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Beijing's Safari:

China's Move into Africa and Its Implications for Aid, Development, and Governance

By Joshua Kurlantzick

During three decades of civil war, a tiny elite in Luanda, Angola's capital, siphoned revenues from the country's oil deposits, the second largest in Africa. Meanwhile, most of Angola's 12 million citizens lived in dire poverty, surviving in shacks across Luanda's shantytown sprawl. In 2002, Angola's government and rebels finally laid down their arms; peace offered an opportunity for the country, and for foreign aid organizations, to rebuild shattered social services and decrepit oil infrastructure. To ensure Angola used the money wisely—Transparency International ranks Angola one of the most corrupt nations on the continent—the International Monetary Fund (IMF) decided to convince the government to adopt provisions to slash graft and ensure that oil revenues went to social programs.

Angolan ministers at first seemed receptive to IMF loans linked to intensive monitoring. By the beginning of 2005, IMF officials believed they stood on the verge of a landmark financing agreement with the country. But at the last moment, the Angolan government broke off talks. Angola announced it would instead be receiving loans and credits for oil reconstruction from a different source: China. Beijing offered Angola loans and credits worth as much as $5 billion, and the Chinese money came with none of the IMF's conditions.

Angola offers a window into China's rapidly expanding relations with Africa. As in Angola, China has become a major donor and investor across Africa. It has begun to insert itself into local politics, and it has savvily used multilateral forums, like November's inaugural China-Africa summit in Beijing, to cultivate African elites. In fact, China has so quickly created a positive image of itself in Africa that it now rivals the United States, France, and international financial institutions for influence.

China's new safari may prove positive for Africa. Beijing offers African nations an alternate consumer for resources, a model of successful development, and trade policies that can be more benign than Western initiatives. Yet today Africa is beginning to recover from its long economic and political stagnation, and foreign countries and international donor agencies generally have agreed to use assistance to promote better governance on the continent. China's expanding presence could undermine this donor coherence and strengthen some of

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the continent's worst regimes. Indeed, Africa today offers a test—a test of whether China, as it begins to develop a global foreign policy, will prove willing to work with donors and traditional powers. Before China becomes more powerful in Africa, other actors must develop strategies to help ensure Beijing becomes a collaborative actor—strategies that could be replicated in other parts of the developing world.

China played a role in Africa once before, supporting leftist revolutions during the 1960s and early 1970s. But between the mid-1970s and early 2000s, Beijing largely ignored Africa; Africa often figured in Chinese diplomacy only when Beijing needed to isolate Taiwan.

In the past five years, however, Beijing has begun to develop a more proactive foreign policy, one centered on China's rapidly growing economic influence, rather than on military power. China's new global activism has focused first on developing nations in Africa, Central Asia, Latin America, and Southeast Asia. As interviews with Chinese officials suggest, Beijing believes these nations, many of which desire Chinese aid, trade, and recognition, are relatively susceptible to Chinese influence. And since China is still a developing nation itself, it can play upon the idea that it will be a better friend of developing countries than Western powers. On trips to Africa, Chinese leaders promise to take developing countries' side in international forums and trade talks, while vowing not to challenge other countries' sovereignty.

Developing countries, and particularly African states, also can provide the natural resources China desperately needs. Chinese officials believe Beijing can increase its oil and gas imports from Africa, which currently supplies 30 percent of China's total imports. Angola now has become China's largest supplier, shipping Beijing 522,000 barrels of oil per day, and Chinese oil companies have taken stakes in 20 African nations; over just the last five years, Chinese oil firms have spent $15 billion buying up oil fields and local companies.

As in other parts of the developing world, China has other goals in Africa. Chinese businessmen also are looking to open new markets for their products. Beijing wants to cut off countries' relations with Taiwan, which has five formal allies in Africa. Cultivating African allies also offers China crucial support at international forums like the United Nations. Perhaps most importantly, if China can play a major role in Africa, it could stake its claim as a global great power, able to influence events far from its own neighborhood.

Aid

China also has developed more sophisticated strategies and tools for wooing Africa. While forty years ago China exported Maoism, today it exports its own brand of capitalism, which it is building into a sophisticated development model. Beijing increasingly advertises its state-directed model of development, which can prove alluring on a continent where neoliberal economic reforms did not deliver their promised poverty reduction.

Aid is the most important of China's tools. China is dramatically boosting its aid to Africa—aid it can provide with few strings. This aid is primarily tied to China's political and strategic goals on the continent, rather than humanitarian reasons. In 1998, according to an analysis of China's assistance culled from published Chinese media reports and commercial documents, China provided just $107 million in aid to Africa. But by 2004, China had boosted its aid to Africa to $2.7 billion, most of which would be classified as aid even under the Development Assistance Committee definition of aid. (China does not use the DAC definition when announcing aid projects.) This comprised 26 percent of China's total international aid in 2004. By comparison, in an eight-year period between 1993 and 2001, Japan offered Africa $11 billion in aid; China thus already ranks as a significant donor on the continent.

Unlike other donors, China prefers to provide loans to Africa, rather than grants, in part because it can then use these loans as leverage over recipient nations. Evidence suggests that if countries build closer political and economic relationships with China, Beijing then forgives loans on an orderly timetable. When nations have asked China for grants instead of loans, Beijing generally has refused. In addition, Chinese loans come with requirements that a high percentage of contracts go to Chinese companies; in a 2004 loan to Angola worth $2 billion, 70 percent of contracts were reserved for Chinese firms.

At this point, China's aid apparatus is relatively unsophisticated, controlled primarily by the Ministry of Finance, the Ministry of Commerce, and the Ministry of Foreign Affairs. After an initial feasibility study, China's aid is disbursed at informal, semiannual meetings of Chinese ambassadors to Africa held in Beijing, or in informal meetings before trips to Africa by senior Chinese leaders. Aid is then disbursed, almost always bilaterally and directly to recipient governments, through the Export and Import Bank of China, which has a concessional loan department, through the China Construction Bank, through Chinese embassies, and through other actors. China has no experience providing aid to non-governmental organizations, and Chinese officials appear wary of designing aid projects that support NGOs.

Chinese assistance to the continent has focused on four themes. First, China offers to fund infrastructure projects, which the World Bank and most bilateral donors stopped funding decades ago. Analysis suggests Chinese construction firms produce infrastructure at as little as 25 percent of the cost of Western firms. However, China's entry into infrastructure has pushed the Bank and other international financial institutions to again fund road construction, despite Bank officials' concerns that infrastructure funding is susceptible to graft. Second, China prefers to build its relationship with regional banks like the African Development Bank—Beijing is hosting next year's African Development Bank meeting—since China can play a more substantial role in the regional banks than it could in the World Bank and the larger international financial institutions. Third, Beijing has focused on training African professionals, particularly in economic management. Beijing has established an African Human Resources Development Fund, which helps train 3,800 African professionals per year. Finally, Beijing has tried to establish Chinese language schools at African universities, often under the framework of China's Confucius Institute project; Beijing has established cooperation agreements with 27 African universities.

China also has taken advantage of African complaints about Western trade barriers to advertise that Beijing has no tariffs on exports from Africa's 25 poorest nations. Beijing also has negotiated an agreement with South Africa, the continent's most important nation, to limit Chinese exports of textiles, in order to protect South African domestic industries. China has done so to forestall complaints that imports of cheap Chinese textiles and electronic goods are hurting African light manufacturing; one study of 96 small Ethiopian companies showed 28 percent were forced into bankruptcy by Chinese competition.

Chinese companies also invest in African nations no other powers would consider. Annual Chinese foreign direct investment in Africa grew from just over $20 million annually in 1998 to over $6 billion in total investment stock today. Close coordination between Beijing and state-linked companies makes it easier for China to convince firms to invest in politically risky states China wants to cultivate. One study by consulting firm Accenture, for example, showed that in 2004 China Development Bank, another large state-linked bank, offered Chinese telecommunications giant Huawei, identified by the government as a company whose international operations should be supported, a low-cost $10 billion loan to finance its international expansion.

Chinese construction firms have dominated countries like Sierra Leone and Liberia, building roads and hotels. Along with this new investment, Chinese businesspeople are migrating to Africa—they are primarily small traders whose business does not get factored into trade and investment statistics. The migrant Chinese population in Zambia has risen from 3,000 to 30,000 in the past ten years, while in South Africa the number of Chinese migrants has grown from virtually none twenty years ago to as many as 300,000 today.

Success and Failure

Many African nations have welcomed China's new safari. In 2005, China-Africa trade reached $40 billion, up 35 percent year-on-year from 2004. China offers a vast new market for Africa; the volume of African exports to Asia rose by 20 percent in the past five years, and China's trade deficit with Central Africa, the most strife-torn part of the continent, grew to nearly 80 percent of China-Central Africa trade. Unlike nations in Southeast Asia, African states, except for textile exporters like South Africa and Lesotho, have little export overlap with China: Uganda's overlap is 8 percent, Ethiopia's 4 percent, and Nigeria's 1.7 percent. China plans to further triple trade with the continent by 2010, putting it in the league of the United States and Europe as a trading partner. China also has become the second-largest consumer of African resources, signing massive new oil and gas deals in Nigeria, Angola, and other countries.

African elites and publics often have welcomed China's presence: Program on International Policy Attitudes polls show, for example, that 62 percent of South Africans believe China is having a positive influence on the world. Some African elites perceive China as different from Western donors and investors; Beijing is not linked to the neoliberal economic model and its past structural adjustment programs. Even the head of the African Development Bank has announced that, "We can learn from [the Chinese] how … to move from low to middle income status."

But in some respects, China's engagement with Africa is qualitatively different from the engagement of other powers and financial institutions. Western powers are hardly blameless in relations with Africa—they have backed dictators from Mobutu Sese Seko to Yoweri Museveni. Yet today, most traditional donors have agreed that governance is vital to development, and the United States has created the Millennium Challenge Corporation, which rewards well-governed poor nations. The MCC thus far has a mixed track record, but it at least creates a model that other donors can build upon.

At the same moment, for the first time in decades Africa has entered the radar screen of international corporations and Western governments. In a world facing a potential peak in production from major Middle Eastern oil fields, Africa's oil and gas prove even more attractive. Much of Africa is posting its strongest growth rates since independence. The continent seems ready to settle long-running civil conflicts in countries like Congo, and has begun to climb the rankings of the World Bank's index of environments for doing business.

China's involvement could threaten this African renaissance. Growing Chinese loans to Africa, especially at high commercial rates, could threaten billions in recent forgiveness by the World Bank and IMF's Heavily Indebted Poor Countries Initiative, since China also loans to these nations. If China uses aid tied to investment to win major oil and gas deals, it could convince other emerging powers in Africa, like India, to follow suit, potentially undermining governance and sparking conflict for resources. Chinese arms sales continue to fuel conflict in Africa; China publishes no information about its arms transfers overseas, and a recent Amnesty International report found 17 percent of small arms collected by peacekeepers in the Congo were of Chinese design.

Chinese investment could contribute to unchecked environmental destruction and poor labor standards, since Chinese firms have little experience with green policies and unions at home, and some African nations have powerful union movements. In Gabon, illegal timber exports to China comprise roughly 70 percent of all timber exports. In Zambia, workers in a Chinese-run mine have erupted in violent protest against safety standards and low wages, which they believe led to an accident last year in which 49 miners died. In the recent Zambian election, opposition candidate Michael Sata played on this anger, accusing Chinese companies of exploiting local workers. Though Sata lost, his supporters then rioted in the Zambian capital, targeting Chinese businesses.

More generally, the state-led business model China offers could prove problematic. Chinese firms with state links often have poor standards of corporate governance within China. Still, in China, the rule of law is weak but does exist; the Chinese government has managed to prosecute the most corrupt officials. In Africa's weakest states, where the rule of law often simply does not exist and economic policy makers do not enjoy the same kind of independence from politicians as in China, this state-led business model could simply be a disaster—an invitation for rapacious governments.

Worse, if China offers aid without any conditions, it will allow itself to serve as a wedge between it and other donors. This has already begun to occur, and not only in Angola. In recent weeks, Chad has announced that it may evict two oil companies, Chevron Corp and Malaysia's Petronas, from a project backed by the World Bank, which had insisted that some oil profits in Chad be spent on improving social welfare. Eventually, Chad may replace the oil firms with Chinese companies, since while it was considering kicking out Chevron and Petronas it was breaking relations with Taiwan and establishing relations with China, which already had explored oil investments in Chad. Similarly, in Kenya Chinese aid has helped the government avoid IMF and World Bank criticism of its failure to implement a comprehensive anti-corruption strategy. In Zimbabwe and Sudan, Chinese backing has allowed governments to resist pressure from democratic African states to open a dialogue with the Zimbabwean opposition and to halt the genocide in Darfur.

Some leading Chinese officials understand that, despite Beijing's positive image today, it faces significant downside risks in Africa. Like the Western powers before it, Beijing could make potentially useless investments in the continent to woo strategic African nations. By relying on state-linked companies for investment in Africa, China will be forced to boost its financial support for these firms, which tend to be worse managed than truly private Chinese companies. Just as important, China will face a choice in its future relations with Africa and other developing regions—a choice that will help determine how the world views a more active China. It can consolidate ties to the leadership of a few regimes, like Angola and Sudan, potentially alienating large segments of the public and leading to instability that threatens Chinese interests. Already, besides the attacks in Zambia, militants in the Niger Delta have warned Chinese companies from operating there. In the longer run, if nations like Sudan or Zimbabwe ever transitioned to freer governments, average people might take revenge on Chinese businesses and citizens.

Facing these potential pitfalls, China could alter its African strategy: It could build a broader type of influence based on Beijing's popularity among average Africans, rather than solely relying on links to authoritarian regimes. Building this popularity will mean working with established initiatives designed to promote African stability and development. It may surprise many Western policy makers that China now has more peacekeepers operating under the UN flag than any other permanent member of the Security Council. China has begun working with African nations on malaria interventions; Beijing also rhetorically supports the New Partnership for African Development, an African-led program to promote better governance.

Most importantly, China has begun considering how it can modernize its aid programs. On the ground, China has begun to participate in donor coordination groups; though it does not always follow coordination groups' strategies, just participating is a major step forward. Beijing has begun establishing mechanisms to review how its aid is used by recipient nations. Though China does not yet have a permanent aid bureaucracy like USAID, there are signs it wants to create one: It has quietly developed a partnership with Britain's Department for International Development and sent officials to the United States to study how the United States structured USAID and the new Millennium Challenge Corporation.

If the United States, Europe, and the international financial institutions want China to change its behavior, they must offer Beijing another option—and do it now, while Chinese officials are still creating a global foreign policy. Starting with former Deputy Secretary of State Robert Zoellick's speech last September, the United States has called for China to become a "responsible stakeholder" in the world, including presumably in Africa. But besides asking China to become a stakeholder, traditional powers must offer China a stake. If Beijing fails to respond to this opportunity, then Western nations can justly criticize China's presence in Africa.

Offering a stake would give China a chance to conceive its interests in the developing world broadly—mediating conflict, promoting development, tackling non-traditional security threats—rather than focusing on its own narrowest interests. To incorporate China into existing frameworks of overseas development assistance, other nations should aggressively solicit participation from Chinese officials in donor coordination groups within individual African countries. Other donors can work with Chinese embassy staff on the ground to ensure Chinese participation in donor groups, help improve Beijing's capacity for managing its aid, and prevent China from destroying donor coherence.

Offering a stake also would involve providing China a larger say in the international financial institutions. This could entail making China a larger shareholder in the Bank and the International Monetary Fund. It would also involve major donor countries throwing their aid programs open to China and allowing Chinese officials to study them if Beijing opens its aid programs in return.

Other donors also could allow China to play a larger role in setting the health policy agenda on Africa. One initial possibility is to allow China to take the lead on one important disease issue, such as malaria. There is a precedent. China seems interested in playing a leading role on avian influenza—Beijing hosted a January donor conference on avian influenza, which forced the Chinese government to pay closer attention to flu issues and raised nearly $2 billion in pledges.

Outside aid, developed nations could engage China around resources in Africa. China, the United States, and Japan could create a kind of "consumers cartel" to combat the major oil producers and prevent African producers like Angola or Nigeria from playing consumers off of each other. As Senator Richard Lugar has suggested, this would entail more formal cooperation between Washington, Tokyo, and Beijing on energy security, and even, in the future, joint exploration efforts in an attempt to boost oil supplies.

The United States and international financial institutions also could help China reform Beijing's own tools of influence, and could help prevent China from offering commercial loans to nations facing high debt burdens. Working with China to create a permanent Chinese aid organization could reduce the influence of the Ministry of Commerce, which is more likely to tie aid to investment. It also could empower Chinese officials who want to make China's aid more transparent, just as having a permanent Chinese environmental administration at least provides a permanent place at the policy table for China's environmental regulators.

Unfortunately, the United States and other powers seem to be taking the opposite approach. Rather than accepting China into the G8 group of industrial nations, where it clearly belongs, the group has allowed complaints by Japan and Russia to keep China out. Instead of offering Beijing a bigger seat at the aid table, many major donor organizations do not even know which Chinese officials are responsible for aid disbursement. Rather than working with China while continuing to uphold promises for better governance, the United States and Japan have wooed the continent's biggest oil producers, and most autocratic states, like Equatorial Guinea. In the longer term, these policies are not sustainable, and one day China's policies will be so well established that it will be impossible for other actors to influence them. Today, if the United States wants China to take responsibility on the continent, it must become more responsible as well. ■

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