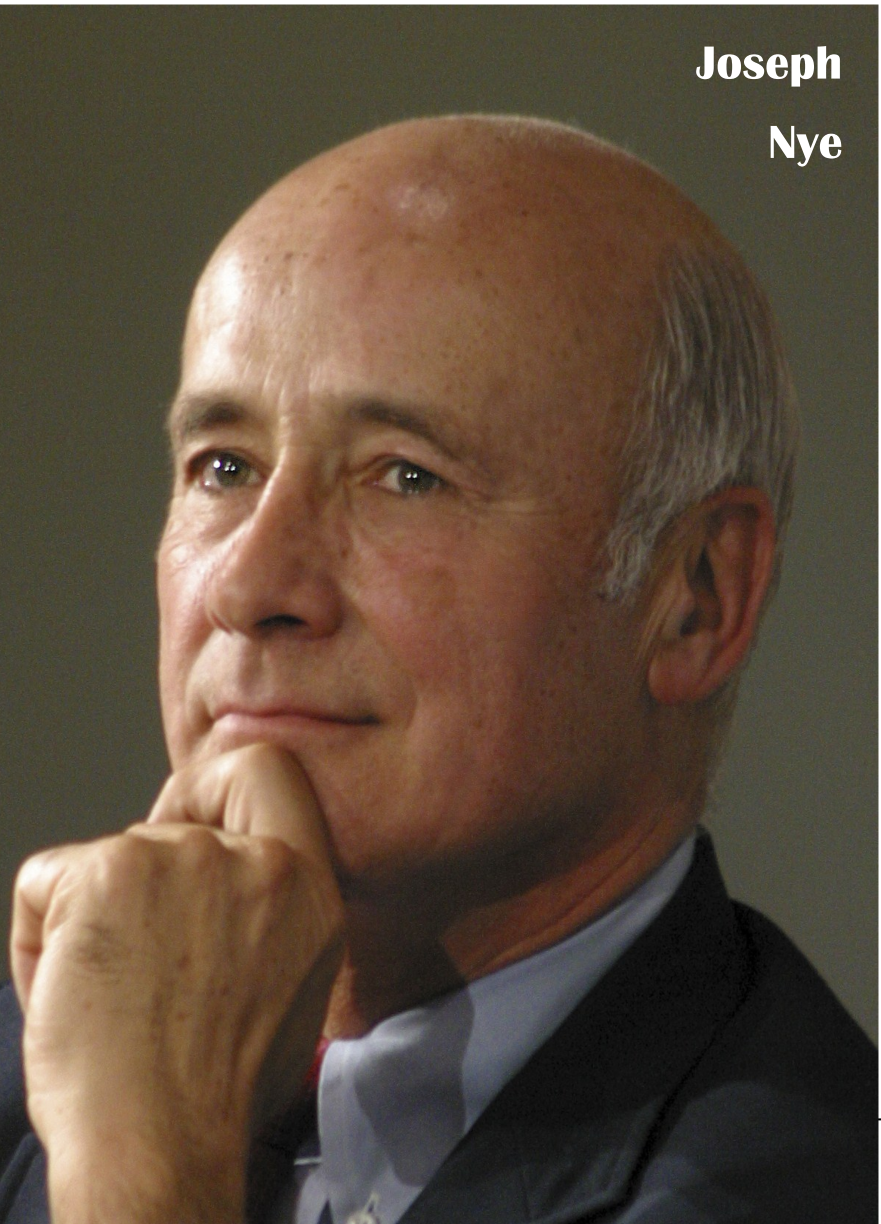
China's Aid Program in Africa

a Primer

Over the past decade China has emerged as a major donor of international aid. China's aid program has effectively been regarded as a state secret, and accordingly analysis of China's aid program has often lacked in nuance and tended towards hyperbole. This article will provide an overview of the nature and purposes of China's aid program, and how it contributes to China's own foreign policy and domestic economic development. It concludes that cooperation between other major aid donors and China is essential to break down mistrust and increase the effectiveness of global efforts to reduce poverty.

The first White Paper on China's aid program was released in 2011. The White Paper noted that from 2004-2009 China's aid program increased by roughly 30 percent each year. In 2009 China provided over 250 billion yuan (around $US 40 billion) in aid, consisting of approximately 41% in grants, 30% in interest free loans, and 29% in the form of concessional loans. The White Paper notes that China's aid focuses on agriculture, economic infrastructure, public facilities, education, health care, and, increasingly, climate change. While China itself is still a developing country, this level of expenditure establishes it as a major global aid donor.

In a similar, though perhaps more overt way to the aid programs of other countries, China's aid program is based on both China and the recipient country benefiting (particularly economically) and is closely tied into China's broader foreign policy aims. China's aid has served as a tool to dissuade governments from providing diplomatic recognition to Taiwan, discourage governments from supporting Japan for a seat on the UN Security Council, enhancing its global diplomatic presence and creating warmer relations with developing countries to garner support for China's policies in international fora. Some commentators have noted that China's aid program also serves its own development needs, facilitating the export of raw materials to China, and requiring that 50% of project materials and services are sourced within China. This contrasts with the aid programs of the United States, United Kingdom, Australia and most other major aid donors, which are generally removed from their own economic development aims. Many Chinese funded public works – like stadiums, bridges or dams — tend to be highly visible and offer tangible benefits; and such activities are often announced at bilateral summit meetings, acting as a powerful symbol of friendship between China and other countries. Accordingly, Chinese aid can be seen not only as serving 'hard' diplomatic and security interests, but also as an example of Joseph Nye's notion of 'soft power'.



China's aid to Africa, which has increased substantially over the past few years, illustrates many of these points. The White Paper indicated that for the 2009 fiscal year, nearly half (46.7 per cent) of Chinese aid was committed to Africa. Chinese aid in Africa can be viewed as contributing to the diplomatic objective of forging friendships with 'non-aligned' nations and competing with Taiwan for diplomatic recognition. On this point China has been successful, with only four countries in sub-Saharan Africa still maintaining official relations with Taiwan.[1] By the same token, however, China is hardly unique in linking international development assistance to broader foreign policy objectives.

China's aid program in Africa is also widely seen as focusing on its objective of securing oil, minerals and broader trade opportunities for its growing economy. An article in the *Economist* noted that 'China has become the continent's most important trading partner after America; trade between Africa and China has surged from just over $6.5 billion in 1999 to $107 billion in 2008.'[2] African oil reportedly accounts for 80 percent of China's trade in the region and about one third of its oil imports. China's aid projects are often backed by the natural resources of recipient countries. In war torn Angola, for instance, reconstruction was helped by oil-backed loans from Beijing, under which Chinese companies have built roads, railways, hospitals, schools and water systems. Nigeria took out two similar loans to finance projects that use gas to generate electricity. As a 2010 article in *Foreign Affairs* noted, in poor, oil-rich countries, which are often cursed by their mineral wealth, 'resource-backed infrastructure loans can act as an 'agency of restraint' and ensure that at least some of these countries' natural resource wealth is spent on development investments.'[3] This leveraging of natural resources in Africa closely resembles the relationship between Japan and China in the 1970s and 1980s, where China leveraged its natural resources to receive loans and access to much-needed infrastructure and modern technology.

Critics – particularly in Western media – have highlighted a number of perceived weaknesses of China's approach to aid in Africa. Chinese aid is often made available quickly and easily, without the social, political and environmental safeguards and bureaucratic procedures that major OECD donors and multilateral financial institutions typically impose. A recent Human Rights Watch report on Chinese-run copper mines in Zambia illustrates these concerns, finding that Chinese-run companies regularly flout labor laws and regulations, and have consistently poor health and safety standards. This is a point the White Paper recognises:

> 'China still has a long way to go in providing foreign aid. The Chinese Government will make efforts to optimize the country's foreign aid structure, improve the quality of foreign aid, further increase countries' capacity in independent development, and improve the pertinence and effectiveness of foreign aid.'

China's relative newness in the business of giving aid partly explains some of these limitations, as does China's quite small aid bureaucracy – there are only around 70 professionals in the Ministry of Commerce's Department of Aid to Foreign Countries, and 100 in China Eximbank's Concessional Loan Department.[4] It should be remembered that such criticisms – about environmental sustainability, or human rights, for instance – are in essence the same criticisms made about China's domestic development. As one *Economist* article notes, 'Chinese expatriates in Africa come from a rough-and-tumble, anything-goes business culture that cares little about rules and regulations. Local sensitivities are routinely ignored at home, and so abroad.'[5] In contemplating the Human Rights Watch report on Zambia, it should be remembered that China's own mines are considered to be the most dangerous in the world – it's not so much a case of double standards, but of an overall lack of capacity. It's realistic to expect that as China's own governance and project management capacity improves, so too will its approach to the delivery of aid.

To an extent, this is already happening. Chinese banks have recently begun to require more elaborate environmental impact appraisals for loans, which are often contracted out to European firms. Increasingly as well, Chinese aid projects in Africa are staffed primarily by Africans, not Chinese. There are also areas in which China is seen to be ahead of more established donors. For instance, the terms of Chinese loans are often better than those deals from Western companies. Congolese President Joseph Kabila has pointed out that a $3 billion joint mining venture in the DRC provides his government with a 32 percent share, compared with the 7 to 25 percent share that is typical of mining deals with other companies.[6]

The ability of developing countries to absorb the increases in Chinese aid has been questioned,

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including gin Africa. This is an issue commonly discussed in international development, though there appears to have been more public criticism of China's aid program in this area. There have been reports in Africa of Chinese infrastructure projects falling apart or being washed away, of classrooms with no students to fill them, and health clinics with no supplies. The level of Chinese aid as a proportion of GDP, and therefore the ability of countries to service their loans, has also been questioned. This concern has also been raised in the Pacific. In 2009, China's loans to Tonga were equivalent to 32 percent of GDP, while in Samoa and Cook Islands the figure was 16 percent.[7] While the issue of new debt burden is a real one, another way of looking at this issue is that as Chad's Finance and Budget Minister has noted, 'We borrow for our industrialization projects and the debt will be repaid from their profits.'[8]

In international development circles 'partnership' is an important buzzword. It even has its own Millennium Development Goal (MDG 8). As the role and influence of emerging aid donors like China and Brazil continues to grow, and economic problems continue to impact the West, placing pressure on the aid budgets of OECD countries, closer engagement between China and other donors will become increasingly imperative. Such cooperation is a vital element of enhancing the effectiveness of aid programs, not only in terms of what can be learnt through the exchanges but also as a way of reducing duplication and increasing complementarities – which, after all, are fundamental to delivering effective aid.

Engaging China in regional development dialogues and structures is one way of enhancing cooperation. For instance, China still isn't a member of the Cairns Compact, which was agreed to in 2009 by leaders in the Pacific as a means of enhancing development cooperation and effectiveness. Signing the Cairns Compact would be valuable in terms of enhancing cooperation with China, and would also have an important symbolic effect in terms of some of the negative perceptions around China's aid program. In Africa, engaging China in discussions around cohesive, long term strategies for economic growth will enhance the effectiveness of all donors.

Increased transparency around China's aid program will also contribute to cooperation and reduced mistrust. It should be remembered, however, that China is still home to the world's second largest population of people living on less than $1.25 per day, and that desire for greater aid program transparency needs to be balanced against what is domestically palatable.

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Notes:

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2. 'Chinese Aid to Africa: hedging its bets and its gold', *Economist* 2 July 2009.
3. Deborah Brautigam, 'Africa's Eastern Promise', *Foreign Affairs*, January 2010, p2.
4. Deborah Brautigam, *China in Africa: What Can Western Donors Learn?* Norwegian Investment Fund for Developing Countries, August 2011, p10.
5. 'The Chinese in Africa', *Economist* 20 April 2011.
6. Deborah Brautigam, 'Africa's Eastern Promise', 2.
7. Mary Fifita and Fergus Hanson, China in the Pacific: the new banker in town',. The Lowy Institute for International Policy, April 2011, 8.
8. IMF, Video of Press Briefing, African Ministers, World Bank/IMF Spring Meetings, 16 April 2011, accessed 25 November 2011- http://www.imf.org/external/spring/2011/mmedia/

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