China's aid and economic cooperation system as reflecting the drivers of China's increasing presence on the African continent

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NOTE D'ANALYSE 12

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Introduction

This paper will look into the penetration of Chinese business in Africa and its ties with Chinese aid and economic cooperation instruments. It will outline that the Chinese government pursues active development programs which are closely links with Chinese multinational enterprises (MNEs) expansion in Africa. Most Chinese MNEs are often indirectly state-controlled and their development is submitted to the long-term strategy of the Chinese government. This state-driven pattern is due to the relative weaknesses of Chinese MNEs in terms of intangible assets compared to global competitors from the most developed economies but also to the need of Chinese MNEs to overcome the incumbent position of European MNEs in African economies, which has been built on special links with local and regional governance structures.

This chapter will investigate the drivers of Chinese aid to African countries and how they translate in several peculiar instruments and structures of Chinese aid. Before entering this discussion, some remarks are to be made with regard to obstacles encountered when researching Chinese aid system.

1. Obstacles encountered when researching Chinese aid system

Our analysis of China aid and economic cooperation system is mainly based on qualitative analysis, due to the limited amount of quantitative data at our disposal. Annual and disaggregate aid data by countries and sectors are in fact not made public. Several explanations for this lack of transparency have been put forward by Chinese and Western scholars.[1] The first, far less convincing reason is that it would be rude to disclose the amount of aid, since it is a gift from the Chinese government to the African countries. However, the same reasoning often does not apply to figures concerning the amount of debt forgiven. Another explanation is that the Chinese government does not want to make public the fact that it gives sensible different amounts of aid to different recipient countries,

[1] Lancaster C., "The Chinese Aid System", *Center For Global Development Essay*, 06/2007, Http://www.cgdev.org,p.2;Davies P., "China And The End Of Poverty In Africa: Towards Mutua l Benefit?", *Diakonia Eurodad*, 2007, p. 49 Et Ss.

with the tendency of refocusing economic cooperation on resource-rich countries, as Chaponnière's estimates, although still imperfect, show.[2] Besides that, the Chinese government might fear the reaction of the Chinese domestic public opinion, which might demand to rather employ these financial resources to fight poverty within China.

Moreover, it is difficult to make distinctions between Chinese aid and other economic cooperation instruments. This is for two main raisons. First of all, Chine aid, as we will see, is part of a larger system of economic cooperation with developing countries, which includes diversified instruments. Secondly, the Chinese administration has not elaborated a clear definition of aid and therefore not all Chinese aid qualify as official development aid (ODA) according to DAC-OECD[3] guidelines. This will be further analyzed in the following paragraphs. Here we only want to underline that the discrepancies between the Chinese aid accounting system and international accounting standards might be one of the reasons of the lack of clarity concerning Chinese aid structures, leading to overestimations of Chinese aid and misunderstandings regarding Chinese aid practices.

Other two elements put forward by Hubbard are specifically referred to the concessional loans of the Export-Import Bank of China (EXIM Bank).[4] The lack of transparency concerning the terms of lending might be intended to protect the commercial confidentiality of Chinese firms. Less convincingly, Hubbard also assumes that Chinese concessional loans do not technically qualify as ODA and that the Chinese government is then interested in maintaining a certain ambiguity concerning the terms of loans, in an attempt to improve its image as an aid donor. It is however true that this same ambiguity is damaging its reputation and raising suspicion among traditional donors.

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[2] Chaponniere J.R., "Chinese Aid To Africa, Origins, Forms And Issues", in Van Dijk, "The New Presence Of China In Africa", Amsterdam University Press, 2009, p. 15. Despite being an interesting attempt to shed light on major destination of Chinese economic cooperation in Africa, these estimates do not tell us where "real aid" is primarily channeled.

[3] Development Assistance Committee of the Organization for Economic Cooperation and Development

[4] cf. infra for a description of this specific instrument.

The rapid development and evolution of China's aid and economic cooperation system has not been balanced by a sufficiently increased number of officials working in the numerous agencies involved. Understaffing problems, along with the growing complexity of the system, might prevent the Chinese government from providing comprehensive and reliable aid data. Communication between different administration branches is weak and aid disbursements tackling is not reliable, even more when considering aid programs of provincial governments. Even available data should therefore be treated with caution. Some values could result inflated, since they include pledges which may not have been fulfilled or projects that have been subsequently cancelled. Some projects to be realized over several years may have been counted more than once. In other cases, projects and disbursements may have been underreported or not reported at all.[5] Furthermore, Zhang states that Chinese aid figures do not include debt relief, unlike DAC donors' reported ODA.[6] Military aid would qualify as development aid in the Chinese statistics while not necessarily in the OECD-DAC nomenclature.[7] Wang also underlines how complex might be to estimate the value of in-kind aid and of technical and cooperation assistance, due to the difficulty of pricing Chinese labor in Africa.[8]

After this brief description of the numerous difficulties encountered in analyzing the Chinese aid system, we will now focus our attention on the evolution of the Chinese aid system over the last decades.

2. Evolution of the Chinese aid system

The Chinese aid system, particularly during the last two decades, has undergone an incredible transformation. New instruments have been introduced, a larger number of organisms has been involved and the

[5] Lum T. *et al.*, "China's Foreign Aid Activities In Africa, Latin America And Southeast Asia", 02/2009, CSR Report For Congress, p.3 and OECD, "OECD Investment Policy Reviews: China" 2008, p. 36
[6] ZhangXinghui, "China's Aid to Africa: Challenge to the EU", paper presented at the Confere nce on "The EU and China: Partners or Competitors in Africa?" organized by the College of E urope Bruges- Belgium - 4/5-02-2010, p. 9
[7] Brautigam D., "The Dragon's Gift", Oxford, 2009, p. 166
[8] Wang, J.-Y.,2007, "What Drives China's Growing Role In Africa?", *IMF Working Paper*, WP/07/211

complexity of the whole system is constantly growing. This paragraph draws a brief history of the evolution of the Chinese aid system, and it shows that it reflects a shift of goals and drivers, as well as the renovated and expanding engagement of a rising actor at the global level. This transformation is not yet completely consolidated. As we have seen, Chinese aid system still suffers from lack of inter-agency communication and understaffing. According to Lancaster, officials for the Ministry of Commerce (MOFCOM) recognize the need to develop some sort of evaluation system and they are engaged in various dialogues with other lending institutions and actors.[9] Further reforms then cannot be excluded. On one side China, as an emerging donor and a newcomer of the global aid system, still lacks full understanding of international standardized aid practices and mechanisms. On the other side, Beijing is trying to elaborate its own original aid practices, according to its specific goals and political structures and its previous experience as a recipient country.

Lasting principles and first transformations

Early examples of Chinese aid programs were much limited in scope and primarily responded to political imperatives. Aid was channeled towards African countries governed by politically affine socialist leaders but, most and foremost, to countries which recognized the PRC instead of Taiwan. Ghana, Congo-Brazzaville, the Central African Republic, Kenya, Somalia and Tanzania were among the first African countries to establish diplomatic ties with the PRC. The establishment of diplomatic relations was usually followed by the signature of a zero-interest loan agreement. In 1975 China had aid programs in more African countries than the US did.[10] The African continent was the major recipient of Chinese aid, which mostly consisted of small and medium-sized projects in light industry, infrastructure and agricultural sector.[11]

[9] Lancaster *op.cit.*
[10] Brautigam D., "China's African Aid, Transatlantic Challenge", *The German Marshall Fund Of The United States*, 2008, p. 9
[11] Rotberg R. I., "China Into Africa Trade, Aid And Influence", Brooking Institution Press, Washington, 2008, p. 199

The system underwent a first major transformation in 1982, when several aid offices of ministries, provinces and large municipalities, which used to be responsible for carrying out aid programs, where transformed into state-owned enterprises (SOEs). These latters were soon authorized and encouraged to autonomously bid on small infrastructures projects abroad.[12] At the same time, the Ministry of Trade and the Ministry of Foreign Economic Relations were merged in the Ministry of Foreign Economic Relations and Trade (which became the Ministry of Commerce, MOFCOM, in 2003). The Ministry of Foreign Economic Relations then became the Department of Foreign Aid within the new ministry.

The "Eight principles for China's aid to foreign countries", proclaimed by Zhou Enlai during its visit in Ghana in 1964, conjointly with the "Five Principles of Peaceful Coexistence" of the Bandung Conference in 1954[13], still constitute the framework of reference for Chinese aid policies and China's discourse towards recipient countries. The Eight Principles recite as follow:

1. The Chinese Government always bases itself on the principle of equality and mutual benefit in providing aid to other countries. It never regards such aid as a kind of unilateral alms but as something mutual.

2. In providing aid to other countries, the Chinese Government strictly respects the sovereignty of the recipient countries, and never attaches any conditions or asks for any privileges.

3. China provides economic aid in the form of interest-free or low-interest loans and extends the time limit for repayment when

[12] For example the Ministry of Railway became the China Civil Engineering Construction Corporation and the Ministry of Communication became the China Road and Bridge Corporation.

[13] The Five Principles are:
1. mutual respect for sovereignty and territorial integrity;
2. mutual non-aggression;
3. non-interference in each other's internal affairs;
4. equality and mutual benefit;
5. peaceful coexistence.

necessary so as to lighten the burden of the recipient countries as far as possible.

4. In providing aid to other countries, the purpose of the Chinese Government is not to make the recipient countries dependent on China but to help them embark step by step on the road of self-reliance and independent economic development.

5. The Chinese Government tries its best to help the recipient countries build projects which require less investment while yielding quicker results, so that the recipient governments may increase their income and accumulate capital.

6. The Chinese Government provides the best-quality equipment and material of its own manufacture at international market prices. If the equipment and material provided by the Chinese Government are not up to the agreed specifications and quality, the Chinese Government undertakes to replace them.

7. In providing any technical assistance, the Chinese Government will see to it that the personnel of the recipient country fully master such technique.

8. The experts dispatched by China to help in construction in the recipient countries will have the same standard of living as the experts of the recipient country. The Chinese experts are not allowed to make any special demands or enjoy any special amenities.

As we can notice, the principles of sovereignty, non-interference and mutual benefit, which constitute the pillars of Chinese discourse towards developing countries, are clearly stated.

The "Great Economic and Trade Strategy" and its drivers

A new principle was added by Zhao Zyiang in 1982, namely "*diversity in forms*". Nevertheless, the conceptual shift actually arisen in the 1980s, has actually been translated in deep-rooted reforms only in mid-1990s, when the Chinese aid system was properly restructured. New aid instruments, included the well-known concessional loans, have been introduced, while the EXIM Bank, created in 1994, was in charge of administering these concessional loans. These reforms represent the launch of the "Great Economic and Trade Strategy", which aimed to combine aid, mutual cooperation and trade in Africa. A surge of Chinese aid commitments and aid-related activities followed.

As noticed in the first paragraph, we lack reliable data on Chinese aid. However, several analysts tried to calculate the global amount of China's aid to Africa. We draw here on the comprehensive panoramic of their divergent conclusions offered by Chaponnière.[14] Kurlantzick estimates Chinese aid to Africa at 2.4 billion US$ in 2004, and he assumes that most of it defines as ODA according to DAC-OECD guidelines. Qi Guoqiang's estimates rank at US$ 1 billion in 2007, but they exclude not only provincial aid but also MOFCOM subventions for concessional loans. Jian-Ye Wang estimates Chinese aid US$ 2 billion, which is about 10% of total aid to Africa, although it excludes debt relief. Brautigam recently estimated Chinese aid to Africa at around 2.5 US$ billion in 2009, adding MOFCOM aid budget, EXIM Bank's concessional loans and debt relief.[15]

Despite divergent results, it is clear that Chinese aid has sensibly increased, if compared to Brautigam's estimates of a total amount of 4.6 US$ billion of Chinese aid to African countries from 1957 to 1989. Nevertheless these figures remain far lower compared to aid provided by traditional donors[16] and to numbers often reported by media.[17]

Which are then the drivers behind the evolution of the Chinese aid system? If it is true that it existed a demand for growing efficiency in Chinese aid programs, especially seen that several projects realized during the previous decades did not prove economically sustainable and required continuous aid injections[18], the main reforms were embedded in

[14] Chaponnière *op. cit.,* p. 38 et ss.
[15] Brautigam 2009 *op.cit.,* p. 170
[16] In 2005, OECD countries committed 30.7 US$ billion in grants and 11.8 US$ billion in public and private bilateral loans to African countries. Since China provides only limited amount of aid through multilateral institutions, this article will not discuss this issue.
[17] For some examples of these overestimated figures cf. Brautigam 2008 *op.cit.* China provides only limited amount of aid through multilateral institutions.
[18] For an example concerning the well-known TAZARA railway, please cf. Belligoli S., « La Chine, Nouvel Investisseur Et Bailleur De Fonds: Interactions Complexes Avec Le Processus

the policy shift "*from aid donation to economic cooperation for mutual benefit*"[19], as Premier Li Peng put it during its trip to Africa in 1997.

The logic of the Chinese aid system has therefore moved from mainly political motivations to a mix of political and economic drivers, where the latters are however definitely predominant. Despite China's aid had always being tied to the purchase of Chinese goods and services[20], it is only with 1990s reforms that the economic concerns became of primary importance, in an effort to institutionalize a supplier relationship and to secure additional supplies of spare parts and replacement equipments. The aim is then to secure the long term presence of Chinese enterprises on the African continent, considered as a place full of business opportunities. It is therefore no surprise that the Ministry of Commerce is the dominant authority in China's foreign aid policy.

To fully understand this picture, it is useful to briefly consider some main reforms which took place in China during the last two decades and which are strictly connected to the transformations that we have just described.

The "Going Global strategy", officially launched in 2001, reflects the Chinese will to become a global power insert in the global economy. It aims to foster the internationalization of Chinese firms and their expansion in new markets as well as to establish globally recognized Chinese brand names. It is strictly linked to another policy initiative launched in 1997, known as "Grasping the larges and letting go the smalls". This is an attempt to reduce the total number of SOEs, while increasing support to a smaller group of "national champions", which should precisely "go global". China's diversified instruments of "development finance" provide an opportunity to employ Chinese large foreign exchange reserves, previously accumulated, in a way that diminish inflationist pressure in China, benefits Chinese firms and Chinese economic development, without excluding the development of recipient countries. According to Reysen and Ndoye "*Chinese aid can be*

De Développement Des Pays Africains. Le Cas De La Zambie. », *Outre Terre*, Paris, 2010 (Forthcoming)

[19] *Idem* p. 12

[20] Rotberg *op.cit.,* p. 204

considered as an investment made by the Chinese government to promote the prosperity of the Chinese economy."[21] As Davies clearly states, "*the Chinese Government's aid policy plays an important role in support Chinese companies (largely SOEs) in outbidding foreign companies in securing resource assets. […] The PRC Government also uses aid as part of a package of tools to support Chinese companies in expanding export markets and business scope overseas. […] Chinese Government aid provides Chinese companies a distinct advantage in overcoming protectionism and regulatory red tape*."[22]

PRC various subsidized forms of economic engagement with African countries support the delocalization of mature domestic industries, helping them to penetrate African markets. This especially concerns sectors characterized by domestic overproduction and/or extremely high competition (textile, light industry, appliances, telecommunications...). An interesting example is ZTE Corporation, a latecomer on Chinese domestic telecommunications market, who successfully managed to enter overseas markets, exploiting its competitive advantages related to its relatively high cost-performance ratio and to the compatibility in telecommunications equipment models between China and other developing countries. Nowadays ZTE is present in several African countries, included, among others, Angola, Zambia, Nigeria, Ghana, Lesotho and Tunisia.[23] A secondary motivation pushing Chinese firms to internationalize in Africa is that manufacturing firms, when producing on the African continents, can take advantage of preferential market access granted by Western countries to products in provenance from developing countries, in the framework of several agreements such as the US African Growth and Opportunity Act (AGOA), the EU's Economic Partnership Agreements (EPAs) and the EU's Everything But Arms Initiative (EBA). Delocalization in African developing countries, therefore provides a precious opportunity to enter bigger and more developed markets. The removal of quotas imposed by Western countries on Chinese products (especially textiles) might decrease the importance of these efficiency-seeking investments.

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[21] OECD *op.cit.*, p. 35
[22] Davies M. *et al.*, "How China Delivers Aid To Africa", Centre For Chinese Studies, University Of Stellenbosch, 2008, p. 4-5
[23] OECD *op.cit.,* p. 99

Another category includes Chinese MNEs trying to gain international management know-how (strategic assets-seekers). For example, Sinohydro Corporation, a Chinese state-owned giant company in water conservancy and hydropower industry, is managing infrastructure projects in over 15 African countries, often in the framework of assistance cooperation programs, without counting several other projects mainly in South-Eastern Asia.[24] This allows Sinohydro to gain international management know-how, to develop economies of scope and to acquire the necessary international experience and expertise before penetrating the larger and more developed Western markets. Sinohydro's expansion in developing countries therefore works as a testing ground in its process of internationalization.

Besides these market, efficiency and strategic assets seeking foreign direct investments, resource-seeking investments are the last (and most important) category of Chinese investments in Africa. They respond to the strategic need of securing supplies of raw materials, in order to sustain the increasing Chinese domestic consumption and, consequently, to feed the Chinese economic development, which constitutes a major concern for the Communist Party of China (CPC). The legitimacy of the CPC regime is in fact linked to its performance in the uneasy task of maintaining high rates of economic growth, while coping with the disruptive social and environmental consequences of this growth.

Nevertheless, the explosive surge of Chinese OFDI in Africa started from a really low base, which means that Chinese operators are still marginal actors compared to well-established American, Canadian, French or British giants. Chinese newcomers are therefore often forced to address niche markets and to pick up second-choice resources/investments. State-baked finance supports their expansion, providing them with easy access to credit and with the possibility to focus on long term returns and to operate "*to a much lesser extent under*

[24] www.sinohydro.com

short-term profit pressure"[25]. Financial and political support then leads to less-risk adverse market strategies.

Learning from previous experiences while facing new bottom-up dynamics

As we will see, the PRC has learned from its previous experience as an aid recipient country and it retrieves some practices commonly implemented in China during the last decades, such as Western government baked soft loans and aid-packages mixing ODA with other credits for export promotion. In particular, the Chinese state designed aid programs inspired from the Japanese experience. Japan had lost its colonial empire after 1945 and the Japanese government supported actively the oversea expansion of its MNEs. As a newcomer, Japan proposed tied aid programs which helped to build infrastructure that could be used by Japanese MNEs operating in East Asian economies.[26] The Japanese government used Export-Import Bank of Japan to lend to Japanese firms investing abroad.[27] Chinese are pursuing a similar strategy using development projects on infrastructure and loans to support overseas expansion of national champions. Like the Japanese, there is no political conditionality on aid programs but only an economic "win-win" approach. At the time of the internationalisation of the Japanese MNEs from the 1960s to the 1990s, the Japanese state controlled a highly regulated financial system and could use the deposits of Japanese consumers to provide cheap loans to support overseas expansion. "Counter-trade" agreements and "request-based projects" are also typical of the Japanese aid system.

The architecture of Chinese foreign economic cooperation however reflects the specificity of its political and economic model. Even without denying the increasing room for maneuver for Chinese SOEs and the growing importance of Chinese private operators, the links between economic and political actors remain stronger in the PRC than anywhere

[25] Pehnelt G., "The Political Economy Of China's Aid Policy In Africa", *Jena Economic Research Papers* 2007 n.051, p. 9

[26] Yamamura, Kozo & Hatch, Walter, "Asia In Japan's Embrace: Building A Regional Production Alliance", Cambridge University Press, 1997 and Lincoln, Edward J., "Japan's Rapidly Emerging Strategy Toward Asia", OECD/GD (92) 59, Paris, 1992, p. 28

[27] Yamamura, *op.cit.,* 387

else. Chinese SOEs can in fact take advantage of extremely variegated forms of economic, financial and diplomatic support, while still being subjected to strong political control. For instance, the State-owned Assets Supervision and Administration (SASAC) can ask to the PRC government to dismiss a SOE's corporate manager who does not act according to guidelines.

Nevertheless, the strategy of the Chinese government is not so straightforward. Provinces and big municipalities still have their aid programs and credit lines and they are pressured by firms headquartered in their territory to provide them with financial support. It therefore seems that the policy of the central government is challenged by local authorities promoting their "provincial champions".

Other elements complicating the picture even further, are bottom-up dynamics as that described by Brautigam.[28]In July 2006 China's top telecommunications firm Huawei negotiated and signed a preliminary agreement with the Sierra Leone's state owned telecommunications company Sierratel to extend the wireless telephone system operated by Sierratel. Huawei proposed the project for an EXIM Bank concessional loan and Sierra Leone's Ministry of Finance itself applied for the EXIM Bank's loan. In January 2007 the framework agreement with the general lending terms was signed between Sierra Leone's Ministry of Finance and China's MOFCOM. The final agreement was signed few months later. According to the MOFCOM's "Almanac of China's foreign economic relations and Trade 2001", well qualified and highly capable companies using leading edge technology, like Huawei, are eligible to propose projects for EXIM Bank concessional loans. This system is similar to the request-based Japanese aid system and it therefore entails those same risks of corruption and bribery that lead to huge aid scandals in Japan in late 1980s.[29] Big companies with well established bureaucratic networks can also play competing branches of the Chinese administration against each others in order to circumvent bothersome regulations and to increase their room for maneuver. All these dynamics,

[28] Brautigam *op.cit.,* p. 140 et ss.
[29] *Ibidem*

which perturb the picture of a monolithic, coherent, top-down Chinese governmental policy, definitely deserve more investigation.

The previous paragraphs showed that China's aid and aid-related practices are consistent with China's development patterns and long term strategic policies and that they can be considered part of China's comprehensive economic and political relations with other developing countries.

The following section will offer a general overview of the main institutions involved in delivering Chinese aid and economic cooperation. However, before going to the next section, we want to add few thoughts about the political drivers of China's presence in Africa. The China-Taiwan race for recognition has lately fallen behind on the Chinese agenda. Only four African countries still recognize Taipei (Sao Tomé and Principe, Gambia, Swaziland and Burkina Faso) and, although the establishment of diplomatic ties is a condition to obtain official aid, other forms of government sponsored economic cooperation for profit, even involving SOEs, can take place in these countries.[30] In early 1990s the need of preventing international isolation after the facts of Tiananmen in 1989 and to gain support in international institutions was part of China's renovated interest for African countries. However, China's expanding engagement in Africa, in our opinion, still serves some broader political goals. In fact promoting China's positive image among developing countries as a responsible power and reliable partner, able to quickly delivering aid and effectively implementing agreed projects, strengthens Beijing's legitimacy as a rising global power and it appeases its "perceived" isolation in international fora, while sustaining China's effort to design a multipolar global order.

[30] Rotberg *op.cit.,* p. 212

3. Main institutions involved in the Chinese aid and economic cooperation system[31]

The Ministry of Commerce (MOFCOM), the Ministry of Foreign Affairs (MOFA) and the EXIM Bank constitute the central triad of the Chinese aid system. However, several other institutions come at play at different levels.

The State Council works as an oversight body, taking the main policy decisions and discussing, at the beginning of every budgetary year, which portion of the national budget will be allocated for foreign aid projects. It approves grant of cash above 1.5 million US$, aid projects above 100 million RMB and aid to "*politically sensitive countries*".[32] Cooperation agreements are often announced by the Prime Minister or other top officials during high level visits and meetings.

The Ministry of Finance draws up the annual aid budget, in consultation with the MOFCOM's Department of Foreign Aid (DFA), and it also manages debt relief initiatives and multilateral aid through the International Financial Institutions.

Within the MOFCOM, the two main units involved in aid delivery are the Department of Foreign Aid (DFA) and the Executive Bureau for International Economic Cooperation. The Department of Foreign Aid, with a staff of only around one hundred officers, is in charge of disbursing grants and zero-interest loans, drafting MOFCOM regulations and, in cooperation with the Ministry of Finance, drawing the annual budget for aid disbursements. It coordinates with the EXIM Bank on

[31] This section is mainly based on Brautigam 2009 op.cit., p. 109 et ss., Xiaoyun L., "China's Foreign Aid And Aid To Africa: Overview" , Oecd, Retrieved, October 12 2008, From Oecd Website: www.oecd.org/dataoecd/27/7/40378067.pdf, p. 8, Lancaster *op.cit.*, p. 4, Gill, B. & Reilly, J., "The Tenuous Hold Of China Inc. In Africa". *The Washington Quarterly*, Vol. 30(3), 2007, p. 11-12, Jackson S. F., "Chinese Official Development Assistance In Africa: New Money, Old Themes", Presentation To International Studies Association Annual Meeting, March 2008, San Francisco, USA, p. 15, Davies 2008 *op.cit.,* p. 13 et ss., Davies 2007 *op.cit.,* p. 45

[32] Brautigham 2009 *op.cit.,* p. 107

concessional loans. Since the DFA is clearly understaffed, it relies on MOFCOM branches in provinces and major municipalities and on agriculture, health or education experts from relevant ministries. It also negotiates inter-government agreements, and it reviews those requests from the MOFA which require approval. The DFA includes several divisions and among them we count as many as four regional bureaus for Africa (East, Southern, Central and West Africa), which testify of the relevance given to the African continent within the Department.

The Executive Bureau is a policy executing body, involved in the practical implementation of both aid and economic cooperation projects (bidding, monitoring, training, evaluating…).

There is also a Department of International Economic Cooperation, which manages subsidies and other initiatives supporting Chinese companies investing overseas, for example in what concerns the creation of overseas economic zones. It coordinates with the EXIM Bank on Export's Buyers Credits.

The West Asian and African Department within the MOFCOM organizes economic cooperation and trade with these regions and it is particularly important in order to maintain economic cooperation with those African countries which did not establish official diplomatic relations with Beijing (Gambia, Burkina Faso, Sao Tomé and Principe, Swaziland).

MOFCOM Economic and Commercial Counselors (ECCs) are located within local embassies. They are subjected, on one hand, to the embassy's administrative authority and, on the other hand, to MOFCOM's operational authority. Since the DFA do not have overseas offices, the ECCs, despite not being development experts, are in charge of supervising the implementation of the projects on the ground. Nevertheless, ECCs do not have direct authority on SOEs operating in Africa, which are rather subjected to the SASAC.

The Ministry of Foreign Affairs (MOFA) guarantees that aid projects are consistent with the main lines of Chinese foreign policy. Its Department of Policy Planning monitors general policy trends on economic cooperation and aid and it formulates general guidelines, which constitute the framework of MOFCOM's and EXIM Bank's initiatives. Diplomats on the ground and officers from the Department of African Affairs advise on how much aid deliver to each African country. The MOFA is also involved in the negotiation and delivery of humanitarian assistance, which however is not considered as part of the aid budget.

The EXIM Bank manages China's concessional loans, raising funds on domestic and foreign capital markets. It also disposes of a series of different instruments of economic cooperation such as export sellers' credits and export buyers' credits, which will be further analyzed.

The China Development Bank (CDB), as well as the EXIM Bank, have been created to implement government's policies. The CDB is much larger than its sister and it has been mainly created to finance other levels of Chinese government. Therefore, only a minor share of its commercial loans goes overseas (3% in 2006 [33]). CDB raises its funds through the issue of bonds in China and overseas.

As we have seen, the actual system has been the result of several recent reforms. We cannot exclude that this picture might further evolve in the future, in order to address those challenges arising from its internal contradictions. Tensions derive from several cleavages:

- between central and local institutions, as we have seen in the previous section analyzing new top-down and bottom-up dynamics;
- between politically driven institutions (MOFA) and other institutions which are rather profit oriented (MOFCOM, EXIM Bank, SASAC). These tensions are exemplified by the fact that also the Ministry of Commerce has recently started to make its first visit of the New Year to Africa, following a well established tradition of the MOFA. Preliminary researches highlight that a shift of power towards profit oriented institutions is underway and that MOFA's officials mainly come at play in order to solve

[33] Brautigham 2008 *op.cit.,* p. 17

problems between Chinese operators and their local foreign partners.[34]

Tensions also arise within the MOFCOM itself. The MOFCOM in fact has a dual responsibility: it promotes the expansion of Chinese firms abroad, like the SASAC, but it is also in charge of enforcing regulations and guidelines, for example concerning environmental protection or subcontracting practices. The position of the ECCs seems particularly delicate. They are in fact under the administrative responsibility of the embassy, but under the operational responsibility of the MOFCOM. They are in charge of monitoring the implementation of the projects and the respect of MOFCOM's regulations, despite the fact that they have no direct authority on the SOEs, which are rather subjected to the SASAC.

The following section will provide a brief description of the main aid instruments of the Chinese aid system, as well as of other relevant forms of economic cooperation and it will highlight how this panoply of instruments supports the expansion of the Chinese firms on the African continent.

"Diversity in forms"

Chinese economic assistance towards developing countries includes several and sometimes peculiar financing and cooperation instruments that, despite not being considered as ODA according to DAC-OECD guidelines, have a important development impact and can be *perceived* as aid by observers and recipient countries. It is therefore worth taking into consideration these instruments in our overview of the Chinese economic cooperation practices, which starts with the four main instruments of China's official aid.

Main types of Chinese aid

Grants [35] are mainly made available in-kind (equipments, vehicles, material goods, etc.), which means that the money stay within the

[34] Personal Communication with China's expert, May 2010

[35] For a detailed description of the grant-awarding process from inception to implementation, please refer to Davies 2008 *op.cit.,* p. 15 et ss.

Chinese system as it happens with concessional loans (cf. infra). Grants are provided for social projects such as hospitals, schools and housing and for material and technical support, education and training and humanitarian assistance.

It is however important noticing that humanitarian aid, usually delivered in-kind, is administered by the Ministry of Social Welfare.[36] It is determined by contingent circumstances and ad-hoc requirements. Occasionally various Ministries have provided funds to Chinese non-governmental organizations (NGO) working in the field, such as the Red Cross Society of China, which in turn, deliver humanitarian aid. [37]

Technical assistance can be in the form of technical cooperation projects involving training and assistance, especially in the agriculture sector, even though it is more often in the form of turnkey joint ventures. These complete plant projects involve the construction or repair of buildings, infrastructure or other facilities and they aim to broaden cooperation between China and the recipient country to new economic areas.

Interest-free loans finance infrastructure projects and, as in the case of grants, disbursements come from MOFCOM foreign aid budget line. They represent the earliest form of Chinese aid and, according to Chinese authorities, more than 90% of these zero-interest loans are written off over time, transforming them in *de facto* grants.[38] The ratio of grants to loans is unclear.[39] Nevertheless the more rapidly expanding form of Chinese aid is clearly the third one, namely concessional loans.

Concessional loans are loans with interest rates below the market level. These medium-long term loans were disbursed for the first time in 1997. They are only granted for large projects of a minimum size of RMB 20 million[40], generally in infrastructure (energy, transportation, telecommunications), social (health and housing) or industrial (manufacturing, mining) sectors. At least 50% of the contract's procurements come from China (previously the rate was up to 70%), and

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[36] Davies 2008 *op.cit.,* p. 2
[37] *Ibidem*
[38] OECD *op.cit.*, p. 34
[39] Davies 2008 *op.cit.,* p. 11, Davies 2007 *op.cit.,* p. 54
[40] Brautigam 2008 *op.cit.,* p. 201

the projects are always realized by Chinese contractors. The aid is therefore tied.[41] Their aim is to promote economic development in recipient countries and to foster economic cooperation between the recipient country and China, which means that the project is expected to generate social benefits and economic returns. Strong emphasis is therefore put on the profitability of the projects. Unlike interest-free loans, due payments are not so easily postponed or cancelled, even though in some cases they have been restructured or rescheduled.[42]

Concessional loans are exclusively granted via and managed by the EXIM Bank, although the projects are selected in coordination with the MOFCOM. The difference between the market interest rate and the lending rate is paid by the MOFCOM to EXIM Bank funds. Only the subsidized portion of the interest rate is therefore considered as "aid" by China. OECD countries, instead, account the face value of the concessional loan as ODA. According to Davies, loans are denominated in RMB and they have a maximum maturity of 20 years. A grace period of 3-7 years may be granted to the borrower, during which the borrower will only repay interest payments and not the principal.[43] It is difficult to know if these concessional loans actually qualify as ODA according to DAC-OECD guidelines[44], due to the limited information at our disposal concerning their interest rates. Hubbard also points out that another source of confusion derives from the fact that these agreements are often called in different ways such as "economic cooperation agreements" or "development loans agreements".[45]

When China decides to offer a concessional loan to a borrowing country, a bilateral framework agreement is first signed between the MOFCOM Department of foreign aid and the borrowing country, which grants some preferential treatments to the projects, such as tax rebates, tax-free repatriation of profits, tax-free import of inputs or a lower income tax. A loan agreement is then signed between a representative of the borrowing

[41] Davies 2008 *op.cit.,* p. 19
[42] Brautigam 2009 *op.cit.,* p. 129
[43] Davies 2008 *op.cit.,* p. 19
[44] According to DAC-OECD guidelines, in order to qualify as ODA, loans should contain at least a 25% grant element.
[45] Rotberg *op.cit.,* p. 220 et ss.

country's government and the EXIM Bank, which is the world largest Export Credit Agency (ECA) and is managed by the State Council. The signature of the framework agreement makes it possible to borrow under the concessional scheme, although it does not guarantee that the loan will be actually disbursed by the EXIM Bank. The framework agreement expires if the loan agreement is not finalized within a fixed period.

Funds are usually directly transferred to the Chinese company implementing the project. The recipient government, despite being invoiced as the official payee of the loan, actually never receives the funds. This measure is supposed to ensure the safe return of loans and to avoid corruptive practices in the recipient country, even though it does not prevent corruption from taking place among companies in charge of the projects. In 2007, for example, China granted Namibia a big low-interest loan to buy $55.3 million worth of Chinese-made cargo scanners to deter smugglers, but Namibia later charged the Chinese SOE selected to provide the scanners with allegations of facilitating the deal with millions of dollars in illegal kickbacks.[46] Although the Chinese government has lately been particularly concerned by the negative consequences of these allegations for the reputation of the Chinese firms involved, it has not yet adopted decisive policies to fight corruption. This system also allows the Chinese government to control the tendering process, securing an entry point for Chinese companies on African markets, where they can later bid for commercial projects. The same company can therefore implement a Chinese aid project and then bid on a commercial project in the same country.

The MOFCOM Executive Bureau of International Cooperation is responsible for the approval of corporations permitted to tender bids on aid projects; it manages the bidding process and it oversees the project itself. However, according to Chaponnière, the selection of the corporations is based on "*unknown criteria*"[47]. Brautigam argues that the tender system, despite being reserved to approved Chinese firms, is in line with the criteria of the World Bank (WB). The first Chinese tender

[46] Lafraniere S., Grobler J., "China Spreads Aid In Africa, With A Catch", New York Times, 21.09.2009, http://www.nytimes.com/2009/09/22/world/africa/22namibia.html
[47] Chaponnière *op.cit.,* p.9 p. 72

system was in fact established to meet World Bank requirements for Chinese foreign aid, after China began to take out loans as a new WB member in the early 1980s. In the 1990s China then set up its own system of tenders and bidding for its own aid projects abroad. Davies underlines that the bid is always won by two companies. The first one actually realizes the project, while the other supervises and monitors its implementation jointly with the local Chinese embassy, the Economic Counselor's Office and the visiting MOFCOM staff. Nevertheless Brautigam and Davies recognize that this system is not unknown to allegations of corruption and that problems of bribery and lack of transparency persist.[48]

Brautigam clarifies that just some concessional loans are resource-baked, while not all resource-baked agreements are concessional loans. Several are in fact commercial loans. For example, the interest rate of the famous Angola "concessional loans" ranged indeed at LIBOR + 1.5 for the first loan and LIBOR + 1.25 for the second one, which are market rather than concessional interest rates.[49] In these cases the interest rate is determined by the EXIM bank's risk analysis department in conjunction with the Economist Intelligence Unit (EIU). To the base rate (Libor) is added a percentage according to the country's sovereign credit rating, the political situation, the economic and financial stability, plus a marginal operational cost and a retaining cost. Since China EXIM Bank works on a break-even basis, which means that it does not need to make profit although it should not require subsides, the bank has been able to offer advantageous lending rates.

The picture is further complicated by the fact that China offers resource-baked packages including concessional loans and/or other financing instruments, such as preferential export buyer's credits, which do not qualify as aid. In his experience as a recipient country, China has profited from different forms of package financing, offered by Western donors, as well as from resource-baked (or counter-trade) agreements. The latters characterized Japan's aid system and they fostered the development of greater energy capacity within China. For example, in 1978 Beijing and

[48] Brautigam 2009 *op.cit.,* p. 110 and p. 296
[49] *Ibidem* p. 46, 145 et ss., 175 et ss.

Tokyo signed a counter-trade agreement, whereby Japan offered China a low interest yen loan to buy $10 billion in Japanese capital goods (modern plant, industrial technology and materials) from 1978 to 1985, while Chine would pay for them by exporting the equivalent value of oil and coal. By the end of 1978 seventy four contracts had been signed by China and Japan to finance turn-key projects and all of them were to be repaid in oil. This kind of resource-baked agreement is still common among Western private financing institutions, even though it is not part of the Western aid system.

This paper does not deal with other secondary forms of cooperation such as medical teams (which are managed by the Ministry of Health and help spreading Chinese medicine on the African continent), scholarships (managed by the Ministry of Education), the Overseas Youth Volunteer Program (coordinated by the MOFCOM since 2005), tariff and quota-free entry accorded to products from the least developed countries (LDCs)[50] and debt relief initiatives.[51] In the next section we will rather focus our attention on several other political and economic instruments and initiatives which help fostering Chinese firms' penetration on the continent, some of whom are often erroneously considered aid.

Other instruments and policies initiative supporting the internationalization of Chinese firms

Apart from governmental concessional loans, the EXIM Bank also offers other products. These include:

- export sellers' / buyers' credits, borrowed by a foreign importer (project owner), a foreign financial institution, the Ministry of Finance or other authorized institutions of the importing country accepted by the EXIM Bank. They are issued at competitive commercial interest rates (ex. LIBOR plus a margin);

[50] The list of tariff and quota free products has been progressively extended and it includes at present 4,762 products from more than 20 African LDCs. cf. http://www.standardmedia.co.ke/InsidePage.php?id=2000009278&cid=14

[51] For further details please refer to Brautigam 2008 and 2009 *op.cit.* and Davies 2008 *op.cit.*. It is worth noticing however that debt relief is accorded on an ad-hoc and non conditional basis and it usually involves the cancellation of interest-free loans. Three pledges have been made by China at FOCAC 2000 and 2006 and in New York in 2004.

- commercial loans to overseas investment and construction projects of Chinese companies.

The China's Development Bank (CDB) also offers similar commercial loans, even though CDB has actually financed just few projects in Africa.

Announced at the summit of the China-Africa Cooperation Forum (FOCAC) in 2006 and established by the China Development Bank (CDB) in May 2007, the China-Africa Development Found (CADF) is a commercial financing institution, offering marked-based fund. It has a lifespan of 50 years and it can make equity investments between US$ 5 and 50 million for each project in minority shareholdings for a total of 5 US$ billion. The CADF is similar to other similar equity found created by traditional donors (British Development Fund, US Overseas Private Investment Corporation et le *Groupe Agence Française de Developpement*), even though the Chinese fund distinguish itself for being much larger and for providing equity investments rather than loans or guarantees. Access to funding was initially reserved to joint ventures between Chinese state-owned or private firms and other enterprises (whether they were African or not). Nevertheless, in order to overcome criticism, it was lately extended to African entrepreneurs without any Chinese participation. The first official commitment in 2008 was for the building of a glass factory in Ethiopia, in cooperation with the Overseas Construction Co. Ltd.

Moreover, Chinese firms who implemented a Chinese aid-project in a certain African host country can retain bulldozers and heavy equipments brought over for construction and they are charged only depreciation against aid project accounts. This is a form of hidden subsidizing, which gives Chinese companies a great cost advantage when bidding for commercial contracts and an opportunity to expand their business in the host country.[52]

Since 2006 the establishment of overseas economic zone has become a feature of the "Going Global" strategy. The Chinese government would assist selected Chinese companies in establishing 50 zones around the

[52] Rotberg *op.cit.,* p. 206

world, making up to 25 US$ million in grants and 250 US$ million in long term loans. The approach is company-centered since companies propose possible locations to the MOFCOM. The MOFCOM then selects the most profitable and promising projects, supposedly according to market principles. Once the project have been selected, the MOFCOM reimburses half of the expenses for the Chinese enterprises to move into the zone, it offers further tax rebates and relaxing access to foreign exchanges, while Chinese embassies provide diplomatic support in negotiations with the host government concerning tax incentives, land and work permits. Especially welcome are projects from industries where China has excessive production capacity. The aim is to diminish pressure on Chinese domestic market in specific sectors and to sustain internationalization efforts of groups of small-medium enterprises (SME), which could find in these economic zones a safer investment climate with reduced risks and uncertainty. So far, the establishment of six special economic zones in Africa has been approved by the MOFCOM: two in Nigeria, two in Zambia, one in Ethiopia and one in Mauritius Islands. The Chambishi zone in Zambia is the only one already operative and it works as a mining industry cluster, while a more diversified sub-zone near Lusaka airport is currently under construction.

Among several other non-financial incentives, we cite the income corporate tax exemption for Chinese enterprises operating overseas. The exemption lasts 5 years from the beginning of the operation, but even longer if the enterprise operates in a country which has concluded a double taxation treaty with the PRC. If these enterprises export equipments, processed or raw materials to their overseas investment projects the value-added tax is refunded. [53] It is finally worth mentioning the political support especially enjoyed by major Chinese operators in Africa. Chinese embassies often offer diplomatic, logistic, linguistic support, while economic and technical bilateral cooperation agreements ease the business environment for Chinese firms and high profile visits and meetings, such as the China-Africa cooperation Forum (FOCAC), provide a favorable climate for the establishment of business links.

[53] Brautigam 2009 *op.cit.* and Reisen H., Ndoye S., "Prudent Versus Imprudent Lending To Africa: From Debt Relief To Emerging Lenders", *OECD Development Centre Working Paper,* No. 268, 02/2008

4. Conclusion - The strategies of a newcomer on the African continent: possible impacts and perspectives

This last section will look at the main criticisms moved against Chinese aid and economic cooperation in Africa, trying to offer original perspectives and analysis.

A rhetoric commonly developed by traditional donors explains the Chinese penetration in Africa by the fact that the Chinese government is not imposing any conditionality on good governance, human rights and anti-corruption measures. A widespread opinion is then that the "China option" has increased the room for maneuver of African elites, and especially of authoritarian leaders, providing them with financial injections and diminishing incentives to introduce democratic reforms. It is undeniable than the Chinese government have a pragmatic and utilitarian approach, focused primarily on economic factors.[54] However, Western governments do not always practice what they preach with regard to human rights, good governance, environmental and social protection while conditionality is not always severely enforced.

Moreover, if it is true that Chinese aid in 2005 helped Angola to avoid signing a loan agreement with the International Monetary Fund (IMF), which included several anti-corruption clauses, it is however difficult to affirm that the Chinese deal allowed the Angolan government to maintain corrupted practices, since Angola transparency index has recently improved. With regard to the famous "Millennium deal" signed in 2007 between the Democratic Republic of Congo (DRC) and China, several Congolese observers[55] affirm that the DRC government had no choice but signing the deal. The Chinese were indeed the only partners able and willing to finance the building of much needed infrastructures, although the conditions of the contract might not be so favorable for the Congolese part. The South African Republic, on the contrary, successfully managed to sign a deal with China in 2006 to cut Chinese textile imports to South Africa by a third, with quotas on Chinese textiles

[54] Moyo D., "Dead Aid", Pinguin Books, London 2010
[55] Personal communication with Congolese observers, May-June 2010

and clothing imports to be imposed for three years. There are therefore evidences that "*China behaves differently in different African countries, depending on the way these countries meet China*"[56]. It is therefore up to African government and civil society to impose the respect of social, labor and environmental regulations to the companies operating on their territory, whatever the nationality of the foreign firm is.

It is also often argued that the Chinese huge concessional and commercial loans might provoke another debt crisis. On this last point, Reysen however notices that "*even Angola and Sudan, the two African countries where the presence of China is most strongly felt (and which have not benefited from debt relief), show big improvements in their debt indicators [and] that both countries have recently been building official foreign-exchange reserves at a rapid pace, so that their net debt exposure is even lower.*"[57]

Chinese firms actually have several comparative advantages on African markets since they offer a simple but more robust technology, that suits better the need of least developed countries. Chinese firms benefit from their domestic experience of building infrastructures in the least developed Chinese provinces. Chinese expatriate labour force remains cheap and ready to experience tough local working conditions, therefore increasing the speed of the completion of the aid projects while keeping its costs down.[58]

When traditional donors point the finger against China's tied aid and its supposedly increased costs for aid recipients, they forget that their "*engagement on the continent has never been solely humanitarian*"[59], but it has been hardly influenced by economic, notwithstanding, geopolitical goals. Companies form developed countries have profited from tied aid during decades. Recent commitments from traditional donors to abandon tied aid practices in most cases have not been followed by real reforms. The most reluctant to abandon tied aid practices are exactly traditional donors with lower incomes and weaker multinational enterprises such as

[56] Huse M.D., Muyakwa S.L., "China In Africa: Lending Policy Space And Governance", Norvegian Campaign For Debt Cancellation And Norvegian Council For Africa, 2008, p. 27
[57] Reisen *op.cit.*
[58] Moyo, *op.cit.*, Brautigam 2009 *op.cit.*
[59] Pehnelt *op.cit.,* p. 13

Portugal or Greece. It is therefore unlikely that the Chinese government agrees to put its companies on the same level playing field with incumbent Western companies, while these firms still are in the learning phase of the "Going Global" process. The untying of the Chinese aid would be conceivable only at a much advanced stage of the catch up process in term of international management learning and market presence. More problematic is the fact that Chinese enterprises can take advantage of aid untying by traditional multilateral and bilateral donors since they can participate to their bidding process.

It is also incorrect to consider Chinese exports as the primary cause of the disruption of African industrial production. If it is true that Chinese exports are subsidized and/or fostered by an excessively weak Chinese currency, we should not forget that the structural weaknesses of African manufactures are deeply rooted in the poor business environment and the lack of adequate infrastructures in Africa. Chinese investments and aid projects in infrastructure sector might help overcoming some of these limitations, but only if technological and managerial know-how are transferred to the African counterparts, in order to ensure the adequate maintenance of the infrastructures. Joint ventures and subcontracting are commonly considered effective ways to transfer skills and knowledge. Their positive impact however depends on local governance structures and their capacity to avoid three major dangers. The first concerns the creation of simply *de jure* joint ventures with local "ghost" partners, which are not actually involved in the implementation of the project. These cases are not uncommon, for example in Zambian construction industry. Secondly, unqualified local companies might win the bids thanks to their political connections, while the third problem is related to the creation of a "chain" of subcontractors. In this last case the face value of the loan would be severely reduced, since each company involved in the subcontracting chain would retain a certain percentage of the loan before, in turn, subcontracting the work to another company. Evidences suggest that Chinese investors' will to partner with local firms mainly depends on the existence (and the degree of enforcement) of local rules, requiring that projects are realized jointly with local operators, as well as on the capacity and expertise of local firms. A study commissioned by the UK Department for International development

(DFID) on the construction section in several African countries comes to the conclusion that foreign [Western] firms are "*preferred partners for joint-ventures and are also attractive candidates for sub-contracts on contracts won by Chinese companies*", especially for works requiring a particularly high technological content.[60]

One of the most criticized features of Chinese aid is probably resource-baked loans. At a more attentive analysis, however, they might not result so different compared to certain Western practices. WB and IMF structural adjustment programs in fact imposed the privatization of several state-owned natural resource companies in many African countries and the opening of their economies to foreign direct investments. These privatization processes often resulted in acquisitions by West MNEs which seized the opportunity to enter African markets. African governments with limited negotiation capacities, pressed by international institutions to speed up murky privatization processes, frequently signed over extremely disadvantageous deals with these Western firms. The meager and precarious revenues from the exports of natural resources, extracted by Western firms and generally shipped to the West, were used to repay debts with the creditors of the Club of Paris. The main difference with Chinese resource-baked loans therefore is that these latters directly connect loans and resource exports. Resource-baked loans, moreover, are still a common practice among Western *private* firms and banks. For instance, the French Bank *Société Générale* offered Angola an unconditional 1.5 US$ billion oil-backed loan, just after the signature of the sino-angolan "package deal".[61] The dangers connected with Chinese resource-baked loans thus rather lie in the opaque bidding and implementation processes, which are not free from allegations of corruption and bribery, and in the murky evaluation of the value of the raw materials exported. Notwithstanding these considerations, it is clear that excessive reliance on raw materials exports hardly offers African countries a way out of poverty, due to the volatility of raw materials courses and to the weak link of the extractive sector with the rest of the country economy.

[60] DFID China, "China's Interest And Activity In Africa's Construction And Infrastructure Sectors", Report Realized By The Stellenbosch University, 09/2006, p. 7
[61] Brautigam 2009 *op.cit.,* p. 275

The ownership principle, which means that donors are to base their overall support on partner countries' own national development plans, is part of the OECD Paris Declaration on Aid Effectiveness (2005), signed by China and European countries. The application of this principle is however problematic. Although China claims to fully respect the national ownership of aid projects, it is unclear how this principle is at work when priorities at the national level are set in the framework of undemocratic and opaque decision making processes.[62] In these cases, in fact, the ownership principle is reduced to the ownership of "African governments".

Certainly African states now have some degree of economic alternative to traditional donors in terms of development assistance. Due to the secrecy surrounding Sino-African negotiations, it is often difficult to discern in which measure African leaders have been able to take advantage of this supposed bargaining power. To what extent this new room for manoeuvre will be used efficiently by the African political and economic elites to break away from rent-seeking and corruption practices and to improve sovereignty and economic development therefore remains to be seen. What is clear is that African countries are separate cases, with their own political domestic contexts, different levels of economic development and different capacities to negotiate deals and to control their correct implementation and that, within a same African country, the increasing presence of Chinese actors might have a diverse impact on different groups and sectors.

[62] Brautigam 2008 *op.cit.,* p. 10