China and Africa: A Match Made in Heaven?

China has long been considered a developing nation itself, but over the past two decades, it has made considerable investments in a number of African states with the hope of providing unparalleled assistance and development. The Washington Post reported, “China was the single largest infrastructure financier in 11 African countries between 2009 and 2012. In December 2015, China doubled down on its efforts in Africa, pledging an additional $60 billion in aid.”[[1]](#footnote-1) With this vast increase in aid, it is imperative to examine the influence of Chinese aid in African nations. For the first time in history, China is beginning to rival western powers in their share of aid funds. While it may be difficult to determine the long-term effects of this aid program, there are a number of tools to investigate it. This paper will complete a cost-benefit analysis of the impacts of Chinese aid in Africa by considering three areas of aid; Chinese motivations behind aid, Africans’ opinions on the influence and productivity of trade, and a statistical analysis of economic development and growth.

Prior to considering the impacts of Chinese aid on Africa, it is necessary to consider the history and current status of Chinese aid. China originally began funding projects in Africa in 1956. During this first period of aid, China focused on altruistic means of aid projects, especially focusing on infrastructure projects. Following the 1970’s, China has switched its focus to trade-based aid to drive economic development in both regions.[[2]](#footnote-2) Today, there are two primary components of Chinese aid. First, China allocates money to official development assistance, or ODA, which primarily goes directly to governments in Africa. ODA funds largely go to the poorest nations in Africa, primarily sub-Saharan African nations and act as either grants or no-interest loans. Meanwhile, China also identifies a second more commercially-oriented form of Chinese state financing, with higher interest rates and lower grant elements, which is commonly referred to as other official flows, or OOF. This financing is more likely to go to wealthier, resource-rich nations.[[3]](#footnote-3) In the most recent development in the Sino-African relationship, in January of 2016, Chinese President Xi Jinping pledged $60 billion to Africa in a combination of aid and foreign financing programs.

While Chinese aid has yet to overtake American or non-government organizational efforts, it is quickly rising for the first time in history. With such a substantive change in international politics and development, it is imperative to examine why China has decided to take a primary role in aid programs in Africa for the first time. Skeptics of Chinese aid programs hypothesize that Chinese investment will result in Dutch Disease[[4]](#footnote-4), defined as “a situation in which a foreign demand for a country’s subsoil assets drives up the price of currency and, in doing so, damages its manufacturing sector’s international competitiveness.”[[5]](#footnote-5) American leaders, including President Obama and Secretary of State Hillary Clinton, have warned African counterparts that China may be motivated not by a desire to improve the lives of ordinary Africans but more by a desire to gain access to the continent’s natural resources.[[6]](#footnote-6)

Chinese President Xi Jinping pledged $60 billion to African development projects in 2016, stating, “China has the strong political commitment to supporting Africa in achieving development and prosperity. China now has the technology, equipment, professional and skilled personnel and capital needed to help Africa realize sustainable self-development.”[[7]](#footnote-7) While Chinese officials claim their aid programs are in the best interest of African states, many western leaders still approach Chinese aid with skepticism.

In a paper published in the Review of Development Economics entitled *The Missing Link: China’s Contracting Engineering Projects in Africa,* researchers investigated the true drivers of developmental aid in China through utilizing a series of economic analyses. The paper utilized data on contracted engineering projects in 52 African nations between 1991 and 2010 and concluded that countries are more likely to receive projects if they have large market potential and are political allies of China. The more often countries vote in line with China at the United Nations, the more likely they are going to receive more investment, whether that includes infrastructure development or loans. Furthermore, host-country’s characteristics do not really matter; corruption and political instability fail to create a hindrance on the award of aid projects. The paper finally concludes, “engineering projects and outward development investment are both attracted to African countries that have large market potential, deep trade ties with China and are political allies.”[[8]](#footnote-8) Different from western forms of aid, Chinese investors fail to preoccupy themselves with democracy and human rights, and instead focus on which projects will greatest benefit China.

After a decade of increased Chinese presence, Africans have a variety of opinions on the harms and benefits of Chinese development. However, opinions of those directly affected by this aid is commonly forgotten in mainstream news stories. China is Africa’s greatest trading partner and buys more than one-third of its oil from the continent. The money from trade has paid for countless new schools and hospitals. Locals exclaim that China has done more to end poverty than any other nation. [[9]](#footnote-9)

While some are grateful, more view Chinese influence as a detriment. Newspapers in South Africa claim that Chinese firms will simply take over African businesses, running the country dry and taking all natural resources with them. Even others exclaim it is a new wave of colonialism.[[10]](#footnote-10) Furthermore, the Economist reported that Chinese aid gets a poor reputation for three key reasons; poorly-made products, tied loans and payments, and competition. With greater trade, Chinese products have flooded African markets even more than before. The products are cheaper, but also easily breakable. Chinese goods are regularly held up as examples of shoddy work, upsetting African consumers.[[11]](#footnote-11) Bala Ibrahim of Nigeria explains, “They [Chinese workers] are learning our arts and taking them back to their country and doing them similarly to us, and bringing the goods back to Nigeria and selling them to our people.” Ibrahim once labored in Nigerian textile factories, but now spends entire days idle due to fewer employment opportunities as Chinese companies push companies out of business with lower prices and greater variety.[[12]](#footnote-12)

China uses different methods when providing aid than their European and American counterparts. Instead of having certain requirements and expectations for aid, like improved governance and democracy, China prefers to take a hands-off approach. There are limited requirements for aid, but instead most loans and payments are tied, meaning the recipient must spend money with Chinese companies. However, tied aid leads to limited competition and shoddy work. Without competition, favored firms get away with delivering bad roads and overpriced hospitals.[[13]](#footnote-13) Therefore, aid may look effective for the short term, but infrastructure will be impossible to maintain with poor work and cut corners.

Finally, Africans see a harm from Chinese investment in aid through competition. China provides extremely cheap goods, far cheaper than African companies can make themselves. For example, textile companies in Nigeria have been going out of business regularly since greater numbers of Chinese textiles showed up. Employment in Nigeria’s textile and apparel sector has plummeted to 20,000 people, from 600,000 two decades ago. This has effectively resulted in high levels of unemployment in Nigeria. Chinese factories can then hire Nigerian workers willing to work for the minimum wage, forcing struggling families to continue to purchase poorly-made Chinese goods.[[14]](#footnote-14) Therefore, the cycle of competition will continue indefinitely in Nigeria, making life more difficult for blue-collar workers.

In conclusion, there are a mixed bag of opinions and attitudes towards Chinese investment in African nations. However, Afrobarometer, an African-led research network that conducts surveys in 36 nations, found 63% of those surveyed had a positive view of China, ranking second only behind the United States. Of those surveyed, many claimed the reason for positive opinions come from investment in infrastructure and the low cost of Chinese products. [[15]](#footnote-15) While it is possible opinions could change in upcoming years, it is likely Chinese aid will continue to have a great influence on the African continent, changing opinions daily.

Finally, it is imperative to investigate the statistics and data regarding Chinese aid in Africa in order to determine the long-term impacts of development aid. There are countless areas to investigate in order to determine how Chinese aid and trade influences Africa, but few have statistical information and proof available. There are three areas to investigate regarding Chinese aid: infrastructure efforts, tied aid, and biased funding locations.

A number of Chinese development projects have focused on infrastructure development, hoping to bring more roads, bridges, and electricity to all Africans. There has been little data regarding the effectiveness of these programs, due to poor information access from China and African governments. However, a working paper published in the Oxford Review of Economic Policy was able to effectively utilize satellite imaging, taking photos of households using electricity to light their homes after the sun sets. This data was used to determine how effective aid has been thus far in Africa. Using economic regression analysis, professors Axel Dreher and Steffen Lohmann concluded that “with a 10 percent increase in Chinese development finance corresponds to an 0.6-1.1 percent increase in per capita nighttime light output — and a 0.2-0.3 percent rise in regional GDP.” Meanwhile, the same paper found that projects completed by the World Bank have produced no increase in light output.[[16]](#footnote-16) Therefore, Chinese aid has been more effective in increasing access to electricity in African homes across a number of nations than World Bank programs.

Next, China ties aid donations and funds to other Chinese projects, which creates inefficiencies across a number of African projects, from building schools and hospitals to reducing disease. China’s tied aid programs favor Chinese companies while the loans are usually backed by African natural resources. Therefore, tied aid is linked to the success of Chinese corporations, which provides evidence that China prioritizes their interests over Africa.[[17]](#footnote-17) In 2011, researchers estimated that $69 billion, more than half of the total official development assistance, is spent each year buying goods and services for development projects. But much of this money is "boomerang aid" – funds that flow to developing countries only on the books and may never leave the donor countries. Furthermore, tied aid is estimated to reduce the purchasing power of aid up to 40%.[[18]](#footnote-18) The Journal of Humanitarian Assistance at Tufts University found that tied aid encourages dependency and wasteful spending, resulting in excess costs between 15% and 30%. Tied aid also distorts trade. By subsidizing domestic producers or uncompetitive firms in declining industrial sectors, tied aid acts as a mercantilist device that deepens international protection and shrinks economic restructuring in Africa.[[19]](#footnote-19) Therefore, by tying aid projects to Chinese firms, it creates inefficiency and inequality, acting as a net harm for Africa. Failing infrastructure will only hinder growth further, keeping African nations at a disadvantaged and exploited economic capacity.

Finally, there have been a number of reports regarding support of corrupt and violent administrations when investigating Chinese aid projects. While Chinese aid is tied to companies, there are no strings attached, unlike western aid programs. This so-called non-interference aid has two consequences. First, governments do not have to advocate for free, democratic elections or adhere to human rights expectations. Therefore, leaders have no real incentive to maintain democracy or reduce violence, especially in corrupt regimes. Government leaders are not required to spend aid or investment money equally across groups, and much of the money is lost to corruption. Chinese aid increases, political violence rates involving state force also increase.[[20]](#footnote-20) Professors at the University of Sussex discovered that state leaders and regimes further use this aid to finance their hold on power by repressing political competitors, such as other political parties and opponents, through tactics such as increased surveillance, detaining and jailing individuals, suppressing peaceful protests, and forced displacement. In countries that receive different and varying levels of Chinese and Western aid, receipt of Chinese aid is followed by increases in police and military violence. Meanwhile, western aid is not followed by any such increase in violence.[[21]](#footnote-21) Aid programs from the United States or European nations focus on efforts that attempt to improve free and fair elections, and governments are penalized for corruption and infringements on human rights.

Second, African leaders are almost three times more likely spend Chinese development aid in areas where they have ethnic ties, not necessarily where aid is most needed. With little to no oversight of aid programs, African leaders are able to choose what areas to complete aid projects and programs, thus creating greater inequality and possibly leading to social unrest.[[22]](#footnote-22)

In conclusion, it is necessary to continue to investigate the long-term impacts of Chinese aid in Africa. This paper examined Chinese motivations, from partnerships at the United Nations to large market shares, African opinions on trade, and analyses of the successes and failures of aid, particularly considering light-output growth. There are a number of benefits and costs that fail to clearly outweigh one or the other. The long-term consequences of political corruption and increased violence are likely to create more problems in the future, but economic investment appears to be growing steadily with an increase in Chinese aid and investments. It is imperative for greater research to be completed in order to truly understand the effectiveness of varying aid and investment projects. With greater understanding, African nations will be able to determine how influential China should be.

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