# China in Africa: What the Policy of Nonintervention Adds to the Western Development Dilemma

# Madison Condon

#### **Abstract**

hinese investment activity in Africa has skyrocketed in recent years, outpacing every other nation except South Africa. China finances more infrastructure projects in Africa than the World Bank and provides billions of dollars in lowinterest loans to the continent's emerging economies. These loans and investments are typically made in exchange for securing access to natural resources. Based on its principles of nonintervention and respect for sovereignty, China gives this money with little or no strings attached. The West, which typically conditions its loans on initiatives like democracy promotion and corruption reduction, has labeled China a "roque donor," whose actions will be damaging to Africa in the long run. However, Western aid approaches like conditionality have largely been development failures. The Chinese model, with no colonial past or explicit political agenda, is a legitimate challenger to the Western aid status-quo. China is merely the largest and first leader of a growing cohort of developing countries interested in Africa's commodities. These new investors have the option to adopt wholly China's unconditioned approach or a more responsible engagement strategy. What all players are beginning to realize is that ultimately Africans themselves must decide what form they want this increased investment attention to take.

#### Introduction

The differences between Chinese and Western development approaches in Africa mirror long-held theoretical debates in the human rights community. The usefulness or ethics of conditionality, poverty and rights in tension, the trade-off between respect for sovereignty and principles of human rights—these are all topics that China's aid and investment in Africa bring to the surface in the development debate. China

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provides large cheap loans and grants to African governments in exchange for securing access to natural resources. Based on its principles of nonintervention and respect for sovereignty, China gives this money with few or no strings attached. The West, which typically conditions its loans on initiatives like democracy promotion and corruption reduction, has labeled China a "rogue donor," whose actions will be damaging to Africa in the long run. However, Western aid approaches like conditionality have largely been development failures. China's activity must also be viewed as the frontrunner in a much wider search for energy security and natural resources on the part of many emerging economies across Asia and the world. What all these players are beginning to realize is that ultimately Africans themselves are in charge of deciding what form they want this increased investment attention to take. As Chinese roads and factories begin to dot the

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continent in increasing numbers, it is a mistake for the West to ignore what Africa finds appealing in this new South-South approach.

# Chinese Aid and Investment Policy in Africa

China's official policy statement on its trade and aid relationship with African nations states that as a first principle, China "respects African countries" choice in political system and development path suited to their own national conditions, does

not interfere in internal affairs of African countries, and supports them in their just struggles for safeguarding their independence, sovereignty and territorial integrity."

Mutual economic benefit is the main priority of Chinese involvement in Africa, even if this means ignoring corruption and human rights abuses resulting from the cash flows. China believes that its successful 'growth at any cost' strategy at home can be applied in Africa, and is not shy about it. "Common sense about human rights and sovereignty is only one of the common values shared by China and Africa," says a professor of African Studies in Beijing, continuing, "There is no doubt that China's success in Africa has partly benefited from it, and those common values have laid solid foundations for further promoting bilateral relations in future."

Chinese development programs are centered on infrastructure, production, and university scholarships, rather than programs and social projects implemented by foreign aid workers.<sup>3</sup> Whereas the United States Agency for International Development has a close relationship with the Department of State, America's foreign policy center, most of China's aid is doled out by the Ministry of Commerce and the China Export-Import Bank (Exim Bank), whose central mandate is to strengthen China's economy.<sup>4</sup> Its aid approach is closely tied to two national objectives. The first is to secure commodities such as oil and rare earths for consumption in China. The second is to support China's own export-led domestic growth by creating new African markets.

China does not have an official distinction between what is considered foreign

aid, or what the West calls official development assistance (ODA), and development initiatives that are more similar to trade and investment agreements.<sup>5</sup> The China Exim Bank provides large subsidized concessional loans to developing countries with interest rates at significantly below market value.<sup>6</sup> The terms of these loans generally require that at least 50 percent of the money is spent on Chinese goods or services, like materials and construction firms.<sup>7</sup> These loans are often explicitly or implicitly tied to guarantees to market access of African resources—mainly oil.<sup>8</sup> An example of such a "resource for infrastructure swap" can be found in the Congo. In 2008, the Congolese government brokered a deal with Beijing for the construction of massive cobalt and copper mines; 1,800 miles of railways; 2,000 miles of roads; hundreds of clinics, hospitals, and schools; and two new universities.<sup>9</sup> The total value of these investments reached \$6 billion—around half of Congo's GDP. In exchange, China now has the right to extract 12 million tons of copper and cobalt over the next 25 years.<sup>10</sup>

In 2006, the Forum on China-Africa Cooperation convened foreign ministers from 48 African states for a summit in Beijing. President Hu Jintao announced that in the next three years, China would double aid to Africa, provide \$6 billion in preferential loans, establish a \$5 billion fund to facilitate Chinese investment, and provide \$1.4 billion in debt relief for overdue zero-interest loans. Trade between Africa and China reached more than \$120 billion in 2010, at a time when much of the rest of the world's economy was still in a slump. China provides more subsidized loans to Africa than the World Bank.

# Investment, Human Rights, and Good Governance

China's non-interference policy and respect for sovereignty has meant that it pays very little attention to the negative externalities that arise from its investment spending.

Unlike the West, it does not require recipients of development funding to implement anti-corruption measures. 14 This should not be a surprising fact, given that corruption is still commonplace within Chinese businesses themselves. Transparency International's 2008 Bribe Payer's Index ranked Chinese companies 21st out of 22 countries, for their propensity to bribe overseas. 15 In addition, Chinese infrastructure projects have been found to precipitate notorious human rights violations. In Namibia, South Africa, and Zambia it had been found that managers repeatedly ignore local minimum wage laws and affirmative action requirements, while refusing to pay social security and allowances. 16

In reaction to criticism, Chinese authorities have asserted that civil and political rights (CPR)

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should not be given primacy over economic, social, and cultural rights (ESCR).<sup>17</sup> In China's view, ESCR are achieved through economic development and investment, and deviations from an economic growth path for the sake of CSR are not justifiable. China also has often expressed a strong conviction of the non-universality of human rights.<sup>18</sup> The "Asian values" argument claims certain cultures value family and community over individuality, and the Western conception of human rights is inapplicable.<sup>19</sup> The domestic Chinese legal system and civil society are also less developed to fight the practices of the government and corporations. Whereas an oil company based in the West can be held accountable in a domestic court for being complicit in human rights abuses, and in America corporations are regularly prosecuted under the Foreign Corrupt Practices Act, no such mechanisms exist in China.<sup>20</sup>

China has refused to use its economic or diplomatic power as leverage against governments that commit even the most extreme human rights abuses or corrupt practices. It justifies its "clean hands" stance by pointing to its longstanding policy on noninterference—China thinks its domestic human rights issues are nobody's business, so it has no interest in meddling in the internal affairs of others. As the Chinese ambassador to Eritrea declared: "There are no rogue states. China has been labeled this in the past and other governments should not criticize." It is useful to take a closer look at a few cases where Western criticism of China is the strongest.

#### **Angola**

Angola is an autocratically ruled state that is notorious for corruption, inefficiency, and persistent poverty. It was ranked forty-two of forty-eight sub-Saharan African states on the 2007 Index of African Governance list.<sup>22</sup> It also has enormous oil reserves, producing as much annually as Kuwait.<sup>23</sup> Human Rights Watch reported that in a five-year period, \$4.2 billion worth of oil revenues were siphoned off of Angola's public accounts.<sup>24</sup> This amounts to around 10 percent of GDP, in a country where most people live on less than \$2 day.<sup>25</sup> Because of this, in 2004, the International Monetary Fund (IMF) was attaching transparency measures requirements to the loans it provided Angola for post-war reconstruction efforts. The ruling elite was reluctant to sign such a deal but was desperately in need of the funds. Unexpectedly, China's Exim Bank came forward with an offer to provide \$2 billion worth of loans, with no conditionalities regarding corruption or transparency attached.<sup>26</sup> Angola turned down the IMF's assistance and agreed to provide China with 40,000 barrels of oil per day.<sup>27</sup>

The Angolan government released a statement saying that Western financial markets impose "conditions on developing countries that are nearly always unbearable and sometimes even politically unacceptable." The Chinese loan however, imposed no "humiliating conditions" on Angola. Western media and aid organizations denounced China for helping Angola to avoid pressure to clean up corruption. The country director for CARE commented, "This big Chinese loan... gives a lot more flexibility for Angola not to comply with the conditions for other deals... It allows the government to escape... transparency."

The other side to this story is obvious. The Chinese loans are currently being used to restore three rail lines that are essential to Angola's mineral exports, construct a new airport, and build low-income housing.<sup>31</sup> As Deborah Brautigam points out, "there is still enormous corruption, but roads, clinics, and schools are being built."<sup>32</sup> Angola has experienced double-digit growth in the second half of this decade.<sup>33</sup> How well the growth translates into reduction in inequality, however, has yet to be seen. The Angolans have also begun to publish an account of their oil revenues and expenditures on the website of their Ministry of Finance, taking steps toward transparency even without IMF loan pressures.<sup>34</sup>

#### Sudan

In the late 1990s, after American and Canadian companies abandoned South Sudanese oil fields in response to North American consumer and investor hostility, China stepped in and filled the void.<sup>35</sup> The state-owned China National Petroleum Corporation (CNPC) owns the largest share in Sudan's largest oil venture, the Greater Nile Petroleum Operating Company.<sup>36</sup> Not only did Khartoum use Chinese oil money to fund its ethnic cleansing of southern insurgents, but China sold them the weapons to do it.<sup>37</sup> In violation of a UN embargo, \$100 million worth

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of aircraft and small arms were sold to Sudanese President Omar al-Bashir between 1996 and 2003.<sup>38</sup> The Chinese ambassador to South Africa, Liu Guijin, explained, "We don't believe in embargoes. That just means that people suffer. From a practical consideration, embargoes and sanctions can't solve problems."<sup>39</sup> Chinese Deputy Foreign Minister Zhou Wenzhong was quoted as saying, "Business is business. We try to separate politics from business. . . . I think the internal situation in the Sudan is an internal affair."<sup>40</sup>

Eventually, however, China did an about-face on its policy of non-intervention in Sudan. In 2007, Beijing used its influence with Bashir to press for the acceptance of a common African Union and United Nations peacekeeping force in Darfur.<sup>41</sup>

#### Zambia

In the 1990s, China's rapidly growing economy generated a demand for more and more raw materials. The Chambishi copper mine, in the heart of Zambia's copper belt, had been closed for more than a decade when the China Non-Ferrous Metals Corporation (CNMC) bought 85 percent of the mine in 1998 for \$20 million.<sup>42</sup> The project was hailed as a prime example of how foreign investment can bring jobs and spread technology to Africa. Then, in April 2005, an explosion at the mine killed fifty-one Zambian workers due to poor safety standards followed by Chinese foremen. A year later, after the Chinese had banned union activity and began paying Zambian employees less than the \$67-a-month minimum wage, six Zambian workers were shot

at a labor demonstration by a Chinese supervisor.<sup>43</sup> A similar incident occurred in April 2011, when eleven protestors at a demonstration against poor working conditions were shot and wounded by Chinese managers.<sup>44</sup>

In 2010, China's investment in Zambia surpassed \$1 billion, and an additional \$5 billion was recently promised for the next three years.<sup>45</sup> It is estimated that at least 20,000 Zambian jobs have been created in the copper mines and support industries.<sup>46</sup> Despite this growth, 60 percent of Zambia's population still lives below the poverty line.<sup>47</sup> The World Bank reports that this is a case where "economic growth has not translated into significant poverty reduction."<sup>48</sup> Most of China's investment goes directly back into the mining industry, with only "10 percent invested in agriculture, retail, and manufacturing."<sup>49</sup>

Anti-Chinese sentiment has become an increasingly important issue in domestic Zambian politics. In the 2006 presidential election, the opposition candidate, Michael Sata, ran on the platform that the Chinese exploitation of Zambia's resources and mistreatment of workers needed to be countered: "They are just flooding the country with human beings instead of investment and the government is jumping. We have to be careful because if we leave them unchecked, we will regret it. China is sucking from us. We are becoming poorer because they are getting our wealth." Chinese officials

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announced that they would withhold further investments until after the election. The incumbent pro-China candidate, Rupiah Banda, won by a small margin. Immediately after his victory, China announced it would forgive \$211 million of Zambia's outstanding debt.<sup>51</sup>

This past September, Banda and Sata faced off again and this time Sata was the victor. On the run-up to the polls, there were numerous reports that the Chinese were funding Banda's campaign—a common rumor was that the Bandabranded lollipops handed out on the streets came straight from China. Sata's victory has been hailed as an anti-China referendum in Africa. Since the election, Zambian employees have received raises from Chinese-owned mining companies. Sata's victory has been hailed as an anti-China referendum in Africa.

# The Western Aid Approach: Conditionality

The above examples are the most controversial tales of Chinese involvement in Africa, but China has given aid to every country in Africa but one—Swaziland (which still recognizes Taiwan as the government of the mainland).<sup>54</sup> Not all of them create news stories, but most follow a similar approach. Almost all Chinese activity in Africa is related to the creation of infrastructure, jobs, and a consumer market for Chinese goods. The

West's approach to development is far more complicated. National and international donor agencies and NGOs "operate in the mix of theory and practice and the mix changes regularly." Over the decades governments, following academic debates, have swung aid emphasis from infrastructure and manufacturing to rural development programs, to structural adjustment, to the promotion of good governance, to the use of bottom-up mechanisms, and to microfinance programs. Each time a theory is pursued with enthusiasm, and each time the failings of the approach are quickly exposed.

This latest round of donor emphasis on liberalization, privatization, structural adjustment, and good governance has not proven to be any more successful than previous regimes. Evidence suggests that conventional aid fails to promote both democracy and economic growth.<sup>56</sup> One of the most popular critiques on the current aid strategy is that it comes with too many burdensome strings attached. Requirements for aid are essentially a form of central planning that swell state bureaucracies and promote inefficiency. The funds are allocated from afar by ill-informed donors that distort market forces and ignore local preferences.<sup>57</sup>

# Failings of conditionality

China's involvement in Africa with "rogue states" and corrupt governments has received endless criticism from Western development minds. They argue that China should use its economic leverage as a political tool, and threaten to cut off financial ties to recipients that repeatedly violate human rights. They claim that aid rewards the behavior of dictators and actively funds the oppression of reformists.<sup>58</sup> This argument makes a lot of sense, although it ignores the empirical data that shows the political conditionality practiced by the West in Africa over the past decades has failed to actually affect change. Morrisey provides a survey of the literature evaluating the effectiveness of conditionality to force change on trade policy reform. He concludes that,

if countries displayed no initial tendency to implement reforms of the desired type, then conditional lending appeared to have little effect in encouraging reform. The only countries that appeared to meet conditions were those whose governments favoured the economic policies embodied in the adjustment programme; it was government preferences, not aid conditions, that determined reform efforts. If interpreted strictly, specified reforms to be 'substantially' implemented within a short time period, conditionality fails.<sup>59</sup>

In addition to the critique that aid conditionality simply does not work, there are further criticisms that it is unethical, or that it causes more harm than it fixes.<sup>60</sup> Most of these criticisms hinge on the fact that those who are in the most need of development assistance often live under autocratic oppression, through no fault of their own. Cutting off aid to dictatorial regimes means that the poorest are made to suffer for the sins of their rulers.<sup>61</sup>

A second ethical argument concerning conditionality, and one that is particularly popular with the Chinese, is that it is a form of interventionism that violates the sovereignty of the targeted nation.<sup>62</sup> Of course, the trade-off between human rights

and sovereignty is an oft-discussed duality of international law and policy. The West proclaims the existence of universal norms and principles that most of the world had no involvement in codifying. The questionable legitimacy of these norms constitutes a major rift between the developed and developing world."<sup>63</sup> Indeed, one famous observer of development programs writes, ". . . political conditionality is mainly an attempt, in a haphazard and largely bilateral manner, to impose Western values on Third World countries, further eroding their sovereignty and weakening their position."<sup>64</sup>

# **Poverty and Rights in Tension**

Conditionality is often said to cause more harm than good because it impedes the natural growth process of governance. African governments are deprived of the responsibility of determining their own future. <sup>65</sup> Political competence and accountability grows by learning-by-doing, and Western intervention circumvents this mechanism.

There is a growing body of literature that argues the Western development machine is demanding too much too soon from governments on their progress toward human rights, transparency, and democracy. These demands are getting in the way of economic growth, which may itself be a precondition for good governance. Khan exposes this chicken-and-egg dilemma in his look at corruption and development. He points out that in the East Asian "tiger economies"—development successes by many metrics—growth was pursued with little regard for much else. 66 Khan continues, "Levels of corruption were often very high during the early period of rapid economic growth and poverty reduction, property rights were not stable in critical respects, the rule of law was far from satisfactory, and accountability was often far removed from the democratic ideal."

Corruption is not a good thing, but the evidence shows that rapid growth can happen in spite of it. Indeed, cronyism and graft have been present in every country's early stages of capitalist government, from the United States during the industrial revolution, to China today.<sup>68</sup> The empowerment of civil society, elimination of corruption, and labor reform was a long (and ongoing) process in the developed world. More importantly, it was a grass-roots process. There was no World Bank demanding transparency from Tammany Hall. Does this mean that the West just needs to leave Africa well enough alone? Its democracy promotion initiatives have made even less progress than its poverty reduction ones. Thomas Carothers warns of the moral ambiguity of adopting a "sequentialist" view of democracy evolution. "Whatever might be theoretically preferable regarding paths of development, people in many parts of the world want to attain political empowerment *now*, not at some indefinite point in the future."<sup>69</sup> It is inconsistent with Western ideals to let a generation endure a lifetime of autocracy for the promise of possible future representation for their children.<sup>70</sup>

Of course, this view is totally consistent with China's own perception of itself. Like other East Asian nations, China has had substantial economic growth without making major progress toward the rule of law or respect for human rights.<sup>71</sup> The Chinese have

made it clear again and again that civil and political rights are a secondary priority compared with economic, social, and cultural rights. The Communist Party *has* done a remarkable job of increasing the average income of its people and maintaining stability in a region that has tens of thousands of protests a year.<sup>72</sup> Debates rage over whether or not China will successfully democratize in the coming decades, or whether it will break the mold of assumptions about the relationship between sustained levels of per capita income and democracy.<sup>73</sup>

Regardless, to China, the question of whether or not we should "let" a generation of Angolans endure autocracy for development's sake is an absurd and paternal one. Angola's government is Angola's problem. China is not squeamish about associating with the authoritarian governments of Angola and Zimbabwe because its own experience with development has been, 'grow first, rights later.' China is the prime example of an "authoritarian developmental state," wherein the government

retains the authority to actively intervene in the state to promote its transition from an agrarian to industrialized capitalist economy.<sup>74</sup>

#### **African Embrace**

As much as the West proclaims that China's approach is bad for Africa, there are many nations—authoritarian and democratic—stepping up to take China's money. The democratically-elected president of Senegal, Abdoulaye Wade, published an op-ed in *Financial Times* that is now figured prominently on the website of the Chinese Embassy in South Africa.<sup>75</sup> In it, he praises China's pragmatic approach to investment in his country,

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... the Chinese model for stimulating rapid economic development has much to teach Africa. With direct aid, credit lines and reasonable contracts, China has helped African nations build infrastructure projects in record time—bridges, roads, schools, hospitals, dams, legislative buildings, stadiums and airports. In many African nations, including Senegal, improvements in infrastructure have played important roles in stimulating economic growth.... It is a telling sign of the post-colonial mindset that some donor organisations in the west dismiss the trade agreements between Chinese banks and African states that produce these vital improvements—as though Africa was naïve enough to just offload its precious natural resources at bargain prices to obtain a commitment for another stadium or state house. . . . I have found that a contract that would take five years to discuss, negotiate and sign with the World Bank, takes three months when we have dealt with Chinese authorities. I am a firm believer in good governance and the rule of law. But when bureaucracy and senseless red tape impede our ability to act—and when poverty persists while international functionaries drag their feet—African leaders have an obligation to opt for swifter solutions.

Wade's piece touches on an important facet of Sino-African relations, that the Chinese do not have a colonial hangover. This means that their rhetoric, unlike the West's, is devoid of the language of duty, obligation, and guilt. What the Chinese do in Africa is for "mutual economic benefit," which is a refreshingly non-condescending approach to development. For all the criticisms about their lack of transparency, the Chinese goals are plain to see: let's both get rich. For those that believe that foreign aid has crippled Africa and burdened it with bureaucratic inefficiencies and corruption, China's bare-bones market approach is seen as "a way out of the mess that the West has

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China is itself a developing country, which in the not-too-distant past had 85 percent of its population living below the poverty line.<sup>77</sup> Many African leaders feel they have a lot to learn from China's successes. There is palpable South-South solidarity in many of the speeches and roundtables about China's African presence. At the World Social Forum in Nairobi, after a Tanzanian criticized the Chinese for driving out small businesses, a Chinese representative responded: "We Chinese had to make the same hard decision on whether to accept foreign investment many, many years ago. You have to make the right decision or you will lose, lose, lose. You have to decide right or you will remain poor."78

#### **African Backlash**

Plenty of Africans are not pleased with China's increasing presence. The successful election of Michael Sata, who threatened to

throw all Chinese investors out of Zambia, is the most powerful example of discontent. Many Africans claim that Chinese firms merely import all their labor rather than hire locals, though this claim seems largely unsupported by the actual employment data. <sup>79</sup> It is true that 1 million Chinese have moved to Africa in the past decade, many of them to set up shop as entrepreneurs selling cheap imports. <sup>80</sup> Much of the anti-China sentiment boils down to protectionism. In September 2004, the powerful Congress of South African Trade Unions threatened to boycott anyone selling Chinese products, claiming that rising unemployment was a direct result of those imports. <sup>81</sup>

For as many African leaders you can find to praise the fact that Chinese investment projects do not require tedious environmental impact assessments, you can find hundreds of locals discontent over spilled crude oil or encroachment into national parks. <sup>82</sup> There is a growing fear of China's land grab ambitions as well. In 2006, China offered a \$2 billion loan to Mozambique for the construction of a dam on the Zambezi River, which would create an irrigation infrastructure for huge amounts of fertile land in the valley. <sup>83</sup> A memorandum of understanding was then exchanged between the two governments, allowing 3,000 Chinese settlers to begin farming in the area. Local civil society was outraged, protests were launched, and eventually the plan had to be scrapped out of fear of a public relations disaster. <sup>84</sup>

# **African Empowerment**

Much of the above goes to show that Africans are not powerless on their own. Labor unions in South Africa and Zambia have successfully raised wages for mine workers to levels significantly higher than those paid in China itself.<sup>85</sup> Local protests in Mozambique forced China to rethink land settlement plans. The people of Zambia elected a new president who pledged to raise taxes on Chinese corporations and aggressively implement stronger accountability measures. African governments are learning that China's rapid growth means it needs them as much as they need China. The Angolans recently walked away from an oil deal; months later the Chinese came back with a better offer.<sup>86</sup>

China's own development model turns around securing technology transfer from developed countries. In past decades if a company wanted to set up shop in China to take advantage of its cheap labor and low regulatory standards, it often had to share intellectual property information. Many African governments are learning from this very strategy in order to secure long-term benefits from China's resource extraction. Nigeria, for example, is developing a national policy that would require a certain high percentage of local labor to be employed in foreign financed projects. <sup>87</sup> Senegal requires the transfer of technology and trainings in its investment deals. <sup>88</sup>

So perhaps China's model is a reasonable answer to the failures of conditionality—or at least a partial one. Much of Africa is firmly in a transformative developmental state right now—growth is on the rise, turmoil and human rights abuses abound. Like the United States during the turn of the 20<sup>th</sup> century, pockets of civil society are rallying to meet these challenges. Nobel prize winning economist Joseph Stiglitz has said that conditionality undermines the incentives for a society to reason and develop analytic capacities. Its use "reinforces traditional hierarchical relationships" between the donor and the recipient, and it ignores or circumvents the grass roots dialogue that is necessary for societal change to have any lasting effect.<sup>89</sup>

China approaches Africa, not as a donor, but as a business partner. Its lack of colonial baggage and status as a developing nation means that there is no unspoken hierarchy influencing its relationship with African leaders. With its no-strings-attached approach, China has allowed governments to spend the money as they see fit.

## **Unconditioned Wealth**

It is likely that China's unconditioned approach may have positive effects for those countries where it is establishing manufacturing and large scale agricultural projects—Ethiopia, Zambia, South Africa, Tanzania, etc. There are opportunities for technology transfer, employee training, and a diversification of the economy. For the countries whose economy is dominated by sales of natural resources, however, the story might be very different. Economists have observed the ill effects of "Dutch disease" for decades: when a country receives most of its revenues from natural resources, its currency appreciates, making its exports more expensive and its manufacturing sector less competitive. This influx of funds can distort the governance of the country as well. If a powerful central government does not need to rely on taxes for its budget, its accountability is decreased, and it has no incentive to create strong bureaucracies. 90

Keenan observes that this effect can occur with all kinds of influxes of wealth, foreign aid included.<sup>91</sup> In fact, countering this distortional effect is one of the justifications for including conditional requirements with the aid package, loan, or commodity contract in the first place. A survey of the literature on the resource curse shows the unsurprising result that "states with strong institutions tend to handle resource wealth more effectively than states with weak institutions." Of course, China hasn't made much of an effort to selectively invest in states with strong institutions.

# Influence of China on the Western Development Approach

The West has been watching China's African activity with displeasure. Former President of the World Bank, Paul Wolfowitz, claimed that international financial institutions are "losing projects in Asia and Africa to Chinese banks because [the Chinese] don't bother about social or human rights conditions." The president of the European Investment Bank angrily accused the Chinese of "unscrupulous" behavior. He head of the US-China Economic and Security Review Commission testified before Congress that China is offering "a wealth of assistance in building African infrastructure without concern about whether the benefits are accruing to the African people or only corrupt leaders." The divergence of priorities in Africa between China and the West was beautifully displayed in a single day's worth of news. On April 28, 2006, the Dutch government announced that it was suspending nearly \$150 million in aid to Kenya because of its failure to counter corruption. At the same time in Nairobi, China was signing a major oil exploration agreement in exchange for road building, the construction of a sports center, and infrastructure support for rice growers.

China is only going to grow more and more involved with Africa. While they might not like it, there is an opportunity for Western aid donors to learn from China's approach. Already, the European Union is reevaluating its use of conditionality, partly because of the "realization that change cannot be imposed from the outside." The new Africa-EU Strategic Partnership has begun to "backtrack from conditionality" and emphasizes financial rewards for meeting good governance standards, rather than

punishment for failures to meet them. 100 The Coordinator for Africa-China Relations at the European Commission, Uwe Wissenbach, has written that, "China's focus on a mutual interest-based, commercially driven and politically high-level partnership with Africa has concentrated minds in Europe

with Africa has concentrated minds in Europe . . . on how the old donor-recipient partnership could be transformed into a modern . . . partnership."<sup>101</sup>

The West's approach to development is about to become far less charity-based, out of necessity as much as out of good will. Competition from China has forced the West to pay more attention to African governments than it has in a long time. The US and the EU also depend on oil and mineral exports from Africa. With several wealthy great powers vying for trade relationships, African leaders have become very adept at playing competitors off one another. As noted by an Angolan minister: "Our relations with China not only allowed us to obtain large loans, but most importantly it forced the West to treat us with more respect and in a less patronizing way. For that we are grateful."102 The West has some catching up to do. China now has established embassies in more African countries than do the United States or any European country.103 China

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has made much of this diplomacy effort, noting that it pays attention to all African countries, not just those with strategically important resources.<sup>104</sup>

There is the possibility that a war over investment opportunities between the OECD and China could have negative implications for Africa. If the EU allows China's approach to change its own environmental and labor standards in Africa, a race to the bottom could lead to a resource grab with little sustainable benefit.<sup>105</sup> While there is little evidence that this will occur anytime soon, it is clear that China's presence in Africa is having an impact on the debate over development policies. The German Development Institute notes that in "some EU Member States the private sector has already raised concern about competitive disadvantages and trade diversion of exports to Africa in the light of Chinese engagement. Pressure has been put on European governments to re-tie their development assistance."<sup>106</sup> Tied aid is foreign assistance that must be spent in the donor country. China has always done this, but the practice is discouraged in the West and even illegal in the United Kingdom. It is estimated that tied aid increases the costs of development by up to 30 percent.<sup>107</sup>

# **Moving Forward**

How should the EU and the US engage China on issues of African development? Can there be cooperation when democracy promotion, human rights protection, and anticorruption are three of the key mandates of the West's program and when China simply declares that it "respects African countries' choice in political system"? The promotion of good governance, civil society, and macroeconomic structure reform is absent from China's development rhetoric. The above discussion, about the failings of conditionality and the moral dilemma of choosing between policies that promote rights versus poverty reduction, shows that maybe China's reluctance to meddle in this realm is not a terrible thing. Unless the West can prove that its approach is making more progress, it does not have much of a platform from which to criticize China. The activity that is unambiguously *bad* for Africa—nonintervention in genocide, or the supplying of arms to brutal dictators—should be denounced and pressure exerted on China to change those policies. Fortunately, it seems like pressure has already started to work in this realm. China has changed its tune with respect to Zimbabwe and Sudan, and committed peacekeeping forces to the UN mission in Darfur.

China's self-interested approach in its development mechanisms almost guarantees that it would have no interest in harmonizing with the other donors in Africa. Dahle-Huse argues, "China's efforts could fill niches that the EU has left open," (although at the pace of growth, it is more likely that the EU could fill in China's niches). 109 China actively engages with the infrastructure sector, while the OECD has generally backed away from this area. This uncoordinated co-existence could be made more palatable to the EU if there were "internationally recognised legal standards for responsible lending." 110 It is unclear why China would agree to such standards. Western governments and companies have voluntary agreed to certain rules that guide their actions in developing countries: the Equator Principles, the Extractive Industries Transparency Guidelines, the Kimberly Process, etc. China has demonstrated very little interest in subscribing to these rules and agreements. It has had no role in co-

# It seems clear that the solution is going to have to be an African one.

authoring these standards, sees them as a Western attempt to stifle China's economic growth, and has a domestic civil society that is too preoccupied with its own problems to exert any pressure on standards for foreign investment.<sup>111</sup>

It seems clear that the solution is going to have to be an African one. Individual nations are already for their dealings with foreign investors <sup>112</sup> Members

creating "rules of engagement" for their dealings with foreign investors. <sup>112</sup> Members of civil society from all over the continent are coming together to discuss corporate social sustainability requirements for Chinese investment. <sup>113</sup> At a recent conference, Kenyan journalist and activist Firoze Manji pointed out that the same activities called greedy Chinese resource grabs are "described as bringing about job creation, poverty alleviation, and development assistance" when they are undertaken by the West. Manji called for the creation and application of the same standards for all investors. <sup>114</sup>

One of the most important questions about the future of this conditionality/nonconditionality divide is how other non-Western investors will choose to model their own approach to African development. China's activity is only the leading edge of a much wider search for energy security and natural resources on the part of many emerging economies across Asia and the world. The journalist John Ghazvinian in his book *Untapped: The Scramble for Africa's Oil* captures this reality in the title of his final chapter: "The Chinese are Coming!... But Who Isn't?" He reports that the Malaysian state oil company Petronas is already involved in fourteen African countries, including a project with the Chinese in Sudan. South Korea is now the world's fourth-largest oil importer, and growing. The Koreans are attempting to mimic China's approach by investing billions of dollars in investment projects in exchange for extraction rights. 117

This "petro-diplomacy" strategy mastered by China has not been adopted whole-heartedly by all developing economies. India's petroleum secretary aired his grievances regarding the relationship between development aid and oil exploration offering, "Both Nigeria and Angola have conveyed that preference will be given to those offering economic packages. How much share you get in a block, they say, depends on the economic-development package you give."<sup>118</sup> Despite these objections, India later announced that it would be making its own multi-billion dollar oil-for-infrastructure deals in African countries. Brazil and South Africa have made similar forays into the market.<sup>119</sup>

The above goes to show that there is opportunity for the West to choose to act as a leader in investment and engagement practices in the coming decades. By unfettering itself from traditional conditionality arrangements, the West could refashion itself as a partner with African nations. This action could provide a much-needed alternative model to the Chinese one, incorporating concepts of Corporate Social Responsibility, voluntary standards, and investment guidelines. These principles could be adopted throughout the continent by investors from developing nations, especially from the many growing democracies, who decide to consider the human rights and governance implications of their investment activity.

### Conclusion

In the past, international organizations like the World Bank have been criticized for making loans to needy African countries conditional upon political reforms externally defined by Western standards. Now the situation is flipped on its head, with China granting large, unconditional, and very cheap loans without concern for transparency or accountability. These loans are certainly problematic, especially when they are given to autocratic governments lording over oil and mines. However, the West needs some humility in admitting that it has not been getting development in Africa right either. China offers an alternative rapid growth-at-any-cost model that many African leaders are embracing. The African response to potential Chinese exploitation has been growing—and it mirrors that of the historical phases of other transitional capitalist economies—protests over labor standards, and elections of reformist politicians. Rather than stage an aggressive bilateral face off with China over investment standards, the West ought to encourage the African agenda and capacity for setting the rules of engagement.

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