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Conference Paper 1 and Responses

New Actors in International Development:

The Case of China in Africa

This paper is part of a collection of papers written for a conference on May 13, 2013 on the relationship among the United States, China and Africa. These draft conference papers are the basis for further research. The rest of the papers can be found here.

New Actors in International Development: The Case of China in Africa

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As one of the emerging powers in the world experiencing rapid economic growth and taking an increasing interest in Africa, China's aid in Africa has become an international focus in recent years and has generated great impact on Africa's development.

Africa has been high on China's diplomatic agenda in the recent decade. Along with the first China-Africa Summit of the Forum for China-Africa Cooperation (FOCAC) in October 2000—which brought more than 40 African heads of state to Beijing and the release of the first White Paper on China's Africa Policy in January 2006—the high profile activities of China in Africa have included a number of high-level official visits to Africa by President Xi Jinping, his predecessor Hu Jintao, former Premier Wen Jiabao, other cabinet members and the members of the Political Bureau. Trade between China and Africa has soared in the last decade, reaching the record high of over $200 billion in 2011 from a mere $10.5 billion in 2000, leading China to surpass the United States and become the biggest trading partner of Africa since 2009. In terms of aid, China's development assistance has played a significant role in strengthening Sino-African ties as a whole.

China's Aid in Africa: History and Features

Even though recent Chinese aid in Africa has drawn great concern from the world, particularly from the traditional donors, China's aid to Africa itself, however, is not a recent story at all. Starting in 1956, China's engagement in African development in general can be divided into two periods with "the reform and opening-up" policy of the late 1970s as a line of demarcation. The driving force of China's aid policy has also been transformed from politics to economics, from proletarian internationalism to mutual development (He, 2010; Ai, 1999; Hyden and Mukundala, 1999). From 1956 to the late 1970s, driven by idealism and strengthening political and diplomatic ties with African countries, China issued eight principles governing China's aid to foreign countries which emphasised internationalism, altruism and huge aid projects. Chinese aid to infrastructure projects such as the TaZaRa (Tanzania-Zambia Railway), actually went beyond China's financial capability to some extent. From the late 1970s up to now, driven by pragmatism and seeking mutual economic cooperation and common development, the content and the means of China's aid to Africa has become more complex and diversified.

Regarding itself as a developing country as well as a country that has suffered from colonialism and imperialism similar to African countries, China does not call itself a "donor." Rather, China regards its aid to other developing countries, including Africa, as a kind of mutual assistance among friends that falls into the category of South-South cooperation. In fact, there are a number of major characteristics of Chinese development cooperation with Africa that differ from Western approaches, as Chinese aid is considered to be provided with "no strings attached"; there is an emphasis on bilateral aid projects rather than on multilateral initiatives; and there is a preference for "hardware projects" such as physical infrastructure construction over "software projects" like research and capacity building, etc.

Unlike the Organization for Economic Cooperation and Development's Development Assistance Committee (OECD DAC) countries, there is no clear definition about "aid" in China's economic relations with Africa.[①] Contracting projects, technical cooperation, debt write-off, human resources training, the dispatch of medical teams and youth volunteers, emergency humanitarian aid and multilateral aid are all considered part of the Chinese aid package. Due to this indistinct concept definition in addition to the lack of an independent aid agency, the difficulty of collecting statistics, China's below Western-level domestic development and perhaps its unwillingness to disclose the figure due to the still relatively quite low amount of aid, etc., there is no aggregate annual figure on aid to Africa released by the Chinese government. Since the exact level of Chinese expenditure on foreign aid is hard to calculate, the estimates of the size of the Chinese aid annual budget vary considerably from about $1 billion to $2 billion and even as high as $25 billion.

On April 21, 2011, the Information Office of the Chinese State Council, for the very first time, issued the White Paper on "China's Foreign Aid." According to the White Paper, China's financial resources for foreign aid have increased rapidly, averaging 29.4 percent annual growth from 2004 to 2009. By the end of 2009, China had provided a total of 256.29 billion yuan (approximately $41.5 billion) in aid to foreign countries (Africa's share accounted for 45.7 percent of this total).

China's Aid in Africa: Role and Impact

On one hand, in general, China's aid to Africa has generated effective results and contributed greatly to Africa's economic recovery. China's demand for raw materials is partly responsible for Africa's annual growth rates of 5-6 percent in the last decade. Since 1956, China has helped African countries establish nearly 900 projects including: textile factories, hydropower stations, stadiums, hospitals and schools. In terms of projects completed and handed-over, Ethiopia, Sudan, Tanzania, Zambia, Mali, Egypt and Algeria have been among the top recipient countries on the continent. This sample of countries shows that Chinese development assistance has been directed to an assortment of African countries, from big to small, from resource-rich to resource-poor and from relatively higher-income to lower-income countries. After the establishment of FOCAC in 2000, Chinese development assistance and investment in Africa has improved and been strengthened rapidly. Furthermore, since China focuses its aid on projects and manages it in a bilateral way, it can act quickly and with less or shorter procedures.

China and other new donors' involvement in Africa has generated more international attention to Africa and has offered Africa an alternative in its choice of development partners as well as

[①] There are three criteria of the DAC definition of aid: 1) undertaken by the official sector; 2) the main objective is to promote recipient countries' economic and welfare development; 3) has a grant element of at least 25 percent. According to this definition, some Chinese contracting projects which have been financed by the Export Import Bank of China (those which have a grant element below 25 percent) should not be included in this classification.

pushing for an "African Renaissance". According to research carried out through the Rockefeller Foundation-funded "Asian Drivers" program, which draws on field studies in 28 African countries, new donors' engagement with African nations are boosting Africa's exports and economic growth, especially in net oil-exporting countries. At the same time, these new donors are providing economic opportunities for countries neglected by traditional investors and financers. With new donors' finance, African countries are addressing infrastructure deficits (the current funding gap for infrastructure in Africa totals at least $35 billion a year). They are also lowering the costs of doing business and facilitating trade. In addition, cheaper goods and services from Chinese firms have yielded welfare gains for African consumers (ACET, 2009).

More importantly, the economic success stories of many new donors, particularly China, has provided African governments with another model of how to develop their own economy—ideally based on their own priorities. Thirty years ago, Malawi, Burundi and Burkina Faso were economically ahead of China on a per capita basis. Now, China has become the second largest economy in the world, and 400 million people have been lifted out of poverty. This success has attracted attention from other developing countries, especially Africa. Hopes are high for drawing lessons from China's experiences to speed up their own development.

In addition to "looking East" that is trying to draw on the development experiences from Eastern countries such as China, India and Singapore, in response to the new donors' engagement in Africa, there is an increasingly heated debate among African decision-makers and within African societies about how to make use of a historic opportunity to set an "African Agenda" and build an "African Consensus". There is now a common awareness that African governments need to better identify their individual and collective needs and then engage with the new donors to ensure that projects are mutually beneficial.

On the other hand, the diversity in Africa has meant that the observed impacts of the new donors' engagement in Africa bring both joy and worry, since external actors' engagement has both positive and negative effects. The increasing external hunger for African oil and minerals presents short-term opportunities, while serious long-term risks related to weak governance standards—which may lead to failures to make use of this windfall and invest in other non-traditional sectors—loom. For example, there could be a growing trade dependency of African states on China and India.

With regard to the economic dimension, some African scholars maintain that China's economic development presents both tempting opportunities and terrible threats to Africa. Except for the leading oil and minerals producers, African countries face considerable trade imbalances with China. In addition, the trade structure is still characterized by China exporting machinery, electronic products, textile and light industry products to Africa and importing oil, timber, mineral products and other raw materials from Africa. In some countries and at certain stage, China's absolute advantage in labor costs and resources has put the local African textile and light industries under immense pressure. In South Africa, for instance, a pair of trousers made in China only costs $1, which includes long-distance transportation charge and customs, while the same product produced locally costs ten times as much.

China's Aid in Africa: Challenges and Developing Trends

Although many achievements have been made, there are also huge challenges ahead for the sustainable development of China's aid in Africa. For example, unlike OECD DAC countries, China does not have an equivalent independent aid agency in charge of development assistance. Sometimes there are conflicts among Chinese ministries or departments that have responsibilities for aid. Both the Ministry of Commerce (MOC, the major administrative department authorized by the State Council to oversee foreign aid) and its extended organ—the Economic Counselor's Office in the Chinese Embassy abroad—are facing a shortage of personal experiences and professional knowledge in dealing with huge foreign aid programs. Furthermore, the mechanism of supervision and evaluation of Chinese aid simply does not exist. The management of the capital flow and progress of all assistance projects also seems to not function very well.

On an international level, the Chinese face a challenge in coordinating and cooperating with other donors and partners in OECD DAC countries. New and traditional donors have different approaches and values, such as "no-strings-attached" and "non-interference" for new donors versus "conditionality" and "demands for minimum standards of governance" for traditional donors. Thus, the emergence of new donors may cause uneasiness and conflict with traditional donors. "No-strings-attached" policy has been regarded as one of the fundamental principles of China's development assistance as well as its larger foreign policy. Even though the "one China policy" and tied aid to the procurement of Chinese goods, services and the use of Chinese labor have been labeled as a kind of "strings attached" approach by the West, China has never openly or explicitly imposed any political and economic conditions for recipient countries' domestic development policy, such as economic liberalization or privatization or establishing a multi-party system and holding elections, as most Western donors do—nor has it tried to actively promote the Chinese system. As China and others provide alterative funding sources, traditional donors to Africa have raised concerns and demanded that the new donors, particularly China, should meet higher governance, environmental and transparency standards in providing their development assistance. However, the availability of these alternative funding sources potentially diminishes the leverage of traditional donors in making these demands. In Angola, for example, after the Export-Import Bank of China provided $2 billion loans and credits without any political conditions, the Angolan government turned down a financing agreement with the IMF that included measures to strengthen transparency in the oil sector (Davies, 2007).

Through years of experience-building and lesson-learning, the traditional DAC donors have developed a set of norms, rules and procedures that constitute a new aid donor regime. Historically (and in a number of instances to this date), traditional donors actually have applied the very aid model they denounce for new donors today, such as tied aid, a focus on infrastructure and a preference for channelling aid via projects rather than through national budgets. For traditional donors, the old aid model did not deliver the required results. However, new donors emphasize the aspects of patronizing behaviour and a Eurocentric mindset in their criticisms of the traditional aid regime. New donors regard themselves as the members of the developing South and they refer to other poorer recipient countries as equal partners, understood as a sign of respect. Old and new donors—with the Paris Declaration—now both reference the idea that recipient countries understand their own national conditions best. Yet new donors come without the past practice of patronizing behavior and thus arguably have greater credibility. South-South cooperation is treated as altogether different from traditional donor-recipient relations, despite de facto power differences among partners. Unlike the traditional aid relationship that features “helping others” and thus has elements of strong “inequality” (including “conditionality”), South-South cooperation highlights aspects of experience-sharing, and repeatedly emphasizes development approaches based on equality, respect and mutual benefit. Moreover, by pointing to the failure of the “old” aid policy during the past half century (regarded as one mode of engagement, not differentiating by reform periods), new donors question the legitimacy of traditional donors to direct others.

To avoid a blame-game and potential conflict which surely would not be beneficial for African recipient countries, a two-way street mindset and practice are needed. On the one hand, China’s foreign aid should become more transparent and seek collaboration with other donors. On the other hand, OECD donors should also understand more about China’s aid model from the angle of history and culture, make sure they avoid politicization, and seek active partnership with key aid institutions in China. In recent years, an encouraging sign is that we have gradually seen a kind of reestablishment of mindset or perspective about Africa from both new and traditional donors. In terms of understanding Africa, for many years traditional donors have tended to see Africa as “a place for charity” rather than as a “growth market”; new actors, on the contrary, see a land of opportunities. Unlike in older documents, “equality,” “mutual benefit” and a “strategic partnership based on mutual respect” have been emphasized in the EU-Africa Joint Strategy issued at the second EU-Africa Summit in Lisbon at the end of 2007. These words—from a Chinese perspective—are indicating a kind of new mentality. This approach seems to have charmed and boosted the confidence of African leaders.

More encouragement for the reestablishment of old and new donor relations comes after the Fourth High Level forum on Aid Effectiveness held in Busan, Korea in November 2011. With the aid discourse shifted from “aid effectiveness” to “development effectiveness” which means that there is more focus on results on the ground and less on procedures or process, China can make great contribution to development cooperation in the new era with its rich experiences for its own economic, political and social development as a recipient country as well as a provider of development assistance.

During the past three decades, China has achieved a remarkable economic takeoff since the advent of economic reforms at the end of 1978 and has accumulated tremendous development experiences as well as the experiences of embracing foreign aid. By successfully managing and utilizing foreign aid, China has accumulated tremendous experiences (including lessons as well) in terms of almost all the five principles elaborated in Paris Declaration. In the recent decade, China very actively provided aid to other developing countries, especially in Africa, and is gradually learning how to adapt itself to the global aid architecture. In fact, China's unique dual role for being both recipient country and aid provider has offered China the chance to serve as the bridge for linking the North and the South, traditional donors and new donors, and donors and recipients. In doing so, China has the great potential to play a bridge role for establishing harmonious and effective international development cooperation.

China is at the same time the second biggest economy and the largest developing country; thus, China contributes to the importance of G20 as a platform for linking North and South and to the BRICS via South Africa's accession and the group's links with the African continent. In fact, the appearance of the "emerging donors" from the South and their increasing involvement in development assistance in Africa has changed the landscape of the global aid architecture and offered a historic opportunity for global joint effort to achieve poverty-reduction and development in Africa and realize the Millennium Development Goals.

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Response Paper 1: A Review of "New Actors in International Development: The Case of China in Africa"

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The paper uses the case of China as an example to highlight the trajectories of the new actors in international development in Africa. In the introduction, the paper notes the reasons that China's aid to Africa has attracted international focus, particularly its rapid economic growth and its keen interest in the affairs of the African continent. Activities the paper highlights in the introduction apropos China placing Africa high on its diplomatic agenda include: the first China-Africa summit of the Forum for China-Africa Cooperation (FOCAC) in October 2000 (which brought more than 40 African heads of state to Beijing); the issuance of the first white paper on China's Africa Policy in January 2006; and the visits of President Xi Jinping, his predecessor Hu Jintao, and former Premier Wen Jiabao to various African countries.

Under the section on "China's Aid in Africa: History and Features," the paper indicates explicitly that China's aid to Africa is not a recent phenomenon, contrary to the views of traditional donors. The section also details the distinctive features of the two periods (1956 to 1970s and the 1970s up to present) of Chinese engagement in Africa's development. The period of 1956 to 1970s was characterized by internationalism and altruism, while the 1970s to date was underpinned by pragmatism and the seeking of mutual economic cooperation and common development. In addition, this section examined the major contrasting features between China and traditional donors' development cooperation approaches in Africa. These contrasts include China's "no strings attached" policy as opposed to conditionality from traditional donors; China's emphasis on bilateral aid projects rather than multilateral initiatives; China's preference for "hardware projects" unlike the traditional donors' preference for "software projects"; and the non-existence of clear definition about aid in China compared with Organization for Economic Cooperation and Development, Development Assistance Committee countries.

The section under "China's Aid in Africa: Role and Impact" reveals the positive impact of China in Africa, which includes the establishment of nearly 900 projects; the widening of the scope of alternative development partners in the African continent; and the provision of another model that can be utilized to develop various African economies. Possible negative effects of China and other new actors' engagement in Africa have been outlined by the paper to include serious long-term risks related to weak governance standards that may lead to failure to make use of the windfall and to invest in other non-traditional sectors, and over dependency of African countries on China and India. Both domestic and international challenges to sustainable development of China's aid in Africa and some solutions are advanced by the paper under the section on "China's Aid in Africa: Challenges and Developing Trend."

The paper, however, does not address the following dimensions that would enhance the understanding of China's activities in Africa.

First, the reasons for Africa being high on China's diplomatic agenda should be expanded. Is it because of Africa's abundant natural resources that are greatly needed by China? Is it because China wants to bring African countries out of poverty? Or is it because China finds it easy to deal with African countries? Additionally, the reason why China provides aid to Africa with "no strings attached" has not been explained in the paper. Is China engaging in this policy approach in return for favors from African countries? Is it a strategic approach to attract African countries attention from the traditional donors who attach conditionality? What are the implications of this "no strings attached" policy approach on the effective use of aid? China and other new donors to Africa have offered the continent an alternative choice of development partners. While this now gives Africa a large body of partners from which to choose, the paper should explain whether some countries in Africa prefer China and other donors because of their "soft" approaches and the implications for sustainable development (social, economic, environmental) of African countries. With issues of climate change and environmental degradation ravaging Africa, the paper should highlight why China and other new donors may or may not pay heed to calls from traditional donors regarding environmental standards.

Second, while the positive impact of China's aid in Africa is well noted, it will be interesting to know which countries in Africa receive more of China's aid and which countries receive less in comparison with their natural resources endowments. This analysis will depict clearly whether aid from China to African countries is correlated with countries having abundant natural resources endowments, which are of great interest to China, or not. It would be educative if the writer could throw more light on the underlying reasons that shift China's preference more towards "hardware projects" than "software projects." Additional analysis will further enhance the reader's understanding of China's approaches compared with America.

Third, even though the paper did not intend to give an exhaustive list of the negative effects of China and other new donors' engagement in Africa, it should also highlight the illicit engagement of certain firms from China. An example of such illicit engagement is the case of small-scale artisanal mining industry in Ghana. Some Chinese firms' engagement in this industry has brought devastating consequences to Ghana. Some more examples or empirical evidence on some of the negative effects as a result of new donor engagements would be appreciated.

Ultimately, the paper proposes that a "two-way" street mindset and practice are needed for aid from new donors and traditional donors to benefit African countries. Although this recommendation is good, the paper should rather look at a "three-way street mindset and practice." In other words, it should involve all the three partners—the U.S., China and Africa instead of the U.S. and China alone. Aid effectiveness or development effectiveness also depends on the recipient's behavior, and this is lacking in the recommendation. Hence, the paper should also examine the transparency issues required of beneficiary African countries. It would also be quite enlightening if the writer could add a way forward for China's transparency in their aid dealings with Africa as well as having a cohesive aid for Africa policy with uniformity and good statistics in this direction. However, the paper ends abruptly without any concluding remarks or policy lessons.

Response Paper 2: A Review of "New Actors in International Development: the Case of China in Africa"

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A central premise of Dr. He Wenping's paper is the "new" donors of the South and the "old" donors from the industrialized countries need to do more to enhance the effectiveness of their support for African governments. This is a welcome observation.

For China, as a leading new donor, there is a need to become more transparent in the management and delivery of its foreign aid and to cooperate more effectively with other donors. The issue of China's lack of transparency is an important theme throughout Dr. He's paper. For example, as she notes, the exact level of Chinese aid to Africa is not known. It could be $1 billion to $2 billion or it could be as much as $25 billion. This is a wide range and it would be interesting to have more explanation about why there is such a lack of clarity.

Dr. He also notes that since 1956, "China has helped African countries to establish nearly 900 projects." This comes out to about 15 or 16 projects per year for 57 years. Is it not possible to understand more clearly what these projects consist of, how many jobs have been created, which sectors have received the most attention and where there have been successes and failures? These insights would be useful to dispel the perception held by some that China's contribution to job creation in Africa is not a priority. It would also help to understand China's experience with "best practices" and how other donors and African governments can benefit from China's experiences.

The issue of transparency is also important to understanding how China administers aid. Dr. He shares important insights in noting that the Economic Counselor's Office in the Chinese embassies in Africa are facing personnel shortages in dealing with the "huge foreign aid programs," and that there are no mechanisms for supervision and evaluation of aid. It would be interesting to know whether this is a concern for Chinese officials and whether this is a subject of debate and discussion in Chinese think tanks and in their dialogue with government. Moreover do African recipient governments have concerns about the effectiveness of Chinese aid, and is this an issue in Chinese-African relations?

Dr. He touches on a very important issue in suggesting that there is a common awareness that African governments need to engage with the new donors to ensure that projects are mutually beneficial. This is an ongoing concern with traditional donors as well. More important is the point raised in the paper that there may be an "historic opportunity´" to develop an African development agenda or perhaps and "African consensus." I would argue that the New Partnership for Africa's Development (NEPAD) is an important step in this direction in that it is a consensus document of the African Union and puts forward a clear set of primary development objectives and principles. It would be useful to know how China views NEPAD and the degree to which it has engaged in its priorities.

There is a very important discussion in the paper of “strings” versus “no-strings” when it comes to aid to Africa. U.S. assistance to Africa in the post-independence period was largely defined by its governance conditionality and the degree to which “buy-American” was integrated into virtually every aid program. With the emergence of the African Growth and Opportunity Act, the move to use trade as aid, and debt relief for the Highly Indebted Poor Countries (HIPC), the U.S. transitioned to grants instead of loans and “buy-American” requirements lessened. In fact, with the creation of the Millennium Challenge Corporation (MCC), there are no “buy-American” requirements and MCC compact countries are free to use U.S. resources to purchase services and hardware on the international market. In fact, many Chinese companies have benefited from MCC grants. Nevertheless, the MCC is a good example of the U.S. adopting its approach on development assistance to work with local partners to respond to local priorities.

While China maintains a “no strings attached” policy, Dr. He acknowledges that Chinese aid tied to the procurement of Chinese goods, services and the use of Chinese labor have been labeled as a “strings-attached” approach to aid. It would be useful to know further the author’s views on the extensive use of Chinese labor in Africa, and the impact of tying the purchase of Chinese equipment to infrastructure loans. In short, should African governments be able to use donor resources to make purchases on the international market based on competitive bids or is there an implicit requirement to source from the countries in which the aid originates?

Dr. He Wenping has written a very useful paper that makes a good contribution to dialogue on these and other issues between CASS, ISSER and Brookings.