China in Africa: Seven Myths

Sensationalism and rumours cloud our ability to understand China's growing engagement in Africa, and to craft appropriate responses. This article dissects seven common myths on China in Africa.

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From Berlin to Tokyo, newspapers and parliaments have depicted China's economic engagement in Africa in alarmist terms. We read that the Chinese arrived a few years ago, desperate for oil. They began to build palaces for dictators and roads to remote mining regions, brought in all their own workers, and lavished piles of cash to muscle aside Africa's traditional partners in a brutal play for resource security and influence. Enormous aid programmes propped up pariah states, enabling them to continue human rights abuses. Ambassador Johnnie Carson, the US Assistant Secretary of State for Africa, spoke for many when he said (as the Wikileaks cables revealed) that China is 'a very aggressive and pernicious economic competitor with no morals ... China is not in Africa for altruistic reasons', he emphasised, in a meeting with US oil companies in Nigeria. 'China is in Africa primarily for China.'[1]

If we in the West are to understand the real nature of the competition provided by China's rise, and the very real attraction China holds as a model on the continent, and a contributor to its development, we need a more realistic appraisal of China's engagement in Africa – an appraisal that cuts through the many myths that circulate like viruses through cyberspace.

1. China is a newcomer to Africa

Many believe that the Chinese arrived in Africa quite recently, in a desperate search for oil and minerals. In fact, the Chinese have been in Africa for many decades. As African countries began to become independent in the late 1950s, Beijing (People's Republic of China) and Taipei (Republic of China) competed for official recognition under the understanding that only one could represent 'China'. Partly as a result of this diplomatic competition, in the 1970s China had more aid programs in Africa than the United States.[2] When China began to turn to the market in the 1980s, the aid program was put under a ministry that evolved into today's Ministry of Commerce. For several decades, the Chinese experimented with linking aid to business. Aid, investment and trade all began to grow after 1990, although no one was looking very closely.[3]

The extensive engagement we see today has very deep roots. In Zambia, for example, Chinese state-owned companies set up construction companies to bid on local projects in the 1980s, began buying modest commercial farms in 1990, and purchased their first copper mine, Chambishi, in 1996. Ethnic Chinese from families that arrived in the nineteenth and early twentieth centuries have risen to become cabinet ministers or parliamentarians in several countries, including Mauritius, Mozambique, Zimbabwe, Gabon and South Africa. Chinese engagement is not seen as a new or temporary phenomenon in most parts of Africa.

2. China is targeting pariah regimes that the West won't touch

If you read some analyses of Chinese engagement in Africa, you might believe that the only countries that interest Beijing are those that currently give the West a headache, with Sudan and Zimbabwe heading the pack. The Wikileaks cables again provide a good quote from US Assistant Secretary of State Johnnie Carson: 'The

Chinese are dealing with the Mugabe's and Bashir's of the world.' End of story.

Between 2004 and 2006 as Sudan's government and its proxies began to brutally crush the rebellion in Darfur, Beijing did little to interfere, supporting Khartoum diplomatically and supplying arms. In 2007, this began to change. Most notably, special envoys sent by China began to cooperate actively with the West. They were able to convince Sudan to allow a hybrid force of UN and African Union peacekeeping troops into Darfur. As the Brussels-based International Crisis Group remarked that year: 'Beijing is shifting in Sudan from being an obvious part of the problem to a significant part of the solution.'[4] Under President Obama, the United States policy began to reflect a new understanding that it was indeed essential to 'deal with' Bashir in order to push the peace process forward.

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Chinese companies do continue to invest in Sudan's oil sector, as well as its booming construction industry. American and EU companies are barred from investing in Sudan (although not in Zimbabwe, where dismal economic conditions have probably deterred investment more than any sanctions could have done). But China's largest stock of foreign investment on the continent is *not* in Sudan or Zimbabwe, but in relatively well-governed and stable South Africa.[5] In 2009, South Africa was also China's second largest trading partner in Africa, behind only oil-rich Angola, which is also a large supplier of the United States' market. The Chinese are looking for investment opportunities in democratic Ghana, Namibia and Mauritius, and they are also joining American and European investors in many less well-governed countries: Equatorial Guinea, Nigeria and Gabon.

3. China hurts the West's efforts to strengthen democracy and governance in Africa

It is widely believed that Western engagement is conditional on governance improvements, while the Chinese engage with 'no strings attached'. In fact the Chinese do have one important political string attached to their aid (but not to investment or trade): the 'one China policy'. Only countries that recognise Beijing as 'China' are eligible for aid. Yet much of the discussion about Chinese engagement compared with Western engagement misses this point: 'engagement' can be public or private, and it can be trade, aid, commercial finance, or foreign direct investment.

Except in the case of Sudan, there are almost no strings attached by the West to its companies' *trade*, or *investment* in Africa. Likewise, Western commercial banks provide loans wherever they see the potential for profit. In 2004, for example, Western donors and the IMF refused to provide aid or finance for post-conflict reconstruction in Angola before it had made improvements in revenue transparency. But Western banks led by Standard Chartered and France's Calyon, provided several rounds of loans totalling over $2 billion to Angola. China's Eximbank also provided a line of credit worth $2 billion. None of these banks imposed any governance conditions.

Even when we focus strictly on aid, we can see that the differences between the West and China are less than commonly believed. Take the United States, for example. In 2011 the largest recipient of United States aid in Africa was Egypt, where the then President, Hosni Mubarak, refused to allow free and fair elections. Ethiopia, which earned a dismal five out of seven (with seven being worst) on the Freedom House assessment of civil and political liberties, received $1.2 billion from the United States in 2009.[6]

4. Chinese aid is huge

One of the most widely circulated myths involves the size of China's official aid program, which many believe, wrongly, to be enormous. Not long ago a senior fellow at the Washington DC-based Nixon Center repeated as fact a rumour that Beijing had offered $6 billion in 'aid' to convince the government of Malawi to break its diplomatic ties with Taiwan.[7] A little digging would have revealed that this figure of $6 billion – which, indeed, circulated widely around cyberspace – referred not to Chinese aid, but to the total value of a mega project: a canal linking the landlocked country to the sea. Malawi hoped to attract Chinese firms to invest in the project. The rumour seems to have started in a Malawi newspaper, *Daily Times* on 25 December 2007. The report was dismissed a few weeks later on 4 February 2008 in the *Nation*. The later report explained that Malawi planned to offer commercially viable components of the $6 billion project as investment concessions, and that Chinese investors had expressed an interest in participating. Henry Mussa, Minister of Transport, Public Works and Housing said: 'As government, we have segmented the waterway project into a number of areas like ports, dredging and others and we will be concessioning the areas to various stakeholders. So the Chinese are interested to concession one of the areas.'[8]

In 2009, the United States Congressional Research Service (CRS) published a report on China's foreign aid activities in Africa, Latin America and south-east Asia that gave a gloss of official sanction to many of the rumours.[9] Applying a 'flexible' definition of foreign aid which included all state-sponsored economic activities (foreign direct investment, commercial loans, export credits as well as official aid), the researchers simply counted up any and all reports of China-related finance going into these regions, as mentioned in the global media, without investigating whether these were firm commitments as opposed to rumours, recipients' hopeful requests, or even mistakes.

The CRS approach had two obvious problems. Given that many of the Chinese companies investing abroad – including its oil companies – are state-owned, and that

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1. 'US Monitors Aggressive China in Africa', *BBC News*, December 10, 2010, www.bbc.co.uk/news/world-africa-11955516
2. D Brautigam, *Chinese Aid and African Development* (New York: Macmillan, 1998), p. 4.
3. For an exception, see the excellent reporting by P Snow, *The Star Raft: China's Encounter with Africa* (New York: Weidenfeld & Nicolson, 1988).
4. G Evans and D Steinberg, 'Signs of transition', *The Guardian*, June 11, 2007 http://commentisfree.guardian.co.uk/gareth_evans_and_donald_steinberg/2007/06/signs_of_transition.html
5. Ministry of Commerce, '2009 Statistical Bulletin of China's Outward Foreign Direct Investment', Beijing, Ministry of Commerce, Government of the People's Republic of China, 2010.
6. United States aid figures from www.state.gov/r/pa/ei/bgn/2859.htm
7. S Halper, 'Beijing's Coalition of the Willing', *Foreign Policy* July/August 2010. www.foreignpolicy.com/articles/2010/06/21/beijings_coalition_of_the_willing?page=full
8. See D Kashoti, 'Malawi Set to Switch from Taiwan to China', *Daily Times* [Malawi], 25 December 2007; and T Sabola, 'Govt Dismisses US$6bn China Waterway Pledge Reports', *Nation* [Malawi], 4 February 2008.
9. T Lum, H Fischer, J Gomez-Granger and A Leland, 'China's Foreign Aid Activities in Africa, Latin America, and Southeast Asia', Washington, DC,

its main banks are also state-owned, lumping all of their activities together as 'aid' just because they occur in the developing world defies both logic and convention. The West has never considered export credits or investment by its own state-owned companies as official development assistance.

Second, counting up figures based on media stories requires very careful investigation into their veracity. As Remi Bello, CEO of a political-risk consulting firm focused on Africa noted: 'Keep in mind that only 2 per cent to 4 per cent of MOUs [memos of understanding] lead to projects in Africa.'[10] The CRS researchers' methodology produced a Chinese 'aid' figure of $17.96 billion for Africa (2007). However, if the same definition of 'aid' is used for China and for the West, in 2007 China disbursed only about $850 million in official development assistance to Africa, about 40 per cent of its total aid. China's aid *is* growing rapidly, but disbursements still reached only about $1.4 billion in 2009.[11]

5. Chinese aid is mainly used to win access to resources

It is also widely believed that 'China's foreign aid is driven primarily by the need for natural resources', as one study put it.[12] In fact, China's official development assistance is driven by politics: the one-China policy as well as diplomacy and the desire to maintain 'friendships' across the range of countries. It is for this reason that the Chinese are careful to spread their official aid (grants, zero-interest loans, concessional loans) across all the countries with whom they have diplomatic relations, including many without any resources (Senegal, Mauritius, Mali, Rwanda, Togo, Benin). China provides aid to every country in Africa with whom they have diplomatic ties – currently 49 – even some with higher per capita income, such as South Africa.

A major reason for confusion about Chinese aid figures, and their purpose, is the Chinese government's expanded use of very large lines of export buyers' credit that can be secured with commodities. In resource-rich Angola, Equatorial Guinea and the Democratic Republic of the Congo, and outside of Africa, in Brazil and Russia, Chinese banks have offered long-term lines of export credit, secured by commodities, to finance Chinese companies to do infrastructure projects, or for the import of Chinese goods. These large credits are almost always secured with commodity *exports* (not, as often believed, by a resource concession). It acts as a kind of complicated long-term trade arrangement, with financing up front. Though countries can use their credits to finance infrastructure projects, the instrument itself is based on commercial market rates, and is not 'aid'. (These large lines of credit use market interest rates, and are not subsidised by the Chinese government. Interest rates are based on commercial terms – albeit very competitive: usually London Inter-Bank Offered Rate [LIBOR] plus a margin, usually between 1 and 2 per cent.)

China's use of commodity-secured lines of credit parallels similar commercial instruments long in use by Japan and also by Western banks. (For example, in Angola, Western banks have provided oil-backed loans at very low rates: LIBOR plus 2.5 per cent, in some cases. Although the

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World Bank does not ask for commodity guarantees for its finance, it also offers similar, non-concessional loans through its IBRD window: loans that are also not considered official development assistance. These are based on LIBOR plus a margin that varies from 0.28 to 1.25 depending on the repayment period.)[13] None of these are regarded as official development assistance but as ways to promote business. As African Development Bank President Donald Kaberuka pointed out, this was not aid but investment: 'When an investor comes and says, "I want to do business here and I will also build infrastructure," what is bad about it? Nothing.'[14]

6. Beijing is sending millions of Chinese farmers to settle in Africa, leading the 'land grab'

Headlines about Chinese interest in African land have created a mistaken impression that Chinese companies (or individual farmers) are at the head of a new wave of land colonisation in Africa. For example, purportedly reviewing a major study on large-scale land investment released by a researchers from the UN's Food and Agriculture Organization (FAO) and others, *The Guardian* told its readers: 'A million Chinese farmers have joined the rush to Africa, according to one estimate, underlining concerns that an unchecked "land grab" not seen since the nineteenth century is under way.'[15] Media reports that 'a million' Chinese farmers have settled in Africa have been circulating for several years – but without any evidence to back them up. In fact the study on which *The Guardian* was reporting actually distanced itself from the conventional wisdom, saying: 'A common external perception is that China is supporting Chinese enterprises to acquire land abroad as part of a national food security strategy. Yet the evidence for this is highly questionable.'[16]

One of the stories often used as an example of Chinese 'land grabs' comes from Zimbabwe. In 2003, 'China' it is said, 'purchased 100,000 hectares in Zimbabwe.'[17] What really happened in Zimbabwe was this: China International Water and Electric Corporation, a large state-owned engineering company which has built irrigation projects in Pakistan, the Philippines and a number of other developing countries, won a contract issued by the Zimbabwe government to develop 100,000 hectares of land for irrigated maize production, a quixotic scheme dreamt up by the Zimbabwe government to fill the production gap left by their illegal seizure of white-owned farms.[18] CIWEC began

Congressional Research Service, 7–5700, R40361, 25 February 2009. www.fas.org/sgp/crs/row/R40361.pdf.

10. 'Nigeria Secures Agreement for Refineries', Engineering News-Record, 16 June 2010.

11. D Brautigam, *The Dragon's Gift: The Real Story of China in Africa* (Oxford: Oxford University Press, 2009).

12. Lum, et al., 'China's Foreign Aid Activities', p. 5.

13. See, World Bank, 'IBRD Pricing Basics', August 2010, http://treasury.worldbank.org/web/IBRD_Pricing_Basics_Aug_2010.pdf

14. 'What Is Bad About It?' *Spiegel Online. Der Spiegel*, 29 January 2010.

15. David Smith, 'The food rush: Rising demand in China and west sparks African land grab,' The Guardian July 3, 2009. The Guardian failed to tell its readers the source of this "estimate".

16. Lorenzo Cotula, Sonja Vermeulen, Rebeca Leonard and James Keeley, "Land Grab or Development Opportunity? Agricultural Investment and International Land Deals in Africa," London/Rome: IIED/FAO/IFAD, 2009. ftp://ftp.fao.org/docrep/fao/011/ak241e/ak241e.pdf

17. Blake Hurst, "The 21st Century Land Rush," The American, American Enterprise Institute, September 2010 www.american.com/archive/2010/september/the-21st-century-land-rush/article_print [accessed January 17, 2011].

18. www.guardian.co.uk/world/2003/feb/13/zimbabwe.

construction, but when the Mugabe government was unable to make any payments, CIWEC withdrew its construction team and abandoned the project.

The only African country with hard evidence of a large-scale land concession obtained by a Chinese company comes from the Democratic Republic of Congo, where ZTE Agribusiness was given a concession reported variously to be from 100,000 to 3 million hectares, to grow oil palm.[19] However, the project had not moved forward by late 2010. Apparently ZTE's economic feasibility analysis suggested that transportation and infrastructure problems in the Congo would make the production and export of palm oil too expensive.

the West must gain a more realistic picture of China's engagement with Africa, avoiding sensationalism and paranoia

There are no hard facts on the number of Chinese who have moved to Africa. The number is certainly high, and may indeed be in the range of 1 million, compared with the 6.5 million or so white Europeans who are resident on the continent. But it is clear that currently, most Chinese immigrants are coming to Africa not to be farmers, but rather traders, more intent on opening a shop or a small business than growing rice.

7. Chinese companies bring over all their own workers

A robust mythology has developed that Chinese companies 'bring in all their own workers'. Yet as reports of labour problems on Chinese worksites multiply, it has become sadly evident that Chinese companies do employ many, many Africans. For example, at a Zambian coal mine notorious for its poor working conditions, 62 Chinese managers supervised 455 Zambian workers.

The companies most likely to bring in a hefty share of Chinese workers are Chinese construction companies. Over the past few years, Chinese engineering firms in Africa have secured literally thousands of contracts, building projects such as health clinics, industrial estates and many kilometres of roads. In recent years, Chinese companies have been winning the largest share of all African Development Bank and World Bank civil works projects in Africa.[20] In 2007, according to official figures, over 114,000 Chinese were working on a temporary basis in Africa, in 2142 different projects.[21] This comes to an average of about 53 Chinese staff per project.

These numbers are indeed higher than one would find with Western companies or aid donors, whose costs of bringing in expatriates are so much higher. Yet in many countries, Chinese win contracts not based on cheap Chinese labour but on their relatively inexpensive top level staff. A Chinese engineer costs around $10,000 annually, a small fraction of the costs associated with European engineers. Furthermore, in most countries, the numbers of Africans working on these projects will be far higher than Chinese. While there are exceptions, Chinese tend to be in skilled technical or managerial positions where Chinese language skills are key, while less skilled positions are filled by African workers. Proportionately more Chinese workers can be found in places like Angola, where population densities are low and skilled labour is expensive. Even here, Chinese companies resident for several years have doubled the proportion of locals they hire compared with newly arrived Chinese firms.[22] In Tanzania, a Chinese official predicted that localisation would continue to grow: 'Tanzania doesn't want to give work permits. And it's more expensive now to bring people from China. Some don't want to come. It costs a thousand dollars a month for a Chinese worker now. This is ten to twenty times what it costs for local salaries.'[23]

Much of the cyberspace portrait painted of China in Africa rests on rumours, myths, or outdated understandings. Trade between the two regions is huge, but official development assistance from China is far smaller than that from the West. China is not leading the land grab in Africa, and Chinese companies do not bring in all their own workers. So on and so forth.

China is now a powerful force in Africa, and the Chinese are not going away. Their embrace of the continent is strategic, planned, long-term, and still unfolding. China's rise in Africa *is* cause for some concern among all who care about development on the continent. But this concern has more to do with the standards of companies and banks from a country where capitalism is still relatively raw, and where corporate social responsibility is rudimentary at best.

For many decades, Africans have been used to foreign investors coming from countries with higher standards than their own. But many Chinese companies are bringing over China's own, notoriously low environmental and safety standards and labour relations. A growing number of Chinese entrepreneurs compete very effectively as traders and service-providers. Operating at the same modest level as their African counterparts, these entrepreneurs provide ample ground for discontent among those scratching out a living in African cities and towns. These are concerns where the Western role should be largely limited to advocacy, setting better examples, and, if asked, helping African governments bolster their own enforcement capacities and African NGOs their important local advocacy and watchdog role.

Ultimately, it is up to African governments to shape this encounter in ways that will benefit their people. Many will not grasp this opportunity, but some will. The West can help by gaining a more realistic picture of China's engagement, avoiding sensationalism and paranoia, admitting our own shortcomings, and perhaps exploring the notion that China's model of consistent non-intervention may be preferable, for many reasons, to a China that regularly intervenes in other countries domestic affairs, or uses military force to foster political change.

andrewmeldrum While this article accurately reports the contract, it suggests that CIWEC would not simply develop the irrigation system for the land but wished itself to farm there. This was not the case.

19. The DRC government approved 100,000 hectares. The Chinese embassy website listed 300,000 hectares. The Chinese news agency Xinhua said 1 million hectares. Newspaper reports claimed it to be 3 million hectares.

20. Vivien Foster, William Butterfield, Chuan Chen, Nataliya Pushak, Building Bridges: China's Growing Role as Infrastructure Financier for Africa, Washington, DC, *Infrastructure* no. 5, World Bank, 2008, p. 26.

21. Ministry of Commerece, *China Commerce Yearbook 2008*, Beijing, Ministry of Commerce, 2009, pp. 217-218; 488.

22. T Xiaoyang, 'Bulldozer or Locomotive? The Impact of Chinese Enterprises on the Local Employment in Angola and the DRC', *Journal of Asian and African Studies* 45.3, 18 June 2010.

23. Brautigam, *Dragon's Gift*, p. 157.