

Fuelled by FOCAC: China's Development Cooperation in Africa

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FOCAC 2018

The Forum on China Africa Cooperation (FOCAC), celebrated the eighteenth year of its establishment with a star studded, glitzy geopolitical fest in Beijing on the third and fourth of September. The high-level diplomatic event that - according to an African news agency - left the African continent briefly bereft of leaders, was taking place at a time when China is engrossed in a trade tussle with the US, is facing backlash for its debt inducing loans and is dealing with pressures from its economy rebalancing among other challenges (*AfricaNews* 2018). Nevertheless, several meetings between expert committees, media houses, academics, think tankers all lead up-to the two-day extravaganza that began on a high note with President Xi addressing the gathering (*Xinhua* 2018). While Eswatini that still recognises Taipei was the only country missing, the Gambia, Burkina Faso, Sao Tome who recently shifted their allegiance in favour of PRC found special mention in Xi's speech as he asked for a round of applause to welcome them into the FOCAC fold.

The Forum has, over time, not only become an important harbinger of quickly evolving Sino-African interactions but also an indicator of the importance African states are placing on its engagement with China. It is also reflective of the increasingly critical place Africa is taking in China's foreign policy matrix and also contains clues to China's aspirations in its role

as a regional and global leader. President Xi recalled that he had been to the continent nine times and four of those as the Chinese President, acknowledged the significance of Sino-African camaraderie and their shared histories in a fast changing global order and made a reference to the 'China Africa Community' over seven times during his brief speech. The language he employed and the semantics of the Beijing Declaration adopted suggests a China willing to play a more pronounced role in global governance structures.

The choice of theme '*China and Africa: Toward an Even Stronger Community with a Shared Future through Win-Win Cooperation*' is a deliberate shift from the donor-donee approach the west is often criticised for using. Emphasis on a 'stronger community' and a 'shared future' as the Chinese footprint expands across the continent, indicates that China's interests in Africa are long term. Criticisms of this relationship being far from 'win-win' were addressed with the launch of eight initiatives focusing on: industrial promotion, infrastructure connectivity, trade facilitation, green development, capacity building, health care, people-to-people exchange and peace and security. By expanding the scope, depth and range of cooperation, Beijing puts to rest arguments of neo-colonialism or hydrocarbon driven one sided engagement. As its commercial engagement spreads across sectors, it's also

weaving the African growth story with Chinese characteristics.

It was also clear that President Xi's speech at the inauguration was as much an address to the larger global community as it was to actors in Africa. He introduced the 'five-no' approach¹ that China will employ to its relations with the continent and the suggestion that it could also 'apply to other countries as they deal with matters regarding Africa,' could have been directed at powers that have held sway traditionally.

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However, given China's increasing presence in the continent, how much longer it can stick to the policy of non-interference in countries' internal affairs or in their pursuit of distinct development paths seems unclear. Similarly, not counting the one China principle as a 'political string' in its engagement with African countries also raises questions. By including 'no imposition of (China's) will' or 'no seeking of selfish political gains' in the 'five-no' approach, one wonders whether it is a recognition of how things have been thus far and a conscious attempt to step away from state quo, or whether it wants to spell out the distinctiveness of its own approach.

President Xi also used the speech to spell out the centrality of African nations in China's

¹ The Five-no approach contains:

1. No interference in African countries' pursuit of development paths that fit their national conditions;
2. No interference in African countries' internal affairs;
3. No imposition of our will on African countries;
4. No attachment of political strings to assistance to Africa;
5. No seeking of selfish political gains in investment and financing cooperation with Africa.

ambitious Belt and Road Initiative (BRI). The BRI is being proposed as an initiative that will not only speed up African regional integration or bridge Africa's infrastructure gap but President Xi called for finding commonalities between the BRI, African Union Agenda 2063 and other development programs of different African states thereby making it a critical instrument of furthering its development cooperation. Thus far 37 African countries have signed a MoU with China on jointly developing the BRI (CGTN 2018).

However, the most awaited part of the speech was the financial pledge of \$60 billion to be spent over the next three years to ensure that all the 8 initiatives are implemented. This includes a \$5 billion special fund for African non-resource imports - an attempt to begin balancing out the huge trade deficit African countries have with China and help boost local manufacturing. It also includes \$15 billion in aid, interest free loans, concessional loans, a \$20 billion line of credit and a \$10 billion special fund for China-Africa development. Additionally, a lot of the debt incurred from interest free loans from the Chinese government by heavily indebted and poor countries, least developed countries, landlocked developing countries and small island developing countries 'that have diplomatic relations' with China that was due to mature by 2018, was exempted. Chinese companies were also 'encouraged' to make at least \$10 billion investment in the continent over the next three years.

Although the amount of financial commitments mirrors the last FOCAC summit in Johannesburg, experts like Yun Sun suggest that the 'overall level of concessionality and preferentially of Chinese finance is decreasing' and this could be driven by uncertainty about the returns or even the commercial viability of Chinese financing (Yun 2018a). Some others suggest that the slowing down of the Chinese economy as well as fall in global commodity prices will also affect Sino African interactions. Amidst the fanfare and calls for a shared future, common destiny and win-win bonhomie, it is critical to put in perspective that although China is the major trading partner

with most countries on the continent, its volume of investments is still quite low. In 2017, China's FDI into Africa amounting to \$3.1 billion only made up 2.5 percent of its global FDI.

Beyond the financial incentives at the conclusion of FOCAC 2018, what remains clear is that there is no doubt that the Chinese engagement in the African continent, both in terms of the modalities of its operation and the tone and tenor of its involvement has ushered in a new era of development cooperation. China has broken away from the traditional developmental models that were primarily aid driven and are creating new moulds characterised by leveraging lessons from its own developmental processes. Beyond the oft-used rhetoric of South-South Cooperation and Win-Win partnership, there seems to be allocation of resources and personnel in building African capacity. Considering that capacity building has for long been touted as India's inherent strength, there is a need to understand the nature of Chinese capacity building activities in the continent.

China - Africa Development Cooperation

In the Great Hall of the People in Beijing, under the artificially engineered blue skies, the FOCAC Beijing Action Plan (2019-21) that was signed identifies capacity building as a priority area just as the previous FOCAC summits have. This time around, President Xi Jinping stated that China will 'share more of its development practices with Africa' and stated that Ten Luban workshops will be set up to provide vocational training and a China Africa innovation centre - a program to train 1000 high calibre Africans to promote youth innovation and entrepreneurship will be opened. These are in addition to 50,000 government scholarships, 50,000 training opportunities for seminars and invitations will be extended to 2000 young Africans to visit China. Furthermore, a China - Africa Joint Research and Exchange Plan, A China-Africa media cooperation network, China Africa peace and security forum are some of the other

platforms that are designed to transfer skills and training.

The feasibility and success of these programs however, will be tested with time. The China-Africa Industrial Capacity Fund established after the last FOCAC Summit in Johannesburg began operations in 2016 with a start-up capital of \$10 billion. Although it was supposed to finance \$10 billion projects by the end of 2018, it has only approved six projects so far with investments of \$542 million of which only four amounting to \$248 million have been funded (Yun 2018b).

This willingness to develop African capacities needs to be viewed within the context of an increasing number of Chinese companies shifting their manufacturing bases to Africa.

Chinese capacity building initiatives also seem to be prioritizing African industrialisation. According to the Chinese ministry of Commerce China plans to establish regional vocational education centres and capacity building colleges with the aim of training 200,000 technicians in Africa while 40,000 Africans will receive training in China. This willingness to develop African capacities needs to be viewed within the context of an increasing number of Chinese companies shifting their manufacturing bases to Africa.

The Hawassa industrial park in Ethiopia for instance, houses some of the leading Chinese textile companies and some of them have begun to export to the global markets. The Kilinto Pharmaceutical Park is also expected to house pharma companies from India, China and beyond with the aim of supplying the demand of various African countries as well as the rest of the world. During interviews with manufacturers in Ethiopia, one of the challenges that seemed persistent was the lack of skilled labour available locally.² The Ethiopian government, for instance, is taking into account this shortage of skilled personnel and has plans to set up pharma colleges,

²Personal Interview, Ethiopia, September 2017

training institutes and programs and has made it a critical part of their national growth strategies.

The most critical aspect of China's development cooperation seems to be in the agriculture sector. Chinese investments in building African agricultural capacity is critical as most countries are agrarian, it is labour intensive and could therefore not only help build local economies but provide employment opportunities. China has built over 23 Agricultural Technology Demonstration Centres (ATDCs) to share expertise and disseminate agricultural knowledge. According to the Chinese ministry of Agriculture, these ATDC's have trained over 100,000 personnel and has increased the productivity of crops between 30 and 60 percent (*ChinaAfrica* 2018). In addition to this, China provided Zambia with concessional loans to improve agricultural capacity, skills and signed agreements with countries like Nigeria and South Africa to exchange agricultural technology and expertise. There are also plans to implement agricultural enriching projects in 100 African villages, send Chinese agricultural experts to Africa and set up 10 + 10 cooperation mechanism for China - Africa agricultural research institutions.³

There is an attempt to shift the narrative from China's dependency on African resources and markets to its increasing trade deficits with countries in the continent.

China's development cooperation extends to the health sector where studies by Xu and Cheng utilising data from Aid data shows that Chinese aid projects play a significant role in the African public health structure by providing for health infrastructure, equipment, medicine but also training health professionals. According to them most the aid funding was channelled towards infrastructure, equipment and medicine (304 projects in total) followed

³Ministry of Foreign Affairs of People's Republic of China, Forum on China-Africa Cooperation Beijing Action Plan (2019-21), Beijing.

by medical teams (189 projects) (Shajalal *et al* 2017). However, they argue that although China is actively contributing to build African health systems, there are some serious challenges as negligible participation of local NGO's and private sector which questions the sustainability of these projects and aspects such as disease prevention, health education, health promotion are not addressed.

Beyond vocational training for industries, agriculture and health, Chinese development cooperation in Africa has also been focused on the education sector as well as enhancing African security architecture among others. Its role in helping build African capacity is becoming an increasingly important component of quickly evolving Sino-African interactions. This could be perceived as an attempt to shift the narrative from China's dependency on African resources and markets to its increasing trade deficits with countries in the continent. It could also be viewed as the initial steps of China - the global player engaging with a dynamic Africa - that is leveraging its strengths to strike better deals to plug fundamental deficiencies in its growth process.

However, it is vital to view China's increasingly comprehensive development cooperation in African countries against the backdrop of a larger debate of China's role in the continent. Broadly speaking there are two compelling narratives that exist. One advises caution against increasing Chinese footprint - especially regarding the nature and terms of Chinese loans and the consequences of defaulting on them. China taking over the port in Hambantota and recent news that China could possibly take over the Kenneth Kaunda International Airport in Lusaka after Zambia lapsed on its loan repayment (later refuted by Zambia) as a case in point (*Lusaka Times* 2018a, 2018b). On the other hand, African nations face huge infrastructure deficits and the terms of lending from traditional institutions such as the World Bank, IMF or countries such as the UK and USA are viewed as conditionality ridden that not only take a longer time to process but may not even be available. This leaves China positioning itself as a partner

in growth - with its efficient delivery and substantial resources; it provides an alternative strong enough that it outweighs the potential risks. This confidence in China as a strong non-western alternative has also been developed over time, with the continent regularly hosting Chinese leaders, who over the past decade, have made 79 high level visits to 43 African countries including to 26 of the poorest countries in the region (*Development Reimagined* 2018).

Conclusion

China's comprehensive approach to building human and institutional capacity in Africa could be perceived as an attempt to alter the Sino-pessimist narrative. Considering that most African countries have a trade deficit with China, the rhetoric of the 'win-win' nature of Sino-African cooperation finds legitimacy in the plethora of development cooperation initiatives that Beijing has in place. One of the biggest shifts in the Sino-African landscape to be expected is the entry of more sub national actors. Considering that Chinese State-Owned Enterprises have been dominant players, the entry of private companies, Small and Medium sized Entrepreneurs as well as micro enterprises in African markets is going to further diversify the existing economic intercourse. However, increasing engagement would mean that the slowdown of the Chinese economy could potentially have a negative impact on African growth.

Furthermore, China's development cooperation in African countries is only going to expand under the auspices of the BRI as it is certainly going to bring in more funds and financial incentives for countries in the continent. Although the BRI was presented at FOCAC 2018 as a 'new platform of international cooperation', fact remains that the large scale infrastructure that China has been building in Africa could lead to long term debt that many countries may not be able to repay. Moreover, the economic viability of these projects as well as the consequences of defaulting on the loans remains ambiguous.

What makes this engagement compelling to follow and study is that as the range of Chinese actors grow, and their areas of interest expand, the African agency - armed with tremendous growth potential and young demographics - can work towards increasing transparency, negotiating better deals and as a result diversify their alternatives.

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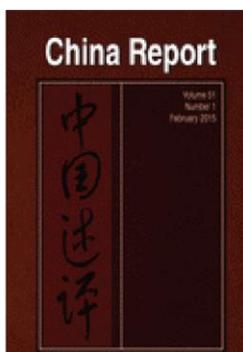


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