ministry of Finance and China's Ministry of Commerce signed a framework agreement, which provided the general terms for taking and repaying a Chinese renminbi concessional loan of about \$16.6 million.¹³ (The framework agreement, concessional terms of the loan (2 percent interest, twenty years repayment), and the fact that it was made in Chinese currency, establish that it was considered foreign aid by the Chinese.) The final loan agreement was signed in April 2007, with China Eximbank. "It is one kind of aid," China's ambassador confirmed to me later that year, adding "this is the first time Sierra Leone has used a concessional loan from the Eximbank."

(Brautigam, 2009: 140)

She comments that "the Huawei experience shows the fruit of the Department of Foreign Aid's efforts early in the 1990s to "push" and "support" Chinese companies to find business overseas" (ibid). Later in the chapter, she summarizes the key features of China's approach compared with the other donors:

"(...) The focus on infrastructure, the mix of aid and other forms of economic engagement, the deference to "ownership" (defined as African government ownership), the refusal to accept poverty as a reason to go slow in developing debt-financed infrastructure, the relative ease of the debt cancellation process, the search for creative ways to link Chinese interests in "going global" (Huawei, for example) with local interests in improving infrastructure."

(Brautigam, 2009: 148)

Chapter 5 also addresses four key questions that are often misread by the mainstream media, the West, and the mass population: conditionality, tied aid, the use of Chinese labour, and capacity building. Compared to Western countries' attaching explicit economic and political conditions to their aid, China only requires certain *preconditions* for *commercial* projects and insists the partner countries observe the "One China" policy (Brautigam, 2009: 150).

As for the issue of tied aid, where recipients are required to use goods and services from the donor country, Brautigam mentions it is common among Western countries, including the U.S., and China is just "following in the footprints left by the wealthy countries" (Brautigam, 2009: 152). Despite

the fact that Chinese projects usually employ more of their own nationals as staff than projects carried out by other countries, Brautigam argues that “the ratio of Chinese workers to locals varies enormously, depending on how long a Chinese company has been working in a country, how easy it is to find skilled workers locally, and the local government’s policies on work permits” (Brautigam, 2009: 156). Last but not least, Brautigam reviews China’s effort in capacity building despite many challenges: they provide vocational training, university scholarship programs, and skill and technology transfers. In the end, she summarizes “How Does Chinese Aid and Engagement Work?”:

"China is different from the traditional donors in how it does aid. The political relationship is very important everywhere and not simply in strategic countries. This fosters a lot of genuine concern with government ownership, even if the government wants a new stadium or a presidential residence. There is very little paternalism, and no conditionality on aid (aside from the One China policy). Grants and zero-interest loans primarily finance diplomatic investments: politically friendly projects that are sometimes also useful for development (stadiums, ministry buildings, irrigation systems, hospitals and schools, bridges and roads). Concessional loans usually finance projects with potential for a clear economic return (telecoms, energy, public utilities). The Chinese continue to return to repair and rehabilitate former projects, sometimes because of their political importance, sometimes because they might now turn into a business venture. They work rapidly, using a lot of skilled Chinese workers, but they usually employ many more Africans. China's aid experts still live simply and you will not find them in five-star hotels. But they are unlikely to align their aid with aid from the other donors, or to join efforts at aid harmonization, particularly, it seems, if led by the World Bank.

On the other hand, there are similarities. Like other donors, the Chinese have not yet figured out how to build capacity or really transfer their skills. Their aid is still largely tied, as it was for most of the traditional donors until recently. The Chinese have learned much from other donors, particularly Japan, and their model of how aid connects to business. We can see this most clearly from the active search for ways to finance construction in poor countries with a lot of needs and business potential, but without much current revenue in their budgets."

(Brautigam, 2009: 160-161)

In chapter 6, using figures from the Ministry of Finance's external assistance expenditure, China

Eximbank concessional loans, and debt relief, Brautigam estimates by 2009 China should have committed almost \$2.5 billions in official development aid to Africa and how it compares with the other donors (Brautigam, 2009: 168-172).

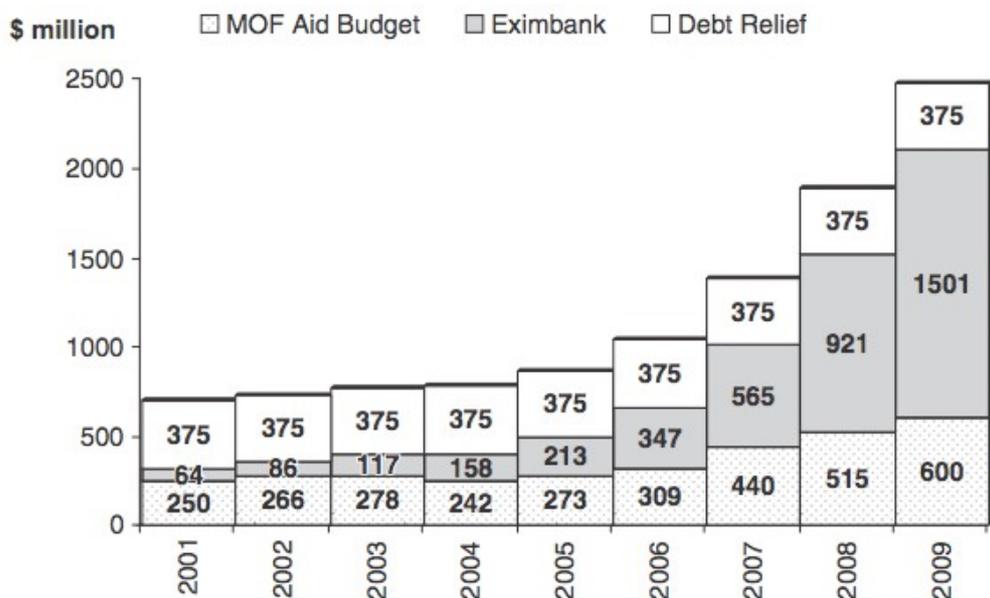


Fig. 6.2. China's annual African aid*

Fig 2.1 (Source: Brautigam, 2009: 170)

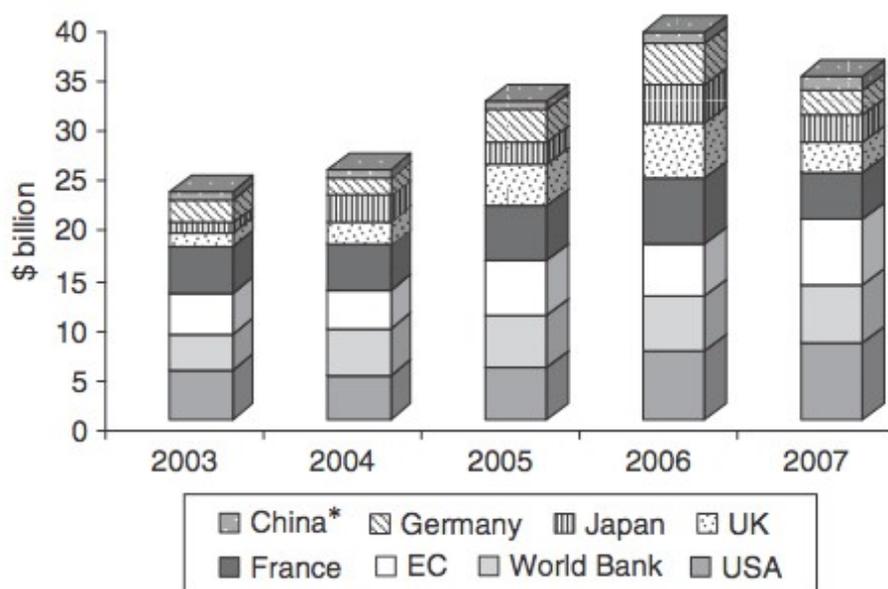


Fig. 6.5. ODA commitments to Africa, 2003–2007

Fig. 2.2 (Sources: OECD/DAC statistics; World Bank Annual Reports; Brautigam, 2009: 172)

The aid figures estimated above are “far smaller than the figures reported as ‘aid’ in the media and even by other researchers” due to various miscalculations and confusions (Brautigam, 2009: 173-174). One mistake was an Associated Press story quoting a World Bank report, saying China’s premier admitting China had given Africa “more than \$44 billion in aid” since beginning of its aid program; but what China’s premier actually said was RMB 44 billion (\$5.7 billion) (Brautigam, 2009: 177). Another big mistake that has travelled across the internet for a while is from The Economist, who reported an erroneous figure of \$1.8 billion for China’s “development aid” for Africa in 2002, and it has become the source for several articles (Brautigam, 2009: 178).

However, the figure \$ 1.8 billion was “economic cooperation” instead of aid; it includes all the work done by Chinese contractors in Africa, “whether the contract is paid by the World Bank, the Africa Development Bank (ADB), an African government, other companies that hire Chinese engineering firms, or the Chinese government itself” (Brautigam, 2009: 179).

Chapters 7 through 10 describe what China is actually doing in its aid program in Africa. Chapters 7 and 8 focus on industry, especially textiles. Chapters 9 and 10 focus on agriculture. Using various cases, Brautigam talks about the challenges and opportunities the Chinese have brought to Africa and how the “mutual benefit” is practised between both parties.

The West, says Brautigam, has considered China to be a “rogue donor”. In chapter 11, she talks about the myths and realities behind this title. First, she argues that Chinese aid is not all about oil, minerals, and resources.

For the claim that “China’s interest in Africa ‘seems confined to resource-rich (or ‘resource-cursed’) countries, bypassing a large number of other African nations,’” she argues that China gives aid to every single country in sub-Saharan Africa that follows the "One China" policy and that China does not seem to give more official development aid to countries with more resources (Brautigam, 2009: 277-279):

"Resources matter, but China’s “mutual benefit” approach is about generating business. African resources are definitely part of this. But there is much more. Exports, for example: the Chinese exported more than \$50 billion worth of equipment, consumer goods, and

machinery to Africa in 2008. China's single largest Africa investment to date has been Industrial and Commercial Bank of China's purchase of 20 percent of South Africa's Standard Bank for \$5.6 billion. Contracts for infrastructure are hugely important. In 2007 alone, Chinese construction companies earned revenues of \$12.6 billion and signed contracts for more than \$29 billion in Africa. China's telecom firm Huawei, constructing phone systems across Africa, earned more revenues than any other Chinese engineering company world-wide in 2007. As a Nigerian diplomat told me in Beijing: "The Chinese are trying to get involved in every sector of our economy. If you look at the West, it's oil, oil, oil, and nothing else."

(Brautigam, 2009: 279)

Second, while admitting that China did enable Sudan to get away with murder in Darfur, Brautigam stresses that "China is changing" (Brautigam, 2009: 281). During a state visit to Sudan in early 2007, Chinese President Hu Jintao held "frank" discussions with Sudan's President al-Bashir and sent "clear, strong" messages (Brautigam, 2009: 282). Also, she argues that the Darfur crisis would not likely have been easier to resolve even if China had agreed to the West's sanctions efforts and that China was only one outside player among many, such as Russia, Japan, Canada, etc. (Brautigam, 2009: 283).

She also comments on the common belief that Chinese support kept Robert Mugabe in power in Zimbabwe, drawing from her own travel to Zimbabwe, saying that China has shown signs of change (Brautigam, 2009: 287-291). For China's relationship with these 2 sensitive countries, she says:

"In Zimbabwe and Sudan, the Chinese were opportunistic. They took advantage of situations of stark, government-sponsored repression that have horrified and mobilized many to protest. They could have done much more, much earlier, to exercise their growing ability to be a persuasive and responsible stakeholder. To their credit, the US, Britain, and their allies played an active role in putting pressure on Mugabe. Yet we would do better in pushing China to change if we had more evidence that our own tactics, including sanctions, embargoes, and even armed intervention, as in Iraq, resulted in social justice, stability, and prosperity for the people our governments mean to help."

(Brautigam, 2009: 292)

As for the issues of China hurting efforts to strengthen democracy and human rights, Brautigam argues that first China's engagement with Africa has not significantly changed the playing field (Brautigam, 2009: 284). "China's rise has clearly given dictators additional financing options, but finance from China differs little from the other options readily open to most African dictators" (Brautigam, 2009: 285). Plus, political conditions attached by other donors to foreign aid have not been effective in improving human rights and democracy in Africa either (ibid). For the belief that "China is making corruption worse," Brautigam disagrees with the three common categories of concerns regarding the corruption issue.

First, she argues that even though China is lending a lot of money to Africa, there is actually scant opportunity for corruption. This is because "China's system of aid and development finance does not work the way a loan works from the IMF or the World Bank, or for that matter, from a private bank; the fact that China Eximbank loans are not usually disbursed to the borrowing government in weak states helps reduce corruption; keeping the money in China and using escrow accounts filled by receipts from natural resource exports as guarantees, means that there is also a little less opportunity for the kind of wholesale embezzlement sadly common in some resource-rich countries" (Brautigam, 2009: 293-294).

For the second concern — "the potential for padding of expenses, sweetheart deals, collusion and bid-rigging, and kickbacks," Brautigam thinks "from China we see mixed messages on the issue of corruption overseas, leading to the conclusion that it will be some time before these practices are even made illegal, a necessary first step" (Brautigam, 2009: 295):

"On the one hand, during his 2006 visit to Africa, Premier Wen Jiabao met with a large group of Chinese entrepreneurs in Zambia and laid down clear expectations about corporate governance: "Our enterprises must conform to international rules when running businesses, must be open and transparent, should go through a bidding process for big projects, forbid inappropriate deals and reject corruption and kickbacks." China was also a sponsor of, and has signed and ratified, the UN Convention Against Corruption, which stipulates that bribery overseas be made a crime.

On the other hand, like many other export credit agencies, China's Export Import Bank (Eximbank) is not averse to funding contracts awarded under the kind of no-bid arrangements Wen Jiabao warned against in Zambia. In Japan, the corruption that

accompanied a similar system created a societal backlash against corporate involvement in aid. This kind of pressure is unlikely to happen any time soon in China. When queried in 2007 about his bank's policies on transparency, Eximbank's president, Li Ruogu commented: "In China, we have a saying: If the water is too clear, you don't catch any fish.""

(Brautigam, 2009: 295-296)

Third, Brautigam points out that it is not the case that "China's willingness to lend in countries without imposing broad conditions about transparency might make those countries turn away from other financiers with stronger safeguards":

"As for donors, a study published in 2008 by New York University economists Bill Easterly and Tobias Pfutze showed that donors were still giving an average of 68 percent of their aid to countries ranked at the bottom of the corruption scale. Some donors (Greece, Australia, Portugal, Ireland, the European Bank for Reconstruction and Development, and New Zealand) gave more than 80 percent of their aid to the most corrupt countries. With examples like this from the West, it is difficult to point to China as the odd man out."

(Brautigam, 2009: 297)

As a non-member of OECD, China does not have full obligation to follow OECD regulations on export credit. Many people tend to believe that Chinese aid and loans are part of a system of "unfair" subsidies. Brautigam argues that:

"China Eximbank and Sinosure are well aware of the evolving norms for export credits. Several years ago, the Chinese translated the text of the OECD Arrangement into Chinese. Eximbank's website stresses that its export buyer's credits "generally" follow the Arrangement, even though China is not a member of the OECD. At the same time, the Chinese believe that companies in wealthier countries got a head-start with assistance from their governments, under rules that were changed before Chinese firms became global players. The United States' Eximbank was established in 1934; China's only in 1994. They are unlikely to agree to put their companies on a level playing field without spending a few more years learning how to "go global." This issue will continue to be a bone of contention."

(Brautigam, 2009: 299)

The last part in chapter 11 addresses china's lack of social and environmental conditions. Brautigam believes that the situation may be changing, at least for China's policy banks (Brautigam, 2009: 299).

Exploiting labour practices, ignorance of local labour regulations, subcontracting to get away with responsibility are among many common problems, while hydro power projects are "at the centre of much of the social and environmental critique of China's role in Africa" (Brautigam, 2009: 302). However, "China has been on a steep learning curve on environmental issues and corporate social responsibility – part of President Hu Jintao's pledge to build a 'harmonious society'" (Brautigam, 2009: 303). Chinese banks and ministries have shown eagerness to get relevant training on social and environmental principles. The concept of social responsibility, thought still new in China, has started to gain more attention.

In her final conclusion, Brautigam holds a firm belief that China is not a "rogue donor":

"China's rise in Africa is cause for some concern, but it need not evoke the level of fear and alarm raised by some who have condemned China's aid and engagement as destabilizing, bad for governance, and unlikely to help Africa to end poverty. Many of the fears about Chinese aid and engagement are misinformed, the alarm out of proportion. First of all, China's aid is not huge; the traditional donors give far more aid to Africa. China's export credits are much larger than its aid, but not as large as commonly believed. Their novel approach in Angola, the Congo, and elsewhere applies the system China learned from Japan: using very large credits, at competitive market rates, tied to Chinese machinery, equipment, and construction services, with repayment in oil or other resources. This is the essence of the "win-win" approach."

(Brautigam, 2009: 307)

Throughout the book, Brautigam makes it clear that China has always stuck to the "mutual benefit" principle. Using historical data, she argues that the China-Africa relationship has been established long ago, as opposed to the common belief that China only stepped into Africa in modern days for the pursuit of natural resources. Also, Brautigam tackles many myths and provides the readers with reality through using her personal experience in Africa, relevant studies, and own research results.

In the end of the book, she describes China using its own experience in helping Africa as such:

"At the end of the day, we should remember this: China's own experiments have raised hundreds of millions of Chinese out of poverty, largely without foreign aid. They believe in investment, trade, and technology as levers for development, and they are applying these same tools in their African engagement, not out of altruism but because of what they learned at home. They learned that their own natural resources could be assets for modernization and prosperity. They learned that a central government engaging china commitment to capitalist business development could rapidly reduce poverty. They learned that special zones could attract clusters of mature industries from the West and Japan, providing jobs and technologies. These lessons emphasize not aid, but experiments; not paternalism, but the "creative destruction" of competition and the green shoots of new opportunities. This may be the dragon's ultimate, ambiguous gift."

(Brautigam, 2009: 311-312)

2.4 "The Fact and Fiction of Sino-African Energy Relations."

Erica S. Downs, a fellow at the John L. Thornton China Center at the Brookings Institution, is the author of the article "The Fact and Fiction of Sino-African Energy Relations." In it, she examines and discusses a range of what she refers to as "widely accepted "facts" about the growing involvement of China's [national oil companies] in Africa" (Downs, 2007: 42).

In this section, the myths presented by Downs and her responses to them will be examined. In particular, the ultimate and penultimate of these are directly relevant to some of the criticisms of Chinese involvement presented earlier in this chapter.

The first myth: "China's oil companies are 'locking out' Western oil companies from Africa." "No," argues Downs, "China's oil companies are relatively small players in Africa" (Downs, 2007: 43). Referring to the consulting firm Wood Mackenzie's analysis, Downs shows that the commercial value of the oil investments in Africa of China's national oil companies "is just 8 percent of the combined commercial value of the international oil companies' investments in African oil and 3 percent of all companies invested in African oil" (Downs, 2007: 44). Furthermore, she shows that Chinese oil investments are concentrated mainly in Sudan, with two large projects under way in Angola and Nigeria (Downs, 2007: 45).

She continues her argument that Chinese oil-related investments in Africa are relatively modest due to the heavy competition for African oil, with projections showing West Africa accounting for 38 percent of global oil production by 2010, second only to the Middle East as an oil producing region (ibid.). The main reason, Downs concludes, that China's national oil companies have had a difficult time penetrating the African oil production market is that resource nationalism has been less rampant in Africa than other regions as a result of lacking competencies within the African national oil companies, and although China may have deep pockets, the Chinese oil companies are also lacking in needed competencies to secure the most desired blocks, such as those in the deep waters of the Gulf of Guinea. As an example, she brings up that the shares awarded to Sinopec for three ultra-deepwater blocks relinquished by Western oil companies were smaller than initially bid for due to lacking capacities that the Angolans required for full participation (Downs, 2007: 46-47).

The second myth presented by Downs is that "China's oil companies are taking oil off the world market." This statement, Downs (2007: 47) rejects. She argues that such an argument is unfounded, and that "[any] foreign oil production that China's [national oil companies] send to China merely replaces oil that China would have to buy from other countries." She points to, first of all, that China only ships home 221,000 b/d out of the total 685,000 b/d produced by Chinese oil companies abroad, but even if they did ship everything home, this would lessen the barrels already purchased by China from Angola and Saudi-Arabia, two of the main suppliers to the U.S. market, by about half a million barrels per day, and "actually expanding rather than contracting the amount of oil available to other consumers through their overseas operations, especially through the development of oil fields that other oil companies are unable or unwilling to invest in" (Downs, 2007: 47).

The third myth Downs presents is that "China's oil companies' African activities reflect a highly coordinated government strategy." This, too, is refuted by Downs:

"The "China, Inc." model that many international observers use to describe the overseas investments of Chinese firms in general, and the Chinese oil companies in particular, is far less coherent than is often assumed. Beijing has certainly encouraged China's [national oil companies] to expand internationally, provided them with varying levels of diplomatic and financial support, and occasionally intervened in the companies' foreign investment decision-making. However, when it comes to choosing where to invest, the companies are almost always in the driver's seat and the Chinese government, while occasionally offering general advice about the direction they should travel (for example, "invest in Morocco"), is often just along for the ride with little idea of the final destination. Sudan's recent omission from the Chinese government's catalog of countries that Chinese companies are encouraged to invest in is a case in point: this absence has not prevented CNPC from continuing to invest there."

(Downs, 2007: 48).

Downs continues to shift the perspective, from that of foreign critics, to the Chinese companies themselves and Chinese commentators. Indeed, she finds that many of them are critical of Chinese authorities for the lack of a central governing strategy abroad and its resulting poor coordination between different Chinese companies, and between the companies and Beijing (Downs, 2007: 49).

The underlying reason for this state of affairs, argues Downs, is, in part, the central government's limited capacity to control the activities of Chinese national oil companies; a result of a shift in power and resources away from the central government toward the state-owned energy companies (Downs, 2007: 49). A further problem with the relationship between companies and authorities is the fragmentation and lack of coordination within the government itself. Downs points to the fact that even though the Chinese Ministry of Foreign Affairs has a broad mandate to support Chinese firms abroad, "Chinese diplomats have complained that they often do not learn about overseas investments made by the [national oil companies] until after the fact" [Downs, 2007: 49-50].

Yet another issue that speaks against the notion that Chinese companies are engaged in a centrally coordinated strategy, is the case of rivalry between the Chinese companies themselves, competing not only for contracts and assets, but also for political advantage in Beijing. Downs (2007: 50) reports that this issue had reached the attention of the highest political authorities in Beijing by the fall of 2005. Chinese oil companies had increasingly found themselves in direct competition with one another for projects abroad, something which pushed the rate of returns down for project winners, again leading to diminishing dividends for the stock holders: the Chinese government. One example of this in action was when CNPC and Sinopec competed against each other for a pipeline project in Sudan. Downs (2007: 50) reports that "Chinese diplomats and the China International Contractors Association unsuccessfully attempted to persuade Sinopec, the company that entered the lower bid, to withdraw from the competition."

The fourth myth presented by Downs (2007: 51) is that "State financial support for China's oil companies is unfair to Western oil companies competing for acreage in Africa." With regards to this, Downs concedes that it is the case. However, she continues to state that its effects have been exaggerated, as China's national oil companies do not have a competitive advantage over oil companies that do not receive similar funding from their own governments despite Beijing's economic size. Downs points to that while the deep pockets of Beijing might have helped Sinopec obtain assets in Angola, many other attempts for Chinese companies to acquire assets in other African countries in exchange for aid or Chinese investment in other economic sectors have not borne fruit (*ibid.*). Furthermore, Downs points out, the majority of the assets offered to Chinese national oil companies as parts of investment deals are assets that have been passed over by other international oil companies.

The main reason Beijing gives for providing economic support for its national oil companies is the perception that the Chinese companies, as late-comers to the market, are at a comparative disadvantage to the Western companies which have held sway for decades already before the arrival of their Chinese would-be competitors, often with monopolies. An example Downs brings up is Shell, which entered Nigeria in 1938 and held a monopoly on oil production until the country's independence in 1960, and remains Nigeria's largest oil producer (Downs, 2007: 52). The Chinese perspective is backed by CNOOC Chairman and CEO, Fu Chengyu, who states: "[i]t is actually not easy for us to find projects. The oil market already has more than 100 years of history and all of the good projects are already taken. As a newcomer, it is obviously not easy to do well" (ibid.).

As a further complication, a sustained increase in petroleum prices for the last decade has shifted bargaining power in the favour of oil-producing countries and away from foreign companies. This has led to a growing incentive for oil-producing states to both establish their own national oil companies and increase their taxation of foreign companies. Additionally, some of the African oil-producing states lack critical infrastructure in other sectors of their economy and have found themselves increasingly eager to diversify their economies beyond oil production and have, from this new position of relative strength, begun offering preferential access to companies willing to link oil investments to investments in other sectors of their economy (Downs, 2007: 52). It is with these package deals, the Chinese companies can compete with established international companies despite their lack of competitiveness within the oil industry alone.

An important tool for Chinese oil companies, and by their extension, the Chinese government abroad, is the Export-Import Bank of China (China Eximbank). At the time of Downs' article, the world's third largest export credit agency, its principal mandate is to "implement state policies in industry, foreign trade and economy, finance and foreign affairs" (Downs, 2007: 52). Downs reports that in private conversations, senior Chinese officials have stated that "all of China Eximbank's loans are offered on concessionary terms, with some more generous than others" (ibid.). However, despite this, in recent years the cash flows of China's national oil companies have reduced their dependence on government loans, but they still take advantage of this opportunity (Downs, 2007: 53).

When it comes to the financial support from China Eximbank, it materializes in three forms. One, it has extended lines of credit for Chinese national oil companies to fund overseas exploration and

development. Two, it provides financing for specific acquisitions abroad, easing the Chinese oil companies' access to such financing. And, three, China Eximbank indirectly supports foreign acquisitions by China's national oil companies through investment in infrastructure in the African countries in question (Downs, 2007: 53).

The result of this financial support is that China's national oil companies have established a footprint in Angola that they may otherwise not have been able to acquire. Downs (2007: 53) argues that it would be unlikely for the Angolan national oil company, Sonangol, to have rejected the deal between Shell and India's Oil and Natural Gas Corporation Ltd. (ONGC) for ONGC to buy Shell's 50 percent stake in the Greater Plutonio fields, and rather award it to Sinopec, had it not been for the \$2 billion loan from China Eximbank. Another example is the decision to award block 3/80 to Sinopec after not renewing French oil producer Total's licence for it, following the French investigation into illegal arms sales to Angola in the early 1990s (Downs, 2007: 54).

However, Downs also points to how Chinese oil-for-infrastructure deals have been less successful elsewhere in Africa. An example is Nigeria, which was mentioned above as a market difficult for Chinese companies to penetrate which in the oil sector is heavily dominated by Shell, where a 2006 agreement between CNPC and the Nigerian government to let the company invest \$2 billion in the dilapidated Kaduna refinery in exchange for the right of first refusal in more desirable blocks fell apart in the following year (Downs, 2007: 54).

Furthermore, Downs points to another deal involving a \$2.5 billion railroad project for several Nigerian oil blocks fell apart over disagreements between Abuja and CNOOC over interest rates, and in Kenya CNOOC has been forced to return four out of six exploration blocks it received as a part of several infrastructure deals during Chinese president Hu Jintao's visit in April 2006 (Downs, 2007: 54).

On China's national oil companies' access to oil assets through state-to-state deals, Downs explains:

“[It] has sounded alarm bells in Western capitals because it is unfair to oil companies that do not receive similar benefits from their governments. The United States, for example, has a longstanding policy of limiting government intervention on behalf of American oil companies. If the United States were to engage in such behavior, it would encourage other countries to do the same, creating a race that no one would win because there will always be a state willing to provide more. Indeed, it was precisely the high costs of the export credit

competition among the industrial states in the 1950s and 1960s that led them to develop rules to manage official trade finance”

(Downs, 2007: 54-55).

Today this sort of competition has begun to emerge among Asian national oil companies looking to secure projects in African states, particularly in Nigeria, where the minister of state for petroleum has, according to Downs, indicated that “right of first refusal on oil blocks will be awarded to those companies whose governments can offer attractive economic packages” (Downs, 2007: 55). However, as of yet this has not significantly altered the power balance in favour of the Asian national oil companies as they do not possess the capabilities required to explore and operate the most desirable assets. “However,” Downs (2007: 55) notes, “state financial support for China's NOCs will pose more of a challenge to the IOCs when the Chinese oil companies eventually acquire these capabilities or if they compete against through joint bids with companies that do have them.”

Finally, Downs also points to the fact that Chinese national oil companies are able to grow and acquire competencies and capabilities in markets such as Iraq, Iran, and Libya which are closed off to most international oil companies due to sanctions placed on those countries by the companies' own governments. In addition, moves by major oil producers like Venezuela and Russia to limit foreign presence in the oil sector has limited investment opportunities for international oil companies to a much greater degree than competition with Chinese companies (Downs, 2007: 55).

The fifth myth Downs presents is that "China's loans to Angola weaken the IMF's efforts to improve oil revenue transparency." Downs (2007: 56) agrees that this is probable, but only part of the story. She posits that the conventional wisdom about why the IMF's leverage over Angola's transparency of petroleum revenue and management has been weakened by China's willingness to finance ventures with few or no questions asked. Downs reports:

“After the end of Angola's 27-year civil war in 2002, Luanda indicated to the IMF that it wanted to work toward establishing a formal financial arrangement. This would aid the reconstruction of the country's economy by giving Angola access to lending facilities from the IMF and other donors, including the Paris Club, an informal group of official creditors whose permanent members include 19 of the world's wealthiest nations. When the Angolan

government's negotiations with the IMF over the creation of a Staff Monitored Program – the first step toward a formal financial arrangement – stalled on the issue of transparency, China Eximbank made Luanda an offer it reportedly couldn't refuse: billions of dollars in loans (the current amount is estimated at \$12 billion) with low interest rates, long maturities, and no questions asked about management of oil monies. The only condition imposed by China Eximbank, at least on the initial \$2 billion loan offered in 2004, was that the money be released on a project by project basis with 70 percent of the construction to be performed by Chinese firms.”

(Downs, 2007: 56).

However, Downs also points out that this did not happen in a vacuum. From the time the Angolan civil war ended up to the global financial crisis, the oil prices almost tripled, from \$26 per barrel in 2001 to \$66 per barrel in 2006 (Downs, 2007: 57) and up to today's level of approximately \$100 per barrel. In addition to that, in the first five years after the civil war, Angolan production nearly doubled, from 742,000 barrels per day to 1.4 million barrels per day (ibid.). This, Downs continues, accounts for an annual oil revenue increase from \$7 billion to \$34 billion, with a cumulative value of \$100 billion.

This, Downs argues, is much more significant for explaining Luanda's changing view on its own position with relation to the IMF and the Paris Club, than the Chinese loans. Furthermore, she points out that only a small fraction of the credit lines offered by China Eximbank have actually materialized due to the limited capacity of Luanda to find national firms with the competence to undertake such projects, despite the 70 percent that would be covered by Chinese firms (Downs, 2007: 57).

Another argument that Downs puts forth against the notion that Chinese money has obstructed transparency is the fact that Luanda has become increasingly transparent with regards to its oil revenue. She points to the Ministry of Finance having published information on its website regarding oil revenue, production, and payments received on a block-by-block basis, and that the 2005-2006 licensing round was made transparent by publishing and making publicly available details of signing bonuses and commitments to social projects (Downs, 2007: 57).

The sixth, and final, myth presented by Downs is that "Chinese oil investments in Sudan undermine

international efforts to end the Darfur crisis." Downs (2007: 58) accepts this, however, she argues that China's behaviour is changing. She agrees that the substantial investments in Sudanese oil by the Chinese national oil company CNPC has been a factor in the reluctance of Chinese authorities to press the Khartoum regime on atrocities in Darfur. However, she continues to argue that these arguments have become outdated as Beijing has stepped up its involvement in finding a solution to the crisis in the troubled south.

As a background for Chinese petroleum involvement in Sudan, Downs writes this:

“CNPC's operations in Sudan have a pride of place in China because they are considered by Chinese oil analysts to be the most successful foreign investments made by China's NOCs to date. CNPC first entered Sudan in 1995, eight years before the Darfur crisis erupted. The company took advantage of the dearth of competition from other oil companies (due to Sudan's north-south civil war and U.S. sanctions) to establish itself as the largest oil producer and investor in Sudan. CNPC pumps more oil in Sudan than it does in any other country with the exception of Kazakhstan. The company's Sudanese assets are valued at about \$7 billion. The crown jewel among them is a 40 percent stake in the Greater Nile Petroleum Operating Company (GNPOC) – a joint venture that includes Malaysia's Petronas, India's ONGC and Sudan's Sudapet – which produces most of the country's oil. CNPC's investments helped transform Sudan from a net importer to a net exporter of oil in 1999, just as world oil prices began to rise from less than \$15 per barrel in 1998”

(Downs, 2007: 58).

It was the combination of these investments and Beijing's hard-line view on national sovereignty that accounted for China's initial reluctance to interfere with, and press Khartoum on, the burgeoning and eventually atrocious crisis in Darfur. To begin with, Beijing repeatedly obstructed sanctions on the Khartoum regime in the United Nations Security Council (Downs, 2007: 59). Downs points to a statement by former deputy minister of foreign affairs, Zhou Wenzhong, in 2004: “[b]usiness is business. We try to separate business from politics. Secondly, I think internal relations in Sudan is an internal affair, and we are not in a position to impose on them” (ibid.).

However, the Chinese discovered that separating business from politics is often not as simple as one would hope. Despite CNPC entering the country with the intentions of assuming a strictly commercial role, it found itself entangled in political matters as its international perceptions were

affected by its dealings with a regime with policies of ethnic killings (Downs, 2007: 59). Downs continues:

“The damage done to China's international reputation by the Darfur atrocities has been substantial. The view in many Western capitals is that China has been shielding Khartoum in the UNSC, filling Khartoum's coffers with oil revenues, and selling arms that government forces are using indiscriminately against the Darfur rebels as well as civilians. As China has come under increased criticism for its actions, the country has begun to shift its policy on Sudan”

(Downs, 2007: 60).

The pressure that has materialized over China's handling of the Sudan issue has ranged from the “U.S. government (...) encouraging China to demonstrate that it is a “responsible stakeholder” by using whatever leverage it has over Khartoum (..) to prod Sudanese president Omar al-Bashir to moderate his position on Darfur” (Downs, 2007: 60) to “Hollywood actress Mia Farrow [threatening] to launch a worldwide campaign against the Beijing “Genocide Olympics” because of China's stance on Sudan” (ibid). Additionally, Downs points to other African countries being concerned with the situation in Sudan and China having to consider that for potential future business.

A second factor behind China's new perspective on Sudan Downs brings up, is the realization by Beijing that the international community would have to respond to the Darfur crisis in some manner, and it would much rather be a part of the decision-making process than be put on the sidelines. As such, it would be able to protect its economic interests while still helping to redeem its international reputation (Downs, 2007: 60).

Downs reports that during the year preceding her article, Beijing has received much praise on its shift in policy toward Sudan, from Washington, London, and the United Nations. She points out that both Chinese and American government officials have stated that Beijing played a critical role in ensuring the permission for a joint U.N.-African Union peacekeeping force to be deployed in the troubled areas, a part of which is 275 Chinese military engineers (Downs, 2007: 61). As an example of the praise toward Beijing's shift, Downs reports:

“During his testimony before the U.S. Senate Foreign Relations Committee in April 2007,

U.S. Special Envoy for Sudan Andrew Natsios complimented China's subtle behind-the-scenes diplomacy toward Sudan as a useful complement to the blunt, highly-visible approach taken by the United States. His remarks echo those made in private conversations by Chinese foreign policy officials and analysts who maintain that the United States, which usually plays the "bad cop," needs China to assume the role of "good cop" for progress to be made in negotiations with countries such as Sudan, Iran and North Korea."

(Downs, 2007: 61).

The official stance from Beijing on why it has continued its economic engagement in Sudan despite the Darfur crisis is that it is rooted in two main reasons. The first is connected to the quotes above; that by maintaining contact China achieves leverage not held by other states, such as the U.S., who cut ties. The second reason is the perception that the crisis is rooted in poverty, and that Chinese investments can help resolve the crisis through economic development (Downs, 2007: 61).

Downs sums up this section by arguing that China could have used its economic leverage over Khartoum to do more, however, Beijing alone might not have been sufficient to resolve the crisis, and other governments, whose weak responses have escaped scrutiny by using China as a convenient scapegoat, are also to blame for the lack of international response to the Darfur atrocities (Downs, 2007: 62).

To sum up, Downs argues that the perceptions of China's involvement in Africa is a mixture of facts and fiction. Falling into the fiction category, she argues, are the myths pertaining to the size and scope of Chinese investments as well as that the Chinese companies have an advantage over other international companies involved in Africa. More factual criticisms, she concedes, are those on Beijing undermining transparency of oil revenue, particularly in Angola, and obstructing attempts to end human rights abuses in Sudan. However, in relation to both of these, this is not the whole story, and these criticisms are becoming outdated as Beijing's policy on Khartoum and oil revenue transparency in Angola are both changing. Finally, Downs concludes:

"The activities of China's [national oil companies] have loomed large in analyses of China's overall deepening engagement with Africa. The NOC's quest for reserves and profits and China's growing demand for oil are key drivers of Beijing's African diplomacy. Yet, the higher profile of oil security on the foreign policy agendas of many countries – due to high oil prices and rising resource nationalism – has also focused international attention on

Africa. The oil industry is often the subject of “fuzzy thinking.” Separating fact from fiction with respect to the growing footprint of China's NOCs in Africa is important for policy-makers and opinion leaders around the world seeking to understand the implication of deepening Sino-African engagement for their own countries.”
(Downs, 2007: 63-64).

2.5 Economic Development Theory.

One of the most commonly used economic models in development economics is the Solow model. It looks at what determines a country's capital stock in the long run. In this section, it will be explained how the model works, and how it can be applied in the case of Sino-African relations.

First, one needs to understand the concept that a nation's growth is caused by its investment (I). Investment, on the other hand, comes from saving (S). That is: $S = I$. Now we assume saving is a fixed share of income ($S = sY$) and income is a function of labour and capital ($Y = F(K, L)$).

Capital stock is depreciated through time, and we use δ to denote the depreciated share. Thus, we can calculate the capital growth from time t to $t+1$ is $K_{t+1} - K_t = I_t - \delta K_t$. Replacing I using sY , we get $K_{t+1} - K_t = sY_t - \delta K_t$. The equation implies that capital grows ($K_{t+1} > K_t$) as long as savings (sY_t) exceeds depreciation of existing capital stock (δK_t).

In this economic model, there is a "steady state" where capital accumulation stops, or $K_{t+1} - K_t = 0$. At this steady state, $sY = \delta K$, ie. $sF(K^*, L) = \delta K^*$. K^* indicates that the capital stock is in equilibrium; below this level, saving exceeds what is needed to maintain existing capital, and the capital stock grows; Above this level, saving is not sufficient to maintain the existing capital stock, and the capital stock shrinks. It implies that growth occurs until the long-term level of income $F(K^*, L)$ is reached (see Fig. 2.3).

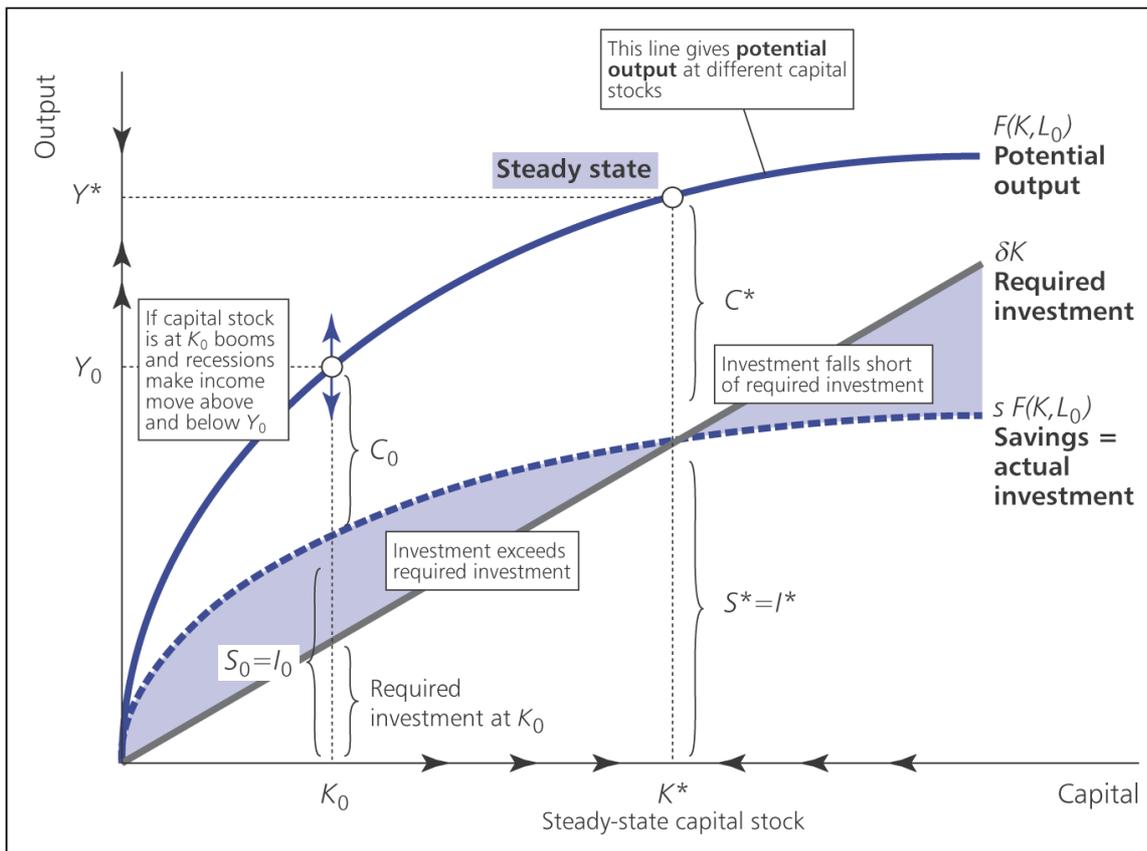


Fig 2.3. (Source: Gärtner, 2013)

One important empirical observation is that some very poor countries do not grow at all. They seem to be stuck at low levels of capital stock. The mechanism which makes it very difficult for people to escape poverty is called the “poverty trap”. Many African countries, for example Tanzania, Zambia, Kenya, etc., are considered to be in this trap. Economists have discussed the possible mechanisms that prevent the growth, for example economies of scale and subsistence consumption. In short, at low level of manufacturing, those poor countries cannot improve technology or human capital, which ends up in a vicious cycle of poverty.

So what can we do to help these countries out of poverty? Jeffrey Sachs (2005), in his book "The end of Poverty" argues “our explanation is that tropical Africa, even well-governed parts, is stuck in a poverty trap, too poor to achieve robust, high levels of economic growth, and, in many places, simply too poor to grow at all... We argue that what is needed is a ‘big push’ in public investment.”

In the figure below, δK stands for required investment, and sY stands for investment. When δK is bigger than sY , required investment exceeds investment. In this case, the country does not have enough investment to meet the growth requirement, thus, it cannot get richer. Only when the

country is to the right of the “poverty threshold”, its investment actually exceeds the required amount and the country has the opportunity to grow.

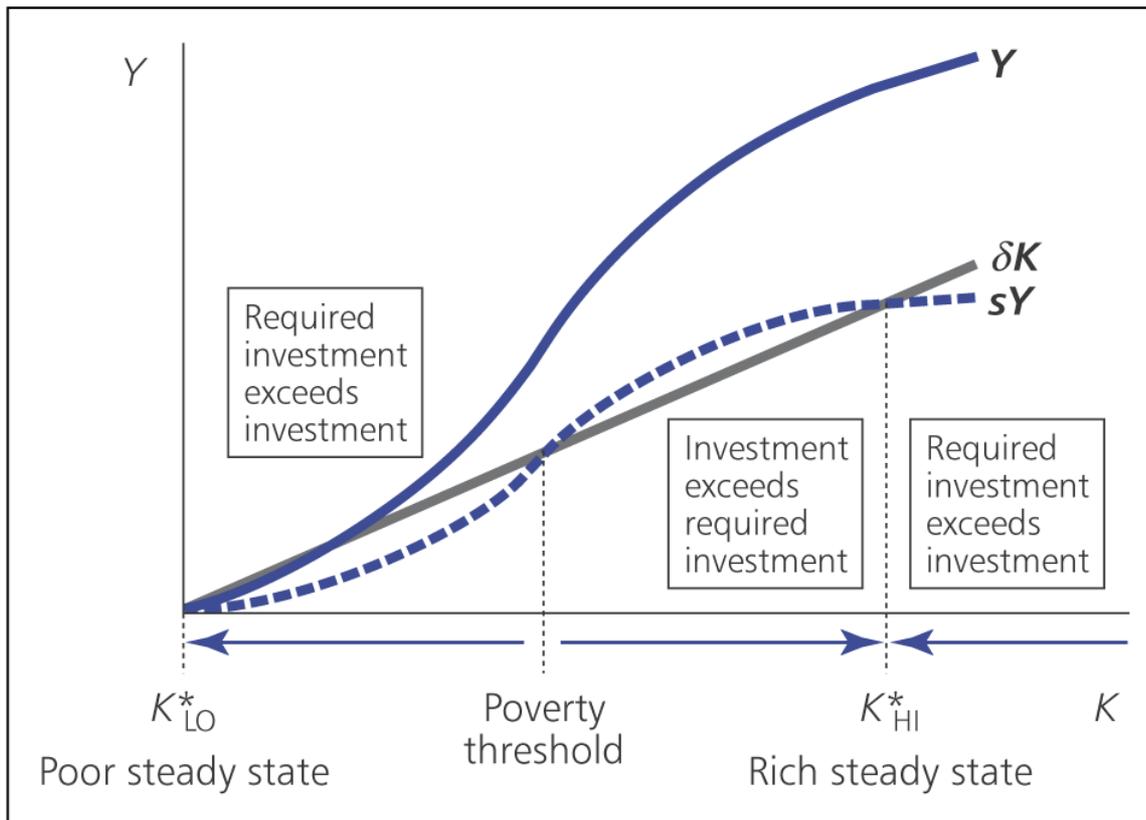


Fig 2.4. (Source: Gärtner, 2013)

Sadly, most African countries are in the poverty trap. Easterly (2003) argues that many economists in the institutions making aid policy would be

“(...) uncomfortable with the financing gap model that aid has a high likelihood of raising investment, which in turn has a high likelihood of raising economic growth. Yet the idea that “aid buys growth” is an integral part of the founding myth and ongoing mission of the aid bureaucracies. The aid bureaucracies define their final objective as “poverty reduction” (today’s more politically correct term for growth), and their immediate output as aid money disbursed.”

(Easterly, 2003: 31).

It’s important to note here, that Easterly is not using the same definition of aid as this paper. Rather, his use of the term aid refers to traditional Western aid seeking to improve conditions in developing countries by non-market measures.

Continuing, Easterly points to a Canadian aid project to assist farmers in the mountains in Lesotho gain access to markets by road construction and develop modern methods of livestock management and grain production. The problem with this was that, as the recipients of the aid already knew, the grain production was not competitive due to the region's poor growing conditions, and the major long term effect was that South African grain was brought into the region, thus driving the local grain producers out of business (Easterly, 2003: 36).

To underline his point, Easterly points to an inverse relationship between increased aid (again, in non-market terms) and economic growth (see Fig. 2.5). In his article, Easterly (2003) argues that rather than focusing on small uncontroversial methods of development aid, Western countries and aid agencies should focus on large-scale investments in developing countries to push them out of the poverty trap.

Figure 2
Aid and Growth in Africa
(10-year moving averages)



Fig 2.5 (Source: Easterly, 2003: 35).

2.6 Development from a Chinese Perspective.

When it comes to development seen in a context of Chinese involvement in Africa, it is important to examine how Beijing views development within China itself. This insight aids in understanding Chinese actions and choices in their involvement with Africa. Chinese scholar Suisheng Zhao (2010, p. 425-430) points to four crucial aspects of Chinese reform and development policy; institutionalization of decision-making system and intra-party democracy, cadre accountability, constitutional reform, and reform of Communist Party rule.

The first of these aspects, institutionalization of decision-making system and intra-party democracy, can be compared to what one in Western foreign aid terms refer to as "good governance" with the one crucial distinction that Beijing does not include a wider Western-style democracy with multi-party elections. That is, good governance with functional, accountable and effective state institutions without demands for free elections and freedom of speech.

The second aspect, cadre accountability, can be seen as a part of the development of institutions, as local government representatives, cadres, are accountable to central authorities with regards to decisions, implementation, and achieving set goals. Specifically, this would in China mean that the local cadres are servants of the system instead of themselves.

The third aspect, of constitutional reform, is not what in Western terms would often be to change the constitution in any particular direction (i.e., towards a more democratic one, or with the inclusion of more rights, etc.), rather the goal of constitutional reform from the Chinese perspective is to improve government efficiency, allowing for a more transparent, predictable, and stable rule.

As the third aspect, the matter of reform of Communist Party rule, is not a Western style democratization, but a party process from which the Party can retain its position in Chinese politics and civic life through reforms to maintain legitimacy, ability to govern, efficiency, and be representative enough to provide policy for different interest groups and thus not alienate any important interest groups or minorities.

This is interesting in the context of involvement in Africa because it is exemplified in the Guardian article by David Smith (2013) earlier in this chapter, and particularly in Erica Downs' (2007) article on Sino-African energy relations. For the latter, Downs goes into some of China's dealings with

regimes that are not viewed in a very positive light in the Western World, Sudan in particular. By applying these principles, one can achieve a greater understanding of Chinese goals and the results of its actions in the country.

For instance, unlike Western critics, China is not interested in democratization of the al-Bashar regime in Khartoum. They are, however, interested in an accountable and legitimate regime with which trade can be had without alienation of other groups; as Downs mentioned, other African countries which expressed concern with the situation in Darfur and China's involvement with the regime, but also currently with the newly established state of South Sudan.

Additionally, the issue of cadre accountability is important for a heavily centralized government structure such as Beijing. Both in the sense that Beijing needs their representatives in Sudan to not act by individual self-interest, with the same going for the Khartoum regime's representatives in local business, so business can go smoothly, but also that managers are accountable to the local population and the labour force to avoid potential political and labour-related unrest.

On the topic of how China perceives development aid, Brautigam (2009: 29-30) also adds another perspective. She reports that

“The Cold War shaped foreign policy and aid in the People’s Republic of China (PRC). For nearly four years after the defeat of Japan in World War II, a civil war continued to rage in China. In 1949, Mao Zedong and the communist People’s Liberation Army pushed Chiang Kai-shek’s People’s Party (Kuomintang) and the government of the Republic of China (ROC) into retreat on the island of Taiwan. The two sides, PRC and ROC, faced each other in an undeclared truce across the Gulf of Taiwan, which after 1950 was patrolled by the US Seventh Fleet. Although Britain and the Nordic countries (Sweden, Finland, Norway, Denmark) recognized the new government in Beijing, the United States refused.”
(Brautigam, 2009: 29).

This, she argues is a central factor of understanding China's view on national sovereignty and Beijing's reluctance to interfere in the domestic policies of other countries. With a history of not being recognized as the masters of their own land, the Chinese Communist Party is reluctant to force their views on developing countries now that they are in the position of power.

When looking at the Chinese foreign aid programmes, Brautigam goes back to the Korean war to find its inception:

"In 1950, North Korea invaded the South, and the United Nations Security Council authorized troops to help South Korean President Syngman Rhee push the Northern military back across the border. Chinese "volunteers" camped on the edge of the Yalu River on the border with North Korea moved into Korea to fight on the side of the North. The US imposed a total economic embargo on the PRC, an embargo that lasted more than twenty years. China's aid program thus began in an ad hoc fashion in 1950 with the transfer of grain, medicine, cotton, and other industrial materials to North Korea during the war. Support for socialist countries and Marxist independence movements marked the first years of China's aid, but China also sent aid to most of the other countries on its long borders (including non-socialist Nepal)."

(Brautigam 2009: 29-30).

After the Korean war, in 1954, China's premier Zhou Enlai introduced the "Five Principles of Peaceful Coexistence" during negotiations with India over the Tibet issue. They consisted of:

1. *Mutual respect for sovereignty and territorial integrity.*
2. *Mutual non-aggression.*
3. *Non-interference in each other's internal affairs.*
4. *Equality and mutual benefit.*
5. *Peaceful coexistence.*

(Brautigam, 2009: 30)

Following this, Zhou joined Indonesian President Achmed Sukarno, Indian Prime Minister Jawaharlal Nehru, Egyptian President Gamal Abdel Nasser, and several dozen new African and Asian leaders in the town of Bandung in Indonesia, for the Afro-Asian People's Solidarity Conference, where they adopted the principles of peaceful coexistence as the foundation of the non-

aligned movement, the countries of which became known by the moniker "The Third World." (Brautigam, 2009: 30).

In 2004, half a century after the late Premier Zhou Enlai's visits to India and Myanmar and the issuing of the "Five Principles of Peaceful Coexistence," Wen Jiabao, the Premier at the time, delivered a powerful speech on carrying forward the "Five Principles of Peaceful Coexistence" in the promotion of peace and development. He stated "the Five Principles of Peaceful Coexistence have withstood the test of time, and made a monumental contribution to the maintenance of peace and stability in Asia and the world over and the sound development of international relations" (Wen, 2004: 363). Continuing, he elaborates:

"First, they provide a set of right guidelines for the establishment and development of relations among countries with similar or different social systems. Second, they point out an effective way to peacefully address the issues left over by history between countries or other international disputes. Third, they give a strong protection to the interests of developing countries and serve the improvement and expansion of North-South relations. Fourth, they have provided an important philosophical basis for the establishment of a new international political and economic order that is just and rational."

(Wen, 2004: 363-364)

Wen points out that China has been a faithful practitioner of the "Five Principles of Peaceful Coexistence," and basing its foreign policies on the Five Principles, China has been able to develop diplomatic relations and carry out trade and cooperation with around 200 countries, maintain peace with most of its neighbors, and provide economic and technical aid with no political strings attached to many countries (Wen, 2004: 364).

Particularly, Wen stresses that "since the beginning of the reform and opening up, China has improved and upgraded its mutually beneficial cooperation with all countries regardless of social system and development level, and contributed its share to world peace and common development. All this is inseparable from our firm, sincere and innovative adherence to the Five Principles of Peaceful Coexistence" (Wen, 2004: 364). As Wen claims, the principle of sovereign equality is "at the very heart of the Five Principles" and only through genuinely observing the principle can

mutually beneficial cooperation be conducted (ibid).

To carry forward the Five Principles in the promotion of world peace and development, the Chinese Government has stated that it is ready to work with other countries in five areas: First, firmly upholding the principle of sovereign equality. Second, respecting and maintaining the diversity of the world's civilizations. Third, promoting common development of the world's economies on the basis of equality and mutual benefit. Fourth, maintaining peace and security through dialogue and cooperation. Fifth, giving full scope to the important role of the UN and other multilateral mechanisms. (Wen, 2004: 365-366)

In the end, Wen again emphasizes that “China will always put development on the top of its government's agenda” (Wen, 2004: 367).

Chapter 3: Method and Data

3.1 Data.

The data used in the analysis will be drawn from several sources.

The first of these sources will be the World Integrated Trade Solution (WITS), software and data created in collaboration between the World Bank and International Trade Center, the United Nations Statistical Division, and the World Trade Organization (WITS, 2014). This source includes data on Zambian exports and imports, trade balance, description of goods, as well as main trading partners. In addition, supplemental data to this will be drawn from the World Bank (2014) data itself.

The second source will be the “Human Development Report 2013. Rise of the South: Human Progress in a Diverse World” (HDR13) published by the United Nations Development Programme (UNDP). This is the latest instalment in a series of reports published annually by the UNDP, with the lead author of this issue being Khalid Malik. The report itself will provide data on child mortality rates with control variables, and the full data published alongside it will provide data on HDI and HDI change for both Zambia and Angola as well as a few other variables (HDR, 2014).

In addition to the two above, there are five more sources used which are more country specific. For Angola these are: “The Impact of China-Africa Trade Relations: The Case of Angola” by Ron Sandrey (2009) at the Trade Law Centre of Southern Africa, “Angola and China: A Pragmatic Relationship” by Indira Campos and Alex Vines (2007) at the Center for Strategic & International Studies (CSIS), and the European Commission (2014) data for trade with Angola.

In the case of Zambia, there will be two additional data sources. The first being “Chinese Debt, Aid and Trade: Opportunity or Threat for Zambia?” by Chilufya Chileshe (2010) at the South African Institute of International Affairs, and the “Zambia Direction of Trade Report (Fourth Quarter 2009) by the Bank of Zambia (2010).

3.2 Reliability and validity of the data.

The reliability and validity of the datasets are important issues. First of all, the data itself must be trustworthy in order for the results of an analysis to be useful, and secondly, the data must be relevant to the question the analysis seeks to answer. Indeed, the thesis question itself, seeking to determine the validity and reliability of accusations levelled against Chinese involvement in Africa, it is especially important that the sources used to either confirm or discredit these are both reliable and valid.

3.2.1 Reliability

When it comes to the reliability of the data, at first glance it might seem complicated as the data comes from a variety of sources. To begin with, however, there is the WITS database and HDR13. Both of these are from international reputable sources whose data is readily available for scrutiny. The remaining sources are all either peer-reviewed academic works, or from another reputable source, in the European Commission, and finally the Bank of Zambia. Naturally, this is no absolute guarantee of the reliability of the data, however, the potential of error should be within acceptable parameters.

3.2.2 Validity

The validity of the data, and the potential for generalizations based on the findings is another important issue. Despite often being referred to as a single entity (including in some of the criticisms of Chinese involvement), sub-Saharan Africa is made up of a number of different countries. For instance, small and land-locked Lesotho is very different from the vast and war-torn Sudan.

Ensuring validity is in some aspects made easier with the use of case studies. In these the researcher can go in depth in a few countries to ensure important variables are not overlooked. An example of this is provided below, regarding Downs' arguments on Angola's dependency on the IMF for financing.

3.3 Case studies.

There are several ways in which to conduct case studies. This paper will utilize few-country comparisons. The strengths and weaknesses of few-country comparisons in particular will be discussed below. The reasons for selecting case studies in the first place are that, first of all, the data available for each sub-Saharan country varies greatly, and often the data for the same variable must be drawn from separate sources. Secondly, when it comes to a study of sub-Saharan countries, the population of the study is relatively low, with approximately 50 countries depending on definition, and the amount of countries with significant Chinese presence is even lower. The third reason is that case studies allows for a deeper understanding of particular countries which both complements the available theory on the subject in light of the thesis question, as well as providing the groundwork for later, more expansive studies where more countries can be compared to either support or refute the study.

In this paper, there will be case studies of two countries: Angola and Zambia. There are several reasons for specifically selecting these two countries. The most important reason is that both countries have been stable politically over the last decade without wars or separatist struggles. Such an event would naturally deeply affect HDI numbers as well as abilities to carry out trade with not only China, but also other countries. The second reason is their populations. At 18.5 million for Angola and 14 million for Zambia, their economies are small enough to be affected significantly by larger foreign countries investing, but not so small as to be completely dominated by them. The third reason is that China is an important trade partner to both.

The case studies will examine to which degree China is involved in these countries and how they are doing. HDI growth over a twelve year period (2000-2012) will be put into context with the world average, and it will be examined if these countries are better off. Naturally, the concept of “better” is quite subjective in and of itself, and a measure of to which degree the goals of aid organizations and other critics are being met something open to a degree of interpretation. The case studies will seek to lay a foundation for an argument as to whether or not the criticism is justified.

In addition, the case studies will add a second layer to the examinations of the criticism against China. The first will be a comparison between criticism and academic theory, and the case studies will provide an additional data point with which to compare.

One issue to note is that some of the heaviest criticism toward Chinese involvement in Africa has been specified towards involvement in Zimbabwe and Sudan. However, the situation in these countries over the course of the last decade makes for unreliable data. Sudan has not only suffered a devastating civil war, but has also split in two, and Zimbabwe has suffered bouts of hyperinflation to the point where the authorities have given up on having a national currency and the situation in the country means that foreign currencies such as the South African Rand and the U.S. Dollar are de facto official currencies.

3.6 Strengths and Weaknesses of comparing few countries.

One of the pitfalls of having case-studies with few countries is the potential of generalizing on erroneous grounds. Todd Landman (2000: 28) mentions a range of studies concerning the East Asian “tiger” economies which focused on a selected group of successful countries, ignoring some of the lesser successful ones, and thus reached the wrong conclusions as to why they experienced high economic growth rates. A problem with few-country comparisons is then selection bias (Landman, 2000: 81). However, due to the nature of the thesis question, this is somewhat mitigated. If heavy Chinese investments do not show to have the severely negative consequences in, for instance, Angola, this indicates it is not the most significant independent variable for retarding progress in African countries.

On the other hand, there are some compelling reasons for why to choose few-country comparisons. Foremost among these is the ability to gain a deeper knowledge of the countries chosen and gain an understanding of other independent variables. As an example, one can look back to Chapter 2, where Downs' article was presented. Under one of the myths presented about Sino-African energy relations, Downs argues that China's loans to Angola might have weakened the IMF's efforts to improve oil revenue transparency. In a high-N quantitative analysis with many independent variables this might be difficult to determine and examine, but Downs presents evidence that points to the Chinese unconditional loans not being the entire story. She argues that the combination of an increase in oil prices from \$26 to \$66 per barrel and an almost doubling of Angolan oil production in the period between 2001 and 2006 is also very relevant when looking at Angola's decision to not rely on the IMF.

Another reason for choosing few-country comparisons is that combined with the reason above, it provides a good starting point for thorough quantitative analyses of not just a selection, but the entire population, in this case consisting of some 40-50 countries, depending on the definition of the term “sub-Saharan Africa.”

Chapter 4: Analysis and Argument

4.1 Matching the Criticisms with the Theory and the Data

In this chapter the criticisms levelled against China in chapter 2 will be contrasted with the theory and the data. To begin with, the various aspects of the criticisms will be covered to see how they match up with academic theory and quantitative data.

Following this, case studies of Angola and Zambia will be brought forth to examine how these two countries are developing. Finally, the main argument will be presented on whether or not, and to which extent Chinese involvement can be argued to be either positive or negative to the development of these countries, and what these findings may entail for further examination of development in sub-Saharan African countries.

4.2 The Scope and Size of Chinese Involvement.

The extent to which China is involved in Africa is important to address before taking on the other issues. David Blair (2007) claims that China's money flowing into the continent totalled more than £30 billion in 2007, and that countries like Zimbabwe were flooded in cheap Chinese consumer goods which drove local businesses to the ground. The latter will be examined later in this chapter, in section 4.4, but the former needs to be verified and put into context.

£30 billion is a rather large number, and as it is a newspaper article, Blair has not sourced this amount, and neither has he elaborated on what this number includes. However, Chinese foreign direct investment flows coming into Africa as a whole, not just sub-Saharan Africa, totalled just under \$6.5 billion in 2006 according to the China Investment Tracker (Brautigam, 2014), amounting to only 3 percent of total Chinese outbound foreign direct investment (Poncet, 2009: 26). While substantially lower than Blair's, these numbers are also somewhat artificially inflated as they include funds allocated to Africa whether or not the projects they are meant to finance have begun or the money having been transferred.

Looking at the actual inflow of money to Africa from China, one finds that in 2005, the accumulated value of this stood at \$1.6 billion (Poncet, 2009: 26). Which, with current exchange rates between the dollar and the pound, would make it approximately one thirtieth of Blair's claim.

It is possible, of course, that Blair uses numbers that simply add up everything that looks Chinese; FDI, tourism, revenue earned by Chinese companies in Africa, etc. However, this implies a line of reasoning akin to one of the myths presented by Downs: "China's oil companies' African activities reflect a highly coordinated government strategy" (Downs, 2007: 48). And, as Downs demonstrated, this is simply not the case. Chinese companies often complain of poor coordination from the central authorities, and in the other direction, the central authorities in Beijing often bemoan the companies', in which they are major shareholders, lack of ability to cooperate. One of the examples Downs mentions is two Chinese oil companies undercutting each other for contracts, leading to lower profits for the winner of the bid, despite the Chinese government holding a controlling share in both companies (Downs, 2007: 48-50).

Moving beyond FDI, one can see that African exports to Asia have increased dramatically in the recent decades.

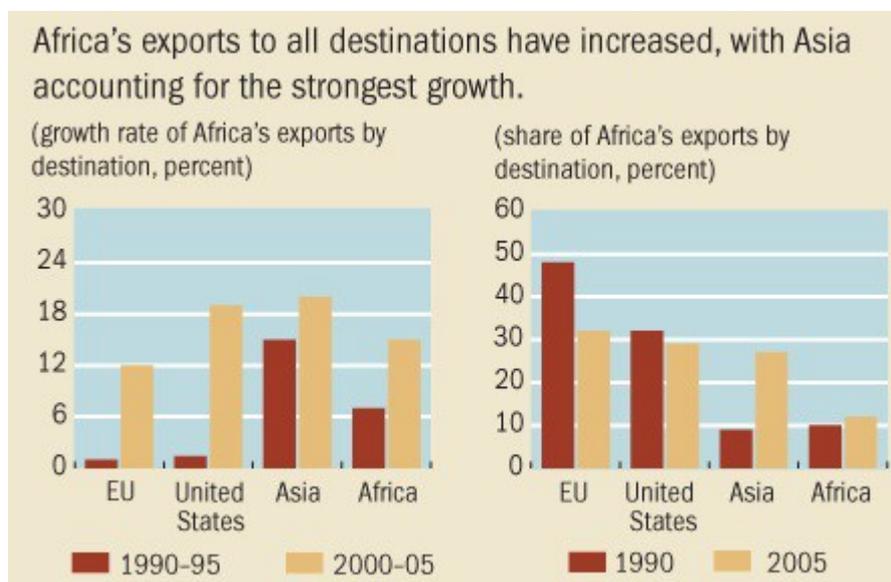


Fig. 4.1. (Source: Broadman, 2007)

From 1990 to 2005, the share of African exports to Asia has increased from 9 percent to almost 28 percent (Fig. 4.1). China alone accounts for 40 percent of the exports to Asia (Broadman, 2007). Of these exports, though, on a global basis only about 20 percent of African exports are manufactured

goods, and the case with Asia and China is no different; in fact 86 percent of African exports to Asia are commodities, while 80 percent of African imports from Asia as a whole are manufactured goods, compared to 87 percent from China (ibid.). In dollar terms, this equates to over \$10 billion in African imports from China by 2005.

An important reason for this trade disparity is the high tariffs African countries face when it comes to exporting manufactured products to Asian countries compared to the low tariffs on raw materials, but Broadman (2007) also points out that this is not always the entire story. One example he brings up is cocoa exports to China. Despite Chinese tariffs on finished chocolate products being only slightly higher than on unprocessed cocoa beans (9 percent on the former compared to 8 percent on the latter), African producers are struggling to break into the Chinese chocolate market due to a limited capacity to produce high quality products, something which has led to increasing exports of cocoa beans and declining exports of cocoa powder and chocolate to China (Broadman, 2007).

The Chinese presence in sub-Saharan Africa is also felt in other ways. Angolan newspaper *Visao* (2012) reports that there are now more than 250,000 Chinese residents in Angola, mainly in the capital of Luanda. For the other country in particular interest to this paper, China accounts for almost 17 percent of Zambia's exports and 10 percent of its imports, making it Zambia's second most important export partner and third most important import partner (WITS, 2014).

4.3 The Human Rights Issue.

When dealing with human rights violations in developing countries, a method that is often utilized and argued for is to “punish” the country by cutting development aid, or other measures of using the stick over the carrot. A recent example is the reactions of several Western countries to Uganda's newly implemented anti-homosexuality laws. Norwegian minister of foreign affairs, Børge Brende, notified Norwegian media that he would cut 12 percent of Norwegian development aid to Uganda as a result of the law, and his Danish and Swedish colleagues were reported to consider similar sanctions (Carlsen and Bjørngaas, 2014). The spokesperson for matters of foreign affairs for the Norwegian Progress Party, coalition members in Brende's government, argued in favour of cutting all aid to Uganda as “such an unacceptable law should prevent any support from Norwegian taxpayers” (ibid.).

The move to curtail aid was criticized by senior researcher Morten Bøås at the Norwegian Institute of International Affairs (NUPI), as counter-effective for the situation of homosexuals in Uganda (Olsson, 2014). He argues that, first of all, this may unite the proponents of the law against foreign intervention, second, that Ugandans generally support the law, and third, that Uganda is less reliant on Western aid as it can acquire loans from both Russia and China instead (ibid.).

However, this is an example of the ingrained reflex of how to deal with undesirable regimes and policies in African countries. The question with which this paper concerns itself is whether or not this achieves its desired outcomes. In the case of Uganda in this instance, the law being repealed.

Going back, then, to the criticism levelled against China, one recalls that among them was the issue of human rights and in particular the Chinese involvement with the Omar al-Bashar regime in Sudan during the Darfur atrocities. To begin with, one of the more specific allegations against China for their involvement with human rights violations came from David Blair's article. To reiterate, in it, he writes:

"Thanks to Beijing's interest in Sudan's oil, President Omar al-Bashir's regime in Khartoum has received a windfall. Ten years ago, Sudan's oil revenues were negligible; last year, Chinese investment ensured that they totalled at least £3 billion. Without this ready cash, Mr Bashir could never have sustained the war in Darfur, where four years of fighting have claimed about 300,000 lives, either from violence, starvation or disease. The military machine that has laid waste to vast tracts of land, forcing hundreds of thousands to flee their homes, was, in effect, bankrolled by Beijing. Moreover, China has sold weapons directly to Sudan, notably Fantan ground attack aircraft."

(Blair, 2007).

In essence, what Blair argues is that China is directly responsible for the atrocities in Darfur, due to their uncritical funding of the Khartoum regime. In a way this can be seen as the natural next step from the situation in Uganda from the example above: Developing country does something undesirable, Western countries sanction by cutting support, China steps in to replace the support, China is sustains the developing country's ability to perform undesirable acts.

Returning to Sudan, however, the case is not always as clear as that. In chapter 2 Erica Downs'

article on Sino-African energy relations was reviewed, and among the myths she sought to refute or clarify was the one that “Chinese oil investments in Sudan undermine international efforts to end the Darfur crisis” (Downs, 2007: 58).

In her article, Downs does concede that China's role in Sudan during the Darfur atrocities was not initially particularly helpful to the reaching of a resolution to the conflict, but Beijing's change in attitude towards the Khartoum regime is important to note. She particularly points to U.S. Special Envoy for Sudan, Andrew Natsios, who:

“(...) complimented China's subtle behind-the-scenes diplomacy toward Sudan as a useful complement to the blunt, highly-visible approach taken by the United States. His remarks echo those made in private conversations by Chinese foreign policy officials and analysts who maintain that the United States, which usually plays the “bad cop,” needs China to assume the role of “good cop” for progress to be made in negotiations with countries such as Sudan, Iran and North Korea.”

(Downs, 2007: 61).

This is clearly at odds with Blair's claims that China is to a great extent responsible for the Darfur atrocities by funding Khartoum. In her article, Downs continues to explain this by pointing to China's increased leverage over Khartoum compared to the countries which had already placed sanctions on the regime, as well as Beijing's easier access to high-level diplomatic channels, through which they could convey their concerns over the Darfur situation. Additionally, there is the point Downs also briefly touches upon; China's relations to other African countries. The other countries with which China seeks to maintain a profitable relationship with in sub-Saharan Africa were very concerned with the Situation in Darfur (Downs, 2007: 60). While Downs (2007: 61) also argues that there is a widespread perception in Beijing that situations like the one in Darfur are primarily rooted in poverty, and sanctions are the counter-productive, the previous point removes the necessity to determine Beijing's determination to morality; allowing the situation in Darfur to deteriorate would be bad for business for Chinese companies looking for contracts in other African countries, and thus bad for business for Beijing.

Also in her article Downs points to criticisms of China, especially in the run-up to the 2008 Olympic Games in Beijing, as a catalyst for Chinese authorities to more actively seek to improve its reputation abroad. This is very interesting in the context of this paper as it indicates a meta-quality

to the criticisms China is facing, in that they themselves aid in correcting China's actions. It is indeed a complex issue, where many factors play a part in Beijing's decision-making process, but there is another important point to consider in direct relation to China receiving the criticism over foreign involvement with a regime involved in actions such as in Darfur. Specifically, the fact that while China was being criticized for funding Khartoum, the French oil company Total was allowed to maintain its non-producing Block B in the Southern oil fields, in the middle of the area in which the hostilities took place, throughout the situation, paying Khartoum \$1.5 per year for upkeep of its licence (Downs, 2007: 62).

When it comes to Sudan's oil revenue, though, Blair does have a point. It has increased drastically with Chinese involvement, from zero barrels exported in 1998 to approximately 375,000 barrels of crude per day in 2007, which, with an average annual price per barrel of \$72.44, accounts to close to \$10 billion in oil revenues for that year (U.S. Energy Information Administration, 2014). However, it is highly questionable that the notion of impoverishing a country to curtail its capability to wage war in any ways improve a tense situation, as is the argument by Beijing as mentioned above. With no effective government to speak of, and one of the world's lowest gross domestic products per capita, Sudan's neighbour Somalia is a rather convincing argument against just that.

4.4 The Poverty Issue.

In addition to human rights, China has also been criticized for retarding economic growth in African countries by importing raw materials and returning with manufactured goods, creating a self-perpetuating situation where developing countries are losing their natural resources and are unable to establish a functioning entrepreneurial economy due to cheap imported goods from China. Jane Goodall states that "[in] Africa, China is merely doing what the colonialists did. They want raw materials for their economic growth, just as the colonialists were going into Africa and taking the natural resources, leaving people poorer" (Rawstory, 2014).

Blair (2007), in his article, echoes this as he claims that the influx of Chinese goods and products on the African market have not assisted the economy, rather, he argues, Zimbabweans refer to them condescendingly as "zing zong" products, which has a tendency to break apart in one's hands, and that the employment opportunities provided by Chinese copper mines in Zambia are based on exploitation of local labour with a disregard for basic health and safety standards, while

simultaneously driving local companies out of business by flooding the market in cheap Chinese imports.

To address this, one must first look at the numbers for Chinese imports in Zimbabwe. In the year of Blair's article, 2007, Chinese imports in Zimbabwe totalled \$215 million, or 6.3 percent of total imports in the country, and about \$19 million, or approximately 9 percent of Chinese imports, of that was classified as consumer goods (WITS, 2014). For a country of approximately 13 million people, \$19 million worth of consumer goods can hardly be called flooding the market. Furthermore, as the numbers show, the consumer goods account for only a small percentage of Chinese imports to Zimbabwe.

Looking at Africa as a whole, in 2004, African imports of Chinese products reached \$11 billion. 87 percent of these were manufactured goods, mainly textiles and apparel, electric machinery and equipment, and such consumer products as medicine, cosmetics, and batteries (Broadman, 2007). In return, African countries' exports to China reached \$15 billion in 2004, up from about \$6 billion in 2000, of which 62 percent were oil and gas, 17 percent ore and metals, and 7 percent agricultural raw materials (ibid.). Despite the positive trade balance in pure numbers, it is clear that China is the one profiting the most from this, by being able to boost its own industry both by the supply of the necessary raw materials as well as an export market.

“Africa's exports to Asia have not yet significantly contributed to sustained, widespread [sub-Saharan African] export diversification, of either trading partners or products, including with respect to greater value added through further processing. Even though the boom in natural resource exports to China and India is providing short-term benefits, African countries need strategies to leverage the current export explosion to create opportunities for long-term economic benefits.”

(Broadman, 2007).

Another issue related to poverty is dependency ratios in poor countries. The dependency ratio is the ratio between those in a country who are in the labour force and those who are not. This ratio is an increasingly critical concern, with a high dependency ratio leading to impoverishment of a country and reversals of human development (UNDP, 2013: 97). The most important policies to affect the dependency ratio in a desirable direction is education and labour policies (UNDP, 2013: 98-99). In other words, increasing amount of education for a larger percentage of the population and ensuring

higher labour participation rates. Especially for the latter, foreign investment is important.

Another criticism from Goodall was the Chinese lack of concern for the environment in their involvement in Africa. This is particularly relevant to poverty related issues as the United Nations Development Programme estimates for extreme poverty in sub-Saharan Africa are heavily affected by environmental issues. Their projections for people in the region living in extreme poverty (i.e., less than two dollars per day) in 2050 range from a best case scenario of 230 million to an environmental disaster scenario of above one billion (see Fig. 4.2).

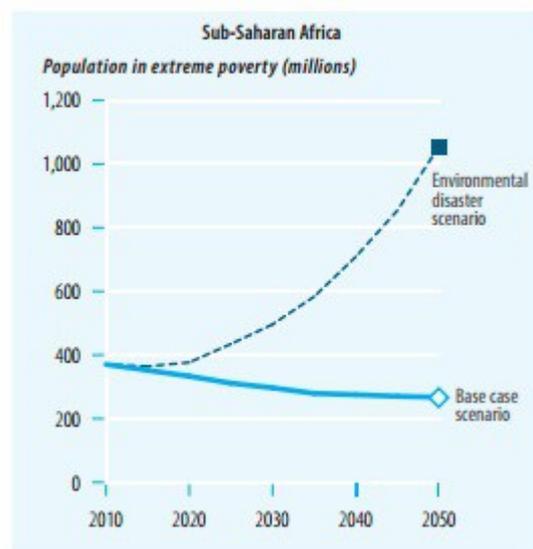


Fig. 4.2 (Source: UNDP, 2013: 96)

This is a case where the criticism is largely justified. China is a major consumer of non-renewable energy sources. With a current consumption of over 4 billion tonnes of coal annually and over 10,000 barrels per day of oil, China is now the world's largest emitter of carbon dioxide, releasing just under 9,000 tonnes into the atmosphere annually (U.S. Energy Information Administration, 2014). Considering then that the majority of what China imports from Africa is oil, both the cause and effect of global warming is highly relevant to sub-Saharan African countries. The latter is due to climate change disproportionately having an adverse effect on poor countries and poor communities (UNDP, 2013: 95). One of the reasons for this is that as environmental and natural disasters increase, the brunt of these is much harder to bear for poorer countries as their effects can incur losses significantly affecting the GDP of the country in question. In the HDR13, it is pointed out that in some cases this can amount to between one and eight percent of a country's GDP, and as a particularly striking example, the hurricane Gilbert caused damages to St. Lucia totalling more than

four times its GDP when it struck in 1988 (UNDP, 2013: 95).

However, when looking at Chinese emission rates compared to Western countries, it is clear that despite being the world's biggest single emitter, China's per capita emissions are about one half of Germany's and one third of the U.S. numbers (see Fig. 4.3). This, of course, does not absolve China of responsibility regarding its increasing emissions, but it does put the numbers in perspective and shows that simply blaming only China is unfair.

Country	Total CO2 emissions (million metric tonnes)	CO2 emissions per capita (metric tonnes)
China	8715.31	5.451
USA	5490.63	17.266
Germany	748.49	9.275

Fig. 4.3 (Source: U.S. Energy Information Administration, 2014).

Another note to be aware of, is that Zambia, one of the countries featured in the case studies below, does not export most of its raw materials for the manufacturing industry to China. Zambia's largest export partner is Switzerland, to which it exports three times as much as to China, and almost all of this consists of ore and metals (WITS, 2014). This shows that China is not the only actor in the African export market, looking to secure raw materials for its own manufacturing industry.

4.5 Case studies: Zambia and Angola.

4.5.1 Angola.

Angola is a geographically large country in South Western Africa, roughly the size of France, Germany and the Benelux countries combined, with approximately 18.5 million inhabitants, 5 million of which live in the capital of Luanda. Angola gained independence from its colonial power Portugal in 1975 after a protracted armed struggle for independence, which was followed by a civil war that lasted until 2002. Since then Angola has remained politically relatively stable, with elections held successfully in 2008 and 2012.

When looking at well-being and desirable changes in a country, a useful metric for measuring development is the Human Development Index (HDI). Used by the United Nations Development Programme, this index uses composite measures of life expectancy, education, and income indices to measure development in a country on a scale from 0 to 1, where 1 is the best. Looking at Angola's scores, one can see that the country had an HDI score of 0.375 in 2000 which had increased to 0.508 in 2012, amounting to a total increase over that period of 35 percent. In comparison, the world average in 2000 was 0.639 and in 2012 it had increased to 0.694, for a total increase of 8 percent (UNDP, 2014). This puts Angola at 148th of 187 countries measured.

This does put Angola at the lower end of the spectrum of human development, but with a recent history mired in armed struggle and strife, and such rapid improvement over the last decade, the indications are positive, and with a continued growth, Angola is on the track to catch up with the world average.

One of the variables on which the HDI score is calculated is the child mortality rate. This is an area in which Angola has not been excelling. In 2012, the child mortality rate (i.e., under-5 deaths per 1,000 live births) stood at 163.5, well above the world average of 47.8 (World Bank, 2014). Furthermore, with a life expectancy at birth of 51.5 years, Angola has one of the lowest life expectancies in the world (UNDP, 2014).

The one area where Angola does score highly, however, is its gross national income (GNI). At \$4,812 (constant 2005 international \$) this is relatively high for a sub-Saharan country (UNDP, 2014). As for GDP growth, Angola enjoyed extremely high rates of growth prior to the global

financial crisis in 2008, in 2007 at above 20 percent growth, and despite being significantly affected by the global decline in available credit, it is back on an upward trajectory (see Fig. 4.4).

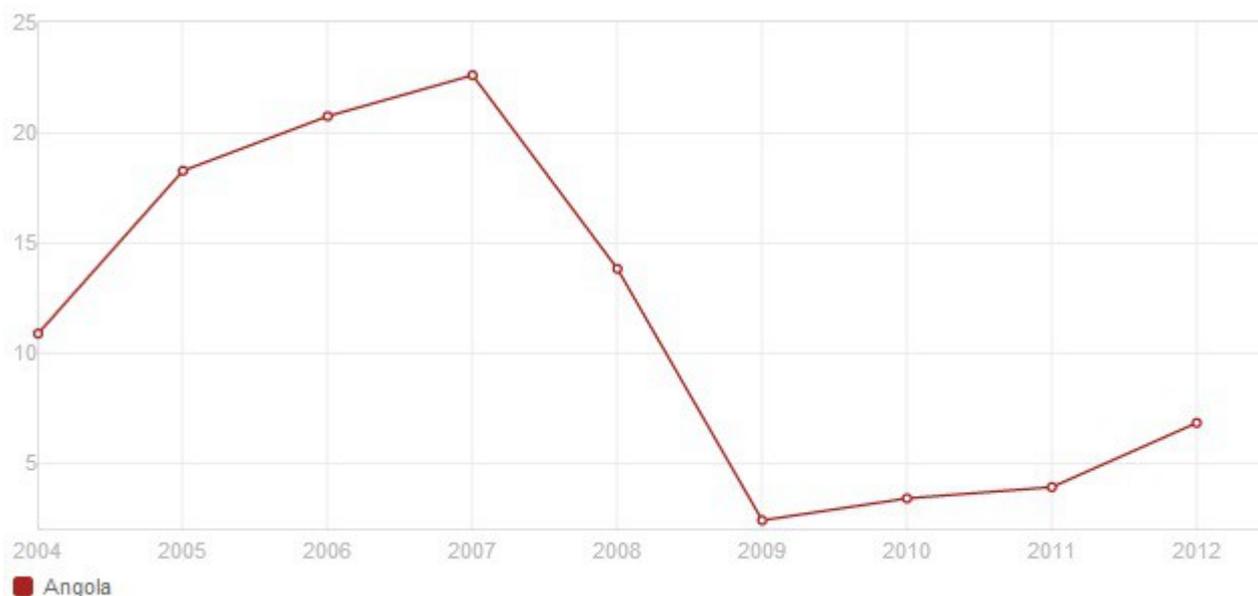


Fig 4.4 (Source: World Bank, 2014).

However, as mentioned above, a country's dependency ratio is important to consider. The dependency ratio in Angola in 2012 was 100 compared to world average of 53.7 (World Bank, 2014). This is the result of a high fertility rate common to underdeveloped countries with a high child mortality rate and low life expectancy.

When it comes to the level of Chinese involvement in Angola, the Angolan newspaper *Visao* (2007) reports that the amount of Chinese residents in the country had passed 250,000, which makes a significant group in a country with 18.5 million inhabitants. Furthermore, as both Downs (2007) and Brautigam (2009) points out, Angola has received large commodity-backed loans from China Eximbank, totalling over \$12 billion.

4.5.2 Zambia.

As a British possession, the landlocked Northern Rhodesia, named after the explorer Cecil B. Rhodes, was mainly ruled through London by proxy for the British South Africa Company. Gaining its independence in 1964, the newly fledged state of Zambia remained a single-party state until

1991.

With a significantly lower GNI than Angola, at \$1,350 per capita in 2012 (World Bank, 2014), Zambia's GDP growth has not been quite as remarkably high as that of Angola. However, it did not suffer from the global financial crisis in 2008 and has kept increasing (see Fig. 4.5).

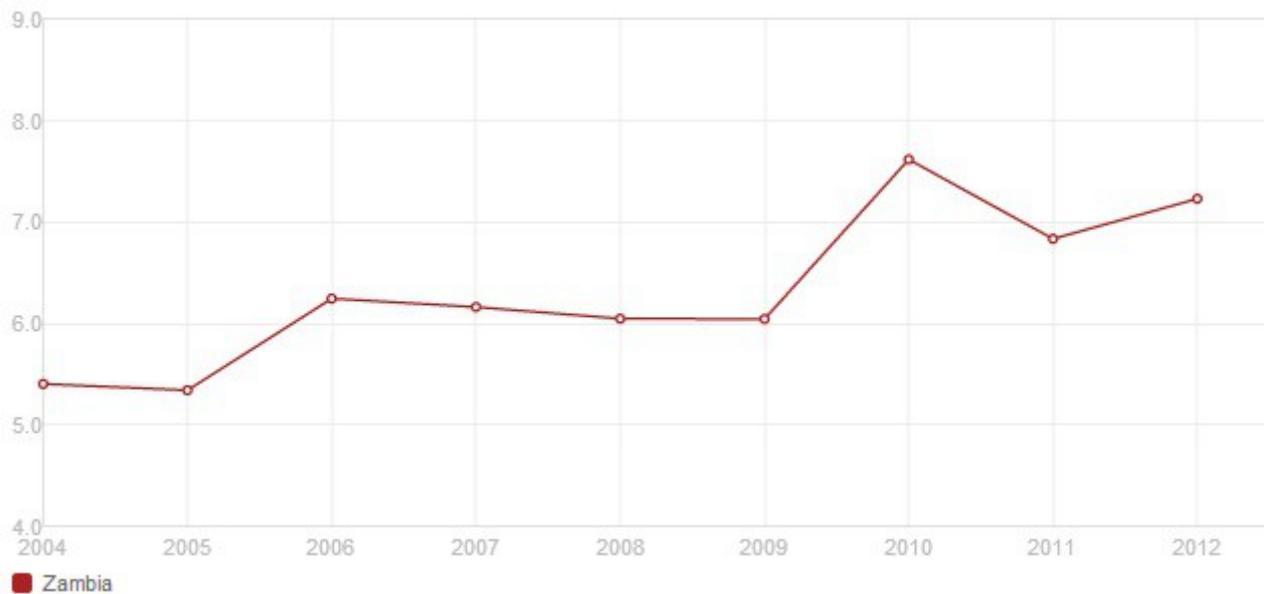


Fig 4.5 (Source: World Bank, 2014).

Looking at Zambia's HDI numbers, in 2000 the country had a score of 0.376. In 2012 this had increased to 0.448, amounting to a total increase of 19 percent (UNDP, 2014). As mentioned above, this is compared to a world average increase of 8 percent, and a world average in 2012 of 0.694.

To an even greater extent than Angola, this shows that Zambia's HDI value is below the world average, placing Zambia at 163rd of 187 countries measured (UNDP, 2014). Obviously, this is rather low, and it is a very limited range of positives connected to it, but the situation is improving, and in Zambia the situation is improving at twice the pace of the world average.

		Under-five mortality rate (per 1,000 live births)			
Country	Year	No education	Primary	Secondary or higher	Overall
Zambia	2004	144	146	105	137
World	2004	n/a	n/a	n/a	65

Fig. 4.6 (Sources: UNDP, 2013: 89, and World Bank, 2014)

In some areas the improvements in Zambia's scores are remarkable. One in particular is the child mortality rate. Fig 4.6 shows the situation in 2004, with the child mortality rate in Zambia overall being more than twice as high as the world average. However, if one looks at the progress from 2004 to 2012, one can see that Zambia is approaching the world average (see Fig. 4.7) and in 2012 is at 88.5 deaths per 1,000 live births, compared to the 2012 world average of 47.8.

This shows that while Zambia's HDI growth has not been as impressive as that of Angola, although still above the world average, in certain metrics Zambia far outperforms Angola.

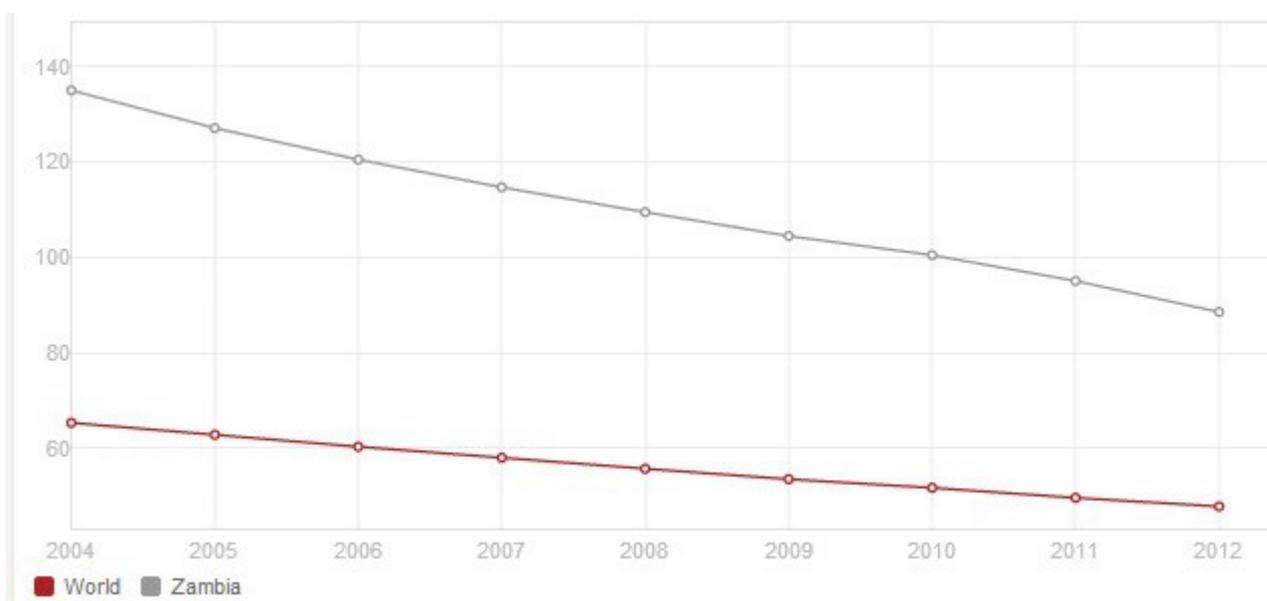


Fig 4.7 (Source: World Bank, 2014)

Another metric related to this is fertility rates. In 2007, the fertility rates of Zambia stood at an overall value of 6.2 live births per woman. For those women with no education, the number was even higher with 8.2 live births per woman.

		Total fertility rate (births per woman)			
Country	Survey year	No education	Primary	Secondary or higher	Overall
Zambia	2007	8.2	7.1	3.9	6.2

Fig 4.8 (Source: UNDP 2013: 89)

The fertility rates in Zambia are connected to the country's dependency ratio. IN 2012, Zambia's dependency ratio was 97, compared to world average of 53.7 (World Bank, 2014). As with Angola, this is a very high number which highlights the precarious in which Zambia finds itself with regards to its continued HDI growth. (UNDP, 2013: 97)

In the section on the poverty issue above, the skewed trade balance between African countries and China was highlighted, with China mainly exporting manufactured goods to Africa, and Africa exporting raw materials to China. For Zambia, this is also the case, with mainly raw materials going to China, and manufactured goods coming in return. However, as mentioned above, it's worth noting that Zambia's main export partner, Switzerland, imports three times as much from Zambia as does China, and of these, ore and metals account for almost all (WITS, 2014).

4.6 Is China's Involvement Beneficial to African Countries?

As seen, first in Chapter 2, and then above, the criticisms toward Chinese involvement in Africa revolve around three issues. Human rights, economy and poverty, and the environment. In the following section the argument that the first two of these criticisms are exaggerated and to a large degree unwarranted will be presented.

To begin with is the issue of human rights. Specifically, that Chinese dealings with regimes which violate human rights allow these violations to continue. With these criticisms there are two main aspects to consider. The first is the misrepresentation of how much financing China actually contributes to African regimes, and the second is whether or not this actually sustains human rights violations.

As for the size and scope of Chinese investments in African countries as a whole, Blair used the number £30 billion pounds. However, as the data from Brautigam (2014) and Poncet (2009) above shows, the real number for Chinese investments in Africa is substantially lower.

As was shown in Chapter 2, Brautigam pointed to a mistake in an Associated Press story, quoting a World Bank report, saying China's premier admitting China had given Africa "more than \$44 billion in aid" since the beginning of its aid program; but what China's premier actually said was RMB 44 billion (\$5.7 billion) (Brautigam, 2009: 177). Naturally, when mistakes such as this are allowed to permeate the debate, China's role and responsibility in places such as Sudan looks different to what it might actually be.

Furthermore, on the question of whether or not these capital inflows lead to increased levels of corruption, which in turn further sustains an authoritarian regime's grip on power, one must again look back to Chapter 2 and Brautigam's arguments on how Chinese investments are actually carried out. She argues that first China's engagement with Africa has not significantly changed the playing field (Brautigam, 2009: 284).

"China's rise has clearly given dictators additional financing options, but finance from China differs little from the other options readily open to most African dictators" (Brautigam, 2009: 285). Among these other sources are Western banks, such as BNP Paribas which is currently embroiled in a scandal revolving around financing Iran, Sudan and Cuba by circumventing sanctions placed on

those countries, as well as other countries such as Russia and Saudi-Arabia.

In addition to this, as Brautigam pointed out, political conditions attached by other donors have not succeeded in improving human rights and democracy in Africa either. As an example, one could look to the homosexuality issue in Uganda mentioned earlier in this chapter, where strict anti-homosexuality laws have been implemented despite Uganda having been a development aid recipient from Western countries, as well as despite said Western countries' protests at the law.

With regards to Sudan, specifically, there is also the point Brautigam brings up, and Downs (2007) expands upon; China's behaviour is evolving. While its initial relations with Khartoum left a lot to be desired from the vantage point of seeking to end the hostilities in Darfur, Downs shows that Beijing has not only increased its pressure on Khartoum, but has also used its leverage, as an active business partner, to force president al-Bashar to the negotiations table. Too late for both Downs' article and Brautigam's book to take into account, this has led to the formation of a new state, South Sudan, and the cessation of major hostilities.

Moving on to corruption, as shown through Brautigam's (2009: 293-294) explanation, the way in which Chinese financial involvement manifests itself in Africa leaves significantly less room for corruption compared to the "cheques with conditions" issued by Western donors. China Eximbank loans are not usually disbursed to the borrowing government in weak states. This aids in reducing corruption by keeping the money in China and using escrow accounts filled by receipts from natural resource exports as guarantees, meaning there is also "less opportunity for the kind of wholesale embezzlement sadly common in some resource-rich countries" (ibid.).

Another concern, the potential for "padding of expenses, sweetheart deals, collusion and bid-rigging, and kickbacks," as Brautigam refers to it, is still, however, a genuine issue. Brautigam reports that China is showing mixed messages with regards to this, with weak laws on the subject and a poor domestic record on the issue. Despite, then, the positive corruption curbing effects of the general practice, there are still major issues with regards to corruption of Chinese funds that need to be addressed in sub-Saharan Africa.

Corruption, being thus related to human rights, is also the link between the human rights issue and the poverty issue as the first, and main, two points of criticism against Chinese involvement in Africa. In other words, is the Chinese money going into Africa beneficial or detrimental to

Africans? Among others, in Chapter 2, Jane Goodall's claims that Chinese involvement leaves Africans poorer was put forth.

Another critic of Chinese investments in Africa, was Zhou (2006) who argued that these paid off handsomely for China, pointing to how 30 percent of China's crude oil imports originate from Africa, and that this trade relationship is turning towards a balance heavily favouring China, which receives raw materials in exchange for manufactured goods. The scope of this, Zhou claimed, will have passed \$50 billion in the year of his article. He continues to state that this relationship will ensure that the African countries, as a result of it, will remain weak economies.

These criticisms, however, that Chinese investments propagate poverty in Africa, are directly at odds with the economic development theories for which Gärtner and Easterly argued in Chapter 2. Indeed, on the contrary, they argued that massive investments are the only methods by which poor countries can escape the poverty trap, and that traditional Western aid, while occasionally temporarily helpful to the local population, do not solve the problem of slow economic development, and an over-reliance on these methods is, in fact, what keeps African countries poor.

From the economic theories and the empirical data on which they rest, and that which has been put forth in this paper, it is clear that economically Chinese involvement in Africa is beneficial to the African countries. Despite Angola having experienced a setback in growth rates as a result of the global financial crisis, the growth rates it has experienced over the last decade have been nothing short of phenomenal. Both Angola and Zambia have experienced growth rates much higher than the world average, which combined with relative improvements in other metrics, such as Zambia's child mortality rate, show that both of these countries are heading in the right direction.

In addition to the economic development theories, it is also important to take into account Brautigam's description of China's perception of its relationship with other developing countries. She points to Beijing's "Five Principles of Peaceful Coexistence," ensuring equality, mutual benefit, stress on practical results, diversity in form, and common progress (Brautigam, 2009: 53).

Furthermore, Brautigam argues that the Chinese government helps Chinese enterprises to invest in Africa by providing lower-cost loans to companies, launching the China-Africa Development Fund to support investment, setting up overseas zones to reduce risks and uncertainty, etc. This is an important cornerstone in achieving the push out of the poverty trap, by ensuring growth, and

providing a demand for educated and skilled labourers, which in turn leads to a higher skilled labour force, which again is the key to economic progress in countries where the population otherwise would be too preoccupied with basic sustenance needs. In comparison, many U.S. and European manufacturers have “shied away from investing in African factories” and official support lacks in these countries (Brautigam, 2009: 92). Again, without these investments from Western countries, sustainable economic growth to escape the poverty trap cannot be achieved.

Furthermore, as China is criticized of labour-law violations and exploitation of the local labour force, it is interesting that the idea of Western investments of the same kind as China is carrying out are not considered, as these investments would increase the demand for workers and thus shift the power balance between workers and management, leading to an improvement in the labour situation for local workers while still remaining within the market. That is, it would improve the situation without relying on morals and ethic standards to hold sway over a drive for profit.

However, this does not mean that China should be uncritically lauded for its efforts in Africa. The third aspect of criticisms against its involvement, that of environmental concerns, is still an issue. Environmental degradation is a global problem, but it primarily has negative consequences for poor countries. Mentioned earlier was the significant impact this can have on a poor country's budget, and in the case of sub-Saharan Africa the geographic location also adds to this by an already vulnerable climate and the danger of desertification of previously arable land.

With China now standing as the world's largest emitter of CO₂, it holds an additional responsibility beyond its industrial and petroleum-related investments in African countries. As was noted above, the Chinese per capita emissions are still significantly lower than those of Western countries, but this does not change the fact that China is still the biggest emitter, and climate change depends on total emissions, not who emits what.

Brautigam (2009: 303) notes that “China has been on a steep learning curve on environmental issues and corporate social responsibility – part of President Hu Jintao’s pledge to build a ‘harmonious society.’” While still lagging behind on the concept of corporate social responsibility, China can be seen to be making steps to evolve its position also on these issues. As a growing middle class in the Eastern Chinese cities is experiencing first hand the problems with pollution, leading to national debates on the issue, providing incentives for environmentalism for a regime which needs legitimacy to continue its rule, Brautigam also reports that Chinese banks and

ministries have shown eagerness to get relevant training on social and environmental principles, showing that this new concept of corporate social responsibility is gaining traction also in Beijing.

Nevertheless, in sub-Saharan Africa the reality on the ground is still that foreign countries are importing their raw materials while returning with manufactured products. While the evidence posted above is a strong indicator that this increased foreign investment is the main cause for escaping the poverty trap, it is by no means certain. An unfortunate scenario for sub-Saharan Africa is that foreign investment in the region remains contained to raw materials, without the countries in question being able to diversify their economies before the resources run out, dooming them to a prolonged future in poverty.

However, it is this very fact that makes it imperative for other, mainly Western, countries to increase their investments in the region, not only to check the Chinese involvement, but also to provide competition for contracts and labour, and thus shifting the power balance back in favour of the host countries.

The results of the economic development theories, the evidence, and the situation in sub-Saharan Africa, are the ramifications this has on how to view development aid.

In the introduction it was mentioned how the concept of aid is often viewed. The proverbial man on the street would likely associate the term with providing mosquito nets, vaccines, emergency health care, food, etc. He might draw connotations to bags of rice stamped with U.S. Aid, or to a field clinic set up by Doctors Without Borders, or UNICEF digging wells for small villages, or the Bill & Melinda Gates Foundation vaccinating children and providing mosquito nets to poor areas where the housing quality is too low to keep the insects and the malaria out at night.

All these pursuits are noble in their aim, and for the time being they are necessary to provide an improved situation to those currently living in unacceptable conditions. On the micro level, this form of aid is often, quite literally, the difference between life and death, and in the case of small infrastructure projects the difference that gives small villages the opportunity to develop out of the most extreme poverty.

However, it should be the goal of development aid and programmes to make these endeavours superfluous. Truly, a better world is not one where in which millions are lifted out of extreme

poverty to mere poverty, but rather one in which there is no poverty at all.

It is for this reason that Chinese involvement in sub-Saharan African countries receives unjust amounts of criticism. Although saving a child from malaria is important, it is much more important to save that child's country from the poverty trap, so that in the future the citizens of that country are no longer in need of the most basic assistance.

This paper argues that development aid to sub-Saharan African countries needs to be fundamentally reconsidered and brought more in line with the Chinese approach on the subject.

Chapter 5: Summary, conclusions, and further research.

5.1 Summary.

This paper began with the question of whether or not Chinese involvement in sub-Saharan African countries is of benefit or detriment to the countries in question. The context in which this question was posed is was one where China has been receiving harsh criticisms for its involvement in these countries. In the second chapter these criticisms were examined, and it was shown that they revolve around three main issues; the human rights issue, the poverty issue, and the environmental issue. Furthermore, the second chapter also illuminated the Chinese perspective on political as well as economic development, in addition to examining current economic development theories, provided by Gärtner and Easterly. Finally, the chapter devoted much space to Erica Downs and Deborah Brautigam, two of the leading academic authorities on African development and Sino-African relations.

The method used in this paper to answer the thesis question has been largely qualitative. Data collected from various sources has been used to address and contextualize the criticisms, and have provided the basis for case studies of two sub-Saharan African countries; Angola and Zambia. The case studies showed that both countries have experienced rapid growth in both HDI and GDP over the last decade, well above the world average, during which they have also experienced large-scale Chinese investments.

The three criticisms were addressed in Chapter 4, where it was shown that they to a great extent unfairly portrays Chinese involvement in Africa in a negative light. Furthermore, in Chapter 4 it was argued that in light of economic development theory, Chinese involvement is beneficial to sub-Saharan African countries, as it provides the necessary financial boost to escape the poverty trap. However, it was also pointed out that the issues regarding Chinese involvement in Africa are not black and white. Especially regarding corruption and environmental concerns, China is lagging behind, despite also showing signs of improvement.

5.2 Conclusion.

The evidence brought forth in this paper shows that a great deal of the criticism China receives is largely unjustified. However, the issues cannot be viewed as binary code. Chinese involvement in Africa is not either wholly good or wholly bad. With regards to human rights, the case of Sudan and the Darfur atrocities is an example of this. China received a great deal of criticism over its involvement with the Khartoum regime and indeed there were aspects of this that were rightly criticized, such as Chinese arms sales to Sudan during the civil war, and Beijing's initial refusal to act against the al-Bashar regime during its massacres of civilians. However, it must also be noted that Beijing did evolve its position on Sudan, and by using its leverage, a leverage that other countries did not possess as they had already imposed sanctions, China received praise from the U.S. Special Envoy to Sudan for complementing the U.S. and other Western nations in pursuing a peaceful resolution to the conflict. And in the end, with the establishment of the new country of South Sudan, the situation is not yet perfect, and the humanitarian situation in the region is still precarious, but major hostilities have ended.

On poverty in developing countries, China was accused of being the modern-day equivalent to the colonialist powers of the 19th century, robbing the African continent of its raw materials to fuel its own growing industry and leaving nothing but poverty and despair in its wake. However, reality, with empirical evidence combined with the economic development theory, does not reflect these criticisms. China is mostly importing raw materials from Africa and exporting manufactured goods in return, so there is the danger of this being a hindrance to the necessary diversification of the economy for the sub-Saharan African countries to which it applies. In this sense, criticisms against Chinese involvement in Africa are partially valid.

Still, this paper has argued that a greater danger to the economies of sub-Saharan African countries is the lack of investments from Western countries to match those of China. The reason for this is two-fold. First, an increased Western industrial presence in sub-Saharan Africa would provide increased competition to Chinese firms, leading to improvements in labour issues and providing more power to the host countries. The petroleum industry is an example of a sector where this is already happening, but from the other direction. Downs pointed to Chinese national oil companies which, competing with established Western oil companies with higher capabilities and

competencies, were forced to offer more lucrative deals including non-petroleum related investments for sub-Saharan African countries eager to diversify their economies in order to win contracts for projects. Thus, increased competition in other sectors will also aid economic diversification and help shift the power balance in favour of the Africans.

Second, increased investments would aid sub-Saharan African countries in escaping poverty trap. The economic development theories show that massive investments are needed to push a country out of the poverty trap. This because increase demand would lead to higher education rates, higher economic growth, and more employment opportunities. Furthermore, as seen by the effect a mother's education has on child mortality rates in Zambia, this would also have an immediate humanitarian gain, with decreased child mortality, which in turn pushes down the fertility rates, which yet in turn addresses the precariously high dependency rates.

The case study of Angola showed that it is a country with indications of both positive and negative developments. For the former, Angola shows remarkable growth in GDP and HDI, by far outpacing the rate of the world average. For the latter, Angola is still struggling with a high child mortality rate and a low life-expectancy, and despite the impressive growth numbers, Angola's HDI ranking is close to the bottom.

In the case of Zambia, the case study showed similar traits to that of Angola. GDP and HDI growth were much higher than the world average, and unlike in Angola, the child mortality rates of Zambia were also rapidly heading in the right direction.

The case studies of these two countries are made particularly relevant in the context of the economic development theory combined with Chinese involvement and its relation to the thesis question. The rapid growth these countries are experiencing is a strong indicator that the Chinese investments are greatly aiding in their escape from the poverty trap.

The environmental issue is the issue where the criticisms against Chinese involvement in Africa have been most valid. The environmental degradation, both locally in host countries and globally as a result of its domestic industry, by Chinese companies is a serious issue that needs to be addressed. Climate change is a danger that is especially salient to sub-Saharan African countries due to both their geographic location and their economic positions. As Chinese policy on Sudan evolved in part from international criticism, there are indications that Beijing might increase its focus on taking

action on the environment. As its own population is feeling the negative effects of pollution, protection of the environment, both locally and globally, has been held up as one of the key issues in the 12th and current five year plan of the Chinese Communist Party. However, whether or not this will have practical consequences remains to be seen.

Thus the conclusion is that to a great extent, the criticisms against China on Chinese involvement in Africa are unfounded. However, there are still important aspects where the criticism is legitimate.

5.3 Ending the binary world view.

In the conclusion of her article, Erica Downs urged for an end to the “fuzzy thinking” on Sino-African energy relations. In a similar vein, it is now also the time to end a binary, black-and-white, world view where countries such as China either do everything right or everything wrong.

Chinese involvement in Africa is a complicated matter, despite the tendency to lump all African countries together, and to regard actors as either good or bad. Chinese companies bring with them both positive and negative consequences as they flock to Africa. It is clear that when it comes to operating on the international stage, Chinese companies, and by extension their major share holder the Chinese government, have much to learn.

However, on the other hand, with regards to actually solving the poverty issues in sub-Saharan African countries, the West also has much to learn from China. A certain amount of pragmatism is needed as the regimes of developing countries may not always behave in a desired manner, but writing off the countries through sanctions and refusals of business serves only to perpetuate the situation of poverty and economical unsustainability. If the goal truly is to get sub-Saharan African countries out of the poverty trap, ideological trappings must give way to functional pragmatism, and an end must come to the binary world view.

5.4 Further research.

As stated in the conclusion above, the rapid GDP and HDI growth rates of Angola and Zambia is a strong indicator that heavy foreign investment, in their case mainly from China, is an important factor in escaping the poverty trap. Establishing significant correlations or causal links between an increase in Chinese involvement in a country and an increase in GDP and HDI, would thus be an obvious starting point for further research.

A further line of enquiry which could yield interesting results would be to conduct field work in areas particularly affected by Chinese industry. In one of his criticisms of Chinese involvement in Africa, Blair brought up the Zambian opposition leader running on an anti-China platform who, while still losing the election, did well in the provinces in which the brunt of the Chinese presence was felt. Field work in these areas would enable the researcher to map the situation on the ground in areas heavily affected by Chinese investments, to accurately describe its impact on the communities.

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