China Goes Global: New Actors and New Challenges in Africa
Why is China Different?

1. Foreign policy framework

2. Core ideas about development

3. Developing country with experience as recipient of aid & loans

4. East Asian developmental state
China: Going Global

• 1978 Deng Xiaoping Reform Period Begins

• 1980s: Open Door Policy
  – “Bringing In” investment, technology, ideas
  – But also involved “Going Out” from the start

• 1990s New Instruments for Going Global to increase “Going Out”
  – Eximbank, Sinosure, MOFCOM Funds
China and the Rest:
Total FDI Outward Flows Compared (US$ bil)

$ bil

China, Japan, Germany, UK, France, USA

- China
- Japan
- Germany
- UK
- France
- USA

- 2008
- 2007
- 2006
China and the USA

FDI to Africa: Flows

$ bil

- 1,000
- 2,000
- 3,000
- 4,000
- 5,000
- 6,000

2006 2007 2008

China
USA

China
USA
Chinese Investment in Africa

- Data is not very good, although it exists
- Capital controls mean Chinese companies park their funds offshore
- 2008 purchase of 20% of Standard Bank of South Africa explains big jump that year
Goals of “Going Global”

- Diversify Export Markets
- Expand China’s Outward Investment
- Develop “National Champions”
- New Sources (not “Lock Up”!) for Energy and Raw Materials
- Assist China’s Restructuring
But Challenges …
Multiple Actors: Myth of “China, Inc.”

- **Government**
  - Ministries and competing policy banks (CDB, Exim)
  - 32 provinces, municipalities, autonomous regions
  - Hong Kong & Macao largely independent actors
- **Companies**
  - National level State-Owned Enterprises (CNOOC, CNPC, NFMC, Chinalco, etc.)
  - Provincial SOEs
  - Private companies: +/- 80% of Chinese firms in Africa
- “Asians”: Malaysian, Vietnamese, Thai, Korean, …
CSR Guidelines: New, Weak, but Changing Rapidly

- Global Norms & Voluntary Guidelines
  - U.N. Global Compact (>200 Chinese firms)
  - Equator Principles (1 Chinese bank, but interest)
- Policy Banks
  - China Eximbank environmental and social guidelines revised 2008
  - “Green Credit”
- Evolving Guidelines for Chinese Companies
  - Aug. 2007 Guidelines on Sustainable Forestry Management for Chinese Companies Overseas
Challenges

• Cenralization of Government but Decentralization of Companies
  => Principle-Agent Problems (Gill & Reilly)
• Monitoring, enforcement all weak
• No Foreign Corrupt Practices Act in China
• Level of Development in China still low
Biodiversity Impact:

- Timber/Forestry
- Infrastructure
- Agriculture
China’s Largest Single Investment in Africa …
20% of South Africa’s Standard Bank (2008)

(About $5 billion)
Agriculture
Agriculture Aid 1960s…present

- Agriculture = 1/5 of >900 aid projects
- 44 African countries
- > 90 farms; > 48,000 hectares
- 10,000 agricultural technicians
- Long-term commitment: Consolidation
Magbass Sugar Complex, Sierra Leone, Microcosm of Changes

1974 aid project…
1982 Chinese SOE managers…
2001 Chinese SOE lease…
2008 private Chinese company buys lease
Typical Practice

• Land leases for 30-99 years
• Rent paid to local government
  – Sierra Leone $185,185 p.a. for 2000 ha
• Local government responsible for providing land (i.e. resettlement)
• Sometimes joint venture, where land = equity share for host government
## Chinese Farms & Land Grabs? Myths and Realities

<table>
<thead>
<tr>
<th>Myths</th>
<th>Realities</th>
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<tbody>
<tr>
<td>Zimbabwe 100,000 ha maize farm</td>
<td>20 Agrotech stations</td>
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<td>Zambia jatropha</td>
<td>Hybrid seed focus</td>
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<td>Mozambique $800 million for ag inv.</td>
<td>Import substitution</td>
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<td>$5 billion fund for ag</td>
<td>Only 1 large project: Oil palm in DRC</td>
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<td>Uganda concession</td>
<td>– Plan: 100,000 to 1,000,000 ha</td>
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<td>“China’s Rice Bowl”</td>
<td>– Pilot phase: 250 ha</td>
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