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## **Chinese Aid to Africa: Filling the Gaps that Others Left**

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### *Abstract*

Western observers sometimes shockingly reduce Chinese Aid to Africa to a way of securing access to natural resources. A closer look does not only reveal that China's disbursement of Aid to the continent is relatively unrelated to natural resources, but also that it fills exactly the areas that Western aid has increasingly neglected: Infrastructure, industrialization and manufacturing. Chinese and Western aid work but in many ways can be seen as complementing rather than competing. Western aid since the 1980s focuses almost exclusively on basic social needs, while China's Aid to Africa is more based on industrial cooperation. The tools, such as preferential loans, that China uses hereby are often similar to what has been successful when China was in the role of the Aid recipient. Aid should therefore not be seen as a philanthropic one way transfer, but part of a mutually beneficial strategy that uses policy to channel investment into areas in which they are needed most. There is a fine line between aid and business, but in its relations with Africa today, China is well aware that at home it was not aid that lifted 200 million people out of poverty.

*Key words:* Chinese Aid, industrial cooperation, basic social needs, structural adjustments, development sustainability.

## **The Tragic Shift from Economic Development to Basic Social Needs**

Modern history of Western aid begins with the end of colonialism and the transfer of sovereignty from the European colonial powers to the newly established countries of Asia, Africa and South America. Out of a mixture of guilt for colonial repression and interest to keep some influence in the former colonies, European countries started financial transfers to the former colonies.

With the onset of the Cold War, foreign Aid was increasingly instrumentalized as a foreign policy tool in the battle with the Soviet Union. The established ways of using loans to promote economic development, were increasingly seen as ways to limit soviet influence in the newly independent countries. Before the cold war US President Kennedy once said a rising tide will lift all boats, meaning that loans for certain large scale infrastructure projects will trickle down and generate opportunities for the poor population. By the mid 1960 it became however clear that this approach was not going to win the cold war in Africa. The industrialization projects in the cities had little effect on the rural parts of the countries which became a vital ground for revolutionary insurgencies. From the soviet side, Marxist critics saw aid as deliberately creating a relation of dependency. Brazilian economist Theotonios dos Santos dismissed aid as “only filling the holes which the West itself created.”<sup>1</sup>

In a response, and in an effort to contain Soviet influence, Western aid increasingly tried to reach the poor rural population, in order to limit pool of poor farmers from which revolutionaries successfully recruited. On example is the shift towards agricultural support, working towards the “green revolution”.

In 1973 US congress passed a new legislation that moved emphasis from industrial development to basic human needs. Together with that came the proliferation of NGOs working in Africa that were directly funded by their governments.

This is an important shift to emphasize. In the beginning, JF Kennedy supported the approach of aid to developing industries, which should trickle down to benefit the whole population. This was too different to Zhou Enlai’s policies in China, which aimed to develop certain industries first, and through them in the long term benefit the whole population. But while China successfully upheld this policy, that domestically achieved the most significant poverty reduction in the world’s history, the West started to understand that this policy did not

bring the desired results in *it's containment of Soviet influence* in Africa. Therefore they started looking for ways to directly deliver results to the local population and make them less vulnerable to Soviet insurgencies. Western donors started to focus on basic human needs, and tried to deliver them as directly as possible. Soon, about half of African health facilities were foreign run, creating increasing dependency on continued foreign assistance. Rather than teaching Africans how perform some health services, Western NGOs were encouraged to go into Africa and perform these tasks themselves. The Marxist claim of foreign aid creating patterns of dependency became increasingly backed up by evidence, but also in the West some people became critical to the new shift. Roger Darling, a US aid official for example warned in 1978 that the superficial critique of trickle down development policy and its replacement with basic human needs was a “tragic shift from encouraging Third World productivity to merely providing welfare services. [...] this is not only going not to solve poverty, it explains it.” Unfortunately these voices went largely unheard.

Other aspects are infrastructure projects which had taken three quarters of the World Banks budget between 1946 and 1961, still before many African countries gained independence. When the emphasis of aid shifted to social projects, aid from developed countries (save for Japan) for infrastructure projects dropped to record lows. Infrastructure is however the backbone of any sustainable long term development, and it was increasingly neglected. Years later Senegalese President Abdoulaye Wade summed up that “[...] Europe has promised to provide US\$15 billion for African infrastructure, but 8 years later it has not delivered it. Now China is ready to deliver this, more rapidly and at fewer costs.”<sup>2</sup>

Nevertheless, year by year, western development aid continued shifting from support for industrialization programs and infrastructure to basic human needs. This trend reached its peak in 2000 with the formulation for the Millennium Development Goals (MDGs), promoted amongst others by Jeffrey Sachs. The MDGs almost exclusively focused on social development goals: Ending hunger, combating transmittable diseases and providing basic education. Funding for social programs in Africa increased by 60%, but this came at the cost of support for other sectors. Funding for agricultural programs dropped from 25% in 1980 to 4% in 2000. Similarly, aid for industrialization and infrastructure dropped to record lows. This shift gradually opened up a gap in funding, and it was China, who successfully stepped in.

## **Aid and Industrial Cooperation**

China itself has long standing experience as a recipient of industrial aid. Soviet military capacity building, Western companies shifting their production to China and quite significantly, Japanese industrialization projects in China. This experience at the *recipient's end* was extremely valuable for China's later industrial relations with Africa.

China has become the synonym for foreign companies shifting their production abroad, and it is well documented that this, rather than aid is what kicked off China's rapid development.

Let's therefore pause for a moment, and first recall the "international product life cycle" of certain industries: In the beginning, a certain product is usually imported to country A. If conditions are suitable, production is opened with the help of country B, which is more developed and wants to profit from e.g. lower wages or better access to resources in B. In the next step, backwards linkages increase, producing more components locally. As the industry grows, country A learns the technology and starts its own R&D. If successful, A will start to export the product to a third country, let's call it C. In the last step, as wages start to rise in A, it will start to set up its own factories in C, completing the cycle.

China has traditionally been always seen as an investment receiving country. Several industries have however already matured, and China has no intentions to stay the "factory of the world" for good. The logic of production cycles therefore indicates, that we should parallel to that, we should increasingly start to see China in the role of B.

The shift from industrial to social aid in the West therefore opened up a new opportunity. In the wave of China's going out policy, it established up to fifty special economic zones in foreign countries. Amongst others, one of their goals is also to enable this transfer.

Industrial aid is an excellent example of the win-win relations as to which China often refers to in its relations with Africa. With the west de-investing in Africa's industry and agricultural programs and instead focusing exclusively on social projects, African industrialization was increasingly neglected. Rather than looking at investing in long term growth, western aid focused on Africa's immediate short term needs.

While Africa therefore had a need to win other partners for industrial cooperation, this approach was also in the interest of China. Some industries that have majored in China, needed to be shifted abroad, and Africa in many ways was an ideal partner.

According to Dong Youde, a shift of labor-intensive industries abroad can make room for the development of domestic high-tech industries, and helps China to make full use of idle production capacity.<sup>3</sup>

As many Chinese enterprises were relatively inexperienced with foreign investments, the Chinese government through its policy banks established an environment that was supportive of this. The lines between industrial aid and investments therefore were thin, and what started as an aid project, often turned into an enterprise operating on commercial terms.

This marked a shift away from aid for prestige projects and over to the use of aid money by more market orientated principles. In 1994, China created three “policy banks”, (China Development Bank, China Export Import bank and China Agricultural Development Bank) which offered the tools to create hybrids of aid and commercial projects. These banks then played a major role in selecting and supporting certain industries according to a long term strategy. This model is not very different from the other Asian economies, Japan, Korea and Chinese Taiwan, which also used development finance to support certain strategic industries.

The experience of China receiving aid from Japan significantly shaped the debate in China about its own aid reform. A product of this were the concessional loans which were launched by the Exim Bank in 1995, and added a new tool of using aid money to target support to certain industries. The blending of aid and commercial relations was summarized in a note by the Ministry of Commerce of the State council, calling to “[...]combine aid to Africa, mutual cooperation and trade together”<sup>4</sup> This new strategy was especially aimed towards support in agricultural cooperation as well as labor intensive manufacturing such as textiles. A third target of these new loans was extraction of mineral resources and in 1996, Sudan became the first African country to receive Chinese concessional loans for oil exploration.

This reform put into practice what China had learned from the industrial aid systems of other countries. For Africa this meant that it received more Chinese aid, however on more

market based terms. As Dembisa Moyo argues, to use a zero-interest loan or a grant for a project where a commercial loan would also be viable, can have several negative effects.<sup>5</sup> Not only will it create a form of dependency, it also follows a different pattern of accountability.

While these loans were essential for Africa to fill the gaps which the West had left as it focused on social projects, the new tools also enabled China to create incentives to gradually move mature industries abroad. With the attraction of underexploited markets, China started to set up an increasing manufacturing basis in Africa. In 2005 total outwards FDI to Africa for manufacturing exceeded that of mining.<sup>6</sup> Especially labor intensive and polluting industries (textiles, plastic, chemicals, smelting) received incentives by the government to relocate production abroad. This was done through favorable credit lines by the policy banks and tax cuts enjoyed back home.

At the same time, the Western countries gave relatively little support to the creation of a manufacturing base in Africa, which is however the industry that can create most jobs. Between 2002 and 2006 World Bank loans for manufacturing were a mere 5% of total aid to Africa. Also only 10% of the IMF's loans went into manufacturing.

Also on a bilateral basis, western companies, have relatively little industrial connections with Africa. British manufacturing in Africa has dropped by a third in the 1990s<sup>7</sup> and also a mere 11% of US investments in Africa went into manufacturing. The US tried to counteract this with the launch of the AGOA in 2000, but in terms of channeling US investments into Africa, AGOA turned out as a failure.<sup>8</sup> While it is a common perception that China's main interest in Africa is the extraction of natural resources, the head of US trade representative admitted at an AGOA forum in 2008 that US companies were still heavily concentrated on natural resources in Africa.<sup>9</sup>

Most importantly, US and Europe are far from actually encouraging mature industries to locate overseas, and are struggling to prevent job losses at home.

In fact the US congress imposed a regulation in 1994, that prohibits the US Agency for International Development (US AID) to fund any projects in developing countries, through which job losses at home might occur.<sup>10</sup> With this act, aid was actively discouraged to fund the kind of production in Africa that could provide great numbers of jobs, and be an essential

step in African development.

China on the other hand, being a developing country itself, has no such regulations, but on the opposite actively encourages exactly this transfer of mature industries through the China Africa Development Fund. Lunched in 2007 by the China Development Bank, the fund which over time will provide about US\$5 billion, works on commercial principles but without expecting high returns. This is an example of the mutual beneficial cooperation that China and Africa are looking for. China is not a traditional donor, with Africa in the role of a passive recipient. Instead, this kind of cooperation provides Africa with exactly the investments for jobs and growth which traditional aid has failed to deliver.

### **Special Economic Zones**

One key part of China's own development success were the special economic zones which it set up as part of its opening up reforms. Deng Xiaoping introduced Shenzhen and three other special economic zones in 1979, attracting foreign companies to relocate their mature industries there through special tax breaks and other incentives. Learning on this experience China's Ministry of commerce announced in 2006 that it will set up 50 special economic zones overseas, as part of its going global strategy.

Differently to home, China's special economic zones in Africa did however not exclusively focus on export orientated production, but also on other industries, such as services. Within one zone, Chinese companies would then compete on market based principles, but with Beijing's support. It is in many ways similar to China's own economic experiments within a certain defined zone, that now allows mature industries to orderly transfer abroad, rather than trying to forcible hold them back home. The Industries within those zones were ideally clustered, such as the one in Ethiopia focusing on textiles, leather and building materials and the Chambishi zone in Zambia, focusing on copper mining and processing. This system helped Chinese companies which were unused to overseas investment to go abroad in groups. Although classically not aid, these zones so far have proven extremely successful for African development. In Zambia for example, the zone created the possibility to finally add value to the product, and process the copper locally, rather than exporting the raw material.

Bo Xilai, former minister of commerce described the special economic zones, leaning on Deng Xiaoping as “crossing the ocean by feeling the stones” They are not aid business as usual, but build on China’s own experience as a country receiving aid and economic assistance. It is a way to facilitate mutually beneficial economic cooperation, in which Africa is seen as a partner, not as a passive recipient of aid.

### **Aid, Structural Adjustments and China**

With the shift in Western foreign aid from support for industrialization to focus on social issues, also came the rise of structural adjustment policies. As the donor community realized the ineffectiveness of previous aid, the obvious solution was to make the delivery of aid conditional to adjustment of certain policies. The famous Berg report of the World Bank of 1983 came to the conclusion that it was bad African governments that plagued the World Banks projects in Africa.<sup>11</sup> During the 1990s structural adjustments that emphasized growth, liberalization and privatization were the main framework on which aid was based. Because of its vested interests, the donor community however continued lending, even when the conditionality was not fulfilled. As a critic once put it, “Aid recipients continued pretending that they would reform, and aid donors continued pretending to believe them.”

China on the other hand was traditionally unimpressed by this approach, and continued providing aid without asking for reforms. By 1995 the Chinese understanding of what was going on in Africa was similar to the Berg report, but the solution was radically different. Instead of telling Africans how to run their government, China fostered cooperation directly between Chinese and African companies.

Disillusioned with the current functioning of the aid system, the Western donor community and recipient countries came to together in 2005 in Paris, and then signed off what became know as the Paris declaration on aid effectiveness.<sup>12</sup> It emphasized mutual accountability based on ownership, alignment, transparency and pooling of resources. Recipient countries were asked to set their own agenda, and donors should align their projects accordingly. China did take part in the conference, but being a developing country itself, it saw itself much more in the role of the recipients rather than as a donor. This is understandable enough, as China really had quite little in common with the other donors around the table. In

fact the way of Chinese implementation of aid is radically different. While the West started to emphasize ownership, it still relies on conditionality for reforms. Telling Africans that they own a certain project and can change it “freely” according to its needs, but only if they conform to conditionalities, in it self is a staggering contradiction. The rhetoric of partnership with Africa sounds unconvincing, when Western experts are sent to Africa that cost up to US\$300.000 a year, earning multiple amounts of locals. China on the other hand has made its partnership credible, by the pledge that Chinese experts in Africa will be paid the same amount as an African official of the same rank. In Mozambique, Western donors have hired 3500 technical experts which are paid US\$350 million a year,<sup>13</sup> and often live in comfortable homes around the country, enjoying higher living standard than in Europe. With the same amount of money 400.000 local workers could be paid. Several Africans have been cited, expressing surprise about the very basic standards in which most Chinese experts live. This approach is indeed much closer to the equal partnership that both sides promote.

In the attempt of the Paris declaration to “harmonize aid” China also plays a distinctive role. Western donors agreed that one African country might have dozens of different donors, that all have a distinctive agenda and particular requirements. Harmonizing aid between the donors therefore requires sharing and pooling of information, usually under the auspices of the World Bank. On this issue, Chinese ambassador to Pretoria, Zhong Jianhua said: “The World Bank always wants countries to follow their processes in Africa. But is the track record of the World Banks really that good?” While the World Bank records are indeed far from great, the main problem with China joining the effort is harmonizing aid, is that China is not a classical donor in that sense. As has been stated, Chinese bilateral aid is faster and more efficient than multilateral coordination from the World Bank. In fact Chinese aid is an alternative to the way the World Bank is providing it, and requiring China to join in the traditional donor community is unrealistic. Another reason is the difference in the usage of conditionalities. As the former Sierra Leone government minister Dr. Sesay said in an interview:

The Chinese will simply build a school, a hospital, and then supply a team of doctors to run it.

The World Bank will say: “You must not have so many teachers on your payroll. You must

employ some expatriate staff. You must cut down on your wages.” The Chinese will not do this. They will not say “You must do this, do that, do this!”<sup>14</sup>

China believes that African partners are able to handle their internal affairs themselves, and shows respect for this. It is not surprising that African elites are very much attracted to this model. The debate of how effective the measures suggested by other donors are is long and ongoing and goes beyond the scope of this paper. The point here is that even when such conditionalities were ignored, countries continued providing aid, which rendered the system pointless. William Easterly for example states in a World Bank study on aid and reform in Africa that conditionality as an instrument to promote policy reform has been a failure.<sup>15</sup> Britain and Norway stopped linking policy reforms to their aid programs<sup>16</sup> but China never had any conditions like that.

### **The Fine Line between Aid and Business**

It has regularly been criticized by Western Media, that China mixes official aid flows with commercial business. The message is that China would use aid in order to receive lucrative business deals. In fact every country has used aid in a way that benefits its own economy, may it be export of consumer goods (e.g. subsidized export credit) or access to resources. Western countries often put a lot of effort in making aid look more philanthropic than it is. With the possible exception of disaster relief, aid is almost always meant to bring benefits to the donor country. Therefore, the Chinese approach seems more honest. The concept of a win-win situation does not try to conceal the fact that China wants something in return. This is not different from other countries, but Western countries have still not stopped to try to make others believe that their aid comes for free.

An example of this is the problem of tied aid.<sup>17</sup> While China is routinely criticized to only provide tied aid, Western countries are equally reluctant to abandon this practice which is comfortable to explain to domestic constituencies on what aid is spent. Tied aid basically means that in the contract for providing aid, it is stated specifically that a certain percentage of the budget has to be spent on goods or services from the country that the aid originates from. This leads to an increase in inefficiency, since goods that might be available locally have to be

imported more expensively, or even undermine the establishment of a certain industry. Western aid is frequently tied to hiring foreign experts that cost a multitude of local workers. According to the OECD in 2001, 92% of Italy's aid was tied, so were 68% of aid from Canada.<sup>18</sup>

In the US, rather than recognizing the increase in inefficiency of tied aid, the US AID website boasted until recently that US foreign assistance created demand for US\$10 billion of US exports, securing over 200,000 US jobs.<sup>19</sup>

Concessional loans of the Chinese Exim Bank are officially tied to a level of 50%.<sup>20</sup> The difference however is that concessional loans are not counted as aid, but rather as a way of promoting projects that are not fully commercially viable. In the Chinese contracts it is usually also fixed how much of the value of the loan has to be subcontracted to local companies. This difference however does not only change the way in which the loan is provided, it importantly also completely changes the way in which projects are selected.

Former Minister of Foreign Affairs of Sierra Leone, Alhaji Momodu Koroma expressed this clearly:

There is a difference, and it is huge. What [China] wants to help you with, is what you have identified as your needs. With Britain, America, they identify your needs. They say: "Look, we think there is a need here." The German President visited. They promised \$17.5 million for assistance. President Kabbah said we will use this for rural electrification. But a few months later, GTZ [the German aid agency] said it would be used for their human security project.

This often meant refocusing on African infrastructure. In China's own early development history, Japanese and Western companies exchanged access to resources (Chinese oil and coal) to infrastructure and technology. Leaning on this experience, China now increasingly embarks on resource backed loans. This is similar to Japan's Request based system, in which a Japanese company suggests a project to the host government, and if considered viable, a request is made for the Japanese government to fund it. The great advantage of resource backed loans is that it enables to channel important investments into countries of bad credit rating. If a HIPC requests an infrastructure project that would be commercially viable, the

World Bank might still reject it, as it increases the total debt of the country. This creates a negative feedback loop, in which a poor country has to first gain the creditworthiness to get the infrastructure that it needs for its development. For poor countries with large untapped natural resources, resource backed loans are a good way to get the essential infrastructure before they have the money to pay for it. This is especially important, since many countries have exhausted their capacity to raise funds through traditional ways of aid. China is therefore filling a huge gap that other countries are unwilling to enter into. A reason for this unwillingness can be found in the status of the World Bank as a privileged donor according to the Paris declaration on Aid efficiency. This means that loans to the World Bank have to be repaid before any other creditor can be served. If resources are used to directly secure a loan, this means that the revenues from the natural resources bypass the budget. China however never signed the Paris Declaration and therefore gives poor and indebted African countries the opportunity to actually use their rich natural resources for their national development, rather than continuing to serve old debt. In cases of countries with extremely poor credit rating, China's EXIM Bank also provides loans secured towards African resources directly to the company that is going to build the project. The fact that a country is poor and indebted cannot be accepted as an excuse to prevent it from receiving the investments it needs for its development.

### **Debt Sustainability vs. Development Sustainability**

Even more surprising therefore is the hypocritical comments of some Western observers that warn of African countries overloading themselves with Chinese debt, leading to a new debt crisis. These comments were particularly common after the rounds of debt relief by western donors. The Jubilee 2000 and G8's Gleneagles meeting in July 2005 brought together traditional donors with the IMF and the World Bank, and granted a cancellation of outstanding loans from HIPC's. The main argument that was brought forward by economists as well as Rock Stars was that in any case those countries would be unable to repay the old loans, while at the same time preventing them to take out new loans which they would need for their development. The basic idea was that this round of debt cancellation should be a one-off action, which then should send the countries on a sustainable path of debt management.

So when China continued to provide loans to African countries, the US Treasury department for example described China as “free riding” on this debt relief.<sup>21</sup> They argue that China is taking advantage of the debt relief from the Western countries and pushes the African countries that are now largely free of debt, into a new and unsustainable debt.

The Wall Street Journal wrote that “There are some aggressive countries out there that are ramping up their export-credit agencies and looking to take advantage of countries with lightened balance sheets. We want to send a strong signal that those kinds of behaviors will be frowned upon”<sup>22</sup>

This view is however extremely misleading. First of all the main reason for the debt relief was that countries are able to take up new loans. The comments by the US treasury department therefore are clearly directed against the China as a new provider of the loans, and not against the practice of taking out new loans as such. It is a fact that poor countries need to receive outside capital to stimulate their national development, and Chinese loans play an important role in that.

Free riding is also an inappropriate expression, considering that China has also granted large scale debt relief totaling RMB 24.7 billion,<sup>23</sup> 80% of which went to Africa.<sup>24</sup> China also canceled the debt of HIPCs without any conditions attached. Western countries required African governments to prove that they were able to manage the economy, and lay out a complicated strategy for poverty reduction. Some heavily indebted countries were unable to comply with these requirements, with the result that they could not profit from Western debt relief. China also canceled the debt of those countries (Comoros, Côte d’Ivoire, Eritrea, Somalia, Sudan, and Togo). The only condition for the relief was the respect for the one China principle, which meant that Burkina Faso, Sao Tome and Principe, and The Gambia could not be included, as they held diplomatic ties with Taiwan at that point. In total 49 countries benefited from Chinese debt relief, 32 of which come from Africa.

Most importantly however, China itself does not have an interest in creating any new kind of unsustainable debt in Africa. China plans its concessional loans in a way that allows the recipient country to repay them over time. We have to keep in mind that China’s loans towards Africa are not aid although many come at concessional rates, but part of a mutual beneficial strategy. China has no intentions of creating a new patron-client relationship in

which African countries become dependent on China through new loans. Instead China seeks a business relationship, in which sustainable loan management are an essential part. Last there is also a difference in the loans which China provides to the African countries. In resource rich countries, China often engages in resource backed loans on commercial interest rates, or only slightly concessional rates. As these loans are usually repaid directly in natural resources, an actual default on the loans becomes very unlikely. In resources poor and HIPCs on the other hand, China often provides highly concessional or zero-interest loans. Additional to that, China provides loans at commercial rates for projects in individual HIPCs which are commercially viable.

Head of the Exim Bank, Li Ruogu, argues in the paper “How to achieve Debt sustainability in Developing countries”<sup>25</sup> that China looks into Debt sustainability, but what is even more important is Development sustainability. Rating an entire country as HIPCs is an extremely static concept. The IMF can even punish a HIPC for taking out a loan at commercial interests. In reality, even in resource poor countries with high overall debt, commercially viable projects can be found. Leaving them also to subsidized loans is not economically sensible, and cannot be considered sustainable development.

As a new partner, China has a different approach to the management of debt in developing countries. But rather than free riding on the rounds of debt relief from the rich countries, China is providing new and nuanced loans that are urgently needed for Africa’s development.

## **Conclusion**

Chinese aid to Africa is distinctively different from Western aid. The main aspect hereby is the strong focus of the Western donors on social project, while China substantially channels aid into industrial cooperation. Those approaches should be seen as complimentary, rather than competing. Calls for Chinese aid to move closer to Western standards are however misleading, since they fail to recognize that distinct features of the Chinese aid system are often better suited to deliver the kinds of loans and assistance that Africa currently needs most.

We should hereby keep in mind that China, being a developing country and an aid

recipient itself, strongly leans on this experience in its cooperation with Africa. The most obvious aspect hereby is that China has not achieved its growth over the last thirty years through philanthropical aid from abroad, but through the right policies that attracted FDI and enabled growth by industrialization. Learning from this own experience, China uses aid funds to channel investments in sectors such as infrastructure, manufacturing and mining. The main tools used, are concessional loans in which the difference to a commercial interest rates is covered out of the aid budget. Natural resources can be used to back these loans, and enable a country to receive the infrastructure they need for their development, before they have the capital to pay for it. To raise funds on market based or almost market based principles is an obvious advantage to raising them through free capital (e.g. grants) as this will result in a patron-client relationship and dependency. While the West has still not abandoned the practice of trying making others believe that their aid comes for free, China's cooperation with Africa can best be described as a win-win situation. This is to say that although China's investments are extremely valuable for industrialization in Africa, China also benefits through relocation of mature industries and access to natural resources. Differently to Western donors however Chinese aid is not attached to conditionalities for reform. This is once again an extension of the fact that China's rapid development of the last 30 years has been fairly free of foreign attempts to influence policy making through conditional aid. Also on question of debt sustainability, China rather follows an approach of development sustainability, which is closer to what has been successful at home.

On different levels of its aid system, China uses the experience that has enabled its own growth and poverty reduction. With its resources and willingness, it has the potential to make substantial contributions to African development. As an emerging partner to Africa, China should be welcomed and engaged, rather than criticized for having a different approach to aid than the West.

## NOTES

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