

Is China's Role in African Fragile States Exploitative or Developmental?

China's increasing engagement in Africa has generated heated debates over the extent to which its activities are exploitative or developmental. There is particular concern over China's impact on governance in fragile states. However, these debates often make generalisations and leave out African agency. This Policy Briefing takes a closer look at Rwanda and the Democratic Republic of Congo, and finds that there is a large gap between China's policy and practice. It finds that the ways in which African actors promote, respond to and negotiate its engagement is crucial in shaping the extent to which China contributes to development.

China's controversial rise

China's unprecedented growth has been accompanied by an intensification of public and private involvement in Africa. Between 2009 and 2012, China's investment in Africa grew at an annual rate of 20.5 per cent. In 2012, the total volume of China-Africa trade reached US\$198.49bn, a year-on-year growth of 19.3 per cent. By 2013, it had exceeded US\$200bn. This has led to increasing debate about whether China is a development collaborator, an economic competitor, or a coloniser.

From one perspective, some see China's engagement as an opportunity for African countries to reduce dependency on Western aid and its paternalistic conditionalities. They point to China's investment, trade and aid, particularly in building infrastructure, as significant contributors to Africa's development. Meanwhile, an alternative viewpoint is that the relationship is unequal and exploitative, driven by China's need for access to natural resources and export markets for its manufactured goods. They draw attention to China's labour and environmental practices, the threats Chinese businesses pose to African ones, the use of imported Chinese labour, and the lack of knowledge and skills transfer

as reasons for scepticism about China's development impact on the continent. They also criticise China for exacerbating governance issues as a result of its lack of concern for human rights and accountability at home, and its policy of 'non-interference', which dilutes the effect of Western conditionalities and sanctions aimed at improving governance.

Such debates treat Africa as a passive beneficiary or victim, obscuring the diversity of dynamics and relationships between Chinese and African actors in different localities. This project focused on Rwanda and the Democratic Republic of Congo (DRC) to delve deeper into the nature and form of these relationships to identify the implications of China's involvement for development and governance in fragile states.

China's discourse on aid, governance and development

China's relationship with African nations is framed by its foreign policy discourse of 'Peaceful Development and Harmonious World'. Chinese officials promise African countries relationships based upon the values of political equality, mutual benefit, 'win-win' cooperation, cultural exchange, and

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non-interference. There is a close link between China's domestic affairs and its approach to external relations. The principle of non-interference in African politics stems from China's intolerance of foreign interference in its own affairs.

At the same time, the legitimacy of the Chinese state is dependent upon its ability to deliver economic development to its citizens. Therefore, while Western states who value civic and political rights talk about 'good governance', Chinese officials, who prioritise social and economic rights talk of 'effective governance'. Thus, China's approach to governance in Africa is to pay close attention to who effective partners are on the ground and to build capacities rather than pressing for the rule of law as a first priority. China's emphasis on building infrastructure, including transport, hospitals and education reflects this prioritisation of building capacities. The Chinese slogan 'development first, governance second', illustrates China's belief that overcoming state fragility is first and foremost about improving economic conditions rather than being preoccupied with political governance.

China's engagement in Africa is typically conceptualised as monolithic; led by the Communist Party and played out by its large state-owned enterprises. However, there is a widening range of Chinese players on the African continent who are engaged in different sectors and at different national and sub-national levels.

This diversity of interests gives rise to tensions and contradictions between bureaucratic bodies tasked with advancing China's overall national interest and Chinese corporates operating in Africa.

Case studies: the DRC and Rwanda

China's engagement in Rwanda and the DRC is mainly driven by its need for natural resources and access to consumer markets. Although Rwanda has nowhere near the amount of natural resources as the DRC, its support for the 'One China' policy as well as to China as a responsible stakeholder in global-level forums is valuable. For both countries, China is an attractive source of investment and aid because it provides an alternative to traditional donors, increasing their negotiating options in order to maximise assistance. China's state

capitalism also allows it to make longer-term commitments and take on building large infrastructure projects at lower costs.

Democratic Republic of Congo

China's main interest in the DRC lies in accessing minerals such as cobalt, copper and diamonds. It is the DRC's largest trading partner. Additionally, there are strong, historical ties between the Chinese and DRC leadership: President Joseph Kabila was educated in China, while his late father, former president Laurent-Désiré, enjoyed political support from the Chinese. Such ties provide the kind of personal bonds which are essential to how Chinese political culture works.

In 2008, the two governments signed a deal worth US\$9bn, guaranteeing Chinese access to minerals in exchange for building infrastructure. China's Export-Import Bank pledged to build or restore over 3,500km of roads and 3,200km of railroads, 32 hospitals, 145 health centres and two universities in the DRC. In effect, this is an exchange of mining rights in return for critical infrastructure. Some observers believe it is a model that is being rolled-out by China and its enterprises across Africa. The agreement has not been free of criticism. Whilst specific details have been kept confidential, critics claimed that the Chinese parties received fiscal and customs exemptions. This raised criticism that these exemptions could limit the DRC's ability to collect revenue and the International Monetary Fund has expressed concern over its ability to service its debt. The agreement also included a clause that exempted the venture from any new laws passed, leading to claims that this undermined the DRC's ability to reform policies in areas such as taxation, customs, human rights and environmental protection.

However, such clauses are, in fact, standard practice in international law. Indeed, all major, long-term natural resources agreements are exempt from changes in national laws. Such agreements tend to be internationalised, with provision for international arbitration, usually through the World Bank's CSID (Centre for the Settlement of Investment Disputes). The DRC is party to a range of investment guarantee agreements, including the Multilateral Investment Guarantee Agency (MIGA) specialised in insurance against political and other non-commercial risks; the New York Convention on the

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Recognition and Enforcement of Foreign Arbitral Awards; the OHADA (Organization for the Harmonization of African Business Law) Treaty; and the African Trade Insurance Agency (ATIA). Exemption from taxation and customs are also typical. China has accepted a substantial investment risk to develop DRC's mining resources where other countries have not. Its control of the disbursement of the expenditure for the development of the project could be seen as a positive example of China's contribution to DRC's governance aims, besides providing a guarantee for debt reimbursement. The agreement means that a major part of its public affairs management is committed to the development project and cannot be diverted for short-term, populist, or even corrupt goals.

Such concerns for good governance in mining in DRC influenced the implementation of the initial Sino-Congolese cooperation programme. The Congolese government renegotiated and reshaped the Chinese contract. However, as one interviewee said, 'In a global world, preaching good governance without investing significantly in improving the economy by dynamic and daring actors is not sustainable'. The access to decent income seems a better way to enhance individual capabilities, together with improving the living conditions of populations.

The DRC does, however, get some dividends from Chinese cooperation. The whole economy benefits from the resulting improved infrastructure. However, the deal has resulted in the closure of local civil engineering companies. In addition, public agencies such as the Roads Office, the Office of Urban Roads and Canalization, and the Office for Country Roads are not properly funded to take over the maintenance of these infrastructures, which puts into question their long-term sustainability.

The Sino-Congolese cooperation experience confirms that the establishment of 'win-win' relations between financially and technologically unequal partners can still bring benefits to both partners.

Rwanda

Rwanda has been successful in managing Chinese involvement. Since the genocide, Rwanda has strengthened its government, implemented wide-ranging reforms to attract

investment, and elaborated 'Vision 2020', its national development strategy. In 2011, Rwanda was the second fastest growing economy in sub-Saharan Africa. In 2013, Rwanda's gross domestic product growth rate was 4.7 per cent, its lowest rate since 2003. In the past few years, Rwanda's trade with China has grown faster than with any of its other partners, doubling from 2009 to 2012 to reach a value of US\$160m.

Rwanda has proactively facilitated investment and trade with China by including Rwandan business people in its official delegations to China and establishing a Rwanda Development Board office in Shenzhen, which promotes opportunities and advises the Rwandan government on policies that will encourage Chinese investment. Contrary to popular views, most of China's investments are not in the natural resources sector, but in transformative sectors such as telecommunications and manufacturing.

Rwanda has particularly targeted information and communication technology (ICT) as a sector where China can help it become a regional leader. It has engaged Chinese enterprises such as ZTE and Huawei to provide equipment and transfer expertise in order to upgrade technology, enhance e-governance programmes, and establish a new ICT Park in Kigali. Through its diplomatic engagement, Rwanda has also been approved as an official tourist destination for Chinese citizens as well as for tariff-free access to 95 per cent of its exports to China.

When Rwanda was accused of supporting the M23 rebel group in the DRC, Western donors withdrew their aid. However, just as the cuts were beginning to hurt the economy, China gave Rwanda US\$35m in interest-free loans and grants, despite China's strong support for Kabila's government in the DRC. Thus, we can see that China has not developed a comprehensive framework for dealing with this inter-state crisis politically. Its traditional inclination is to remain outside conflicts for which it does not have any deep, direct knowledge and experience. However, as China is involved in both countries and even contributes to the peacekeeping mission in the DRC, it will need to develop a framework for analysis beyond its philosophy of resilient state development.

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Policy implications

- 1. China's approach to governance is very much linked to its own development experience.** China views concepts such as transparency, participation and the rule of law as ethnocentric Western norms. Rather than talking of 'good governance', China focuses on 'effective governance', building real capacities, and pragmatic engagement with partners on the ground that will lead to long-term partnerships that are mutually beneficial. China's view is that overcoming state fragility requires state resilience, without which effective governance cannot be reached. However, the motives and modalities of China's engagement in Africa have changed significantly in recent years and its approach to governance is still evolving. This presents opportunities for the international community and African states to shape China's policy and practice so that it contributes positively to African development and poverty reduction.
- 2. Despite Chinese government policy to encourage overseas investment by Chinese firms and their perception that this offers a 'win-win' strategy for Africa, links between Chinese government policy and business sector firms are, in practice, relatively weak.** Consequently, there are opportunities for China's public and private sectors to build constructive relationships that contribute to both Chinese and African development goals. African states can also do more to maximise their gains from the relationship by developing multi-stakeholder frameworks for foreign investment.
- 3. China does not seek to shape African states in its own image or interfere in politics, but it is realising that it cannot simply pretend that the problems of its local partners do not exist, or are exclusively the concerns of those countries.** As its investment in fragile states grows, China has become increasingly interested in the ways in which the West has tried to handle African problems in the past and is opening up to the idea of dialogue with Western and non-Western donors and international agencies.
- 4. China is in Africa for business, it is not in Africa to improve African governance. That is a Western way of thinking. China views African development as dependent on Africans, not outside partners.** While China's engagement with African countries provides for many of the conditions they need to develop (investment, infrastructure, opening new markets, better prices for African products, etc.), China's developmental impact will depend on how African leaders operate the relationship. Fragile states must create a conducive policy environment for investment, promote local investment in joint ventures, and train African entrepreneurs so that skills and technology can be transferred. Thus, getting basic governance right is necessary for African countries to make the most of their relationships with China.

Further reading

Shanghai Institute of International Studies (2013) *China's Global Strategy (2013–2023)*, SIIS, <http://en.siiis.org.cn/uploadfile/2013/1019/20131019065456733.pdf> (accessed 15 January 2015)

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Credits

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