China and Africa: *The New Neocolonialism?*

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"South Africa's trade minister on Tuesday embraced China's surging investment in Africa, saying that Beijing was not pursuing a neocolonial policy and its growing interest in the continent would bring huge benefits"(Anderlini, for Financial Times)[1].

Introduction

President Zuma's visit to China in August, accompanied by a retinue of business and political leaders, brings into sharp relief the kind of relationship which has begun to develop between China and the African continent. Zuma was met by Hu Jintao, with the intention of expanding the commercial relationship between their two states. Apparently China is now South Africa's major trading partner, accounting for 11.1% of South Africa's total trade volume, according to statistics published online by the Department of Trade and Industry.

Indeed, an overview of diplomatic and other relations between China and Africa suggests the potential for mutual development. However, some (western) commentators regard China's accelerating engagement on the continent with suspicion, fearing that relations between two such drastically unequal economies could perpetuate dependence.

China approaches Africa with a policy of non-conditionality, which is welcomed in some countries as an alternative to perceived Western legacies of neocolonial influence; but this policy does, however, undermine international censure of despotic regimes. China cannot be blamed for pursuing its own economic interests, but its resource and market hunger hold the potential either to create devastating dependency or provide the stimulus for development. Some patterns of China's engagement in Africa are reminiscent of "neocolonialism", but whether this engagement is detrimental to development is in large measure determined by domestic conditions in African states.

Where governments are corrupt, non-conditionality compounds this problem. Where domestic industries are uncompetitive, Chinese exports may curtail or skew development, and investment leads to repatriation of profits. Where economies are unevenly developed in favor of mineral exportation, Chinese demand and investment can exaggerate the inequality. However, where African governments possess a significant degree of legitimacy, a variety of domestic industries are developed, domestic capital is to some degree competitive, and labor is organised, the growth in Chinese investment, aid, unconditional loans and trade can prove beneficial to comprehensive development.

Neocolonialism and its Discontents

"Neocolonialism" is a convoluted term endowed with significant rhetorical power. It refers to influence exercised by foreign powers over the policy and economic trajectory of less developed states through means other than direct political control[2]. The term can also imply a mercantilist model for economic relations: decolonised states remain dependent upon the exportation of raw materials to fuel growth in the developed world[3].

The term was first used in the 1960s to explain the influence maintained by colonial powers in decolonised states. Limits to the new independence of African states were recognised in 1961 by the 'All African People's Conference'[4].

The literature on neocolonialism suggests several mechanisms by which influence is exercised. These mechanisms may be useful in understanding China's relationship with African states.

Post-colonial states entered the world economy from a disadvantaged position, and reliance on foreign capital facilitated neocolonialism. The competitive edge enjoyed by foreign direct investment (FDI) produced a vicious cycle; profits were repatriated abroad, rather than contributing to the domestic accumulation of capital.

The institutions remaining after the departure of the metropolitan power continued to function in ways which facilitated exploitation. The domestic elite of many decolonised states lacked the means to maintain power; infusions of capital and weapons were thus one mechanism of neocolonial control[5].

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Africa is rich in mineral resources, and with commodities prices fueled by accelerating growth in Asia[7], there are strong incentives for investors to focus on development of extractive industries. This renders future development dependant upon fluctuations in price and promotes uneven development across sectors of the economy[8]. The opposing argument is that mineral exportation is Africa's comparative advantage. But mineral extraction is technology-intensive, with limited potential for the job market[9], so social development will be thwarted unless greater economic diversification is managed.

Governments can prioritise and be sustained by foreign investment; the need to encourage developmental and social programmes to maintain legitimacy is therefore eliminated. Foreign aid may also be most responsive to the elite, maintaining power relations beneficial to foreign capital[10].

The term "neocolonialism" might not be applicable to describe the relationship between China and Africa if it does in fact promote mutual development, even where the imbalance of power fits the model described above.

Patterns of Contact between China and Africa

An account of China's contemporary role in Africa begins during the Cold War. China competed with capitalist states and Russia for spheres of influence in the less developed world by providing support and aid to regimes amenable to their foreign policy[11].

Immediately after the Cold War, diplomatic relations between China and most African states dwindled, but have re-intensified over the past decade. Some continuity must be noted between China's Cold War engagement and the present; China now highlights its support of anti-colonial struggles[12]. China presents itself as a distinctive model of development, which provides an alternative to free market capitalism[13].

Levels of Chinese investment in Africa today are unprecedented. Trade between China and Africa has suffered somewhat during the recession, estimated at a value of US$91 billion in 2009 compared to US$106.8 billion in 2008[14]. In 2007, Asia received 27% of African exports, an increase from 14% in 2000, although still slightly lower than trade between Africa and the United States (32%) or Europe (29%). Petroleum is the dominant export, followed by ores and metals[15]. Levels of Chinese FDI in Africa have also grown, estimated at US$1 billion in 2008[16], while levels of investment from Africa to China have grown at a more modest rate; Chinese investment has concentrated primarily on mineral extraction, but is beginning to diversify. The intensification of economic relations between China and Africa is indicative of China's bid for global economic power and great need for resources to fuel rapid industrialisation[17].

Diplomatic relations between China and Africa are characterised by rhetoric of development partnership and competition with the capitalist West[18]. This rhetoric is manifest in China's 'non-conditionality' policy. China professes itself to be without political motivation, and will engage with pariah states[19]. They will also provide loans without the economic restructuring demanded by the

IMF. But are the ambitions of a fast-developing country in line with the development goals of less developed states?

China provides massive sums of aid to African states, presented as an unconditional stimulus for development. Up to 2006, the Chinese government claims to have provided US$5.74 billion in aid to African states[20]. In 2007, official development aid from China was estimated at between US$1.4 and US$2.7 billion annually, with further concessional loans of around US$8 billion and infrastructural projects of around US$7 billion. Top recipients of Chinese aid were Angola, the Democratic Republic of the Congo, and Sudan[21]. Where aid is provided in the form of infrastructure, it can facilitate productivity and trade. However, these infrastructural projects are often rendered less beneficial to the African economy by the importation of Chinese labor, contracting to Chinese firms, and importation of materials[22].

Interpreting the relationship between China and Africa

Mutual dependence between China and Africa provides one argument against the characterisation of relations as neocolonial. However, this mutual dependence is vastly unequal. China relies upon cheap resources, for which Africa presents a particularly non-competitive source, but it is by no means the only source; in 2007, one quarter of African exports were destined for Asia, but these accounted for only 1.6% of Asia's imports[23]. Additionally, the importation of capital results in repatriation of profits: While productivity grows, domestic capital does so to a limited degree. Chinese exports also compete with African exports and domestic markets due to similarly cheap labor and resource wealth, with the difference that China's industrialisation and availability of capital provide for greater productivity; competition drives efficiency, but it also creates unemployment. While China's thirst for resources provides leverage to African states, Africa's dependence upon China outweighs China's dependence upon Africa.

For example, the Chinese government has provided support for the ZANU-PF in order to secure Chinese investments in Zimbabwe[24]. However, this may be changing as international negative reactions to China's support of genocidal regimes have demonstrated costs to international goodwill.

However, mutual dependence reopens the question of 'non-conditionality'. China's need for resources has an unavoidably political element. Unstable African states present very risky investments; China's resource needs encourage the government to shoulder some of the risk by creating stability. For example, the Chinese government has provided support for the ZANU-PF in order to secure Chinese investments in Zimbabwe[24]. However, this may be changing as international negative reactions to China's support of genocidal regimes have demonstrated costs to international goodwill[25].

Sino-Angolan relations

The substance of China's economic engagement differs from state to state in Africa, as do domestic conditions of that engagement and the resulting potential for development.

In 2008, Angola was China's chief trading partner in Africa[26]. It is the second largest producer of oil on the continent, and one of few states to enjoy a trade surplus with China[27]. The leverage Angola enjoys due to the high price of oil is significant; but the focus on oil exportation is a mixed blessing for development.

In 2005, Angola was disqualified for loans by international financial institutions because of poor governance. Trade with China was an attractive alternative for revenue for the reconstruction of the post-war economy. China's relationship with Angola was seen by Western financial institutions as unlikely to promote transparency, due to the tendencies of Chinese relations in Africa to be bilateral, Chinese corporations to be secretive, and China's non-conditionality policy[28].

In 2004, China's Export-Import Bank provided an oil-backed credit line to the Angolan government, which was doubled in 2006: one condition that limits its potential for development is that 70% of projects paid for with the loan must be contracted to Chinese corporations, and 50% of materials must be sourced from China. The funds are controlled by the Angolan presidency, which raises the issue of transparency. Stringent labor standards in Angola have been sidestepped by Chinese corporations, which have opted for less formal employment schemes. But the leverage enjoyed by Angola due to high oil prices could provide for some remediation of these failures when the loan is next re-negotiated. However, oil is a finite resource. Uneven development geared towards the exportation of oil is not sustainable; oil revenue should ideally be directed towards encouraging domestic industry to become competitive[29].

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Sino-Zimbabwean Relations

Relations between China and Zimbabwe demonstrate worst-case scenarios for Sino-African relations. The country lacks the institutions to utilise aid effectively, and the political structure is riddled with corruption. Aid and loans to Zimbabwe have contributed only to the preservation of the ZANU-PF and the personal enrichment of Robert Mugabe and his allies[30]. International censures are rendered less effective because of alternative Chinese investment, trade, and loans[31]. The backing of China provides a claim to legitimacy for the Mugabe regime by proving a model for development other than that of free-market capitalism, as is often referred to in Mugabe's speeches.

Zimbabwe demonstrates that a regime can be supported by foreign powers, in the absence of legitimacy, to the detriment of development; China supplied military-grade radio jamming equipment to the ZANU-PF prior to the 2005 elections.[32] The economic support provided by Chinese aid and investment facilitates the maintenance of the ZANU-PF government and its cronies, even as the Zimbabwean economy stagnates. The need to promote economic development to establish the legitimacy of the state and secure the political power of the regime is removed, because the instruments of force are available to the government from outside donors. The strength of diplomatic ties is demonstrated by the appointment of a minister of Chinese Affairs, and the proposed requirement that Zimbabwean civil servants study Mandarin Chinese[33] (!).

Sino-South African Relations

With one of the most stable economies and political climates in Africa, South Africa represents a special case of Sino-African relations. During the first half of 2007, China imported US$3 billion worth of goods from South Africa and exported US$3.2 billion. Trade has always been weighted in China's favor, but not as heavily as in other African countries[34].

Trade and investment between South Africa and China is coordinated by a network of institutions, from the state level to the regional. Bilateral relations between China and South Africa are especially strong, and these are institutionalised in the China-South Africa Bi-National Commission, which provides a forum for cooperation at many levels of government[35].

South Africa is the only African state with significant investments in China, estimated at between US$500 million to US$1.5 billion. A US$5 billion China-Africa Development Fund exists to facilitate the investment by South African corporations in China and former president Mbeki urged that this be used to equalise economic relations[36].

Because of the political importance of black empowerment in South Africa, laws regarding domestic ownership are stringent. The engagement of Chinese corporations with black empowerment firms demonstrates that they are willing to play by the rules if sufficiently enforced. Partnerships have also increased the development potential of Chinese investment because they facilitate domestic sourcing of labor and materials[37].

South African relations on the continent are well established politically and economically, which provides China with an access point, and South Africa's reputation for human rights and government accountability may help to legitimise Chinese involvement; this is demonstrated by the acquisition of a 20% stake in the South African Standard Bank, which funds projects throughout the continent[38].

The partnership created between Standard Bank and the Industrial and Commercial Bank of China in 2007 could provide the infrastructure for improved application of Chinese aid and investment. Standard Bank has the relationships and the knowledge of business culture and political practices to direct Chinese investment towards more productive and development-friendly engagement. This aspect of the relationship between Chinese capital and South Africa's leadership role on the continent was hopefully part of the discussion when President Zuma met with Chinese leaders in August.

China has proved receptive to the elite in South Africa, but the responsibility lies with the government to facilitate beneficial utilisation of aid and loans. At the encouragement of the South African government, China has provided funding for social development programmes, for example a US$31.3 million development package for the Skills, Education and Training Authorities program[39].

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China's rapid growth provides markets for South Africa's resources. But Chinese exports present a challenge in the international market, where China became the largest exporter of gold in 2007, and to domestic industries, especially textiles. However, labor unions succeeded in creating pressure on the government to mitigate competition; South Africa reached an agreement with China to voluntarily limit textile imports, in line with World Trade Organisation protocols. The ability of the government to mitigate competition is limited however; China has opposed the asymmetrical lowering of tariffs on steel[40].

Some Observations

- Domestic conditions determine whether China's engagement in the countries discussed above has proven beneficial[41]. Where African governments are legitimate and capable of effectively regulating Chinese investment, trade and aid, increased engagement with China could prove beneficial.

- Whether there is substance behind China's rhetorical commitment to mutual development is another question. A commitment to development and non-conditionality are in fact mutually exclusive: for example, in Zimbabwe.

- The Chinese government has committed to providing markets for African goods, but concessions actually made have limited development potential; tariffs are low on minerals and oil yet remain high on consumer goods like coffee. Simultaneously, Chinese imports undercut development of domestic markets[42].

- China's record of environmental degradation and low labour standards is further indication of a limited commitment to development[43]. But China has begun to urge its corporations to abide by domestic standards, and it is the responsibility of domestic enforcement to ensure that short-term development does not endanger long-term sustainability[44].

As has been suggested, China's engagement with Africa has been sensationalised by commentators from the West, but there are grounds for comparison with Western economic powers. The continued 'resource grab' in Africa[45] creates an influx of foreign ownership which perpetuates dependency. China is a competitor to Western capital and therefore can provide leverage to African states in negotiating terms. China offers loans and aid without overt political coercion; however, China often maintains influence in the application of loans and aid, and of course prioritises its own economic interests. China's engagement with Africa demonstrates contrasts with that of the West, yet while these contrasts hold some potential for development they still hold potential for dependency.

If African states become reliant upon China, the question of China's social stability becomes critical. Many analysts have warned that China's development is unsustainable. If internal tensions create a situation in which Chinese aid and capital dry up, African nations may very well be worse off than they were before engagement with China.

Conclusion

If neocolonialism is characterised by unequal economic relations which damage the development potential of the less powerful state, this is not uniformly the case of relations between China and African states. Strong domestic institutions and transparency are fundamental to the utilisation of Chinese credit and investment for development goals. Chinese firms have proven themselves willing to conduct business within the confines of the norms and standards of practice within a state, but these must be effectively enforced. And to ensure the resolution of any grievances which may arise in society relating to foreign capital, ownership and competition, there must be legitimate, institutional channels through which these can be made salient in the policies of the state. Hopefully, projects adopted during Zuma's visit to China will seek to align capital investment and diplomatic relations with the requirements of transparency and institutional oversight, enforcement of environmental and labour regulations, and the balance between the needs of domestic labour and the requirements of foreign investment.

NOTES

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