

# China's Comprehensive Strategic and Cooperative Partnership with Africa

Convened in South Africa in December 2015, the 6th Meeting of the Forum on China–Africa Cooperation (FOCAC) culminated in the Johannesburg Action Plan under the theme ‘China–Africa Progressing Together: Win-Win Cooperation for Common Development’. An accompanying declaration upgraded FOCAC to a ‘new type of comprehensive strategic and cooperative partnership’, linking Africa’s transformation aspirations to China’s own ongoing transformation. This *IDS Policy Briefing* investigates the content of the Johannesburg Action Plan; examines its geopolitical, intellectual and systemic dimensions; and identifies wider policy implications.

With astonishing rapidity, in the past two years China has become the leading influence in the world of international development architecture. Its Silk Roads ‘One Belt, One Road’ (OBOR) initiative, which President Xi Jinping proposed in 2013, with details spelled out in a roadmap that the State Council authorised in 2015, looks to create a new economic geography: a Silk Road economic belt reaching across Eurasia, linking vertically with a twenty-first century maritime Silk Road that stretches from Europe through the Mediterranean to the Persian Gulf and the Arabian Sea, then on to Southeast Asia, and finally China’s coastal regions, with further branches to the South Pacific and Africa. The ‘Visions and Actions’ roadmap is advanced ‘in [the] face of the weak recovery of the global economy and complex international and regional situations’.

Besides establishing the Asian Infrastructure Investment Bank, hosting the BRICS New Development Bank and setting up new multilateral development institutions, China is also launching a set of intellectual and political fora: the International Development Knowledge Centre in Beijing, linked to the State Council; the Silk Road Think Tank Network, which held its first meeting in Madrid, Spain, in September 2015; the proposed Heads of States Forum for the Silk Roads OBOR initiative; and the Academy for South–South Cooperation

and Development and Centre for New Structural Economics at Peking University in Beijing. At the United Nations (UN) Summit that adopted the Sustainable Development Goals (SDGs) in New York in September 2015, President Xi also announced a US\$2bn fund for South–South Cooperation to implement the SDGs, and a US\$3.1bn South–South Fund for Climate Change Cooperation. And on a tour of the Middle East in January 2016, the president called on all parties to join the circle of friends of the OBOR and announced significant financing for development across the region.

The Johannesburg Action Plan’s comprehensive, strategic and cooperative partnership is positioned in this new world economic and political geography as seen from Beijing. It is explicitly set in the South–South development cooperation mode founded in Bandung, Indonesia, in 1955 and embedded in the principles of Chinese foreign aid set out by Zhou Enlai in 1964 in Accra, Ghana.

The African Union (AU)’s Vision 2063 and its first ten-year implementation plan form the basis of the Johannesburg Action Plan. What drives China’s attention to Africa at this point are: (1) establishing a strategic balance to the United States (US) pivot to Asia; and (2) the prospect of a global future in which the African population rises from 1 billion

“China has become the leading influence in the world of international development architecture.”

to more than 2 billion by 2050, contributing the largest increase in the global labour force, some 400 million, over a period when China's demographics and its economic rebalancing will generate a large-scale export of low-wage jobs in tradable industries. This is the window of opportunity the action plan is aiming at.

It is this symbiotic potential that differentiates the action plan from the India–Africa Framework for Strategic Cooperation, agreed in New Delhi in October 2015 under the theme 'Partners in Progress: Towards a Dynamic and Transformative Development Agenda'. Both constitute comprehensive multisectoral agendas, positioned in South–South mode and with follow-up mechanisms to be defined in the months ahead. Clearly a competitive element is at work here, with China bringing its Silk Roads geography to bear, and India its 'centuries-old' relationship with Africa.

### Inside the Johannesburg Action Plan

The action plan consists of an extensive set of sectoral objectives, action plans and fora for knowledge exchange and followthrough. At a cursory glance it could be dismissed as just another international laundry list. That would be wrong on two counts.

First, it presents a strategic development agenda that tackles deep intersectoral coordination issues involved in launching economic takeoff and dealing with spillovers in the current African context, including the development–security nexus.

On the development front, the action plan embraces modern transport infrastructure, energy networks and logistics management; rural development, the ocean economy and food value chains; industrial partnering linked to a hefty build-up in Chinese foreign direct investment (FDI); and large-scale Chinese tourism in Africa. Ecosystem programmes and wildlife protection link to tourism development and livelihoods for poverty reduction. Public health systems, higher education and professional and vocational training link to the economic programme. The 'digitalisation' of communications and media across the continent link to the proposed cooperation on e-commerce. As an integral part of these development efforts, China is investing in security, financing the African Peace and Security Architecture and its military capacities, and contributing to African peace processes and armed peacekeeping operations within AU and UN frameworks.

Second, each element of the plan is associated with specific actions, and new or established

working arrangements or fora. Examples include a China–Africa 2016–20 railway cooperation plan, a China–Africa regional aviation programme, the China–Africa Science and Technology Partnership Plan, and the Joint Research Centre on Biodiversity. Existing or proposed China–Africa fora cover:

- Business cooperation;
- Health;
- Energy and natural resources;
- Marine economy;
- Media cooperation;
- Poverty reduction.

The FOCAC Think Tank Forum system is charged with analytical research on the industrial partnering and capacity-building process that aims to shift Chinese low-wage export industries onto African export platforms.

### Organisational arrangements for implementing the action plan

Clearly the action plan involves huge tasks of coordination and monitoring. The FOCAC follow-up mechanism is being strengthened accordingly.

First, the AU, which became a full FOCAC member in 2012, has been invited to establish a representative office in Beijing, China having already opened a Mission of China to the AU in Addis Ababa, Ethiopia. Second, China is to co-chair a FOCAC review with South Africa (as the host of FOCAC VI), working with the FOCAC follow-up mechanism and the Group of African Ambassadors in Beijing, to come up with proposals for an 'optimal follow-up mechanism', including the incorporation of existing and newly established sub-fora emerging in Johannesburg.

The FOCAC follow-up mechanism has a secretariat located in China's Ministry of Foreign Affairs, which coordinates activities across the Chinese policy and implementation system. On the African side, the AU engages in strategic dialogue on China–Africa transformation issues, and the eight Regional Economic Communities and existing international partnerships; for example, on infrastructure and agriculture, are woven into the action plan.

It remains to be seen how the African side might manage its political buy-in and agency at continental, regional and country levels. The ownership issue is of course fundamental, involving complex political economy issues as China seeks to help African countries to transform beyond their colonial economic geography, circumvent predatory elites and navigate leapfrogging technologies and business models.

**“To 2050, Africa [will] contribute the largest increase in the global labour force when China will [be] generating a large-scale export of low-wage jobs in tradable industries.”**

## Financing

Building on previous FOCAC provisions, the action plan gives priority to funding productive investment to energise the development process.

While social development cooperation is also a key element, aid will increase only 'gradually' from its current level, which is in the order of US\$3.5bn, or 50 per cent of China's estimated US\$7bn of official development assistance-like foreign aid.

China's broader international development finance, however, with its two major policy banks, the China Development Bank (CDB) and Export-Import (Exim) Bank at the centre, is another matter.

Under its Economic Cooperation heading, the action plan provides:

- US\$35bn in concessional loans and credit lines for 2016–18 (up from US\$30bn in FOCAC V);
- The new US\$10bn China–Africa Production Capacity Cooperation Fund to support industry partnering;
- Increases in the existing China–Africa Development Fund (for equity investment) from US\$5bn to US\$10bn and the special loans programme for small and medium-sized enterprises from US\$1bn to US\$6bn.

Beyond these provisions, the Chinese side 'plans to increase China's stock of direct investment in Africa to US\$100bn in 2020 from US\$32.4bn in 2014'. While this is clearly an aspirational figure (some US\$10bn per annum on average compared with a Chinese Ministry of Commerce figure of US\$3.5bn for 2014), it goes alongside the joint undertaking to 'encourage and support China's labour intensive industries to move to Africa'.

These perspectives can be seen against an overall financial footprint of Chinese enterprises in Africa in 2014 of US\$70bn-worth of contracts signed and US\$46bn-worth of contracts completed (as recorded by the Chinese Ministry of Commerce), and in the context of Africa as the fastest-growing world market for FDI.

## The development paradigm and systemic implications

The development paradigm embedded in the Johannesburg Action Plan and the AU Vision 2063 is the 'Lewis process' of economic development, with labour moving from low-productivity subsistence agriculture to higher-productivity employment in the formal sector, notably manufacturing.

China is now, in effect, looking to export its 'Lewis process' to Africa, implying a fast-growing employment-rich formal sector, largely urban, but with rural enterprise expanding also to organise value chains, notably to feed African cities. Professor Dani Rodrik of Harvard University is pessimistic that this kind of structural transformation is a feasible growth vector in Africa. Rodrik perceives African labour, in fact, to be moving into informal service-sector employment. But extensive research by Brookings, the African Development Bank and UNU-WIDER provides theoretical and evidential grounds for a more optimistic prognosis.

Thus, opening up the neo-classical black box of public and private entrepreneurship generates an agenda based around dynamic capacity development that goes well beyond the standard donor agenda of the past three decades, which in effect took infrastructure investment and industrial policy out of play. Essentially, no net infrastructure investment in Africa took place in the 1980s–90s. Enterprise mapping of African economies has shown just how limited are the number and scale of African enterprises, with an associated absence of cluster and agglomeration dynamics and the learning-by-doing processes that drive economic growth.

The action plan strategy in fact involves three fronts. The first entails moving Chinese labour-intensive industries to Africa, bringing with them their already established large-scale market penetration in the US, Europe and China and the tacit knowledge, including management, design and training skills, of Chinese entrepreneurs. Showing how this can rapidly generate large job creation and export revenues in a few countries is designed to inspire adoption across Africa of the appropriate public policies and facilitation cultures and institutions, drawing in more investors, local and foreign. The second front is a big push on the regional infrastructure needed to turn landlocked countries into land-connected countries and to link up consumer markets, labour pools and energy supplies, exploiting the market opportunities now emerging from African demographics and urbanisation dynamics. And a third front is to take forward Africa's already burgeoning digital economy, where Chinese global enterprises have provided much of the digital infrastructure and are now bringing low-cost smartphones and new business models for e-commerce.

**“The action plan strategy involves three fronts: moving Chinese labour-intensive industries to Africa, a big push on regional infrastructure and taking forward Africa's burgeoning digital economy.”**

## Policy recommendations

### Towards a comprehensive economic strategy for Africa

With infrastructure connectivity, economic diversification and employment creation at its core, the action plan offers the prospect that a rising Africa with its fast-increasing young population will contribute dynamically to global development in the coming decades. China's long experience in Africa indicates how challenging this will be on all sides, hence the fundamental importance of the potential qualitative impacts of the Johannesburg Action Plan.

- The new FOCAC mechanisms and action plan should invigorate African processes for working on national, regional and cross-regional infrastructure to create export platforms and new regional and urban dynamics as growth drivers. African platforms for strengthening African agency and capabilities will be at a premium.
- The action plan constitutes a benchmark for comprehensive Africa strategies from other countries, notably the US (no such programmatic strategy emerged from the White House Africa Summit of August 2015), the European Union (which is looking to develop a comprehensive African strategy in 2016) and Japan (which holds its next Tokyo International Conference on African Development (TICAD) meeting at the end of 2016). FOCAC has clearly inspired the comprehensive India–Africa Strategic Cooperation Framework. Africa can benefit from this kind of competitive interest and from the new level of interest from private entrepreneurs. All development actors, public and private, should be looking for dynamic interfaces.
- The action plan is positioned alongside China's Silk Road initiative, with similar connectivity, diversification and employment thrusts. In both frameworks, effective states and clean and green development are implicit and explicit agendas, with associated political economy complexities in varying national contexts. The links between development and security are more evident and urgent than ever, which the Johannesburg Action Plan and Silk Roads initiative capture. China has expressed its openness to working with others in these various arenas, which provides a unique opportunity for engagement.
- The action plan should thus be understood next to China's other international initiatives, its own economic rebalancing, with accompanying domestic and global complexities, and its stated readiness to work with others and to jointly address the development–security nexus.

### G20 Summit opportunities on geopolitical and transparency frontiers

The G20 Summit in Hangzhou in September 2016 will be an opportunity to reference the Johannesburg Action Plan in the G20 mainstream agenda:

- Recognising the new economic geography and financial institutions associated with Chinese leadership and the contributions to growth prospects in the global economy;
- Identifying constructive ways forward on current geopolitical fronts;
- Providing an occasion for China to announce concrete steps to provide greater transparency in its own development cooperation system, including its policy banks and state enterprises, as it works with others on international cooperation.



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## Further reading

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## Credits

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AG Level 2 Output ID: 425

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ISSN 1479-974X