

# A World of Its Own Making: China and Africa

Professor Chris Alden

LSE

# Contents

I Past as Prologue

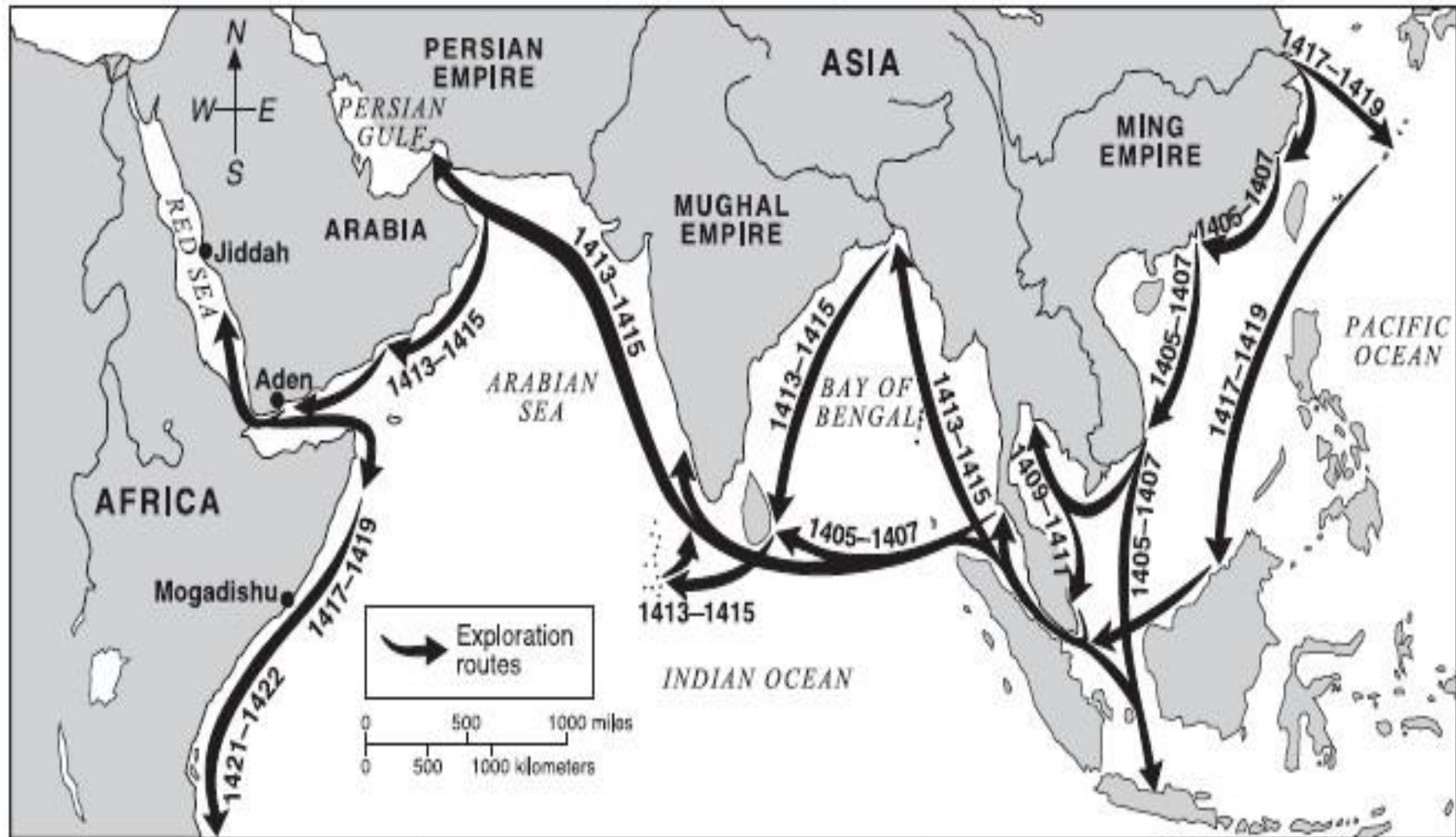
II China as Creditor in Africa

III China as Catalyst for African Industrialisation

IV China as Security Provider in Africa

V Conclusions

## Voyages of Zheng He



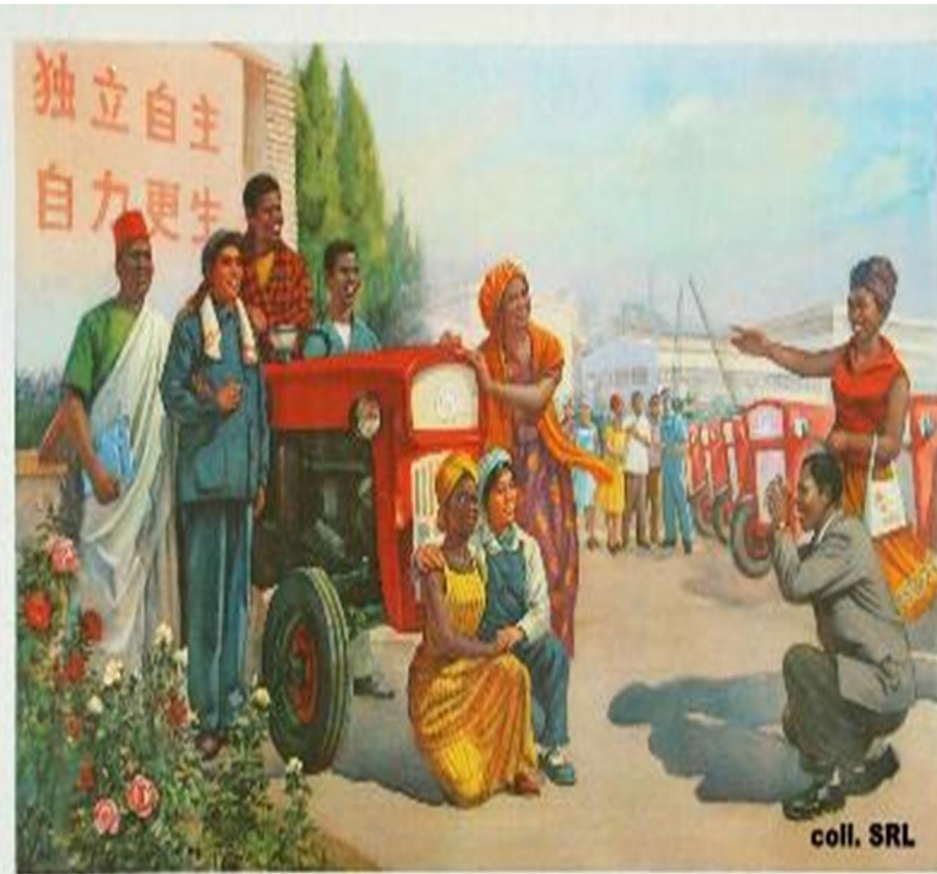
Source: Elisabeth Ellis and Anthony Esler, *World History: Connections to Today*, Prentice Hall (adapted)

# China support African independence



全世界人民反对美帝国主义的斗争必胜!

chinese posters.net



独立自主  
自力更生

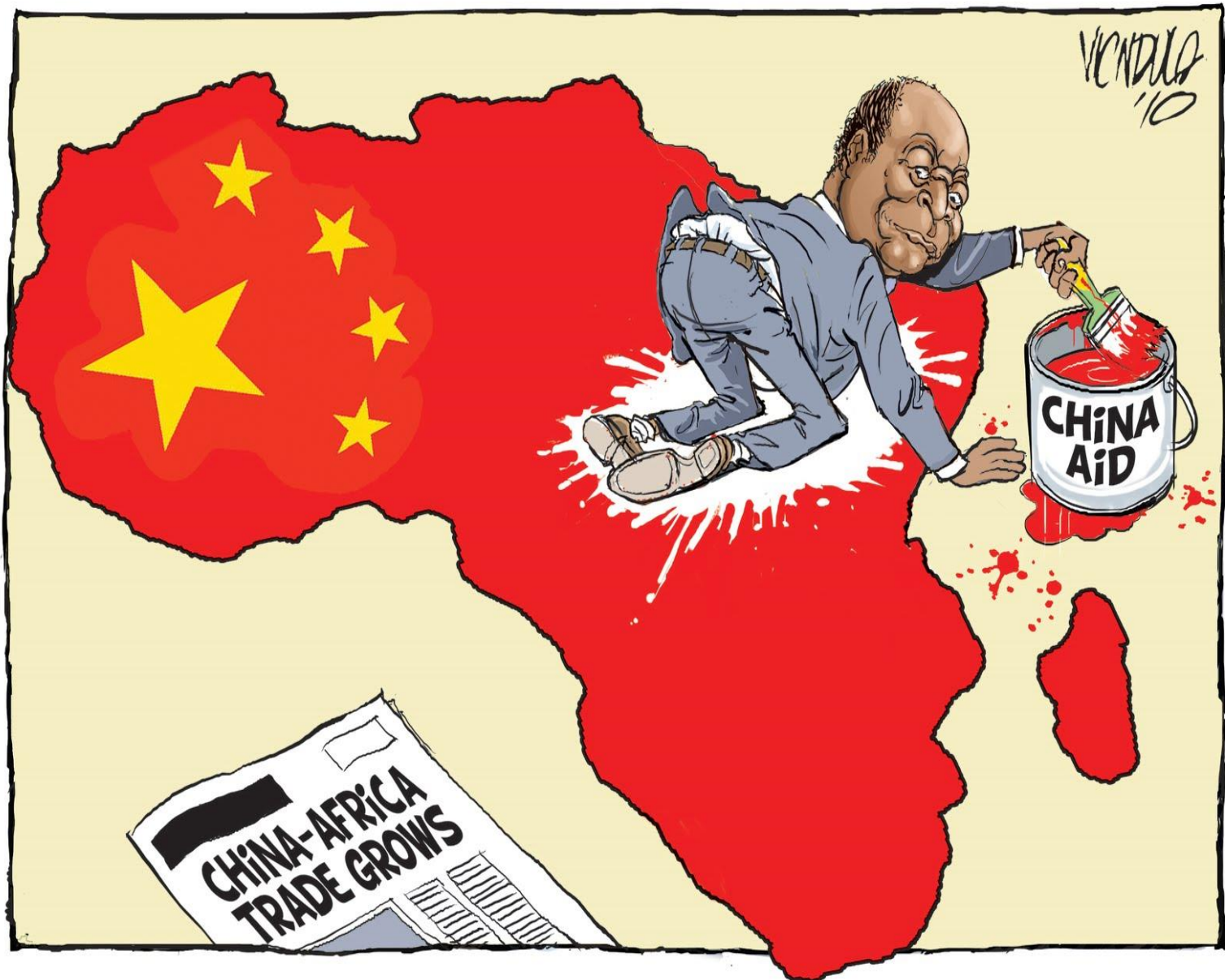
革命友谊深如海

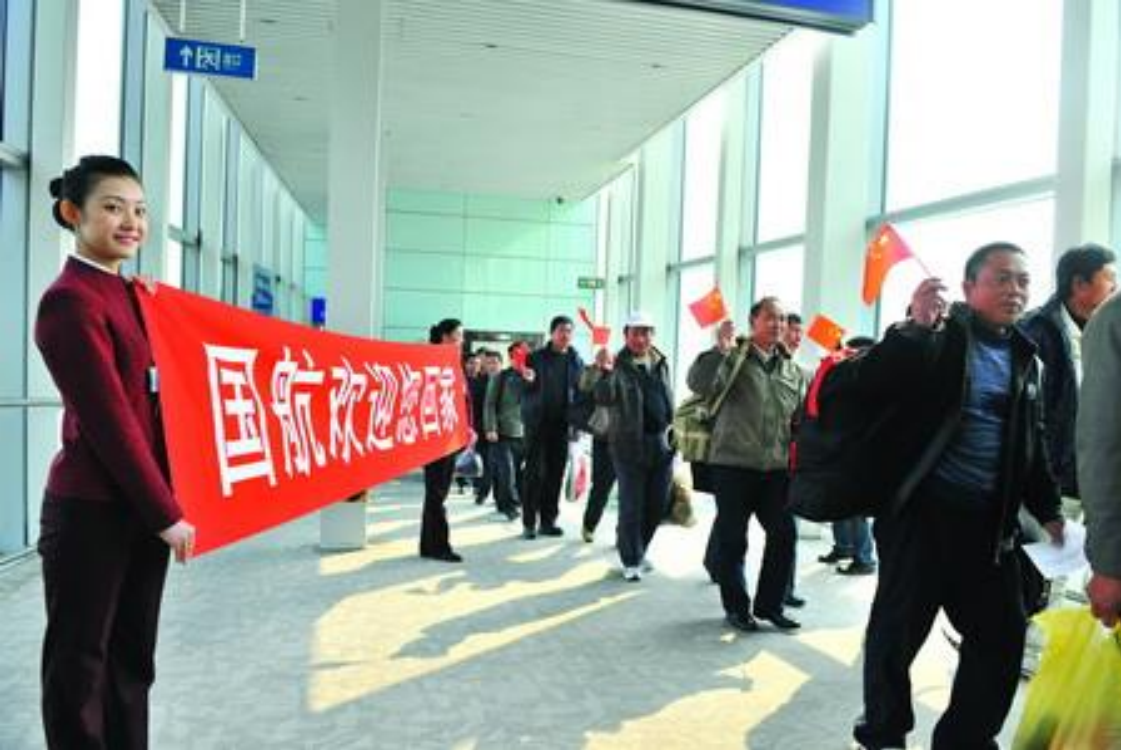
coll. SRL



# China and Africa Resources









AUTHOR OF THE WALLANDER MYSTERIES

'THE MASTER OF THE SWEDISH CRIME THRILLER...  
A MASTER MODERN STORYTELLER'  
*DAILY EXPRESS*



REVENGE CAN TAKE  
MORE THAN A LIFETIME

# Henning Mankell

The Man  
from  
Beijing

VINTAGE



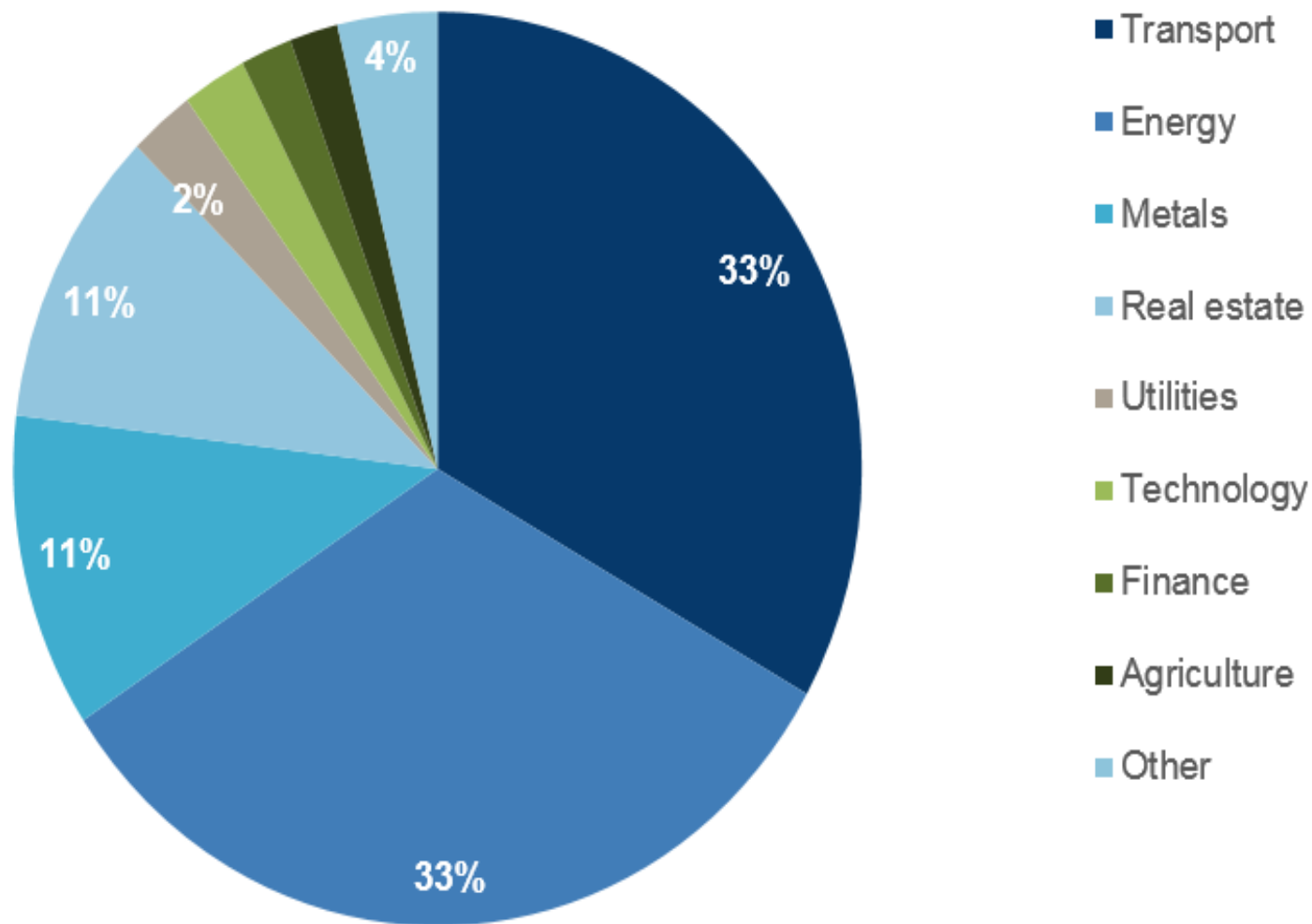
# I China as Economic Partner

## 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:

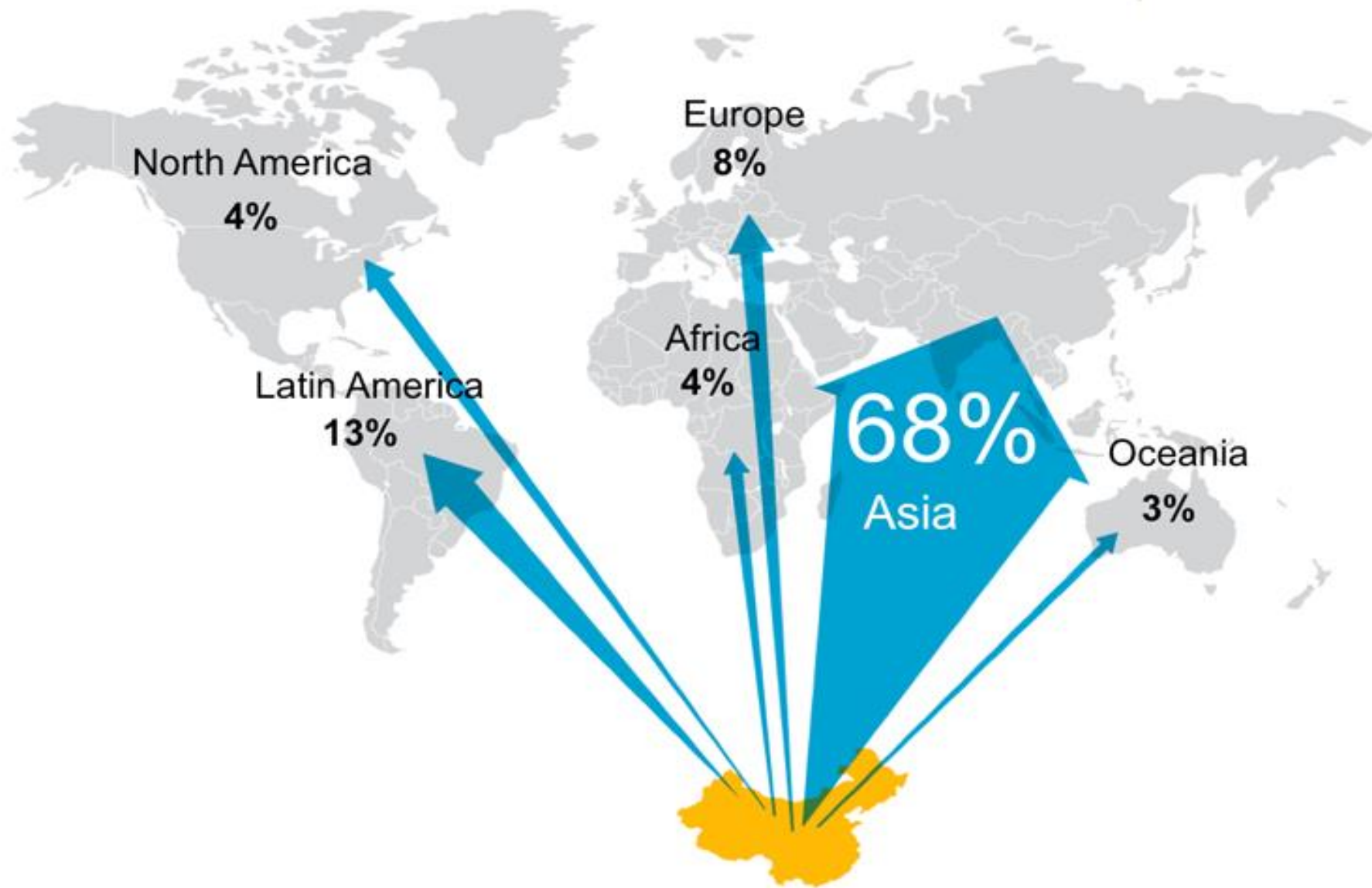
- China's FDI stock in Africa \$40 bn vs US \$57 bn in 2016 (UNCTAD)
  - Chinese non-financial **investment peaked US\$3.5bn in 2014** (but only 4% of total FDI)
  - 6 countries (SA, Angola, Algeria, Nigeria, Sudan, Zambia) account for 65% of Chinese FDI to Africa
- China banks Africa
  - ExIm/CDB amongst leading provider of finance since 2010 but confusion in data over loans and real FDI



Source: Chinese Investment Tracker, AEI

BROOKINGS

# Continental Distribution of China's OFDI Stock, 2013

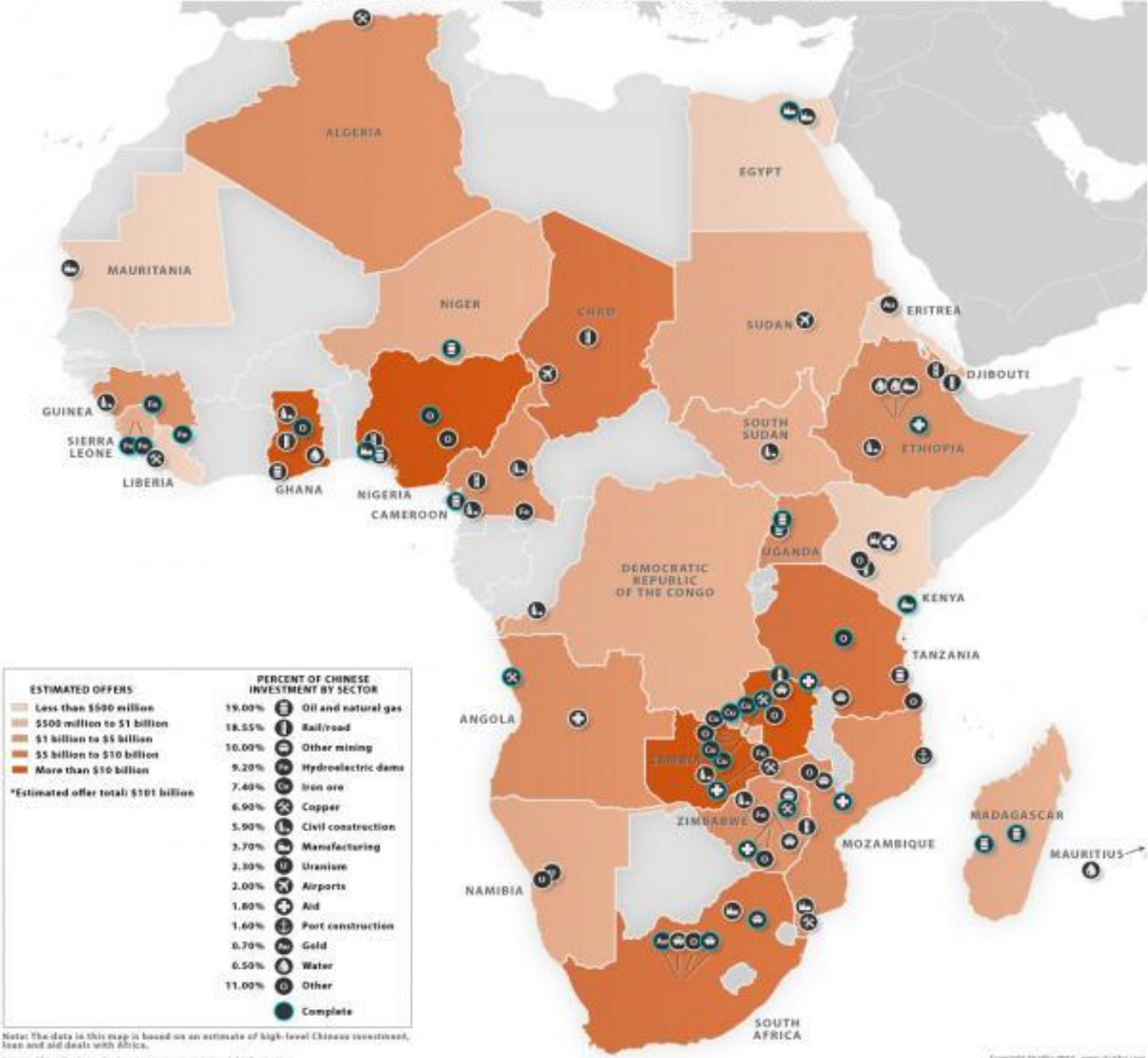


Source: <http://bit.ly/1Jvef5J>

## 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<sup>nd</sup> 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)

# CHINESE INVESTMENT OFFERS IN AFRICA SINCE 2010



Note: The data in this map is based on an estimate of high-level Chinese investment, loan and aid deals with Africa.  
 Source: China Business Review, open source commercial information

# 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

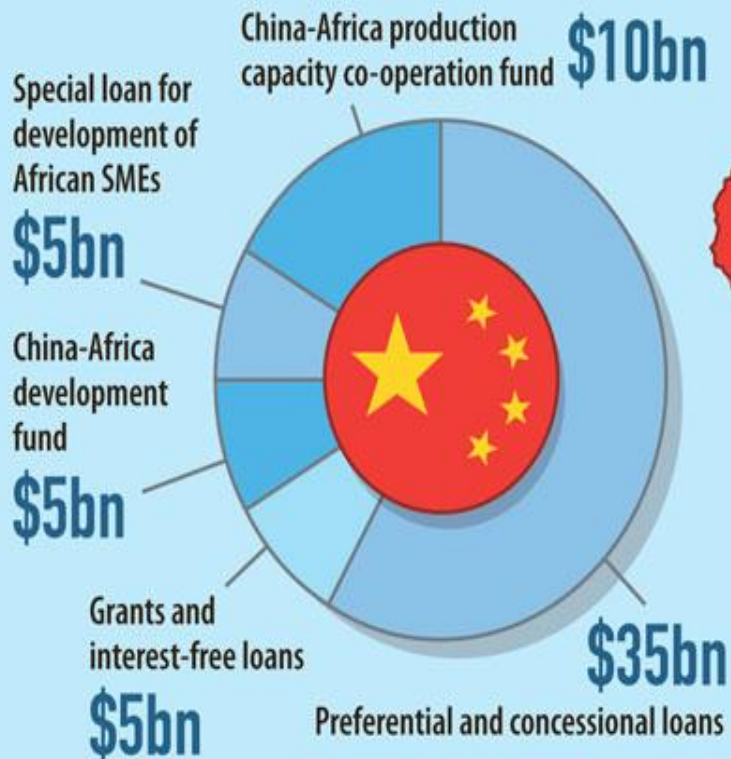
DEBT: Africa's debt-to-GDP ratio trending downward until it picked up in 2012, with an increase from 37% to 56% of GDP btw 2012 and 2017, commercial as well as concessional loans

- 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



Second \$60-billion in financing to Africa pledged in 2018

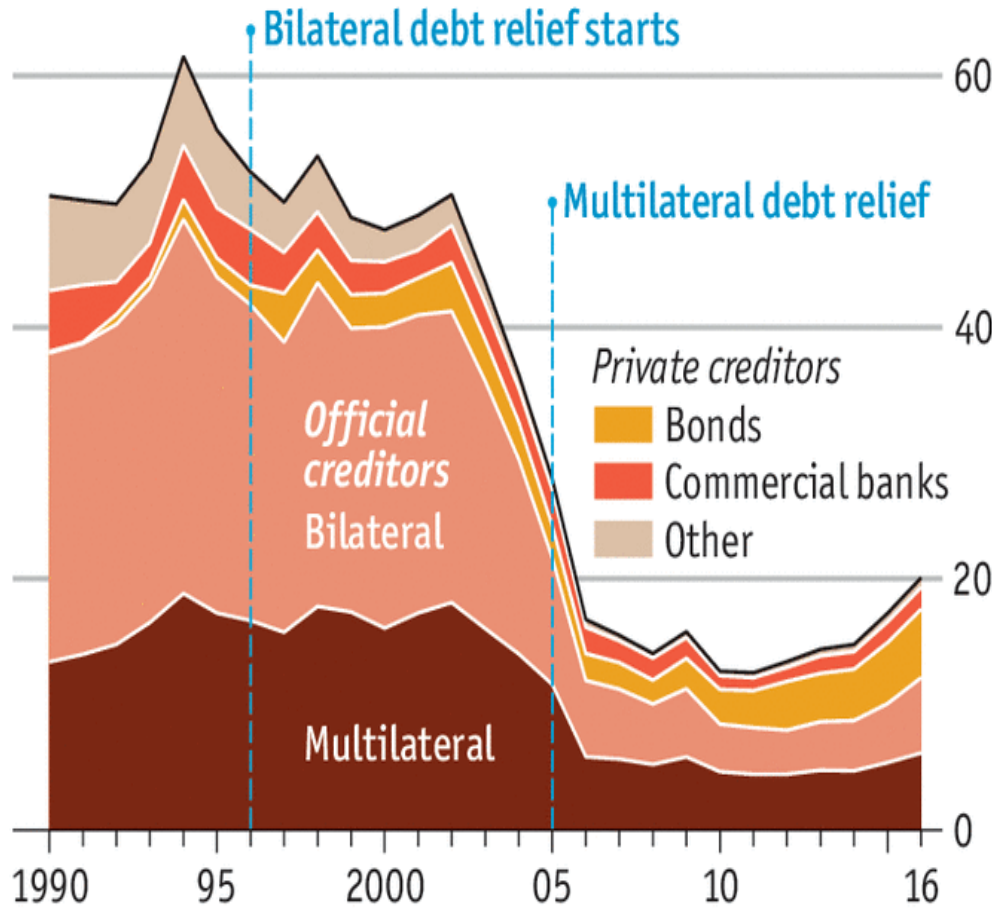


# Distressing

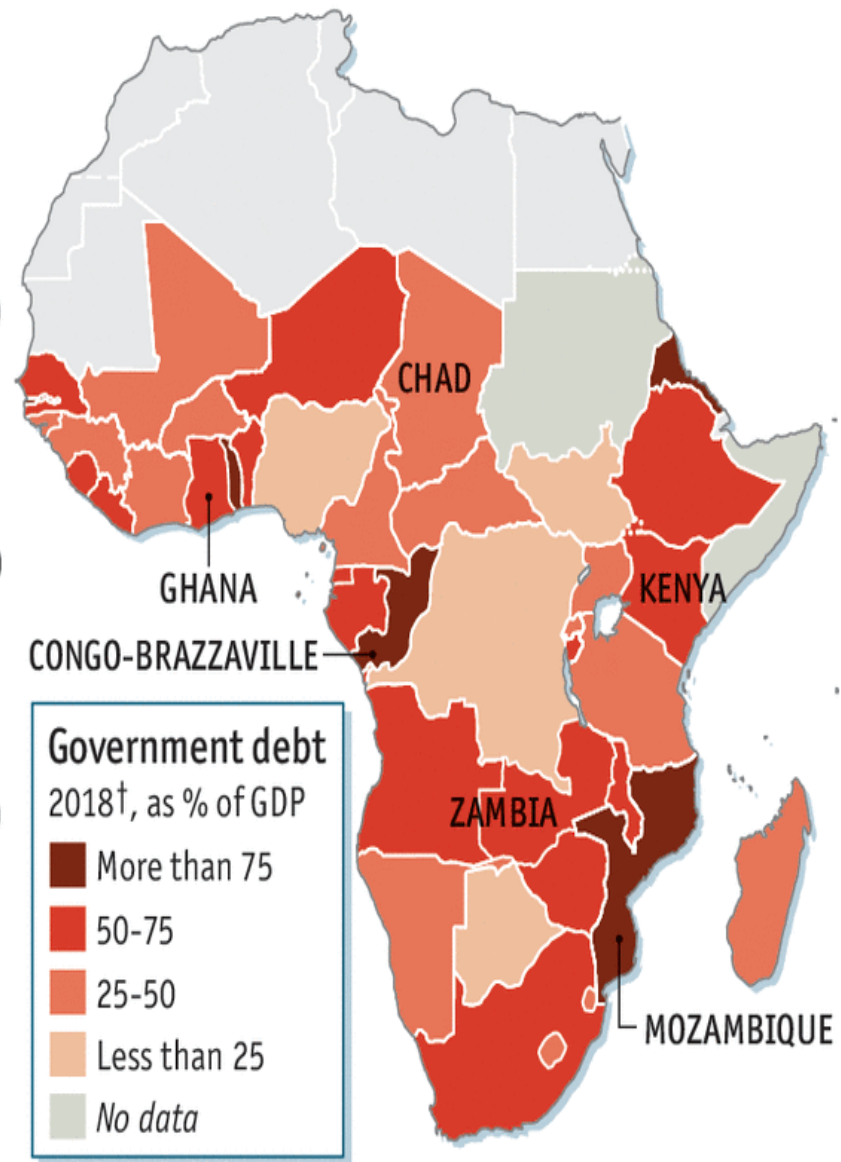
Sub-Saharan Africa\*

Public and publicly guaranteed external government debt

As % of gross national income



Source: IMF



\*Excluding Mauritania and Djibouti †Forecast

- 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



# 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

-  Countries with known Chinese PSC activity
-  Silk Road Economic Belt
-  Maritime Silk Road

## 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.

## 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 con-  
tractors helped the Sudanese Army to rescue  
29 kidnapped Chinese workers.

## 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