Advancing Good Governance Seminar

June 13, 2014 – 10:30-11:30am

Master Class: Oxford Department of International Development – China's Impact on African Economies and Governance

The Master Class examined China's impact on the economies of African countries, and the resulting concerns and benefits. The panelists concluded that Africans are generally positive about the impact of Chinese investment and the corresponding encouragement of economic growth and upscaling of African infrastructure. However, concerns remain that the Chinese are willing to fund all regimes regardless of known corruption, and that a proliferation of loans on non-transparent terms risks developing a debt crisis in the future on terms not yet known.

Key Points from the Session

1 **China's expansion into Africa is raising key issues regarding the ideology of aid.** Since 2006, commerce between China and Africa has increased exponentially. Sino-African economic engagement now exceeds that of the World Bank. It is provided in the form of grants, interest-free loans, concessional loans and contributions to multilateral agencies. Much of the aid (85%) is bilateral, which allows China to influence how the money is used. Nearly half of the aid (46%) is in the form of concessional loans, which gives rise to concern over whether Africa will move into a debt crisis when repayment begins. Critically, when the loans are given, there are rarely conditionalities attached which differs dramatically from the many months countries must spend negotiating with the World Bank or other donors. A panelist observed that China's self-driven progression out of poverty, and the ideology that China brings to engagement – couching economic engagement as a win-win non-interventionist partnership – are extremely seductive to Africans who see an inspirational case study for growth and a potential freedom from conditionality. In providing "amoral" funding, the Chinese treat all governments equally; there is no distinction made between funding countries like Zimbabwe or Sudan, and South Africa or Ghana. China is reflecting on whether its non-interventionist policy should continue. However, at present its decision not to discriminate between recipient countries risks promoting those with limited democracy and human rights, and threatening the gains Africa has made in those respects.

2 **Assessing the benefits of Chinese investment in Africa should be done by weighing the comparative advantages to each party.** Data issued in 2013 showed that Chinese investment was not only in Africa's extractive/mining sector (20%), but also in construction (15%), banking (15%) and manufacturing (15%). China's advantage is its reservoir of unskilled laborers, while African countries' advantages are their natural resources. Where this complementarity exists, both China and the relevant African country can benefit. The panelist observed that countries with many unskilled laborers may be crowded out by Chinese workers, imported to work on Chinese contracts in Africa, but that countries rich in natural resources would benefit. A delegate queried what will remain for the African people in the long term following China taking the continent's natural resources. A panelist replied that the phenomenon of Chinese workers in Africa is somewhat exaggerated. Because Chinese companies operating in Africa are large and use labor-

intensive (not machinery-intensive) processes, even when they import the majority of their laborers, they still hire more local employees than traditional multilaterals.

3 **To negotiate with China, all 57 African countries must join forces to ensure that they get the best possible gains.** Arguments were advanced that China is leveraging its position to establish itself as a bridge between Africa and the West, getting raw materials from Africa and converting them into commodities to sell overseas. The question is whether Africa is going to be caught in a new mercantilist trap, dominated by China, or, conversely, take advantage of any new opportunities opened to it. A panelist argued that Africa is not inert in China's promotion of its own interests in Africa; instead, African countries need to look at the broader strategic advantages available, and unify in negotiating with the Chinese to maximize the benefits they receive.

4 **Focus on the people-to-people impact, not the government-to-government one.** If the impact of Chinese investment in Africa is to be sustained, there needs to be an emotional and educational commitment on the part of the Chinese, not just a financial one. Because there is not a Chinese colonial legacy in Africa, a panelist felt that there was minimal Chinese interest in capacity building for Africans. However, another panelist pointed out that increasing numbers of Africans are attending Chinese universities and that more and more Chinese are migrating to Africa.

Emerging Questions

1 How can Africa's rapid, and ongoing, restructuring, democratization and consolidation best be funded?

2 Where is the balance between negotiating aid packages for months and ultimately receiving little autonomy over how aid is spent, and receiving aid packages with no strings attached, but with the potential to undermine the future sustainability of the country?

3 Should/how can the entry into long-term contracts hinging on a country's natural resources by its political elite be monitored and/or controlled?

4 Should the global community pressure China to include human rights and/or governance requirements in its contracts with African nations?