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Redefining ‘Aid’ in the China-Africa Context: Global Governance, Chinese Modalities and Local Impacts.¹

Abstract: The debates on the politics of Chinese engagement with African development have been infused with increasing concern over Chinese use of aid in exchange for preferential energy deals. Normative liberal discourse criticizes the Chinese for disbursing ‘rogue aid’ and undermining good governance in the African continent. These criticisms not only ignore the longer term motivations and modalities of Chinese aid and the historical diversity of Chinese relations with Africa, but also uncritically assumes ‘Western’ aid to be morally ‘better’ and ‘more effective’ in terms of development outcomes. There are three parts to this paper. First, it will discuss the emerging debates surrounding Chinese engagement in Africa, especially around aid and development issues. Second, the paper maps the historical development of China-Africa engagement and investigates the impacts of the changing modalities of Chinese aid in two case study countries: Angola and Ghana. We then conclude with a comparative analysis of the similarities and differences between these two cases. Our principal argument is that different ideologies and practices of governance are used by both the Chinese and the western donors to conceal their own interests and political discourses in the African continent.

Keywords: China, Africa, Aid, Development, Politics

Introduction: Aid, Africa and development

In 2007 Calderisi (2007: 4) observed “in recent years, in a geo-political version of Continental Drift, Africa has fallen almost completely off the map”. If one had attended the 2006 Forum on China-Africa Cooperation (FOCAC) summit in Beijing, when the downtown was bedecked with African iconography and forty-eight African states

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attended (FOCAC, 2006), such a claim might look premature. Far from falling off the map, Africa has gained an importance and the Chinese are among a number of rapidly industrialising nations that see the continent in strategic economic terms. With this renewed economic interest have come diplomatic moves, which have raised a series of questions amongst others interested in Africa about the motives and sustainability of China’s ‘cooperation’ with the continent (Marks, 2006; Bennett 2007).

Calderisi’s book is one of a raft of publications dealing with Africa and/or the failure of aid (e.g. Easterly, 2007; Riddell, 2007; Collier, 2008; Easterly, 2008; Warah, 2008; Moyo 2009). Those dealing with aid in general (Easterly, 2008; Riddell, 2007) focus on Western donors and those of the OECD’s Development Assistance Committee (DAC). The Chinese are not members of DAC and, as we will see, Chinese aid levels are still relatively low, but given the entwining of aid with other financial flows it is having a significant impact on the development fortunes of Africa. As such the focus on DAC donors underplays important drivers of African development. Where these recent books deal with China they issue a warning regarding authoritarianism in Africa since “the Chinese are making it worse, for they are none too sensitive when it comes to matters of governance” (Collier, 2008: 86). This aid-governance nexus has become a key battleground in debating the efficacy of Chinese aid (Naim, 2007). In an important intervention entitled Dead Aid the Zambian economist Dambisa Moyo argued, amongst other things, that the emergence of China is a “golden opportunity” for Africa (Moyo, 2009: 120) offering the continent a ‘win-win’ alternative to the scenario of an ‘aid-dependent economy’ by focusing instead on trade and investment and by providing the infrastructure that will enable Africa to “move up the development curve” (Moyo, 2009: 122). While in general agreement with Moyo’s argument that aid has not reduced poverty in Africa, we would argue that Moyo’s prescriptions are problematic insofar as they are focused on neoliberal models of development and fail to recognise the negative consequences that such prescriptions have often had in Africa.
Despite these debates there are few tangible analyses\(^2\) of Chinese ‘aid’ in action which examines its effects on recipients’ development prospects. In undertaking a three year research project on China’s engagement with African development we adopted a critical and comparative approach, exploring the diverse impacts of Chinese aid in Africa through two case study countries, Ghana and Angola, with a view to providing a more nuanced and disaggregated analysis. This article draws on field research conducted between November 2007 and May 2009 in China, the United States, London, Ghana and Angola involving in-depth semi-structured interviews with representatives from various government agencies, international bodies and civil society organisations. The case studies were selected for the different relationships they offered with China, largely around the different resource endowments they possessed and the types of state. And within them we focused on specific Chinese projects as examples of development ‘assemblages’ in Murray Li’s (2007) sense. The paper aims to evaluate the changing motivations and modalities of Chinese aid in the two case studies and does so through an empirical analysis of what aid has accomplished in both cases. The paper is organised into three sections. The first section will briefly discuss the importance of Angola and Ghana as illustrative examples as well as the methods we have used in this research. The next section will examine the emerging debates and issues on Chinese aid in Africa. In particular, we will expound the logics, modalities and conditionalities of the Chinese model. The third section will detail histories of Chinese aid in Africa and the two case study countries in particular, focusing on its motivations and how past forms continue into the present. This sets up our analysis of recent aid and investment in Angola and Ghana before a conclusion which examines the similarities and differences between the two cases and suggests policy responses to such emerging features of Sino-African development relations.

**China’s aid ‘offensive’ and the ‘established’ donors**

Since researchers and policy watchers became aware of China’s revived interests in Africa, there have been a number of contributions dealing with the levels, destinations

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\(^2\) One of the major exceptions is Brautigam (2009). Our article has been written as other analyses have begun to appear in recent years.
and implications of Chinese aid (e.g. Lancaster, 2007; Huang, 2007; Davies et al, 2008; Kragelund, 2008; Stähle, 2007). While useful these studies tend either to be pitched at the aid regime level in terms of geopolitics and donor relationships or they simply map the key flows without analysing the impacts on recipient countries. We use the debates around histories, modalities and conditionalities as a way of generating further research questions that we interrogate through the case studies of Angola and Ghana.

**Histories and relationships**

One of the recurrent themes about China as aid giver is that it is part of a wider group of ‘emerging’ donors (Manning, 2006; Woods, 2008). The argument is that ‘traditional’ donors – primarily those represented by DAC – are being challenged by a group of countries that are rapidly industrialising and seeking a greater voice in international affairs. The implications of this are manifold in that these countries not only add new sources of finance for developing countries, but have wider effects by introducing as Woods (2008) argues ‘competitive pressures’ among established donors. While we broadly agree with Woods, we also need to monitor whether established donors really do feel pressurized and, if so, is this at the aid regime level or the recipient country level? Further, do these competitive pressures open up policy space for recipient countries to escape the strictures of neo-liberalism, or is it as Tull (2006) argues, more of the same for African economies?

A further implication of the ‘emerging donor’ discourse is, as Kragelund (2008) observes, that China and many others deemed ‘emerging’ have been active donors for most of the Cold War period and beyond (see Snow, 1988; Brautigam, 1998). What is more extraordinary is that through the 1980s and 1990s DAC members dominated aid-giving to an unprecedented degree (c. 95 per cent) (Manning, 2006) when it had been closer to 65 per cent during the 1970s. So this ‘emergence’ of new donors needs to be seen in this longer context which is tied to an ideological and geopolitical shift from what McMichael (2000) terms ‘developmentalism’ in the post-war period to a neoliberal ‘globalism’ in the 1980s and 1990s. The current trepidation about ‘emerging’ donors is, therefore, part of a wider concern about the rise of China and India as major global competitors that may
signal a new orthodoxy in the political-economy of development (Schmitz, 2007; Henderson, 2008).

That said the different approach of China as a donor has sharpened a set of existing criticisms from within the donor community. These revolve around the effectiveness of aid. Some time before China began to be criticised for its concessional financing the DAC donors were aware of the need for change. The Structural Adjustment Programmes of the 1980s and 1990s were seen as dogmatic and inflexible (Mohan et al., 2000), aid conditionality created dependent ‘governance states’ (Harrison, 2004), western aid had limited or even negative impacts on growth (Easterly, 2007), and the mixture of bilateral and multilateral channels created a confusing operating field for recipient states (de Renzio, 2006). So, the 2005 Paris Declaration on Aid Effectiveness was the culmination of these growing concerns with its emphasis on coordination and efficiency of aid. It is beyond the scope of this paper to evaluate this initiative though some of the criticisms of the dominant aid paradigm are germane to our discussion. In brief the critique is that aid delivery is fragmented, comes through a confusing array of modalities, places too much pressure on recipient states, and increases transaction costs (see de Renzio, 2006; Collier, 2006; Birdsall, 2008). The move towards Direct Budget Support, Poverty Reduction Strategies, and Sector-Wide Approaches (SWAPs) are part of the response to these critiques and a move away from project-based approaches yet progress toward the budget support approach has been limited, fragmentation remains and donor coordination continues to be rather weak. The Chinese, as we will see, primarily deliver aid through discrete projects; the rationale being that projects avoid avenues for possible corruption (Interview with China Eximbank Bank Vice-President, 2008) and generally produce quick and tangible results. There are perhaps fewer differences then between China and the older, established donors than is often assumed in that established donors also continue to use a project approach. Interestingly one of the Round Tables at the 2008 Accra meeting to monitor implementation of the Paris Declaration was on ‘Non-DAC’ donors in recognition of the growing role they are playing or might play. Crucially, Chinese aid is seen by recipients as much more streamlined and speedy in reaching its

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3 China is a signatory of the 2005 Paris declaration, evidently from a recipient perspective
target. The argument in favour is that this makes it much more effective and efficient yet the downside is that this effectiveness is at the expense of governance, human rights and the environment. It is to these debates that we now turn.

**Logics, modalities and conditionalities**

In terms of the practices of aid delivery, much of China’s rationale for its development cooperation has been to place it in a distinctive relation (often in opposition) to western aid logics and practices. However, China is following parallel paths in the way it articulates its vision of aid against those of older donors: on the one hand China stresses the distinctiveness of its approach, but on the other hand China is keen to assert that it contributes to or is part of global aid efforts, adopting the MDG language and seeking to be part of international organisations. Further, Chinese aid modalities are far from singular and static – Chinese approaches are diverse and Chinese aid practices in Africa are rapidly changing (Brautigam, 2009) whilst the capacity of the Chinese aid system remains a key issue. This (ambivalent) articulation of difference from Western aid practices dates back to the height of the Cold War (Eadie and Grizzell, 1979) and continues today in characterisations of China’s development relations with the ‘South’ as the idea of ‘donor’ and ‘aid’ are seen as anathema to China’s vision of itself. The populist concept of ‘scientific development’ currently guides the socio-economic ideology of the CCP. It is dominated by egalitarian concepts such as the creation of a ‘harmonious’ and ‘person-based’ society. Very much associated with Hu Jintao, it seeks to shift the focus of the government agenda from ‘economic growth’ to ‘social harmony’. What does ‘pursuing development in a scientific way’ mean and how does it shape foreign assistance? Further, what does it mean for African states on the receiving end of China’s development co-operation?

According to more official accounts of China’s approach to development cooperation China’s strategy is “one of humanitarian and development aid plus influence without interference, in contrast to the West’s coercive approach of sanctions plus military intervention” (Qian and Wu, 2007: 1). By contrast “Chinese aid centres on the real needs of the recipient countries, free from the shackles of impractical ideas” (Huang, 2007: 84).
Like Japanese aid these ‘real needs’ are focused on infrastructure and agriculture without being “tied-up with a package of political or economic reforms” (Huang, 2007: 82). Indeed, the comparisons with Japanese aid are instructive since both countries have recently undergone industrialisation, been aid recipients, and drastically reduced poverty (GRIPS, 2008), which influences their focus on infrastructure and growth. Indeed Brautigam (2009) has shown how Chinese aid to Africa replicates the successes of Japanese aid to China decades earlier and has provided a key reference for modelling Chinese institutions like the China Eximbank. According to Brautigam (2009: 18) “[a]fter China opened to the outside world 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”.

In concrete terms China’s engagement with Africa has gathered pace in the past five to ten years, culminating in the FOCAC China-Africa summit of November 2006 which was by far the biggest diplomatic event that China had ever hosted. In addition to a package of debt cancellation and technical cooperation they launched a US$5 billion China-Africa Development Fund to encourage Chinese companies to invest in Africa, and the Chinese also published China’s Africa Strategy (Ministry of Foreign Affairs of the PRC, 2006). In the 2009 FOCAC meeting held in Egypt, Premier Wen announced a new set of eight measures focused on improving African people’s well-being, strengthening Africa’s agriculture and infrastructure and expanding cooperation in human resource development. Further China declared its intention to support African capacity for independent development and to work with Africa in tackling such challenges as the global financial crisis and climate change. China also announced its intention to support the AU, allowing it to play a bigger role in regional and international affairs (China Daily website, 2009).

One of the problems of assessing Chinese aid is that historically a lack of domestic transparency compounds the uncertainties about what is and what is not considered ‘aid’ (Lancaster, 2007). According to Brautigam (2009, 167-168), the diplomatic confrontation with Taiwan and the domestic sensitivities about giving overseas aid (when China has its
own challenges of poverty reduction) have contributed to this ‘secrecy’. The Chinese also
do not use the same categories of aid or Overseas Development Assistance (ODA) as the
OECD, using some of their assistance to support joint ventures between Chinese firms
and those in developing countries and including military aid in its expenditures for
general foreign aid. For most calculations of ODA analysts use the DAC definition,
which is that it is official finance, seeking to promote economic development and
welfare, and is concessional in character containing a grant element of at least 25 per cent
(Riddell, 2007). China does not use this definition which makes comparisons difficult
(Glosny, 2006; Jacoby, 2007). China therefore does not separate ODA from economic
cooperation or investment as long as the intent is to expand the local capacity. China’s
lack of transparency on aid is slowly changing however. In 2008, Chinese premier Wen
Jiabao announced at a high-level meeting on the MDGs that China had disbursed US$30
billion in aid to all developing countries since 1950, about US$12 billion of which was in
the form of grants. China’s aid to Africa from 1956 to 2006 was also confirmed to be just
under US$6 billion (Brautigam, 2010: 165). Moreover China pursues a principle of
“diversity in forms of interaction” through things like scholarships.

Estimates of contemporary Chinese ‘aid’ vary considerably and are often the subject of
considerable miscalculation (Brautigam, 2009). The World Bank estimated Chinese aid
in 2007 to be US$2 billion whilst Lancaster (2007: 4) estimates China’s contribution in
the same year to be US$1.5-$2.0 billion. Possibly the most reliable and accurate
assessment however is that provided by Brautigam (2009: 168) who estimates Chinese
aid worldwide in 2009 at US$2.5 billion by dividing Chinese aid into three areas:
Ministry of Finance external assistance expenditure, China Eximbank concessional loans
and debt relief. This largely chimes with Chinese sources. For example, Li (2009) put
Chinese foreign aid at 7.4 billion yuan in 2005 (US$1.08 billion) and the Ministry of
Finance indicated total foreign aid expenditure as 10.8 billion yuan (US$1.58 billion) in
2007, a 31 per cent increase from 2006’s 8.2 billion yuan (US$1.2 billion) (Chen, 2009).

However, in terms of assessing the impact of this aid what is more important than levels
of aid per se, are the modes of delivery as it is tied to other financial and trade flows,
involving different amounts of leverage and, hence, developmental impact. Many of the features of China’s contemporary aid giving were laid down during the Cold War period. It was usually given as a grant, or as an interest-free loan, which was different to the Soviet model where interest was charged at 2.5 per cent (Snow, 1988). It was strictly bilateral in nature and only given where the relationship was mutually beneficial to donor and recipient alike. Chinese aid went to various sectors of African ‘development’ and many aid projects have had the word ‘friendship’ in them. All previous aid efforts were dwarfed however by the massive Tanzania-Zambia (TAZARA) railway (1967-1975) which cost over US$600 million and was built with the help of 15,000 Chinese workers (Brautigam, 1998). Finally, there was often a reluctance to coordinate efforts with other foreign powers and a deep-seated tendency to ‘go it alone’ sometimes resulting in active hostility to other aid personnel.

Today, much of the aid is bilateral, which necessitates a country-by-country analysis as provided in the following sections. Aid is also project based (often turn-key) rather than sectoral or programme aid (Glosny, 2006; Davies et al, 2008) and in concrete terms there is a blurring of the boundaries between aid and investment. The Chinese usually part pay for their oil and other resources in infrastructure which means there is less free-floating cash for unscrupulous diversion. The routes for aid and investment are the privileged Chinese corporations selected as part of the Chinese Government’s ‘Go Out’ Policy of 2002 (Reilly and Na, 2007), but as more companies internationalise it becomes harder for the Chinese state to maintain a coherent strategic and regulatory hold over them (Gill and Reilly, 2007) with Chinese corporations competing with one another (Downs, 2007).

Decision-making around aid usually involves the recipient country approaching China, either through the embassy or at a higher diplomatic level. Indeed, it seems Chinese embassies are crucial nodes in these negotiations. At the Chinese side there is a range of ministries responsible for aid and overseas investment (Sautman and Hairong, 2006, Glosny, 2006; Brautigam, 2008). The Department of Foreign Aid assembles the main foreign assistance budget and sends it up through the Ministry of Commerce to the Ministry of Finance, which collects the rest of the aid budgets from the other ministries.
(Brautigam, 2009). This budget includes the cost of the Departments, turn-key projects, military goods, grants in-kind, expenses for training programmes in China and technical assistance overseas, foreign aided joint ventures and cooperation projects along with the youth volunteer program (Brautigam, 2009). If an agreement is reached between China and the recipient country a framework agreement is signed and the finance is assembled with MOFCOM (Ministry of Commerce) playing the lead role in grants and China Eximbank providing loans, although Brautigam (2008) shows how MOFCOM may pay the difference between a commercial loan rate and a concessional rate, thereby cross-subsidising China Eximbank. Once details have been negotiated a more detailed agreement is signed at which point MOFCOM assigns a Chinese company as contractor (Glosny, 2006: 19-20; AFRODAD, 2008: 12-13). Hubbard (2008: 225) asserts that the Chinese insist that the Chinese contractor appointed by MOFCOM should “purchase and import from China as much equipment, technology and services as possible”, which is similar to the earlier Japanese model. Labour importation is also part of this though research is needed into the actual levels as opposed to speculative hyperbole. A similar issue is raised around export credits which are the preferred currency used by China Eximbank. Again the OECD instituted a ‘gentleman’s agreement’ about the use of export credits, though this is limited to OECD members. Export credits are not classified as aid and potentially allow for more tying (Manning, 2006), but Reisen and Ndoye’s (2008) study suggests that despite China not being part of the DAC their lending is not ‘imprudent’ despite the accusations to the contrary.

One of the key criticisms of China’s apparent insistence on non-interference and its blurring of concessional finance with other financial flows concerns conditionality. Why China exorcises some commentators and activists is that it seemingly attaches no conditions to its loans and therefore undermines the good works of western donors around governance, human rights and environmental protection (Naim, 2007). The ideological caveat of this critique of China by some western commentators is that despite people arguing that there is such a thing as ‘pure’ (Natsios, 2006) or ‘altruistic’ (Kragelund, 2008) aid, all aid is strategic. We are not defending China’s non-interference stance per se, since the outcomes on the ground determine its efficacy, rather ‘China
bashing’ serves to bolster western interests as opposed to any deep concern with the rights of Africans. That said there is a related issue of future indebtedness (AFRODAD, 2008) since debt write-offs and access to export credit loans increases African countries’ creditworthiness and may allow private debt to be built up by African states. In both cases Chinese involvement could further ‘hem in’ African countries in a way that they were hemmed in by western creditors in the 1970s-1990s.

The Chinese defend their non-interference line in various ways, which usually fall back on evoking historical ties between China and Africa as well as a shared sense of injustice by the west. Typical is Liu Guijin, China’s special representative on Darfur, who argued:

“We [China] have never, and will never in the future, attach any kind of political conditions to these aid and development projects, because we think that providing assistance is just for the benefit of the people, it is not for political purposes, not for showing off to the outside world” (Liu Guijin cited in Xinhua 2008, see also Huang 2007).

This reinforces the projected image that China is now ‘non-ideological’ and pragmatic, since its concerns are commercial or altruistic rather than transforming hearts and minds. A respondent in Beijing argued that the emphasis shifted in the early 1990s from ‘south-south solidarity’ to one of ‘mutual benefits’, which by the turn of the millennium morphed into exhortations of ‘win-win’ scenarios (Interview with Liu Haifang, CASS, 2008). However, the backlash against China’s role in Sudan, combined with an increasingly hazardous operating environment, has pushed China to weaken its ‘non-interference’ line and to become more involved in diplomacy (Large, 2008). The question remains as to whether this weakening on non-interference is impacting on the ground in Africa in terms of China’s engagement with domestic governance and capacity issues.

The competitive pressures the ‘emerging’ donors introduce gives recipient countries some leverage, what has been termed the ‘revival of triangulation’ (Large, 2008). For the first time since the end of the Cold War African countries have some choices about aid
and investment, which might open a policy space for alternatives, but this remains an empirical question. On the face of it China’s interests do not radically alter the role Africa plays in the global division of labour but what is interesting to analyse is whether individual African states are able to harness this hegemonic rivalry for their own ends. The following sections will power the debates with concrete examples from Angola and Ghana.

**Chinese aid in Angola and Ghana: forms, continuities and transformations**

In this section we situate the current aid programme in the two case study countries in a longer history in order to demonstrate that Chinese aid has been tied to its geopolitical aspirations, that it is primarily bilateral, and that despite some familiar failings it has attempted to be less elitist in scope and execution. The second part of this section will then demonstrate in detail how aid has transformed, largely in the motivations and modalities, organised from various actors’ perspectives in the context of Angola and Ghana.

*The historical and geopolitical dimensions of Chinese cooperation with Africa*

While China’s recent involvements in Africa grabbed headlines, this is not the first time that China has sought to engage politically and developmentally with the African continent. According to Lyman (2005), the early days of PRC diplomacy primarily involved attempts to counter the international recognition of Taiwan and to compete with Western and Russian influence in the continent. In general there was a period of intense activity during the Cold War where between 1956 and 1977, approximately US$2.4 billion Chinese official foreign aid was extended to Africa (Yu, 1980). This waned in the mid-1970s, but picked up again in the mid-1980s where between 1983 and 1995 China’s aid contribution to Africa stood at an average of US$200 million per year (Snow, 1995: 311).

In Ghana, at a farewell banquet on 15 January 1964, Chinese Premier Zhou Enlai confirmed Beijing’s support for African struggles against imperialism (which he called ‘the poor helping the poor’) setting the stage for Africa as an ideological battleground
with both Washington and Moscow (Ismael, 1971). For Taylor (2006), the link connecting all Chinese foreign policy over the past 50 years is a desire to diminish and contain the influence of hegemonic powers and also to carve out a rightful place for China in the world, born from a sense that China has been ‘muscled out’ of international relations. In the 1960s China provided development assistance to Ghana mainly in the form of grants, loans and technical assistance. However, the amount was relatively small, totalling US$43 million for that decade (MOFCOM, 2008).

This ideological rivalry was further manifested in the context of Angola. Zhou’s announcement about support for anti-imperial movements during his 1963-4 tour pointed to the PRC’s desire to lead the developing world and confirmed the breakdown of the Sino-Soviet relationship. During the anti-colonial war in Angola, Peking claimed that while it tried to promote unity among the Angolan movements, Moscow was deliberately instigating the civil war in an attempt to gain influence in that resource rich country (Guimaraes, 1998). In Peking’s view, Moscow attempted to ‘fish in troubled waters’ (Coker, 1985: 63). Unlike the Soviet Union, the Chinese emphasized the struggle between the developed and the underdeveloped worlds, between the North and the South. In this context, China placed itself squarely as the champion of the Third World (Guimarães, 1998: 154). Towards the end of the anti-colonial war in Angola however China threw its weight behind the FNLA rather than the MPLA movement that went on to form the party-state that has dominated Angola since independence in 1975.

Within years of the completion of the flagship TAZARA project, major shifts were underway within China’s domestic and foreign policy which saw a gradual dilution of the ideological focus in policy-making in favour of a greater emphasis on economic cooperation (Muekalia, 2004). Between 1976 and 1982 total Chinese aid pledges to Africa fell from US$100.9 million to just US$13.8 million (Snow, 1995: 306). In the mid-1980s China’s Africa policy shifted from support for Maoist-inspired revolution to the search for new commercial engagements that would strengthen the PRC’s economy. Deng adopted a policy of non-interference, encouraging African countries to find political and economic models of development to suit their own particular circumstances (Wang,
Beijing was indeed more focused on domestic modernization, which saw a Cold War ideology replaced by the ‘pragmatism’ of economic growth. It is here that we need to be careful about claims that China is no longer ideological in its aid. It is not, as we argue later, that ideology is not important, but that the ideology has changed even if the polemic remains constant.

After June 1989, China underwent a major re-evaluation of its foreign policies as it ended its ‘honeymoon’ relationship with the West. Given their numerical weight in international organisations, African states played an essential role in the Chinese stratagem (Tull, 2006: 460-461), which continued into the post-Tiananmen era. Not least as a significant player in multilateral organisations, and with its recent ascension to the World Trade Organisation in 2001, China recognises that it needs to court votes to protect and promote containment. With the collapse of the Soviet bloc China began to conceptualise the world as being threatened by a new and potentially unchallenged hegemon; the United States. Africa thus played an important role for China in its struggle to be free of the overt influence of any one power and in regaining its eminence in the international system (Taylor, 1998). China substantially stepped up its aid in the late 1990s on the back of China’s massive domestic growth and demand for resources. This market-driven development created a huge demand for resources (Frederick, 2004) and Africa presented a viable and untapped supply of resources and market for its cheap exports. As a result, Chinese engagement with Africa has gathered pace. The following section will now analyse the different forms of Chinese aid and its outcomes at the local level in Angola and Ghana.

Contemporary development relations in Angola and Ghana

In the previous section, it was argued that China’s recent interests in Africa are built on longer histories of cooperation which have tended to be couched in terms of solidarity and development rather than aid. Current ‘aid’ is tied into geopolitical agendas, economic cooperation as well as to specific resource acquisitions. In many senses, given that all aid is politically and economically motivated, the Chinese are not behaving much differently from previous industrial powers intent on accessing African resources. Some authors
(Carroll, 2006; Marks, 2006) are sceptical about China’s interest in Africa as a form of ‘south-south cooperation’\(^4\), suggesting it might be the more familiar and hegemonic ‘north-south relationship’. But where they do appear different from western powers is the types of political relationships they operate through, as well as envisage for, Africa. It is to these that we now turn.

Following the end of decades of internecine civil war in Angola in April 2002 rapid post-conflict reconstruction became the government’s priority (Vines and Campos, 2008) as it began to seek partners in the international community that could help to make this happen. At the end of the war the IMF and many Western donors wanted Angola to adopt a staff-monitored programme (SMP) demonstrating good performance against certain criteria that would lend credibility to Angola’s economic policies and open the way for a donor conference to raise funds for national reconstruction. The government refused to agree to the conditionalities and announced in 2003 that they no longer sought to conclude an agreement with the IMF. As in many previous instances where negotiations between the IMF and Angola collapsed, commodity prices at the time were very high (Hodges, 2001). It was in this context that China (in need of access to energy resources to fuel its own development) sought to offer Angola a series of oil-backed credit lines with far fewer conditionalities (Interview with Chinese Ambassador, Zhang Bolun). The China Construction Bank (CCB) and China Eximbank provided the first funding for infrastructure development in 2002. A ‘framework agreement’ for new economic and commercial cooperation was formally signed by the Angolan Ministry of Finance and the Chinese Ministry of Trade in 2003 and in March 2004 the first US$2 billion financing package for public investment projects was approved. This oil backed loan (which guarantees China a supply of 10,000 barrels per day) is payable over twelve years at a deeply concessional interest rate, Libor plus a spread of 1.5 per cent, with a grace period of up to three years and was divided into two phases, with US$1 billion assigned to each (Campos and Vines, 2008; Corkin, 2008).

\(^4\) Although China steadfastly refused to join key institutions of South-South co-operation like the NAM or G77, since joining the WTO in 2001 China has become active in trying to address some of the trade symmetries between North and South.
The loan operates like a current account. When ordered by the Ministry of Finance, disbursements are made by China Eximbank directly into the accounts of the contractors. Repayment starts as soon as a project is completed. In 2005 a private Hong Kong–based institution known as the China International Fund Ltd (CIF) extended a further US$2.9 billion to assist Angola’s post-war reconstruction effort. This credit facility is managed by Angola’s Reconstruction Office, the *Gabinete de Reconstrução Nacional* (GRN), which is exclusively accountable to the Angolan presidency and now manages most of the major infrastructure projects. Many Chinese companies operating in Angola (including the CIF) have the same Hong Kong address (88 Queensway, Hong Kong) and as Levkovitz et al (2009) have shown a handful of individuals control over 30 companies at this address with key personnel maintaining ties to Chinese SOEs & state agencies including CITIC, Sinopec & possibly China’s intelligence apparatus. This group also has high-level access to the Angolan government whilst many CIF funded projects have been awarded to companies based at this address.

Two separate additional China Eximbank loans of US$500 million and US$2 billion were made in 2007 with the repayment terms increased to 15 years with a revised interest rate of Libor plus 1.25 per cent (Vines and Campos, 2008). A further $1 billion loan from the China Development Bank was granted in March 2009 with a view to support the development of Angolan agriculture. These credit lines have opened up hundreds of projects in the areas of energy, agriculture, water, health, education, telecommunications, fisheries, and public works including key elements in the governments post-war National Reconstruction Programme such as the rehabilitation of road and rail networks connecting Luanda with the rest of the country, plans for new cities to decentralise development and the Presidential promise of providing one million new homes (Power, 2011, forthcoming). This corresponds to the Angolan government’s strategy of giving priority to reopening the country’s transportation corridors and the construction and reconstruction of infrastructures such as power, sanitation, water and telecommunications networks, housing, schools and hospitals. Project proposals identified as priorities by the respective Angolan ministries are put forward to the *Grupo de Trabalho Conjunto*, a joint committee of the Ministry of Finance and the China’s MOFCOM. For each project put to
tender, the Chinese government proposes three to four Chinese companies and all projects are inspected by third parties not funded by the credit line whilst sectoral ministries are in charge of managing these public works and making sure that sufficient staff are trained. Chinese companies have also been involved in other less obviously ‘essential’ projects in post-war Angola such as the construction of four new football stadia prior to the African Cup of Nations in 2010 (Angpop, 2009) and the building of a new Presidential palace.

Tied to the original China Eximbank loans is the agreement that the public tenders for the construction and civil engineering contracts tabled for Angola’s reconstruction will be awarded primarily (70 per cent) to Chinese enterprises approved by the Chinese Government. To date some thirty-five Chinese companies have been pre-approved by the PRC government to bid for projects that are put to tender in China (Interview with SOE general manager). Furthermore, in principle, at least 50 per cent of all procurement for China Eximbank funded projects (in terms of equipment, materials, technology or services) must come from China, but in practice our research shows that most projects are implemented at closer to 70 per cent. As a result almost everything down to the cement and nails for these works are imported from China ensuring a large portion of the loan money returns to China’s domestic economy and addresses China’s domestic challenge of structural unemployment. Further, there is limited evidence that Chinese credit lines are boosting Angola’s productive capacity and the limited employment opportunities created for Angolan workers has been the cause of some tension locally (Interview Mr. Xu Ning, Industrial and Commercial Association Angola-China). Where Angolans have been able to find work on Chinese construction sites it has often been as security guards rather than on equal terms as waged labourers.

In spite of the growing magnitude of China’s projects in Angola very little is known about them. As a result there have been many myths about the terms of co-operation. In many ways this is because both governments have largely conducted their bilateral cooperation in the form of a “narrow elite business dialogue” (Vines and Campos, 2008: 15). Assessing the impact of China’s ‘foreign assistance’ projects in Angola is further
complicated by the ‘bundling’ of this ‘assistance’ with direct foreign investments from
the approved Chinese companies. Thus oil-backed loans and credits are intertwined with
massive investments by state-led enterprises such as the China International Trust and
Investment Corporation (CITIC), the China Road and Bridge Corporation (CRBC) and
the privately-owned CIF. This is not ‘aid’ in any conventional sense therefore. In many
cases it is unclear how money has been spent in the projects that have resulted from
bilateral co-operation as the funds are often tracked so far off the books that they do not
appear in any budgets whilst the bidding process for the lucrative contracts themselves
has also often been rather opaque.

Indeed opacity is one of the defining characteristics of China-Angola co-operation so far.
There is a great deal of opacity around the CIF and its relations to the GRN for example
and the World Bank has estimated that some $8 billion of CIF loans to Angola have not
been made public whilst there have also been repeated allegations about the
misappropriation of GRN funds. There are also companies like Sonangol Sinopec
International (SSI) a joint venture between Sinopec (China’s state-owned oil company)
and China Sonangol International Holding (CSIH) itself a joint venture between
Sonangol (Angola’s state-owned oil company and the centre of power in contemporary
Angola) and Hong Kong-based private business interests (Vines et al, 2009). Thus in
several cases a rather opaque clique of interests lies at the heart of this ‘partnership’
dominated by informal and personal relations between Chinese and Angolan investors
that have proven difficult to trace and document. It is also not clear how Chinese loans
are related to the government’s incoherent vision of the future development of Angola or
to wider poverty reduction strategies (Interview with Allan Cain, Development
Workshop).

Angola is now China's largest African trade partner with US$25.3 billion in bilateral
trade in 2008 (Ministry of Commerce, 2008). From having one of the most protracted
conflicts in Africa, Angola has within five years become one of the most successful
economies in sub-Saharan Africa. The country is now considered by some to be ‘Africa’s
foremost emerging market’ (Frontier Advisory, 2009) with the fastest growing economy
in the world in 2007 and 2008 based on growth rates of 22.30 per cent and 18.60 percent respectively (World Bank, 2007; 2008; 2009). As a result of these phenomenal rates of growth Angola is receiving increasing recognition for its oil wealth leading to a growing number of attempts to engage Angola as a strategic partner. Angola is currently chair of OPEC and was invited to take part in the latest G8 summit in Italy in July 2009 whilst the United States appears to have “woken up to the importance of Angola” (Vines, 2009: 3) with US Secretary of State Hilary Clinton visiting the country in August 2009. Lord Malloch Brown's visit to Angola in June 2009 was a clear sign of the escalating strategic importance of Angola both regionally and globally and the growing strength of the relationship between Angola and the UK (FCO, 2009). Thus China is not the only show in town and the Angolan state has been very shrewd and pragmatic in managing its relations with a range of potential suitors including Brazil, South Africa and Portugal. Far from being monopolized by its ties with China, the Angolan state thus welcomes closer relations with a range of other partners and the agency and ingenuity of Angolan officials in managing these relations and in creating a competition amongst partners seeking strategic influence in Angola has often been overlooked (Corkin, 2010). The fiscal impacts of low oil prices in late 2008 and early 2009 have however once again led to the government reopening negotiations with the IMF over the terms of a twenty seven month Stand-By Arrangement (a type of loan facility) amounting to as much as $890 million (Global Witness, 2009).

This presence and intensity of Chinese involvement is less evident in Ghana, largely due to the lack of strategic minerals although this will change due the discovery of offshore oilfields in late 2008. Given the relative lack of Ghanaian exports to China Ghana has a trade deficit compared to Angola’s trade surplus with China. In 2008, China exported US$1.4 billion to and only imported US$91.8 million of goods from Ghana, creating a trade surplus of US$1.33 billion with Ghana (MOFCOM, 2008). Although China has had a long-standing relationship with Ghana since the 1960s, it is only in recent years that the relationship has been taken to a higher level. In 2007, Ghana received a total of US$1.15 billion (OECD, 2007) from all donors (not including China) and Chinese aid is
still only a small percentage of the total development assistance received by the Ghanaians.

Over the years, Chinese aid has been used to build physical infrastructure like roads (for example, the Ofankor-Nsawam section of the Accra-Kumasi road) and buildings (the National Theatre). It was in 2004/2005 when relations improved and Ghana began to receive grants and interest free loans directly from China such as a US$24 million debt relief on interest free loans (Interview with Hu Yujie, Chinese economic counsellor to Ghana, 2008). In the 2006 FOCAC, Ghana and China signed six agreements, including a US$66 million loan for the expansion of Ghana’s telecommunication infrastructure and a US$30 million concessionary loan for the first phase of the National Fibre-optic and E-government project. The project was executed by the Chinese telecom giant Huawei and aimed at linking all the ten regional capitals and thirty six townships on fibre routes (Idun-Arkhurst, 2008). As of late 2008 the network was not working and we were told by a senior executive of a mobile phone company that the Government of Ghana had not planned strategically for this e-infrastructure nor did they accept advice from the private sector. China also recently provided a US$99 million interest-free loan for the construction of landing sites for fishing communities in Ghana (Idun-Arkhurst, 2008). This interest in the country’s fishing has improved access rights for Chinese fishing companies leading to the exploration of offshore processing opportunities in Ghana.

In general the process is similar to Angola in which the Chinese sign a framework document for construction and then engage their own contractor from China and procure the materials from the mainland. Upon completion, the Chinese effectively donate the building to the Ghanaian government (Interview with Hu Yujie, China’s economic counsellor to Ghana, 2008). There is a perception amongst ministers and think tanks in Ghana that the Chinese are serving genuine infrastructure needs. As one think-tank told us the ‘Chinese also got it right from the beginning as countries must get infrastructure in place before any development can take place (Interview with Private Enterprise Foundation, Ghana, 2008). Other sectors that have benefited from China’s technical
support include education (three schools), the public sector and military cooperation (Interview with Hu Yujie, China’s economic counsellor to Ghana, 2008).

Undoubtedly the most significant Chinese engagement with Ghana is the Bui hydroelectric dam. Like many Chinese-funded infrastructure projects the majority of the money comes from China Eximbank. The Bui Dam will cost US$622 million of which US$288 million is from buyer credits and US$298 million is a commercial loan, the interest on which is repayable after September 2012. It should bring 400 MW of electricity to Ghana’s struggling grid and even allow some to be exported to West African neighbours. The remaining US$40 million or so will come from Ghanaian sources, though exactly where is not clear. The Chinese favoured the dam project as opposed to the Ghanaian Government’s preferred option of a railway from the coast to Burkina Faso, because the sale of electricity to Mali, Cote d’Ivoire and Burkina Faso would guarantee repayment in a way that a railway could not. This revenue will be paid into an escrow account and funds used to service the debt. In addition there is a special arrangement with the Ghana Cocoa Board to supply cocoa at current market prices as part payment of the debt, with the Chinese keen to promote chocolate consumption in China (Interview with senior official in Ministry of Finance and Economic Planning, 2008).

Like projects in Angola much of the capital equipment is Chinese. Most of the heavy vehicles and the quarrying and aggregate plant are Chinese although the aggregate crusher is American. The contract with Sinohydro specified the upper limits of Chinese labour on the project (capped at 600). Interestingly the Chinese have brought in 60 Pakistanis to drive the heavy equipment who count as ‘Chinese’ for purposes of the imported labour quota but are even cheaper than Chinese workers. The few interviews with Chinese workers we managed to get around these heavily securitized spaces all revealed that they took jobs in Africa for economic reasons. Most mentioned a wage differential of 300-400 per cent compared with China. Chinese corporations in general do not encourage trade unions, and originally did not allow for it at Bui. But a deputation from the Ghana TUC argued that it was enshrined both in Ghanaian law and the contract and so had to. More broadly this highlights an important issue for the developmental
impacts of China in Africa. Where local laws are well elaborated and, more importantly, enforced then rampant expropriation is more difficult although the trade off may be lower levels of absolute investment.

Sinohydro and other Chinese firms are looking to deepen their footprint in Ghana and Africa more broadly. Although the Chinese seemed to have got a foothold in Africa through these Chinese government-supported projects they are now competing more openly for tenders and as one European aid official told us ‘winning in straight fights’. After the Bui Dam Sinohydro has plans for four smaller dams in Ghana. Senior aid officials were divided on whether the Chinese development banks, like China Eximbank, were a threat to the World Bank with some seeing them as complimentary by adding additional finance whereas others suggested they were capable of ‘putting the World Bank out of business in Ghana’. In terms of World Bank projects Chinese contractors actually undertake 50 per cent of them and the World Bank has been exploring a memorandum of understanding with China Eximbank for joint funding of infrastructure although this appears to have stalled for the time being (Interview with senior officer with World Bank, Ghana, 2008).

Furthermore in terms energy oil reserves were discovered in 2008 in Ghana (McCaskie, 2008). Over the past three months the China National Offshore Oil Corporation has sought to purchase Kosmos for a reported $3 billion on the basis of its Ghanaian and Ugandan oil discoveries. Estimates of revenue are difficult to determine but the IMF calculates around $20billion over twenty years. The danger is that with a high budget deficit that Ghana will be tempted to emulate what has been dubbed the ‘Angola model’ where the state collateralises the oil in return for credit. These are real worries for the established donors. Indeed rumours abounded that leading donors had written to the Government of Ghana (GoG) warning in the starkest terms against collateralising the oil. Like Angola’s recent return to the IMF it appears that the GoG has turned to the Chinese aid/investment packages when other avenues for commercial financing have been closed. As one aid official noted:
…a package of tied lending is only interesting when there is more limited access to the international market and I think that is why many African countries find this package interesting, because they don’t have access to the markets.

The coming years are likely to see market access to finance even more limited and so China’s leveraged option may well be much more appealing.

In terms of donor harmonisation invitations to become more involved in the Ghana Joint Assistance Strategy were rejected by the Chinese, although they often attended meetings as observers. One interpretation is that as noted at the start the Chinese do not see themselves as donors. A western aid official spoke rhetorically from a Chinese perspective:

…we are not a donor, we are a poor country so we can’t really afford to give grants, on the other hand we want to trade and that would benefit everyone.

At the same time, the Chinese officials were often frustrated during meetings with DAC officials, who they argued often start the conversation with ‘let us set up some standards first and how much money could you contribute?!’ For the Chinese, there is still much apprehension about these standards and reaching them. They are more concerned with the concrete outcome of aid projects, hence mostly involving in infrastructural projects. Most important, there are no benefits to the Chinese for abiding by the OECD norms, except to increase approval ratings from DAC counterparts.

Conclusion

The wider debate on aid effectiveness and conditionalities is no doubt the product of confrontations between global players seeking to delegitimise the other and in so doing to justify one’s own approach. We saw how the Chinese used aid in the Cold War to ‘show up’ the indulgent ‘West’ but also how this is today an ambivalent strategy - China both stresses the distinctiveness of its approach yet also asserts its desire to contribute to or be
part of global aid efforts. Now the more extreme criticisms of Chinese aid projects in Africa presents an ideological inflection of the ‘West’ as the model of ‘moral and correct’ practices, in particular in the fields of global development policies, global humanitarianism and aid procedures. We will see shortly how a more dialogic approach to development cooperation with China is emerging. Furthermore, the accusation that China is the second colonial wave plundering the resources of the African states renders Africans as ‘helpless’. This denies agency to African regimes that were treated previously as victims of western colonialism, and now by the Chinese. This implicitly presents African governments as helpless victims unable to resist the onslaught of China’s charm offensive. It also underplays the importance of African oil states like Angola to other global hegemons, such as the United States and plays down the similarities between their interests in these states and those of China.

As a result of the increasing Chinese aid and engagement with African counterparts, a political outcome of the new aid landscape is China’s presence as an ‘alternative’ to Washington which, as demonstrated amply by the Angola and Ghana cases, permits African leaders to ‘triangulate’ between donors. This ‘fiscal triangulation’, which is not simply a rejection of ‘western’ donors and their conditionalities, gave African states an option about who to turn to for investment and aid for the first time since the ending of the Cold War. It is this leverage that the Chinese offer and the potential that resources could flow elsewhere that is really exorcising western critics to sharpen their knives over China. Yet in doing so they gain no friends in Africa by repeating the patronising message that Africans need saving from some venal power, when Africans are sorely aware of what venal powers have done, and continue to do, across the continent. Moreover, in welcoming the non-interference policy, African leaders were more willing to look to the Chinese model of successful economic development for guidance given that it is clearly massively successful and has not been forced upon African countries as a condition of aid.
In reality there are a number of flaws in the logic of demonising China, as there are with any binaristic geopolitical discourse. The first flaw of the good governance critique of Chinese aid, concerns the double standards bound up in recent approaches by western donors. Despite a discourse of having learnt from the hard conditionality of the 1980s Structural Adjustment Programmes (SAPs) and the move to ‘smart conditionality’, many donors still maintain tight control over recipients’ agendas. A good example is the Poverty Reduction Strategy Papers (PRSPs) by the World Bank and IMF, focusing their lending policies in Africa towards poverty reduction, which was formulated largely in response to criticism of its policies. However, due to the difficulty of implementing the Paris Consensus, the examination of PRSPs shows that the new approach has "not changed substantially" from the structural adjustment policies promoted in Africa by the World Bank and the IMF since the 1980s (Mutume 2007) and in general these states have not benefited from the policies.

While preaching non-interference in domestic politics China’s interventions have undoubtedly exacerbated existing political problems in some countries, either by design or by default. The Sudan case is pivotal for showing how China is changing in the management of international relations and remains keen to be part of global fora whilst also demonstrating the ways in which western donors are seeking to co-operate with China in finding solutions to African development. So, in contrast to the hawkish take on China a more conciliatory response assumes that China can be ‘socialised’ into the norms of the international aid business/community. Such critics contend that China’s engagement with Africa should still be guided by Western values and should conform to established patterns of Western involvement on the continent (Wilson, 2005), but rather than outright criticism they prefer a ‘dialogic’ approach (see Tjonneland et al 2006). However, Beijing has no economic incentive to fall in line with Western views on issues such as fiscal transparency and accountability. ‘By rejecting regulation efforts on the grounds of non-interference, China can position itself to win the political favour of, and

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5 In 1999, the IMF announced its shift, symbolized by renaming its Enhanced Structural Adjustment Facility (ESAF) as the Poverty Reduction and Growth Facility (PRGF). The World Bank then introduced PRSPs, initially as the basis on which poor countries would receive debt relief under HIPC. Subsequently, the PRSP approach was extended to other low-income countries, and was turned into a condition to receive financial support from the Washington-based institutions.
by extension economic benefits from, sovereignty-conscious governments (e.g. Angola)’ (Tull, 2006: 474). Some critics thus challenge that international donors engage with governance in ways to fit their own specific mandates.

As discussed above, Chinese modalities of aid in both Angola and Ghana are different in nature and definition from the OECD countries. Mainly tailored to the political and socio-economic conditions of the two countries, what we saw was more concessional loans in brick and mortar projects in Angola and Ghana which are ‘economically’ tied through the terms of the contracts. Also, Angola is a net oil exporter while Ghana a net importer. Following the recent discovery of oil, Ghana could perhaps learn from and begin to resist the temptation of pursuing the Angolan model of collateralising its oil. There are some important similarities between the nature of China’s activities in both case study countries, which have been heavily concentrated around resources and construction. Much of the major development is enclavic, centred on importing capital equipment, raw materials and labour. That said the nature of Chinese labour practices in both countries is often overblown and some of the assumptions made about this really only apply to the big Chinese SOEs – many Chinese SMEs do employ Africans and as Alden (2008) notes they are likely to have a major impact on African economic development for the coming years. There are also some important differences in the way that both countries have reacted to China’s growing presence. They are the state capacity and the willingness to enforce laws – Angola has established ‘parallel’ forms of governance to manage the reconstruction projects involving China through opaque agencies like the GRN whereas Ghana enforces labour, immigration and investment laws and may limit absolute investment as a result. In both cases the nature of aid, trade and investment linkages between the two countries remains the product of an elite level business dialogue and ‘ordinary’ Africans don’t have much say in the nature of this partnership and its outcomes.
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