THE DRAGON'S GIFT

THE REAL STORY OF CHINA IN AFRICA

DEBORAH BRAUTIGAM

OXFORD
UNIVERSITY PRESS

OXFORD
UNIVERSITY PRESS

Great Clarendon Street, Oxford OX2 6DP

Oxford University Press is a department of the University of Oxford.
It furthers the University's objective of excellence in research, scholarship,
and education by publishing worldwide in

Oxford New York

Auckland Cape Town Dar es Salaam Hong Kong Karachi
Kuala Lumpur Madrid Melbourne Mexico City Nairobi
New Delhi Shanghai Taipei Toronto

With offices in
Argentina Austria Brazil Chile Czech Republic France Greece
Guatemala Hungary Italy Japan Poland Portugal Singapore
South Korea Switzerland Thailand Turkey Ukraine Vietnam

Published in the United States
by Oxford University Press Inc., New York

First published 2009

British Library Cataloguing in Publication Data

Data available

Library of Congress Cataloging in Publication Data

Data available

Typeset by SPI Publisher Services, Pondicherry, India
Printed in Great Britain

on acid-free paper by
MPG Biddles Book groups

ISBN 978–0–19–955022–7

1 3 5 7 9 10 8 6 4 2

For David

ACKNOWLEDGEMENTS

“His ‘gifts’ were tangible and generous,” a South African newspaper commented when Chinese President Hu Jintao signed several aid agreements during his 2007 visit to Mozambique. But for man people, the “gifts” borne by the Chinese dragon are more mysterious than tangible, and much more ambiguous than simply generous. As the first impressions of China’s rising engagement began to harden into conventional wisdom, a troubling picture arose, based on a sometimes sensational mix o fact and fiction, all circulating rapidly through cyberspace. The scale of the Chinese presence, and th obvious concerns this raised in Africa, Europe, Japan, and the United States, pushed me to return to a topic I first began to study in the 1980s. This book is the result: my effort to sort the myths of Chines aid and economic engagement from the realities, and provide a more balanced, historically grounded and complex picture of a phenomenon that became central to African development in the first post-millennium decade.

This book relies on nearly three decades of scholarship, but most recently on field research in South Africa, Nigeria, Tanzania, Zambia, Mauritius, Mozambique, Sierra Leone, and Zimbabwe, as well as interviews in Washington, Beijing, and Europe. I have learned from many people who know a piece of this puzzle, but especially from Phillip Snow, Ian Taylor, Daniel Large, Lucy Corkin, Qi Guoqiang, Li Baoping, Zhang Jun, Zhou Hong, Zha Daojiong, Li Anshan, He Wenping, Paul Hubbar David Shinn, Jamie Monson, Chris Alden, Adrian Davis, Gregor Dobler, Sanusha Naidu, Mike Morri and Adama Gaye. I acknowledge with great appreciation the many other people in China, Africa, Europe, and the US who asked questions when parts of this book were presented at seminars and conferences, or who shared their insights and experiences with me. I am particularly grateful to Anne Brautigam, Richard Brautigam, David Hirschmann, Carol Wise, and an anonymous reviewer who rea the entire manuscript. Others read chapters and offered helpful advice, including David Leonard, Albert Keidel, Jamie Monson, Carol Lancaster, Julia Strauss, Martha Saavedra, and several anonymous reviewers of the proposal. Any errors are of course my sole responsibility.

I thank the German Marshall Fund of the United States, the Smith Richardson Foundation, and American University for funding portions of the research. My international team of research assistan deserves special thanks: Arthur Taillu, Remidius Ruhinduka, Dominic Liche, Hans Hobbs, Hu Di, Liang Xingni, Medesse Raissa Sonou, Lijia Gong, Meghan Olivier, Vanessa Alvarez, Melissa Klink, Hala Hanna, Ritodhi Chakraborty, Zu Yiming, Paul Colombini, and especially Tang Xiaoyang.

For their critical roles in bringing this project to print, I thank my editor at Oxford, Sarah Caro, who approached me with the idea, and Daniel Large, who first invited me to return to the topic of China and Africa. Mick Moore gave the book its title. Above all, I thank David Hirschmann, whose contributions to this book, but more importantly to my life, are beyond measure.

Deborah Brautigam

CONTENTS

LIST OF FIGURES

PROLOGUE

The Changing Face of Chinese Engagement in Africa

For three days in November 2006, China's capital city was host to delegations from forty-eight African states gathered for the Beijing Summit of the Forum on China–Africa Cooperation. As the African leaders strode up the red carpet of the Great Hall of the People to shake hands with China's President Hu Jintao, the streets outside were filled with billboards saluting "Amazing Africa." Hu's opening speech brought waves of applause as the Chinese leader outlined a plan for a new "strategic partnership" and a deepening of "economic cooperation" with African countries. Over the next three years, the Chinese pledged to double aid, ratchet up concessional finance for trade and infrastructure and allow duty-free entry for many African exports. China would set up a fund for investment in Africa, build a hundred rural schools and thirty hospitals, and establish up to five trade and economic cooperation zones across the continent. This strategic partnership with Africa would be based, they said, on "win-win cooperation."[1]

Newspapers around the world filled with stories on the summit. Soon, think-tanks, universities, foundations and aid agencies began to organize meetings to try and understand what seemed to be an exciting – or perhaps worrying – new turn for African development. I attended many of these meetings. My 1998 book on Chinese aid and African development was one of the few resources for people trying to understand what a doubling of Chinese aid and the other pledges might mean for the continent.[2]

At a conference in an ivy-covered building at Harvard University, Ndubisi Obiorah, a soft-spoken Nigerian human rights activist, told us of civil society's concerns about China's poor record on governance, social and environmental responsibility and the risks this posed for African countries. B as we strolled in the hallways during a break, Ndubisi told me that part of him welcomed China's interest: "You remember," he said, "a few years ago, *The Economist* did a cover story on Africa: 'The Failed Continent.' My friends and I, we talked about that for weeks. It was depressing: 'Africa, the failed continent!' And now China comes, and they are talking about business, about investment, abou win-win cooperation." He smiled a bit ruefully: "Who knows? Maybe this change will be good for Africa."

China's Rise in Africa

The Beijing Summit focused attention on development in a part of the world that had seen far more than its share of dispiriting headlines. It forced the West to focus on something new: Chinese aid and other forms of economic engagement were sharply on the rise in Africa. China was on track to becom the African continent's largest trading partner, outpacing Britain and the United States. Nearly 900 Chinese companies had invested in Africa by then – in factories and farms, retail shops and oil wells. Li Ruogu, head of China's Export Import Bank (Eximbank), predicted six months after the summit that his bank would commit $20 billion over the next three years to finance Chinese exports and business in Africa (including North Africa).[3] By comparison, World Bank loan commitments to countries in Africa over a similar three-year period (2006 to 2008) totaled just over $17 billion.[4]

Though much of the West only began to focus on it after the Beijing Summit, China's accelerated move into Africa was by then already a decade long, building on forty-five years of aid that the

Chinese promised almost from the start would be based on "mutual benefit." China has given aid to ~~every country in Africa save one: Swaziland, which alone has never switched allegiance from Taiwan~~ Official aid is still regarded by China as a sensitive area, a state secret. This shroud of secrecy has helped to intensify concerns both in Africa and in the West. Much attention has focused on the multibillion dollar, resource-backed loans offered for infrastructure in countries, the changing face of chinese engagement in africa recovering from conflict, particularly Angola and the Democratic Republic of the Congo (DRC). Others have condemned China's policy of engaging with all countries that grant it diplomatic recognition, and its pledge not to interfere in domestic affairs, which has meant that the leadership actively engages dictators shunned by many other governments: in Sudan, for example, or Zimbabwe. As the debates unfolded in conference rooms, blogs, and media outlets in the West and in Africa, and as rumors of a huge new aid program created a mix of alarm and anticipation, it was obvious that debaters, bloggers, and journalists were drawing conclusions with only scant information.

The Chinese press painted a consistently rosy picture of friendship and mutual benefit. African leaders were almost uniformly positive about the benefits of China's embrace. Journalists in Africa and in the West were much more skeptical. Myths sprang up and were rapidly accepted as facts: the Chinese were targeting aid only to countries with rich natural resources and questionable governance and giving Africa three times as much aid as all the West combined! China was a "rogue donor" operating completely outside the rules and making governance worse. Chinese aid was "toxic," a highly placed US foreign policy pundit told his audience. The Chinese "stifle real progress while hurting ordinary citizens."[5] They import all their own workers for their projects, it was said. Some claimed the Chinese were using prison labor. Others predicted that China would manipulate debt reli for political leverage.

In the waves of misinformation and hasty conclusions, it became very clear that no one was answering the central questions: what *are* the Chinese doing in their new wave of aid and economic cooperation across Africa? What will this mean for poverty and development in Africa? And what wi it mean for the West and our own approach to development and aid? This book takes on that challenge.

China and Africa: Mutual Benefit?

On the small Indian Ocean island of Mauritius, crews from Beijing Construction Engineering Group operate the bulldozers tearing up sugarcane fields to construct low-income housing units financed by Chinese concessional loan. An exception in Africa, Mauritius has more than forty years of vibrant, multi-party democracy and no natural resources to speak of, save an interesting volcanic landscape, beautiful beaches, and rich soils that support a sugarcane crop that was for nearly two centuries the lifeblood of the economy. French tourists heading for a beach holiday sometimes find themselves lining up for their bags beside Chinese businessmen. Some of the latter may work for Huawei Technologies, a leader in information technologies and one of China's flagship companies. With encouragement from the Mauritian government under its efforts to reinvent Mauritius as a "cyber island," Huawei moved its Africa research, finance, and administrative centers to Mauritius, anchoring one of the modern "cyber towers" near the national university.

Others waiting for their bags may be on a delegation invited by China's Shanxi province Tianli Group, operator of a high-tech spinning mill in Mauritius, where textiles form another key sector of the economy. By the time of the November summit, Tianli and the Mauritian government were close to concluding a deal for Mauritius to host one of the proposed special economic cooperation zones. Two ~~weeks after the billboards were removed from the Beijing streets and the city emptied of its~~ African visitors, Tianli arrived in Mauritius with a delegation of officials and twenty Chinese firms interested in investing.

“We understood that the Chinese were interested in Mauritius nine or ten months ago,” Finance Minister Rama Sithanen told me when I met him in Washington the following April. “I set up a team the Minister of Land, the Board of Investment, etc., so that we could put a package together.” He laughed. “Tianli negotiated very hard. There were thirty or so conditions, it was very complicated. They wanted zero tax, but we are a low tax country already, only 15 percent, that’s lower than Singapore and Hong Kong. They accepted this, but then we had to give them a very good deal on the land.” Tianli designed an advertising campaign to attract Chinese companies, and the Mauritian government negotiated the politically sensitive issue of compensation for the 250 small farmers who had leased the government-owned land, and would have to be given alternative farming sites.

Rama Sithanen was back in Beijing in July, accompanying Prime Minister Navin Ramgoolam and a public–private delegation. Sithanen and the Chinese deputy Minister of Commerce, Liao Xiaoqi, initialed an agreement for an aid package of $117 million – triple the amount of aid offered in the country’s last agreement with China.[6] As an upper-middle-income country, Mauritius received little aid from the West. The government appreciated the Chinese aid, most of it in the form of concession loans that would finance infrastructure, but they were more enthusiastic about the potential investment. “We have never targeted a market like this, we have always been Eurocentric,” declared Raju Jaddoo, the director of the Mauritius Board of Investment. “People in Mauritius talk non-stop about the double taxation treaty between India and Mauritius. But this opening toward China is much bigger.”[7]

Zambia’s Chambishi copper mine had been closed for more than ten years when China Non-Ferrous Metals Corporation (CNMC) bought 85 percent of the mine in 1998 for $20 million, investin another $130 million for its rehabilitation.[8] CNMC were pioneers. By the end of 2005, more than 160 Chinese companies had invested in Zambia. A thousand Zambians were employed at Chambishi alon The Chinese investors had complaints, as a Zambian newspaper reported: “the Zambian government’ rigid control over expatriate staff, high transportation costs due to its landlocked position and poor infrastructure, discriminatory incentives, complicated labour relations laws, frequent strikes by workers, and poor local industries were not helping investors.”[9] But Zambians had complaints too.

The Chambishi joint venture marked the start of a steep learning curve for the Chinese.[10] In Apri 2005, as many as fifty-one factory workers were killed in an explosion at the Chinese-owned BGRIMM explosives plant on the grounds of Chambishi mine. The Chinese were widely accused of lax safety standards, and observers linked the disaster with the high rate of fatalities in China’s own mines. Yet as one investigative journalist pointed out, the problem of mine safety in Zambia was not uniquely Chinese. In fact, in the year up to October 2005 there had been only one fatality inside the Chinese mine itself, while more than twenty workers had died inside Mopani copper mines, a Swiss–Canadian–Zambian joint venture.

The Chinese company paid funeral costs and compensation of some $10,000 per employee killed, but the BGRIMM explosion also helped facilitate Zambia’s National Union of Miners and Allied Workers’ efforts to organize workers at the Chinese mine. The following year, in a protest over wage workers on the night shift at Chambishi vandalized equipment at the mine and attacked a Chinese manager. The next morning, as a fracas at the gate turned into a riot, a worker was shot and wounded by security guards. When rumors spread that he had been killed, another group of miners stormed the

Chinese residential compound, where, apparently, a panicked manager with a gun shot and wounded another five miners.

The Chinese connection grew into a heated issue in the Zambian presidential elections in September 2006. Opposition Patriotic Front candidate Michael Sata, who had visited Taiwan at the invitation of its government, seized on the anti-Chinese feeling. Aid and investment from China were Trojan horses, he told Zambians. “You recruit Chinese doctors and they end up having Chinese restaurants in town. They are just flooding the country with human beings instead of investment and the government is jumping,” he charged. “We have to be very 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.”[11] The late Zambian President Levy Mwanawasa countered: “The Chinese government has brought a lot of development to this country and these are the people you are demonstrating against?”[12]

After concerns about local demonstrations kept China’s President Hu Jintao from visiting Chambishi to inaugurate the Zambia–China Economic and Trade Cooperation Zone in February 2007, Zambian Minister of Mines Dr. Mwansa chided the people of Chambishi for their militant stand. Hu Jintao had promised that China would invest at least $800 million in the Zambia–China economic zone, creating thousands of local jobs. Mwansa reminded the people of Chambishi that the copper-processing factories planned by the Chinese would help Zambia to industrialize, and move away from simply exporting raw copper concentrate.[13]

In July 2007, Mwansa and President Mwanawasa visited Chambishi to preside over the launch of the Chinese company’s new social responsibility plan. A spokesman for the Chinese firm announced that they were supporting renovations at the Sino-Zam Friendship Hospital (another Chinese aid project), and repairing local roads, building bus shelters and public recreation facilities, and giving money for local education and women’s empowerment.[14] “As more and more Chinese companies are established in this area, we will see a flourishing and vigorous economic zone in the near future,” the spokesman pledged, adding “More value-addition and revenue will be left locally.” Then President Mwanawasa took the microphone: “You people of Chambishi should know better. This mine here was run by a South African company which failed. The Chinese came and you have seen what is happening. Don’t be cheated to lose your employment, because your children will suffer.”

China is also active in West Africa’s fragile conflict zone. More than twenty years ago, as a student, I spent a year in West Africa interviewing local people and Chinese aid workers, studying China’s approach to aid, and visiting Chinese projects deep in the interior. I returned often after that. By coincidence, three weeks before Charles Taylor invaded from the north, setting off more than a decade of civil war, the US Agency for International Development (USAID) sent me to northern Liberia to talk to village women for a project they hoped to fund on horticulture exports.

That was my last visit to Liberia for many years, but I remembered how the rainy season churned up the roads carved into the rusty, iron-saturated soil, making a thick soup that regularly trapped four-wheel-drive vehicles seeking to venture into the wet green forests. And I often wondered what had happened to the Chinese projects I had studied in West Africa. Were the bridges, rice fields, and feeder roads still operable? Was the Chinese hydropower project still producing electricity for Kenema and Bo? What happened to the joint ventures that the Chinese government was starting to nurture nearly two decades ago?

Poverty and Prosperity

If you could travel by satellite directly across the African continent on a clear night, the vastness of Afr~~ican underdevelopment would hit you with stunning effect. In South Africa, a sprawl of light~~ would mark Johannesburg and a smaller glow would be Cape Town. Between the border of South Africa, and up to the curve of the continent around the Bay of Benin, would be velvety black, broken only by the unruly spread of Lagos. At night, most of Africa is truly in the dark.

The majority of the world's poor do not live in Africa: for the moment, that dubious distinction still belongs to South Asia with its relatively larger population. But as we are reminded by rock stars such as Bono and Bob Geldolf, and university stars like professors Paul Collier and Jeffrey Sachs, Africa is home to most of the *desperately* poor – a large share of the "bottom billion" who have scant access to primary schools, clean water, sanitation, or opportunity.

The reasons for African poverty are complex and still debated. Three decades ago, it was commonplace to blame the ravages of colonial exploitation for Africa's poor progress.[15] Yet the political and economic success of former British colonies like Botswana and Mauritius, both relatively prosperous democracies, and similar outcomes in Japan's former colonies Korea and Taiwan, ensured that colonialism itself was no longer enough of an explanation.

For the past thirty years, most African countries have suffered at one time or another from a combination of low prices for their exports, mountains of debt, and a series of painful austerity measures and liberalization programs known as "structural adjustment" and imposed by international financial institutions in return for access to new loans. Although growth rates turned up in many African countries after the start of the new millennium and poverty fell somewhat, the economic crisis that began in 2008 ensured that most would fall far short of the Millennium Development Goal (MDG) targets by 2015. Innovations such as the "green revolution" that enabled rural Asia to produce food surpluses have not been widely successful in Africa, and many governments across the continent have not provided clear and credible support for job-creating investment. On measures of the quality of governance, African countries still lag behind the rest of the world in accountability, rule of law, and transparency.[16]

During the same three decades, Chinese leaders cast aside the socialist economy of Mao Zedong, and embarked on a gradual economic transition with spectacular economic results. Beginning with agricultural reforms first tried out in the province of Sichuan, China's policymakers unleashed market incentives in a country where, not long before, being labeled a "capitalist running dog" would have brought discrimination, rejection, and abuse.

In 1980, I journeyed through China just as the first wave of reforms was taking hold. After waiting weeks in Taipei and then Hong Kong for our rare individual visas, a friend and I traveled by train through the Lion Mountain tunnels, and across the miles of rice paddies that would later become the factory-dense Special Economic Zone of Shenzhen. Between Guangdong and Shanghai, we met two students from Benin and Sudan whose studies in China were sponsored by the Chinese government. A young soldier in the People's Liberation Army and his new wife shared our compartment for half a day, on their honeymoon. The train passed dozens of small grey villages, stopping sometimes at towns where small, sleepy donkeys rested beside the platform. There were no shops, no markets, and no restaurants. We could still make out the faded calligraphy of slogans: "Serve the People" and "Tireless Struggle," painted across the sides of the dusty brick buildings. I asked the young soldier whom he had served during his time in the countryside. He laughed and pointed to himself.

When Deng Xiaoping brought China out of the chaos of the Cultural Revolution, and set the country on the path to what the Chinese still call a "socialist" market economy, he famously said that ideology no longer mattered: "Black cat, white cat, as long as it catches mice it's a good cat." He also said: "to get rich is glorious." At first in fits and starts, the market economy came alive. Deng

Xiaoping's Open Door policy invited in foreign investment, skills, and new technologies, and sent stu~~dents abroad to soak up the latest thinking at cutting-edge universities in the West. Chinese~~ entrepreneurs flourished, but more unusually, through a mix of market and plan, the state sector gradually created its own business leaders, encouraging them to develop global brand names and seel profits abroad.

China now has the second-largest economy in the world. It is the world's workshop, not only for toys and garments, the first stages of export manufacturing, but for laptop computers, iPods, and digital medical devices. China's coming out party – the summer Olympics of 2008 – showed the wor what the country had become. When I first visited China, there was widespread equality, but everyon was equally poor. Between 1981 and 2001, as economists Shaohua Chen and Martin Ravallion report China reduced the proportion of people living in poverty from 53 percent to only 8 percent.[17] Yet inequality has risen as rapidly and as sharply as the economy has prospered. I have seen beggars sitting on the curbs of the prosperous shopping streets of Beijing's Wanfujing District. In summer an winter, the city is usually blanketed in dense yellow smog, the contribution of hundreds of ill-regulated factories. The rains that wash the air and give temporary blue skies are highly acidic. Many of China's streams and lakes have been rendered useless for fishing, and contaminants have entered the groundwater in most urban areas.[18]

These costs of rapid industrialization are starting to be taken seriously by China's leaders today; for many Africans, these costs are invisible. They see the face of China's prosperity: the confident traders that arrive to sell goods, the increasing numbers of Chinese tourists traveling to Africa, delegations of Chinese business leaders investigating potential profits. And many of them find this face very attractive. The idea of China as a model for prosperity has captured the imagination of man ordinary Africans, although others fear the threat of competition from the Chinese industrial juggernaut, and the rise of Chinese traders competing at the entry level in local African markets. On the one hand, we see excitement and anticipation; on the other, unease about Chinese aid and state-sponsored economic engagement. Yet, overall, I frequently hear comments like this, from a thoughtf Nigerian diplomat in Beijing: "The Chinese have an advantage of not having a colonial hangover. Whatever the Chinese do for Africa is very credible in our eyes. You have to understand this. We think maybe we can learn something from the Chinese."

A Different Kind of "Aid"

Not long ago, I attended a conference on the future of foreign aid organized by Oxford University. W gathered in Rhodes House, one of the Oxford buildings donated by Cecil Rhodes. Rhodes was the nineteenth-century founder of the De Beers diamond company, and the man who pushed the British Empire north of the Limpopo River in South Africa, all the way to Lake Tanganyika, grabbing present-day Zimbabwe and Zambia. Rhodes once said, "I would annex the planets if I could; I often think of that. It makes me sad to see them so clear and yet so far."[19]

Former President of Mozambique Joaquim Chissano, winner of the first Mo Ibrahim prize for excellence in African leadership, opened the conference with a frank speech calling for change in the aid system. He castigated the "never-ending litany of seminars and workshops … of doubtful value" and the pressures for political reform with sometimes destabilizing consequences. He charged that donors had "systematically dismissed" African needs for infrastructure, and generally ignored the need for development of the local private sector: "We should devise innovative ways to leverage aid to attract private sector resources in order to nurture and support the emergence of robust entrepreneurial classes that have a strong stake in the national economies," Chissano said.[20]

Despite nearly sixty years of aid, wealthy countries still do not have a way to ensure that their assistance will actually promote development (economic, social, sustainable, people-centered – however it is defined) and reduce poverty.[21] Official donor agencies and non-governmental organizations (NGOs) operate on the base of a mix of theory and practice, and the mix changes regularly. Periodic evaluations and a large industry of academic and professional reviews, meetings, and publications create new knowledge about what seems to work and what does not, and incentives for reinventing the "recipe" for effective aid. From an early occupation with infrastructure and industry, to, later, integrated rural development programs and (briefly) basic human needs, we shifte to structural adjustment, then governance and democracy, Grameen Bank-inspired microfinance, conditional cash transfers, and so on. Convictions about how aid can best foster development change regularly. And yet in Africa the continually changing recipe has yet to make much of a dent in endin poverty.

China's aid and economic cooperation differ, both in their content and in the norms of aid practic The content of Chinese assistance is considerably simpler, and it has changed far less often. Influenced mainly by their own experience of development and by the requests of recipient countries the Chinese aid and economic cooperation programs emphasized infrastructure, production, and university scholarships at a time when the traditional donors downplayed all of these. Chinese loans for infrastructure were intended to reduce the high costs of production (although contracts were tied Chinese firms and the bidding was not very transparent). Subsidies for productive joint ventures wer supposed to create employment, local capacity, *and* demand for Chinese machinery and equipment. Preferential loans for buyers of Chinese goods, and tariff-free access for commodities from low-income Africa emphasized trade over aid. Popular rotating health teams staffed local hospitals again and again, for decades.

China is different as a donor and strategic partner because it is also a developing country, and its development success (explicitly, its rapid economic transformation *and* its reduction of poverty) giv it a great deal of credibility as a partner with relevant recent experience. As Liberia's former Financ Minister Antoinette Sayeh commented, "Clearly, for us, in Africa, we have a lot to learn from China, beyond its financial capacity to assist. China has made the most progress over the past several decad in reducing poverty. That experience is of great interest to us."[22]

China, Aid, and the West

While China's new role as a major source of finance was welcomed in the corridors of power in Africa, it sparked considerable concern in Europe and the United States. Some saw China primarily a a competitor unburdened by the kind of social, environmental, and governance standards increasingl applied to finance from the West. The president of the European Investment Bank, a public funding agency, angrily accused the Chinese of "unscrupulous" behavior after losing contracts to Chinese banks. The International Monetary Fund and the World Bank watched Chinese banks stepping in to compete directly with their own offers of finance. The former president of the World Bank criticized the Chinese for ignoring environmental and social safeguards in their loans.[23] Wealthy countries complained that Chinese companies were gaining business by tying aid to exports, a form of export promotion that the richer countries themselves had agreed to sharply reduce.

Although China has become increasingly transparent about many aspects of its governance and policymaking, aid figures remain state secrets. The Chinese government releases only the barest of information about the quantities of aid it gives. There are no official figures on aid allocations to indi~~vidual countries or regions, no breakdown by sector or purpose. The tradition of secrecy fuel~~s misunderstandings, rumor, and speculation. The media assume (mistakenly) that China’s *aid* progran is huge. Some report that China gives aid mainly as a “quid pro quo” in exchange for access to natura resources like oil (this is largely incorrect). “Rogue regimes” – Sudan and Zimbabwe – feature as notorious examples of typical countries enjoying large amounts of “no strings attached” aid from China (in fact, they get very little *aid*).

The lack of transparency about Chinese loans has also deepened concerns that Chinese banks are “free-riding” by extending loans to low-income countries recently freed of crippling debt. Many assume that the Chinese do not demand proper accounting of funds and worry that the lack of conditions on governance will worsen corruption in a region already plagued by official malfeasance Oxford University professor Paul Collier, former head of research at the World Bank, declared in his book *The Bottom Billion*: “In the bottom billion [governance] is already unusually bad, *and the Chinese are making it worse*.”[24]

In 2005, under the Paris Declaration, the major donor organizations committed to reform their ov approaches to aid, in an effort to increase its effectiveness. As a newly significant source of finance for Africa, China’s role is particularly important for the development agenda of the World Bank, and the leading nations that make up the Group of Eight (G-8) and the Organization for Economic Cooperation and Development (OECD, a members-only club of advanced industrialized nations, base in Paris). All of these organizations admit to operating largely in the dark in their assessment of the risks and opportunities presented by China’s aid and development finance.

What they do not realize is that China’s engagement in Africa often simply repeats patterns established by the West, and especially Japan *in China*. As China emerged from the chaos of the Mao years and opened its own door to foreign aid, loans, and investment from the West and Japan, Chines leaders saw how aid could be mixed with other forms of economic engagement. They observed how wealthy countries ensured that aid would benefit both the donor and the recipient. The content of thei aid reflects what they believe worked for their own development. And, surprisingly, much about the way they give aid reflects what they learned from all of us.

What is Foreign Aid?

Defining what counts as “foreign aid” should be fairly straightforward. It is not. Most people have a general sense that *foreign aid* is funding given from governments to promote economic and social development in less-advantaged countries. They would not normally include military aid in this definition (nor does this study) but what about road repairs or a school rebuilt by a peacekeeping force? What about funds sent abroad by non-governmental organizations like Save the Children? Government subsidies to promote exports or subsidies to promote private investment do not seem to be aid, but what if the subsidized exports are buses that will be used for public transport? What if the subsidies will be used for joint ventures and technology transfer to boost the opportunities for small and medium enterprises in developing countries? Are these “aid”?

Between 1960 and 1972, the traditional donors wrestled with these questions in order to develop a definition that would enable them to record and compare their core development aid in a consistent manner. Member countries of the Development Assistance Committee (DAC) of the OECD now report their aid on the basis of an agreed definition of official development assistance (ODA).

ODA comprises funding from governments to developing countries (those with a per capita income below a regularly adjusted threshold) and to multilateral institutions such as the United Nati~~ons Development Program or the World Bank. This funding has to meet two criteria. First,~~ the purpose of the funding must be primarily to promote economic development and welfare in the recipient country. Second, it must be given on a concessional basis. Export credits do *not* generally qualify as ODA, nor do grants and subsidies to support private investment. In Chapter 6 we will retur to this definition when we try to figure out how much aid China has given to Africa, and how this compares with other actors.

This standard definition of ODA provides the starting point for this study. However, I go beyond this definition to include a range of instruments used by the Chinese government to mediate its economic engagement in Africa. These other programs are often mislabeled as “aid” in the media. They need to be disentangled from the official aid program, and viewed for what they are: part of the portfolio of tools used by an activist, developmental government with a clear vision of what it needs to do to promote its national goals overseas. And in viewing them for what they are, we have a chanc to reexamine the conventional wisdom that excludes these kinds of activities from the portfolios of most traditional donors.

Why Do Countries Give Aid?

Washington, DC: A television set flashes a picture of a brown-skinned toddler with a dirt-smudged face and large, startled eyes. A disembodied voice and a telephone number appeal on her behalf for contributions to the Red Cross or another NGO, hard at work responding to another natural or man-made disaster. In a White House office a budget official is coordinating with the State Department, putting the final touches to a supplementary appropriations request for a record level of aid to Iraq ar Afghanistan. Down the street, a smartly dressed representative from the US Department of Commerc answers a phone call from an American engineering firm at its Advocacy Center inside the World Bank.[25]

With some small changes, these pictures might also have been taken in Beijing. Like the US, China gives aid for three reasons: strategic diplomacy, commercial benefit, and as a reflection of society’s ideologies and values. The broad brush-strokes of foreign aid policy are set by political leaders, who shape aid as one of many instruments of foreign policy.[26] These leaders can sometimes influence decades of aid practice through the bold gestures or ideologies of the moment: A former U President, Jimmy Carter, locked the United States into large transfers of aid to Egypt and Israel after handshake at Camp David. The ideas of British Prime Minister Margaret Thatcher and US President Ronald Reagan deeply influenced aid for several decades, helping to shape a more conservative, market-oriented agenda.

However, the wishes of even strong leaders translate through a filter of three kinds of pressures – state, societal, and international – to arrive at the specifics of aid policy. State influences are key. Th United States Agency for International Development is housed in the State Department, reflecting foreign aid’s utility as an important diplomatic tool. Conversely, China’s two main aid windows are housed respectively in the Ministry of Commerce and the China Export Import Bank, both tasked primarily with building China’s domestic economy.

In the West, NGOs like Oxfam, Save the Children, and Bread for the World lobby parliaments to attach earmarks to the aid budget reflecting their changing concerns. Unions and businesses push to ensure that a large portion of the goods and services purchased by aid budgets continue to be home-grown. Chinese citizens donated thousands of Chinese renminbi (translated as “the people’s money”) to the Chinese Red Cross after the Christmas 2004 tsunami tragedy in Southeast Asia.[27] But compare with the West and even Japan, societal interest groups figure much less as a factor in shaping China's aid. Private and semi-private commercial interests are a growing factor in the determination of Chinese assistance, particularly at the provincial levels. However, in China state interests (political, commercial, and bureaucratic) overwhelm the societal influences on aid.

The third set of pressures on aid policy in any country comes from the global aid regime. In 1960 in its fashionable Paris neighborhood not far from the Eiffel Tower, the OECD established the Development Assistance Committee (DAC) to help monitor and negotiate rules on aid. As with regimes that set rules and norms in other areas – international finance, arms control, or global climat change, for example – the aid regime is marked by largely voluntary rules and norms that have evolved to foster cooperation and shared standards. The DAC has worked to set norms of transparenc and regular reporting, targets for aid and standardized definitions, and has built a consensus on mutu learning, external review, and best practices for aid effectiveness.

The aid regime is also influenced by changing ideas about development: the mix of foreign and domestic inputs that is believed to produce growth, reduce poverty, enhance equity and the broad-based sustainability of change. Here, Chinese ideas provide a significant contrast with ideas in the West. In 2004, Joshua Cooper Ramo, former foreign editor at *Time* magazine and a talented pilot (the holder of two US air speed records), coined the term “Beijing Consensus” in a trenchant analysis of China's development ideas.[28] Ramo argued that China's mix of pragmatism and idealism was an alternative model, rivaling the central tenets of a “Washington Consensus” rooted in the ideas championed by Margaret Thatcher and Ronald Reagan.

The comparative performance of China, with its five-year plans and emphasis on experimentatio rather than certainties, stands as a rebuke to the Washington Consensus policies. Liberalization, privatization, and structural adjustment never quite achieved legitimacy as a development model in Africa, even before the world's faith in the market was severely tested in the global economic crisis that began in late 2008. Today's Chinese model is still a government-guided model, even if it now resembles the government guidance of Singapore, Taiwan, or Japan at an earlier date more than it do the heavy hand of Mao Zedong. China's variety of experiences make me hesitate to agree with Joshu Ramo that China has one identifiable model today. But this is not the first time developing countries have been attracted by what they saw as China's development model, as we shall see in the next chapter.

Issues and Themes

This book brings together issues and themes that first engaged me as a young American teaching English in Asia, and later as a graduate student doing surveys in rice-growing villages of West Africa Traveling by lumbering public buses, and watching white Land Cruisers pass at odd intervals, each marked by the name of a donor or a relief agency, I would ponder the contrasts: why are some countries so rich and some so poor? When does aid help and when might it make things worse? Near thirty years later, these questions continue to motivate me as a scholar, professor, and development practitioner, and I have added others: Why do countries give aid? What effect does aid have on growth, governance, and poverty?

No matter how one approaches China's engagement in Africa, the contrast between China's rise and the poverty of much of Africa is never far from the surface. This book is not about that contrast, although it frames the study much as Mount Kilimanjaro frames the landscape of Tanzania's border region. China's rise *does* enter into the question of China's aid, of course. The Chinese model has attracted other nations since the time of the founding of the People's Republic. The possibility of lin between China's domestic experience and its economic embrace of Africa explain much of the warm welcome Chinese leaders have received across much of Africa, and the country's credibility as a development partner and a giver of aid. Yet the concerns are also widespread, and not just in Africa o the West.

Why does China give aid? The conventional wisdom is: to get access to resources. Yet as I hope this book will make clear, this is *at best* a partial and misleading answer. Fundamentally, foreign aid is a tool of foreign policy. China is not an exception. All donors give aid for a variety of political, commercial, and moral reasons. Understanding the balance between these motives gives us one of th keys to unlock the black box of China's aid program.

The following pages scroll back to the program's origins and then move forward to document major policy shifts. Under China's leader Mao Zedong, aid helped the Communist Party in Beijing to overcome the continued international influence of its rival, the Kuomintang, which governed the breakaway province of Taiwan. Their civil war became a diplomatic war, fought in the halls of ministries of foreign affairs across the third world. Ideology and political strategy were then the primary thrusts behind China's extensive aid program.

Yet, as I hope Chapters 2 and 3 will make clear, after Mao died China's aid and economic engagement in Africa were shaped by two new (but related) influences. First among these was *its ow experience as an aid recipient* and host to foreign investment. After China opened to the outside worl and began to receive aid and investment from the West, and particularly from Japan, Chinese policymakers learned a new model of how aid could also serve China's own development goals. The second influence was a pattern of state-sponsored engagement more characteristic of *the East Asian developmental state* than of a communist dictatorship.

Chalmers Johnson, formerly of the University of California, Berkeley, coined the term "developmental state" in 1982 to describe Japan's once meteoric rise.[29] It has since been applied across East Asia to describe late-industrializing states that set clear development goals and use a wid array of instruments (particularly finance) to nurture their companies, but at the same time push and pull them to meet those goals. China's growing number of state-sponsored tools for external econom engagement, including aid, began to reflect this familiar regional model, particularly in the recent push to "go global" or "walk out." Chapters 4, 5, and 6 explain how Chinese aid works, and answer th question of how much aid China gives to Africa.

What is China actually doing in its aid program and its developmental state embrace of Africa? What will China's new wave of aid and economic cooperation mean for African development? The book tackles these questions in Chapters 7 through 11. Critics have laid serious charges at China's door: their aid and engagement in Africa "stifles progress," and hurts ordinary citizens. Is this true?

The focus of Chapters 7 and 8 is industry: will China catalyze or crush African manufacturing? Some of China's African factories began as aid projects and became joint ventures. Later, using aid and other tools, the Chinese state pushed its manufacturers to move offshore to invest in almost every country in Africa at a record pace. But China's role here illustrates the difficult paradox at the heart o Africa's industrialization challenge, particularly in the "easy" sectors of leather, auto parts, and textiles profiled in these chapters. Could Chinese factories pushed by Beijing serve as catalysts for Africa's long-delayed industrial transition? Or will the trade liberalization that allowed Chinese exporters easy access to the markets of Africa create fatal competition for African factories?

Agriculture, the subject of Chapters 9 and 10, was the foundation of China's own development, and it is where most of Africa’s poor still currently live on the margins of subsistence. The Chinese state~~, its companies, and even private Chinese farmers are intensely engaged in rural Africa. Chinese~~ multinational seed companies see Africa as a new frontier, while Chinese volunteers are building small-scale Chinese-style rice paddies and fish ponds in hundreds of villages. Aid mixes with investment in ways that excite African leaders, who view their vast lands as another untapped resource, but deeply worry critics.

Chapter 11 focuses directly on the myths and realities behind the idea that China is a “rogue donor.” Does China’s non-interference policy provide cover for pariah regimes in Sudan and Zimbabwe? Has China’s growing presence in Africa worsened efforts to build good governance, improve human rights and reduce corruption? Are the Chinese leading a “race to the bottom” in socia and environmental issues? Does their active support for Chinese business present unfair competition The answers to these questions are bound to surprise some readers. Taken aback by the wave of criticism and fear that greeted their rapidly growing visibility in Africa, Chinese leaders have begun actively debate and adjust their engagement. Still, China is unlikely to move toward linking aid to governance or human rights, or to pull back quickly from business practices that long characterized investment from the West and Japan. What will this mean for Africa’s traditional partners? Will developing countries be able to use Chinese engagement as leverage in building new relationships with other donors? Will the traditional donors change? Who will blink first?[30]

Approaches and Analysis

This book responds to the lack of systematic analysis of China’s aid and state-sponsored economic cooperation activities in Africa. Anyone seeking to understand this topic faces a daunting challenge. As I have noted, the Chinese do not publish any official reports, figures, or evaluations of their aid, although they are more open about their overall economic cooperation. Chinese scholars have made some progress in describing the operations of the aid program and some of the reforms over the past few decades, but the scarcity of funding for fieldwork means that most Chinese scholars have relied on information made available to them in Beijing.

Journalists have given us quick sketches, but these impressions are often very partial, and sometimes, even in the best newspapers, surprisingly wrong. Chinese journalists do not enjoy freedo of the press. Other journalists are more balanced in their presentation, but lack the background to distinguish between foreign aid and the broader range of economic cooperation activities sponsored b China’s developmental state. Such a differentiation is important if we are going to understand how China operates as a donor, and how Chinese aid and economic cooperation affect development.

I have used two complementary approaches to try to understand the impact of China’s aid and state-sponsored economic engagement. First, I have done fieldwork in Africa – multiple times. I did field research across Africa: in countries where China’s presence was longstanding (Tanzania and Zambia), in resource-rich states (Zimbabwe and Nigeria), in countries recovering from war (Sierra Leone and Mozambique) and in high-performing countries with better governance (Mauritius and South Africa). The book also draws on my earlier field research on Chinese aid and the influence of Chinese business networks. I have spent time at the sites of dozens of Chinese projects and investments (old and new), interviewed Chinese and African officials and Chinese aid workers, and spoken with many ordinary Africans. To piece together the history of China’s early engagement, I sifted through the dusty, discarded files of the ministries who were China’s partners on these project To track the changes in China’s aid, I traveled several times to Beijing, spoke to Chinese aid official