

## **The Africa Perspective on the kinds of development partnerships China is forming in Africa**

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In 2006, Chinese President Hu Jintao and Premier Wen Jiabao visited ten African countries to promote China–Africa relations. In November of the same year, African heads of state met in Beijing at FOCAC to learn of a massive Chinese package of aid and assistance, including preferential loans, cancellation of debts, and numerous other initiatives. Western newspapers (and many African newspapers that take their lead from the West), politicians and academics became hysterical about the intentions of China in Africa. Phrases such as the ‘new scramble for Africa’, ‘voracious’, ‘ravenous’ or ‘insatiable’ ‘appetite for natural resources’ became typical descriptors used to characterize China’s engagement with Africa<sup>3</sup>. Yet when US Secretary of State Hilary Clinton went to earn her African air miles in Africa in August 2009, not one newspaper, magazine or academic paper described her adventure in those terms. Instead her visit was described in anodyne phrases about the supposed benefits of US’s benign influence in Africa, its supposed mission to bring ‘development’ and ‘security’ to the continent.

How does one account for the differences in the way that these two events were portrayed and interpreted? What is the evidence that China’s engagement is less or more benign than those of the US or of Europe? What kind of partnerships have Europe, US and China built up with Africa? And what are the opportunities and risks for China in developing its engagement with Africa?

Europe and the US have had a long and turbulent history with Africa – just as they have had with China. We share that common history. So I am sure I do not need to recount here the tragedies of that history, only to say that our respective histories cannot be simply forgotten or ignored: they influence where we are today. But it is the more recent history that I want to consider here, for it is the history of ‘development’ – a concept that has its origins only in the 1950s, and which has framed the entire discourse on development since then, and is the central tenet of this conference.

The anti-colonial uprisings that swept the continent in the post second-world-war period brought about independence in the 1960s and early 1970s. The governments that were thrown into power had, in most cases, a kind of social contract with their people, a commitment to reverse at least some of the inequities of colonial rule. The period saw the establishment of universal education, health care, investment in social infrastructures, roads, hospitals and so on. In the subsequent 20 years, there were some extraordinary achievements in terms of the benefits accrued to the majority of the population. The impacts of these interventions are undeniable and were to be reflected in the subsequent dramatic changes in

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<sup>3</sup> E Mawdsely (2008) ‘Fu Manchu versus Dr Livingstone in the Dark Continent? How British broadsheet newspapers represent China, Africa and the West’, Pambazuka News, <http://www.pambazuka.org/en/category/comment/45593>.

average life expectancy, in infant and child mortality rates, and in the improvements in nutritional status of the young. Huge improvements in all these parameters were to be observed throughout the continent by the end of the 1970s as a result of these social programmes. Aggregate figures for Sub-Saharan Africa show, for example, that life expectancy increased from 38 years in 1960 to 47 years in 1978, despite the fact that GNP per capita increased only modestly from US\$222 to US\$280<sup>4</sup>.

But these gains were to be shortlived. Not only having to contend with the debt crisis that emerged following the oil crisis in the 1970s, African governments were also faced with the ideological assault of the Reagan administration in the US and the Thatcher regime in the UK. Through their control over the international finance institutions, IMF and World Bank, a series of structural adjustment programmes were foisted on African countries, supposedly to improve efficiencies that would enable debt to be repaid. But in practice, the emerging dominant neoliberal agenda was based on the following premise: cut back on social investment and provide 'incentives' (i.e. subsidies from the public purse) for the private sector; a freeze on all capital expenditure and investment in infrastructure; remove subsidies to African farmers (despite the continued subsidies for farmers in Europe and North America) so that their products could not compete with agricultural products from the North; open the market for goods and capital from the North, making local production unable to compete; sell-off public goods to private enterprise – privatization of water, electricity, transport, communications etc – policies that ensured the control of the economy by outsiders to an extent that is unprecedented in the entire history of the continent. The result is well-known: the rich have got richer, the poor poorer. All the gains of independence have been reversed. Maternal mortality, infant mortality, child mortality, life expectancy at birth, all these parameters have become worse. Africa found itself poorer than ever. And its social and economic policies were no longer accountable to the citizenry, but instead to the international finance institutions and western governments through their 'donor' agencies.

Aid had become transformed from a process that brought benefits to the majority to a system that oiled the wheels of a machinery that took wealth out of developing countries. Third World repayments of \$340 billion each year flow northwards to service a \$2.2 trillion debt, more than five times the G8's development aid budget<sup>5</sup>. At more than \$10 billion/year since the early 1970s, collectively, the citizens of Nigeria, the Ivory Coast, the DRC, Angola and Zambia have been especially vulnerable to the overseas drain of their national wealth. As Brussels-based debt campaigner Eric Toussaint concludes, 'Since 1980, over 50 Marshall Plans worth over \$4.6 trillion have been sent by the peoples of the Periphery to their creditors in the Centre'<sup>6</sup>. Research by the Tax Justice Network estimates that a staggering \$11.5 trillion has been siphoned 'offshore' by wealthy individuals, held in tax havens where they are shielded from contributing to government revenues. "Around 30% of sub-Saharan Africa's GDP is moved offshore", writes John Christensen of TJN, "As several studies have

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<sup>4</sup> World Bank (1981) World Development Report 1980, Washington: World Bank.

<sup>5</sup> Demba Moussa Dembele (2005), Aid dependence and the MDGs, Pambazuka News <http://www.pambazuka.org/en/category/features/29376>

<sup>6</sup> Patrick Bond (2005): Dispossessing Africa's Wealth. Pambazuka News <http://www.pambazuka.org/en/category/features/30074>

suggested, this rate of capital flight means that Africa - a continent we are continually told is irrevocably indebted - may actually be a net creditor to the rest of the world.”<sup>7</sup>

This then was the context in which China’s recent engagement with Africa has emerged. Whereas Western governments have insisted on a vast array of conditionalities for aid, China appeared to offer assistance without conditionalities and a willingness to invest in infrastructure. This approach has created considerable fury as the dominant powers fear that their influence and control begins slipping away. This may, perhaps, explain the way in which China’s role is portrayed in relation to Africa.

China’s engagement with Africa does not take place in a vacuum, but rather in competition with already established economic (and military) powers that constrain, limit and to some extent determine how China can operate on the continent. But one of the primary difficulties that Chinese corporations and the Chinese government have in engaging with Africa is the fact that American and European multinationals already hold a dominant position in the principal economic spheres. As a late-comer, Chinese corporations have considerable difficulties being able to find significant holdings. Under such circumstances, the role of the Chinese state to provide incentives to African countries in the form of aid, debt relief, investments in infrastructure, training, and long-term low or interest free loans, plays a critical role in enabling China to be viewed favourably by African governments and the elites. The FOCAC proposals in Beijing testify to this.

A cold look at the scale of China’s engagement with Africa provides a rather different picture to those usually portrayed in the media. For example, the total flow of foreign direct investment (FDI) from Asia to Africa is estimated to have been an annual average of \$1.2 billion during 2002-2004<sup>8</sup>. Chinese FDI in Africa has in fact been small in comparison to investment from Singapore, India and Malaysia, which are the principal Asian sources of FDI in Africa according to UNDP<sup>9</sup> with investment stocks of \$3.5 billion, \$1.9 billion each by 2004, respectively. China’s FDI has increased substantially since then, and it is likely that China may be approaching primacy in its level of FDI amongst the so-called ‘Asian Tigers’. But the same report goes on to say, however, that Asian investments in Africa are dwarfed by those of the United Kingdom (with a total FDI stock of \$30 billion in 2003), the United States (\$19 billion in 2003), France (\$11.5 billion in 2003) and Germany (\$5.5 billion in 2003). The scale of its investments of the Asian tigers in Africa is miniscule in comparison to the more traditional western powers.

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<sup>7</sup> John Christensen (2006). Tax Justice for Africa: A new development struggle. <http://www.pambazuka.org/en/category/comment/31903>

<sup>8</sup> UNCTAD (2006) World Investment Report 2006: FDI from Developing and Transition Economies: Implications for development. New York and Geneva: United Nations, sales no. E.06.II.D.11.

<sup>9</sup> UNDP (2007) Asian Foreign Investment In Africa: Towards a New Era of Cooperation among Developing Countries. New York/Geneva: United Nations Publications, UNCTAD/ITE/ IIA/2007/1. UNDP (2007).

Africa's share of total outward flow of Chinese FDI is marginal - only 5.9 per cent goes to Africa, while Asia receives 62 per cent, Latin America 18 per cent (according to 2007 figures from MOFCOM). It should be borne in mind that China is a net recipient of FDI, and receives a flow of FDI also from Africa: SAB Miller breweries and SASOL from South Africa, Chandaria Holdings in Kenya, amongst many others. While in Angola China's stake in the oil has grown, the US remains the principal player.

Africa is certainly important trade partner for China, the volume increasing from \$11 billion in 2000 to some \$40 billion in 2005, and continues to increase bringing it currently into second place after the US, with France being behind in third place. China has focused primarily on the import of a limited number of products - oil and 'hard commodities' for a few selected African countries. China's trade with Africa represents only a small proportion of Africa's trade with the rest of the world, and is comparable to India's trade with Africa, although both have been growing rapidly. China imports from Africa five main commodities - oil, iron ore, cotton, diamonds and logs. The export of these commodities, and in particular oil, has grown significantly in the last ten years. A few African countries (Sudan, Ghana, Tanzania, Nigeria, Ethiopia, Uganda and Kenya) source a significant share of their imports of manufactured products, mainly clothing and textiles, from China<sup>10</sup>. China has been vigorously castigated for its support of repressive regimes. In almost all cases, China's involvement has been in support of its need for strategic natural resources, especially oil. And it is perhaps here that one finds the reason for the fears expressed in the west about China's role in Africa. USA is the world's largest consumer of oil products, with 25% of its requirements destined to come from Africa. While China sources some 40% of its oil from the Middle East, it currently sources 23% from Africa.

Much attention has been drawn to the negative impact of the cheap Chinese commodities on African economies. Certainly this has contributed to the decline of industrial production and the growing retrenchment of workers. But China has essentially taken advantage of the 'opening-up' of Africa's market that has resulted from the adoption of neoliberal economic policies that the international financial institutions, backed by the majority of the international aid agencies, have forced Africa's governments to comply with. But it is important to recognize that some 58% of exports from China are manufactured by foreign owned companies. The retrenchments and closures of local industries occurring as a result of cheap goods imported from China need to be placed at the door of the multinationals concerned as much as on the Chinese government and Chinese companies.

Just like other western powers, China has used aid strategically to support its commercial and investment interventions in Africa. Aid has taken the form of financial investments in key infrastructural development projects, training programmes, debt relief, technical assistance and a programme of tariff exemptions for selected products from Africa, not dissimilar to the agreements that Africa has had with Europe, US and other western economies. China's aid is attractive to African governments not only because of the favourable terms offered, but in particular because of the lack of conditionality that is offered that has so constrained, and many would argue, undermined develop that would have the potential for bringing about social progress. The most serious worry for the US was expressed by the spokespersons of the IMF and World Bank who complained that China's unrestricted lending had 'undermined years of painstaking efforts to arrange conditional debt relief'. There is clearly concern that

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<sup>10</sup> R. Kaplinsky, D. McCormick and M. Morris (2007) The Impact of China on Sub-Saharan Africa, IDS Working Paper, no. 291.

China can now offer favourable loans to Africa and weaken imperial leverage over African economies, writes Horace Campbell<sup>11</sup>. “The US and World Bank claim to be fighting poverty in Africa,” he continues, “but after two decades of structural adjustment the conditions of the African poor have worsened, with indices of exploitation and deprivation increasing by geometric proportions. According to one estimate, at the present pace of investment in Africa from the West, it will require more than one hundred years to realise the Millennium Development Goals. Chinese investment potentially provides an alternative for African leaders and entrepreneurs, while providing long term potential for the development of African economies.”

China, and indeed also India, challenges the status quo and forces the Northern actors to consider different strategies in their broader development partnerships with Africa. The most notable is the Paris Declaration on Aid Effectiveness, which in recent years has become a vehicle to try and strategically make these emerging actors members of a Club that conforms to a Western consensus on African development partnerships. But the relevant questions are: should this be the case, for what purpose and in whose interests?

### **So why all the fuss?**

So why all the fuss over the China’s footprint in Africa? Perhaps because the rise of China has created a new set of impulses in the international system and challenges the status quo. Not only is the Middle Kingdom making notable waves in the way that international finance, trade and investments is being shaped but also in the way that the rules which govern the global governance regime are being influenced.

As much as the G8 and the DAC members are stumbling to find practical ways to ensure that aid is being effectively used to promote sustainable development across the continent, subtle changes are beginning to show with the increasing and deepening footprint of China across the continent. The use of soft power coupled with generous financial packages, and notwithstanding the rhetoric of South-South co-operation has found traction amongst African leaders. But what really makes China attractive as a development partner for many African governments is the perception (valid or not) that Beijing understand Africa’s development needs and are not preoccupied with setting high governance benchmarks that could undermine the delivery of aid, prolong the implementation of projects and emasculate development.

Welcomed by African governments as an alternate source of development finance and for their less cumbersome procedures, China’s development cooperation is based on a model of concessional loans and aid for resource security and infrastructure reconstruction.

Seemingly then China as Africa’s ‘new donor’ has certainly sparked a debate amongst Western and African commentators. Much of the debate focuses around whether China disburses its aid differently and what implications this has for existing Western donors in Africa. This is obviously motivated by the fact that China is a non DAC donor and somehow represents a challenge to the status quo. Indeed China has become significant a development

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<sup>11</sup> H. Campbell (2007): China in Africa: challenging US hegemony. In F Manji and Stephen Marks (eds) African Perspectives on China in Africa. Oxford/Nairobi: Fahamu, pp. 119-137.

partner to most African countries, but its development assistance still remains a negligible portion to that of the DAC and multilateral donors who remain Africa's main development partners. In fact Western donors still remain substantial development partners globally.

*So why are we having this debate?* Obviously because the Western development donors are feeling the a slippage in their geo-strategic influence in Africa.

*So what makes China an attractive development partner?* The answer is that China seems is seen as doing something tangible in Africa. Let's consider the way Chinese deliver its development assistance to Africa.

China's aid strategies involves a mix of both monetary and non-monetary forms of assistance. According to McCormick:

Monetary aid includes grants and concessionary loans. Non-monetary aid includes debt relief, 'free' or low-cost technical assistance, access to scholarships or training programmes, tariff exemptions and outright gifts of buildings, equipment, or other capital goods (2008: 79).<sup>12</sup>

Clearly, then, this mode of delivery broadly correlates with the DAC ODA definition, particularly where the promotion of economic development and welfare are the main objectives at concessional financial terms. To this end China concurs that its development assistance to the developing world is precisely aimed at creating conducive conditions for economic self sustainability and social development. In Africa this seems to be the official rhetoric for disbursing development assistance. But it is really about seeing delivery on the ground, and the lack of institutional delays and protracted negotiations that makes China attractive as a development partner.

But we must also consider that China is not a new development partner in Africa. At a time when the West chose to ignore Zambia and Tanzania's request for a transport corridor to lessen its dependence on the minority regimes of South Africa and Southern Rhodesia (now Zimbabwe) in order to become economically self sufficient, it was Beijing that can became an alternate source of finance for the construction of the TAZARA Railway. Such historical linkages and support are not forgotten and remains the cornerstone of China's increased development footprint in Africa.

Therefore, the provision of aid by China appears to align more closely to its rising global status, endowed by their historical experiences and underscored by the act of benevolence. This is captured by the emerging logic of China's involvement in the Non-aligned Movement (NAM) and the idea that as Beijing became prosperous they will be able to give back to the poorer countries by assisting them to develop. This thinking definitely finds comfort in Africa.

Nevertheless trying to pigeon hole or compartmentalize the aid policies of China into neatly defined box proves difficult, particularly as China's donor activities in Africa is often inextricably viewed together with its commercial interests and investment projects. Therefore, to develop some synergy with regard to how China interprets its development

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<sup>12</sup> Dorothy McCormick (2008) 'China & India as Africa's new donors: The impact of aid on development' in *Review of African Political Economy*. vol. 35, no. 1, pp. 73-92.

assistance and to make the distinctions less complex, especially in relation to the DAC ODA definition, McCormick's paradigm of monetary and non-monetary forms of aid is probably better suited in assessing China development assistance activities across Africa.

In this respect China's aid policy forms a mix of market measures and social spending. The rationale behind this approach is drawn from the fact that China is still a developing country and faces similar challenges and experiences to other developing countries. This is evident in the way China's development model is perceived by recipient countries as an opportunity to learn valuable lessons in addressing poverty and realizing national development plans. The latter is further augmented by China's non-invasive approach that creates the impression that all recipient countries are of strategic importance to Beijing. To this end China's aid policy can be characterized as follows:

- Underpinning a Historical Alignment
- Fostering market traction
- Strengthening the 'One China' Policy
- Creating Equality amongst All
- Engendering ownership and self-reliance

The market led approach is informed by the role that the China Export-Import (EXIM) Bank plays in providing concessional finance for projects to be undertaken in recipient countries. The nature of such loans is based on requests from recipient countries in discussion with the Chinese government. These are normally aligned to what the recipient countries identify as national priorities for development.

The EXIM Bank is becoming a significant actor in this regard across Africa. Its financial support can be seen in turnkey public infrastructure projects including roads, bridges, stadiums and buildings. According to Jian-Ye Wang "by the end of 2005 China EXIM Bank had approved more than 50 billion yuan (US\$6.5 billion) for projects in Africa, which accounted for close to 10 percent of the Bank's total approvals at the time" (2007:12)<sup>13</sup>. By mid 2006 it was estimated that the EXIM Bank had approved approximately US\$12.5 billion in loans for infrastructure projects in Sub-Saharan Africa while by the beginning of September 2006 there were about 259 EXIM Bank projects in 36 African countries (Ellis 2007)<sup>14</sup>. Ellis also estimates that 79 percent of the Bank's commitments were in Africa's infrastructure sector (2007). However, the EXIM Bank is not the only lender in the African market.

The Bank of China has been active in Africa since the construction of the Tazara Railway in the late 1960s and Chinese authorities recently decided to expand the focus of the China Development Bank (CDB). Previously mandated to focus on China's domestic market, the CDB has been authorized to administer the China-Africa Development Fund and potential

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<sup>13</sup> Jian-Ye Wang (2007) 'What drives China's growing role in Africa?', IMF Working Paper WP/07/211, August.

<sup>14</sup> Ellis, J.L. (2007) 'China EXIM Bank in Africa', China Environment Forum, Washington: Woodrow Wilson Centre for Scholars.

exists for the Industrial and Commercial Bank of China (ICBC) to engage in development financing following its recent entry onto the continent with a US\$5.46 billion stake in South Africa's Standard Bank.

### **China as a driver of development assistance in Africa**

Certainly China is not new to responding to Africa's development needs. The fact that Premier Zhou Enlai unveiled the eight principles governing China's Aid flows is reflective that China is committed to a sustainable development partnership in spite of the alarm that Beijing does not respect conditionalities for good governance, human rights and democratisation.

Yet China seems to be, in certain quarters, a preferred partner of choice and this seems to be moving steadily following the 2000 FOCAC Summit. But it is the 2006 Summit on Forum on China-Africa Co-operation (FOCAC) in Beijing that been an impetus to this development partnership aligned to the long historical record of disbursing assistance to African countries. Whereas previously much of the historical development assistance was ad hoc and in response to China's increasing engagements with newly independent African states and support for liberation movements following colonial rule and the Cold War polemic with Beijing using such political kudos to reward African countries for recognizing the 'One China' policy and to offset Soviet influence in the continent.

Nevertheless China has engaged in a variety of projects across the continent that saw Chinese medical teams, teachers, technicians, rice and agricultural projects and other technical assistance being disbursed to African countries. It can be surmised that historically the development assistance programmes of China was ideologically aligned to Mao's third world solidarity and independence and the 'theory of the intermediate zone'

Notwithstanding this link to the past, China's current development assistance to Africa has taken on a new dimension that is concomitant with their spectacular economic growth and domestic demands.

Driven by the twin objectives of resource security and domestic development, Beijing has injected a more pragmatic outreach in its development assistance packages to Africa. This is found in the way that the Chinese authorities have refocused their engagement with Africa based on economic co-operation for mutual benefits. It has also signalled that economic imperatives have a greater identity in Beijing's role as a donor in Africa. Without compromising their historical linkages and in keeping with the mantra of self sufficiency, China has come to the view that African development faces enormous challenges which they can assist in addressing. And this is evident in the way that they structure their development assistance packages under the FOCAC process in the case of China. FOCAC has been developed to embed and institutionalize China's roles as a development to Africa. Contrast this with the Western donors talkshop at the G8 or at the Monterrey consensus or towards other development initiatives.

Infusing both monetary and non-monetary forms of development assistance, this realignment in their respective aid packages provides a mix of concessional finance together with technical assistance, debt relief, training programmes, tariff reductions, gifts, and interest free loans. This was captured in the 2006 FOCAC commitments (See Box 2).

This new trajectory has led to an increase in economic activity by Chinese companies across the continent, and this is something that a Chinese official is not shy to be explicit about. Consider the following admissions:

*Through aid projects, China has received more business opportunities in African countries.....The aid projects provided by the Chinese have provided Chinese companies opportunities to become involved in contractual construction and trade projects (Lu Bo, Ministry of Commerce official)*

Chinese and Indian trade with the continent has increased substantially in the last several years, Bilateral trade between China and Africa has grown from US\$6.5 billion in 1999 to US\$106.8 billion at the end of 2008. China's development assistance is clearly taking on a more commercial focus, which is increasingly being directed by loans, concessional finance and export credits and less by grant assistance. This has already been noted through the number of lines of credit that have been extended to the continent.

China's development assistance is harder to quantify because of the paucity in numbers, which is made more difficult since the Chinese government rarely releases figures. Nevertheless, Broadman notes that as of 2005, the Chinese EXIM Bank had provided concessional loans to the value of US\$800 million in projects to Africa (2007: 274). Brautigam goes further to highlight that "in 2007, China Eximbank announced that it had authorized RMB 92.5 billion (US\$12.3 billion) in export credits and other loans to Africa between 1995 and 2006, for more than 259 projects (not all of this has been disbursed)' and '... plan to increase this sharply, lending an average of just over US\$6 billion a year over the next three years" (2008: 21).

### **What does this mean for Africa?**

It is difficult to gauge what this means for Africa because on the one hand it is seen as opportunity while on the other it is interpreted as a threat. Suffice to say that this is by no means a conclusive analysis and merely alludes to salient issues in the existing literature, especially in respect of China. While other analyses have largely focused on disaggregating China aid model, what preoccupies these authors is how China is shaping Africa's contemporary aid architecture. The answer(s) to this question and corresponding issues are found in two competing arguments.

The first argument is more conventional and aligns closely to the view that China development assistance is part of the broader 21<sup>st</sup> Century Scramble for Africa's resources. It would be remiss to ignore that resource diplomacy, indeed, underpins their development assistance. And like previous 'scramblers', China has come to ply its leverage based on the strategy of weaving and tying its development assistance to large scale infrastructural projects that are linked to rehabilitation of roads and railways, the construction of new transport corridors and hydropower belts, all of which are connected to ports. Most commentators would point to the 2004 Angolan oil backed loan as a case in point or more recently the US\$9 billion infrastructure for mineral loan to the Democratic Republic of Congo (DRC).

A new World Bank study assessing China's infrastructure investments in Africa estimates that Beijing's funding for roads, railways and power projects peaked at US\$7 billion in 2006 from just US\$1 billion in 2001-03 per year and US\$1.5 billion per year in 2004-05 but then

fell to US\$4.5 billion for 2007 (Foster, Butterfield, Chen & Pushak 2008: vii)<sup>15</sup>. The bulk of the funding has been in the power (mainly hydropower) and transport (mainly roads) sectors. The report also highlighted that 'China was not the only emerging economy financing infrastructure projects in Africa. India's Ex-Im Bank and Arab development funds are doing the same although China is by far the largest' investor (Engineering News 2008)<sup>16</sup>.

China's investment in Africa's infrastructure has been opportune, especially at a time when traditional donors have refocused their aid programmes towards soft issues like funding HIV/AIDS Prevention programmes and supporting projects that find resonance with the Millennium Development Goals (MDGs). With Africa requiring about US\$17-22 billion over the next ten years to finance its infrastructure needs, China is definitely filling a void, which leads to the second argument.

Whereas some officials in the Western donor circle see this as an important source of new funds in assisting Africa's development framework and as an alternative to the OECD consensus (Beck 2007), the prevailing view is that China, undermines important governance and democratic reform initiatives by providing 'no strings' attached development assistance. That said, the issue of conditionality remains the subject of controversy in Africa's aid landscape.

The fact that development assistance is seen as part of South-South cooperation enables China to eschew 'conditionalities that could be interpreted as interference in the recipient's internal affairs' (McCormick, 2008: 85). Yet such an approach masks more of the political and economic gains to be made, which mirrors the tied aid that both undeniably enjoin in China's development assistance packages to African recipients. The fact that the lines of credit gives preferential treatment to Chinese companies in the tendering process for projects in recipient countries and that export credits are generally tied to the purchase of Chinese equipment, demonstrates that more subtle forms of conditionalities inform their aid disbursements. In the case of China, adherence to the 'One China' policy is non-negotiable as a policy requirement to receiving development assistance. And here China should not be allowed to commit the same mistakes of Africa's traditional donors.

For Africa this can have several implications. At a cursory level, China development assistance could be interpreted as embedding Africa's existing aid conundrum: aid for development or aid for trade. Clearly with China favouring a more market centred approach to their development assistance, this has created new trade and investment opportunities for their corporates and capital goods to penetrate African economies. While Beijing would argue that such development is critical to Africa's needs, it is equally important to recognize that Africa remains at the margins of the global economy as primary exporters of raw materials and resources. The question that remains is whether China's development assistance provides the necessary capital for African governments to transform their economies into secondary and tertiary spheres of production.

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<sup>15</sup> Foster, V, Butterfield, W, Chen, C & Pushak, N (2008) 'Building Bridges: China's Growing Role as Infrastructure Financier for Sub-Saharan Africa', Trends and Policy Option No. 5, Washington: World Bank & PPIAF.

<sup>16</sup> Engineering Export Promotion Council, <http://www.eepcindia.org/exim-bank.asp>, accessed 10 July 2008.

Obviously the technical training assistance, scholarship programmes, R&D centres, social welfare projects like schools and hospitals, as well as the provision of healthcare captured under the FOCAC commitments bodes well for upping the ante on Africa's development needs. This is particularly relevant as the G8 commitment of doubling aid to US\$25 billion seems to be failing and the Make Poverty History campaign appears to have reached a fork in the road. But the significant question to be considered is what will happen when the resources are depleted? To this end the onus rests with African governments to ensure that China and India's development assistance is not a repeat performance of its engagement with traditional Western donors.

Already the Chinese are claiming that their development assistance is about promoting self sufficiency and creating the necessary conditions conducive for achieving sustainable development and industrialization. Consider the US\$5 billion China-Africa Development Fund (CADF) is such an example.

Launched by the Chinese government and administered by the China Development Bank, the Fund provides lines of credit to Chinese companies to further their 'go global' strategy. The 3-5 Special Economic Zones (SEZ) that were announced at the 2006 FOCAC Summit provided a platform for Chinese companies to take advantage of the Fund and invest in Africa. While the CADF is primarily aimed at supporting Chinese public and private firms to invest in Africa, African governments attending the 2006 FOCAC Summit did little to encourage more joint ventures with nascent African firms to encourage their development and global profile.

Second is the vexing issue of debt sustainability and vulnerability through new concessional loans and lines of credit from China. While this is not seen, at least by African political and economic elites, as a new model of risk, Africa's traditional development partners and civil society have cautioned against this type of partnership. It should be stressed that in as much as both China has also remitted African debt based on a model similar to that of OECD countries targeting low income and least developed countries, this must be viewed in relation to the new loans and concessional finance that is being given to African countries. The critical consideration is whether such debt cancellation is being offset by the new loans and concessional finance being given to African governments, and if so what happens when the resources are depleted and there are no other forms of guarantees to underwrite the low interest rates that accompany such finance packages? The Jubilee Campaign in Zambia is concerned about the nature of such loans the Zambian government is incurring in respect of its copper deposits. For Western donors the red flag is more about China 'free-riding' on the debt relief granted through bilateral (Paris Club) and multilateral initiatives (namely the Multilateral Debt Relief and HIPC initiatives).

Third, as much as China has increased market access for African products, these must be judged in terms of their value added content. At present there is little information outlining what type of products would be exported to the Chinese markets, how they might be affected by complicated domestic tariff regimes (and other competitors) and whether such products could be a catalyst for Africa's productive sectors. Moreover with more opportunities opening up in African markets for Chinese entrepreneurs, this could indeed lead to a situation where it is these investors that would enjoy the benefits of such market access, thereby squeezing out the locals.

Finally, the governance issue is significant. While China purport to respect the integrity of sovereign states, this remains a contentious issue especially when it means that regimes with

little respect for human dignity and the rights of its citizens are supported. It should be pointed out that self sufficiency can only be achieved through a social contract between governments and their people. The lack or absence of such a policy focus jettisons any prospects for development that is people-centred. Therefore, if China's technical assistance and training programmes are to have a meaningful impact in creating economic self sustainability, then the professionals that attend such programmes must be able to harness their skills for the benefit of African societies and not become elites who perpetuate the cycle of using the state for personal accumulation the state in Africa. This is the responsibility of both recipient governments and development partners.

### **Conclusion: Towards an Effective Aid Partnership?**

We have shown in this paper that the nuances surrounding China development assistance does not necessarily exhibit a new form of behaviour. What it does represent, however, is that new actors have entered Africa's aid architecture, whose behaviour mimics that of traditional donors in applying similar methods of privileging their corporates when it comes to projects, tying export credits to the use of services and goods from donor countries and bringing in large teams of consultants to advise on programmes. Thus the status quo has not changed.

Instead what China's footprint as a development partner has done is increase the leverage of African governments vis-à-vis their traditional donors. No longer are African governments compelled to be junior partners in the relationship. But at the same time it has not led to the realisation by African governments that they do not have to be muted partners with China. This is where African leaders need to find the right mix in their response to all of their development partners. There is no room for double standards and differentiating modes of diplomacy towards existing and emerging donors. All development partners must be held accountable to the same standards and rules.

As much as China maybe seen as alternate development partners for African governments and providing a much needed boost to their infrastructural needs, Africa needs to see its role in this relationship as less of a recipient and more of a strategic partner that has something that China wants. As long as economic imperatives underwrite Beijing's aid policy to Africa, Africa cannot sit back and expect the aid to flow for the next twenty years. While China's demand for raw materials has pushed Africa into the global super commodity price cycle, this is short-term and not sustainable. As before Africa runs the risk of falling into a similar web of relying on export markets for revenue which can at any time lead to a fall in the price of raw materials and an increase in the price of imported goods, which will undoubtedly compromise social spending on poverty and pro-poor programmes. And the current global financial crisis illustrates this.

Therefore Africa needs to take ownership and management of the aid flows it receives. The starting point should be at a country level with the Joint Assistant Strategy group. At present China is not formal member of this group as they are not part of the DAC consensus. But as Western donors seek more alignment with China, India and other emerging powers towards aid harmonization, African governments, regional blocs and continental institutions like the African Union and NEPAD need to utilize these strategic spaces so that they do not propagate the aid trap and instead focus on promoting continental development projects.

The challenge that African governments have to face is to take control of the agenda of development and set the terms of the discussion. Many have been all too easily seduced by the rhetoric of the Paris Declaration, failing often to see that this may be the same wolf in

new sheep's clothing. With China and India becoming ever more influential in the current economic crisis, China too should be reflecting on whether there is any advantage to comply with the traditional western powers.

While China may have set in motion a new competition with existing donors scurrying to retain their traditional spheres of influence and upping their own aid packages to Africa, continental regimes cannot become complacent into thinking that Beijing will not continue to behave like sovereign states with national interests. Thus if Africa and China want to demonstrate that they have an effective development assistance relationship, Africa needs to develop its own set of aid conditions promoting a strategic Southern partnership. To do this Africa must recognise that its leverage can also be used against China,

- first by being more open about China's development assistance transactions by making such information more freely available..
- Second, by holding China accountable to Premier Zhou Enlai's 8 principles that still underline Beijing's outward development assistance.
- And, third, through enabling civil society networks to act as shadow peer review agents so that a broader monitoring policy environment can be developed.

With this said, African governments and civil society actors need to recognise that despite a perceived focus on South-South cooperation between Africa and China, the African continent's interests may not always be represented by China within multilateral institutions although they may argue that such agencies can only be reformed from within. This is because the South is a diffuse bloc of competing interests. This will mean little if Africa and its civil society groups do not take the lead in promoting Africa's own interests. Perhaps the first step towards this is to distinguish that China is becoming a competitive power not only with traditional development but other actors from the south in Africa and that each will want to project their own interests in different ways. Such considerations are important as 'The All Weather Friend' reconciles its global profile with an increasing need to become a responsible international stakeholder.