A World of Its Own Making: China and Africa

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Voyages of Zheng He

Source: Elisabeth Ellis and Anthony Esler, World History: Connections to Today, Prentice Hall (adapted)
China support African independence
China and Africa Resources
Henning Mankell
The Man from Beijing
I China as Economic Partner

TRADE:

• China Africa’s largest trading partner since 2010, US$210 bn at peak in 2013 from $10bn in 2003

• Resource trade still dominates exchange w/ 80% of Chinese imports from Africa

• Opening new markets for Africa
  – China as driver of trends - Asia absorbs 27% of Africa’s exports (2010) vs 14% ten years ago.
FINANCE:

• China’s FDI stock in Africa $40 bn vs US $57 bn in 2016 (UNCTAD)
  – Chinese non-financial investment peaked US$3.5bn in 2014 (but only 4% of total FDI)
  – 6 countries (SA, Angola, Algeria, Nigeria, Sudan, Zambia) account for 65% of Chinese FDI to Africa

• China banks Africa
  – ExIm/CDB amongst leading provider of finance since 2010 but confusion in data over loans and real FDI
TRADE:

• China Africa's largest trading partner, US$210 bn at peak in 2013 from $10bn in 2003 (MOFCOM 2015)

• Resource trade still dominates exchange w/ 80% of Chinese imports from Africa

• Opening new markets for Africa – China as driver of trends

Asia absorbs 27% of Africa's exports (2010) vs 14% ten years ago.

Source: Chinese Investment Tracker, AEI
BUSINESS:

• 2500 SOEs and over 20,000 private firms (Gu 2009); 10,000 private firms (Mckinsey 2017)
  – Chinese firms win 60% of construction contracts and turnover of over US$70 bn in 2016
  – Africa - 2\textsuperscript{nd} largest # of contracted Chinese labour

• But China story in Africa becoming SMEs
  – Ex: Nigeria 1000 registered firms, Egypt 900 registered firms, Zambia 166 registered firms
  – In Egypt, average capital of firm US$400,000; investing in manufacturing, services (pre-2011)
The Score Card

1. Breaking the ‘donor cartel’
2. Chinese investment galvanised foreign interest in Africa and ignited a new development cycle
3. China’s development experience as model
4. BUT, trade pattern replicates traditional resource exports for finished goods but going backwards towards de-industrialisation
5. Chinese labour and supplies preferred
6. Chinese outputs and products uneven quality
II China as Creditor

DEBT: Africa’s debt-to-GDP ratio trending downward until it picked up in 2012, with an increase from 37% to 56% of GDP btw 2012 and 2017, commercial as well as concessional loans

- Ethiopia, Kenya, Congo, Mozambique over 50% ratio

- IMF believes debt threshold for low-income countries is an external debt ratio of 40%.
  - Below this level, probability of debt crisis is 2–5%; above this level, the probability rises to 15–20%.
$120-billion for African growth

Financial pledges to Africa made by the Forum on China-Africa Co-operation

First $60-billion in financing to Africa pledged in 2015
- Special loan for development of African SMEs: $5bn
- China-Africa production capacity co-operation fund: $10bn
- China-Africa development fund: $5bn
- Grants and interest-free loans: $5bn
- Preferential and concessional loans: $35bn

Second $60-billion in financing to Africa pledged in 2018
- Investment over next three years: $10bn
- Special fund for financing imports from Africa: $5bn
- Special fund for development financing: $10bn
- Grants, interest-free loans and concessional loans: $15bn
- Credit lines: $20bn
Distressing
Sub-Saharan Africa*

Public and publicly guaranteed external government debt
As % of gross national income

*Excluding Mauritania and Djibouti
†Forecast

Source: IMF
• China holds 14% of African debt stock ($124 bn by 2016 - SAIS) and publically reducing exposure but higher levels at bilateral (72% of Kenyan debt)

• Bilateral debt - Angola ($25bn), Ethiopia ($13bn), Zambia ($9.3 bn) Kenya ($7.9bn)
  – Beijing no fixed approach like Paris Club

• Opportunistic or predatory lending? Mozambique...IMF vs Beijing...but led by Africans seeking alternatives
Chinese approaches...

• Reschedule debt (Ethiopia 2018, Cameroon 2019)
• Debt for equity (Zambia? Kenya?)
• Impose strict conditions (Zimbabwe 2016)
• Measures like denominate debt in RMB

• BUT fundamental change in relationship especially as African perceptions of power seen thru lens of financial dominance
III China as Catalyst for African Industrialisation

3.1 Promoting export of models part of Chinese *outward looking foreign policies* towards Africa

- Maoist period: revolutionary mobilisation training, agriculture and health

3.2 By 1980s, China’s *inward-looking development policies* meant no longer presenting its domestic development experience as a model

- Deng Xiaoping to Ghana’s leader in 1985: “Please don’t copy our model. If there is any experience on our part, it is to formulate policies in light of one’s own national conditions.”
3.3 Models revived in Hu Jintao era as China’s *outward looking foreign and economic policies* expand across Africa at FOCAC III (2006)

- Industrialisation Model: ECTZs drawn from China’s SEZs, hub FDI, manuf, techno transfer
- Agricultural Production Model: 10 (later 20) technical demonstration centres, based on PPP and BOT approach, 3 year phased (govt-govt, training, commercialisation)
- AU Chair in 2015 “We think it is possible to effect change in a generation (in Africa). China has done it. If we want to we can do it.”
3.4 Reinforced by China’s characterisation of its engagement with Africa as a new model of conducting the development process

- demand-driven development support without interference, equality of political relations, trade not aid, focus on debt-financed infrastructure, role of SOEs and private firms

3.5 Under Xi Jinping China is promoted as a dev country leader and as political model (2017)

- But fundamental change w/ Africa integrated into global value chains by China
IV China and African Security

1. Involvement based nominally on non-interference principle

2. Exposure of economic interests (risk, trade & FDI) converging w/ diplomatic status (UNSC P5) and emerging power rationale (China’s vision & role) w/ Libya 2011 as turning point

3. FOCAC China Africa Partnership on Peace and Security 2012

4. PM Li Keqiang 2014 – security one of 4 pillars of cooperation
Peacekeepers from China in Africa and Middle East

China has 2,720 peacekeeping troops and specialized peacekeeping personnel in nine regions under the auspices of the UN:

- More than 11,000 km of roads and 300 bridges have been built or repaired by Chinese peacekeepers.
- More than 9,400 mines and various types of unexploded ordnance have been cleared.
- More than 1.1 million tons of cargo has been transported across a total distance of 12 million km.
- Treated 149,000 patients.
- Accomplished 230 security escorts.
- Accomplished 450 patrols.


FENG XIUXIA / CHINA DAILY
China and Multilateral Security

• Hu Jintao’s ‘historic missions’ declaration in 2004
• Defence Min set up Peacekeeping Centre in 2009.
• China has contributed a total of more than 30,000 peacekeepers in 29 peacekeeping missions since China's first participation in UNPKO in 1990.
• China use UNSC chair to authorise UN peace mission in Somalia and hybrid UN-AU peacekeeping in Darfur
• Chinese combat ready PKers in S Sudan 2012 and Mali 2014 (1 death in Mali, 2 deaths in South Sudan)
• Xi Jinping announces 9/2015 China provide $1 bn to PKO over 10 years, 8000 UN PKO standby troops
Djibouti and China’s Base

Chinese engagement in UN anti-piracy campaign in Gulf of Aden (2009-) & Guinea (2014)

• Since 2009 China wanted a base in the region. 10 year agreement provide harbour facilities in Obock in exchange for basing rights linked free trade zone and banking facilities for China

  “We don’t want the Americans to leave but the Chinese invest billions of dollars in our infrastructure; that’s what the Americans are not doing. So we are trying to keep the balance to see where our interest lies, as a small country with very limited resources.” Djibouti’s FM
Other Side of Security: Arms sales and Private Security Firms

• Since 2005, China has become a leading supplier of small arms to Africa
  – Between 2011-2015, arms sales grew 88% (SIPRI) w/ exports to 51 African countries (Norinco etc)
  – Arms used increasingly in African conflicts (Sudan, Sahel, Somalia, DRC) though 25% of arms exports to SSAfrica, only 5.9% total global arms sales

• Chinese PSF increasingly involved
  – Since 2010, over 3000 personnel, ex-PLA thru DeWe, Frontier Services (HK-CITIC), involved
  – Unarmed
Global expansion
Chinese PSCs are increasingly active internationally

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**EVACUATION**
Location: Samarra, Iraq
Date: late June 2014
PSC involved: VSS Security (伟之杰安保公司)
Customer: China Machinery Engineering Corporation (CMEC)
Incident: VSS team evacuated 1,000 Chinese workers fleeing from Iraqi government standoff with ISIS.

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**HOSTAGE RESCUE**
Location: Al-Abbasiya village, South Kordofan state, Sudan
Date: late January 2012
PSC involved: unknown
Customer: unknown Chinese construction firm
Incident: A dozen armed Chinese security contractors helped the Sudanese Army to rescue 29 kidnapped Chinese workers.

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**SHOOTING AND EVACUATION**
Location: Juba, South Sudan
Date: 8 July 2016
PSC involved: DeWe Security (北京德威保安服务有限公司)
Customer: China National Petroleum Corporation (CNPC)
Incident: Executed evacuation plan for 300+ CNPC workers and civilians caught in shooting standoff between local warring factions.
Other Side of Security: Arms sales and Private Security Firms

- Demand driven: MOFA says 20% local Chinese worried or experiencing robberies, kidnapping, extortion etc (SCMP 2017)
- Chinese businesses respond by hiring local private security firms, SOES Chinese private security firms
  - Est of Chinese Police Forums within local policing districts in South Africa as a model
  But fundamental change w/ China increasing and deepening role in African security as never before
Conclusion