

OXFORD

# THE DRAGON'S GIFT

THE REAL STORY  
OF CHINA IN AFRICA



China Goes  
Global:  
New Actors and  
New  
Challenges in  
Africa

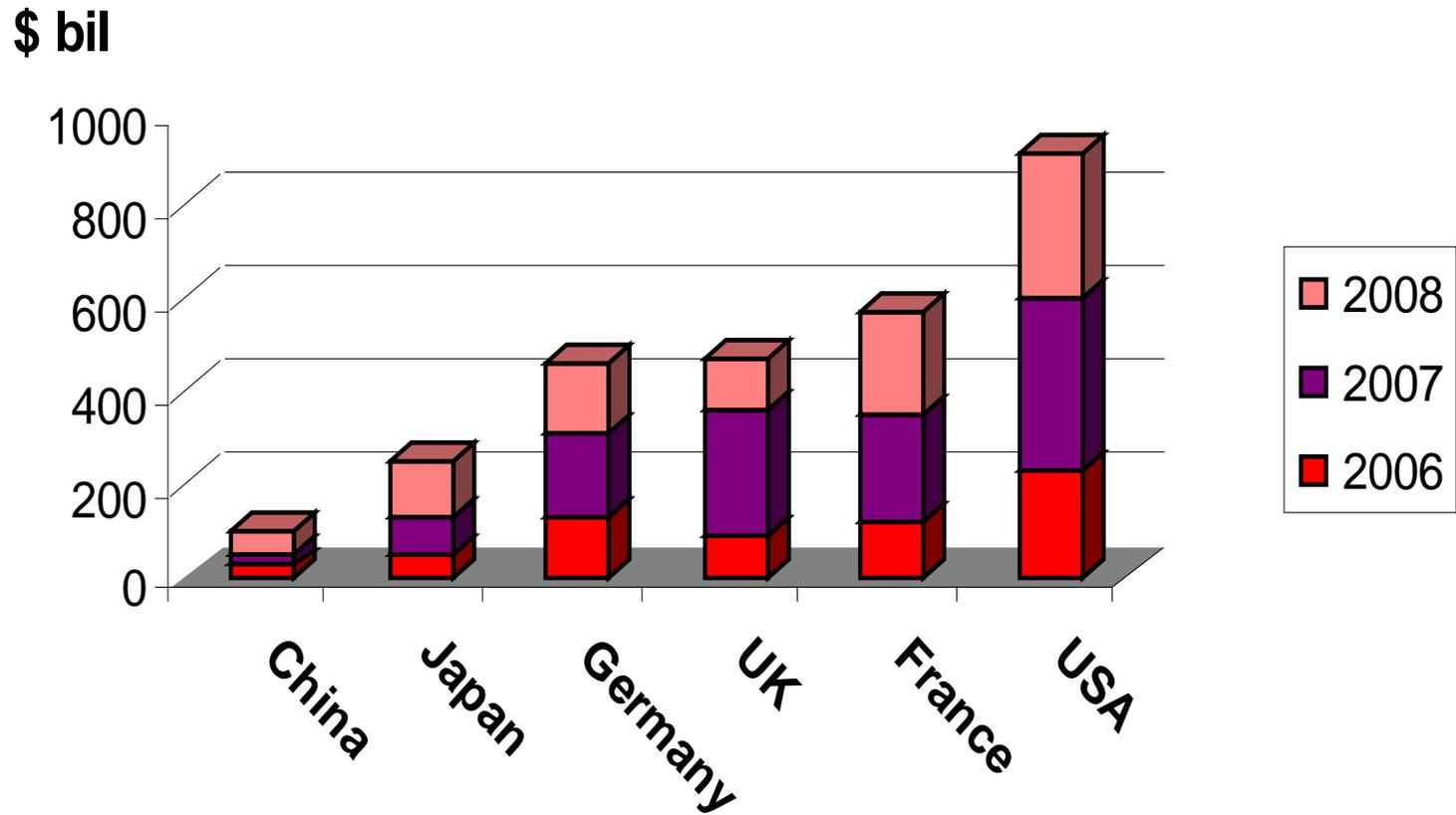
# Why is China Different?

1. Foreign policy framework
2. Core ideas about development
3. Developing country with experience as recipient of aid & loans
4. East Asian developmental state

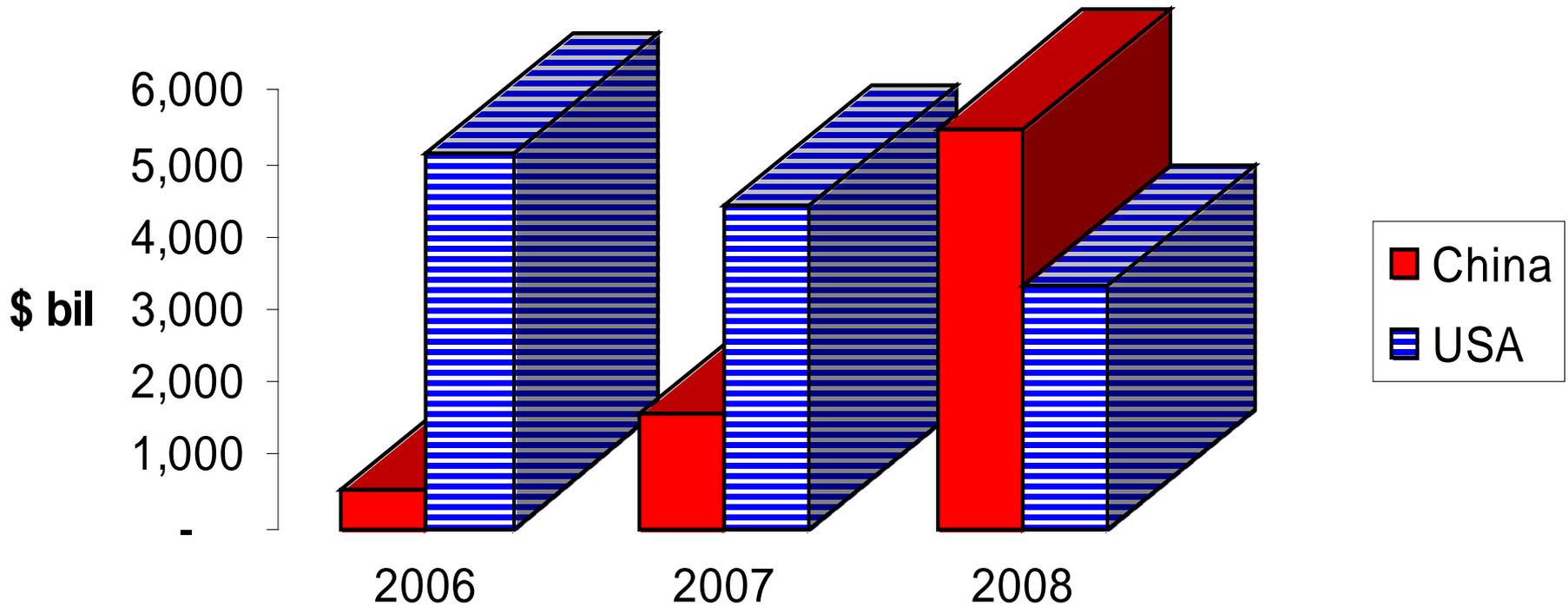
# China: Going Global

- 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)



# China and the USA FDI to Africa: Flows

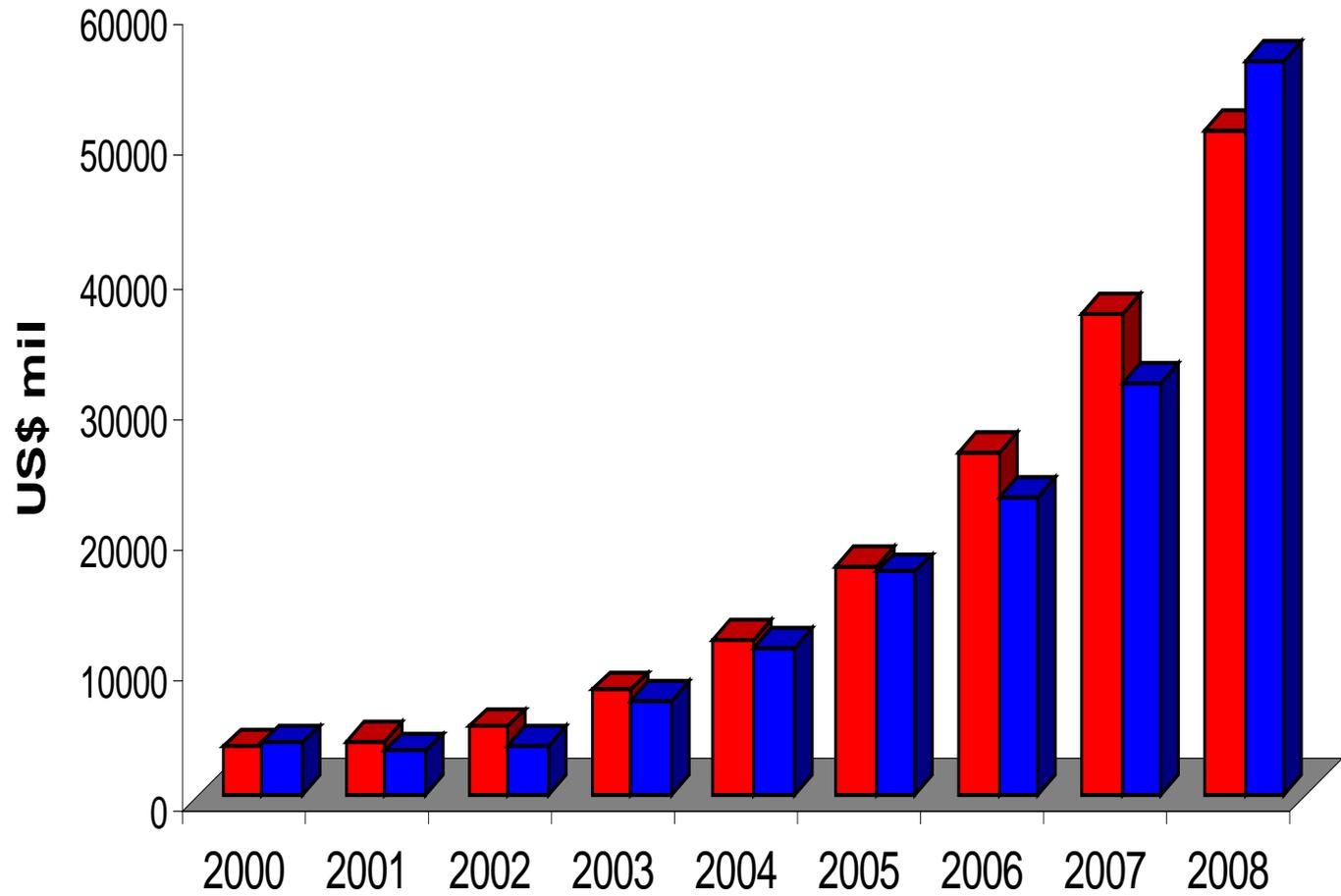


# Chinese Investment in Africa

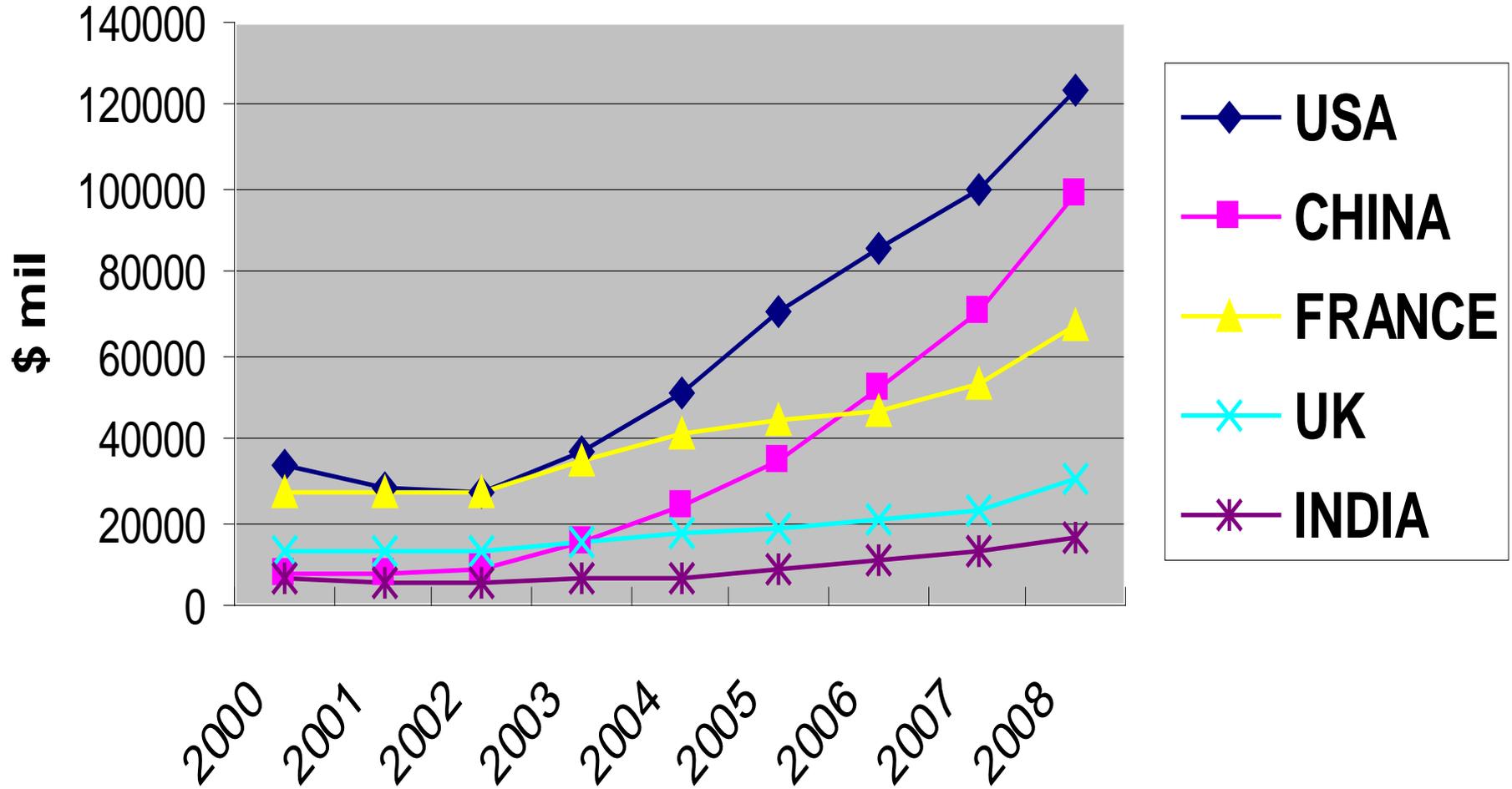
- Data is not very good, although it exists
- Capital controls mean Chinese companies park their funds offshore
- 2008 purchase of 20% of Standard Bank of South Africa explains big jump that year

# China-Africa Trade

Imports from China Exports to China



# AFRICA TRADE: TOTALS



# 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, NFMCC, 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

- Centralization 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:

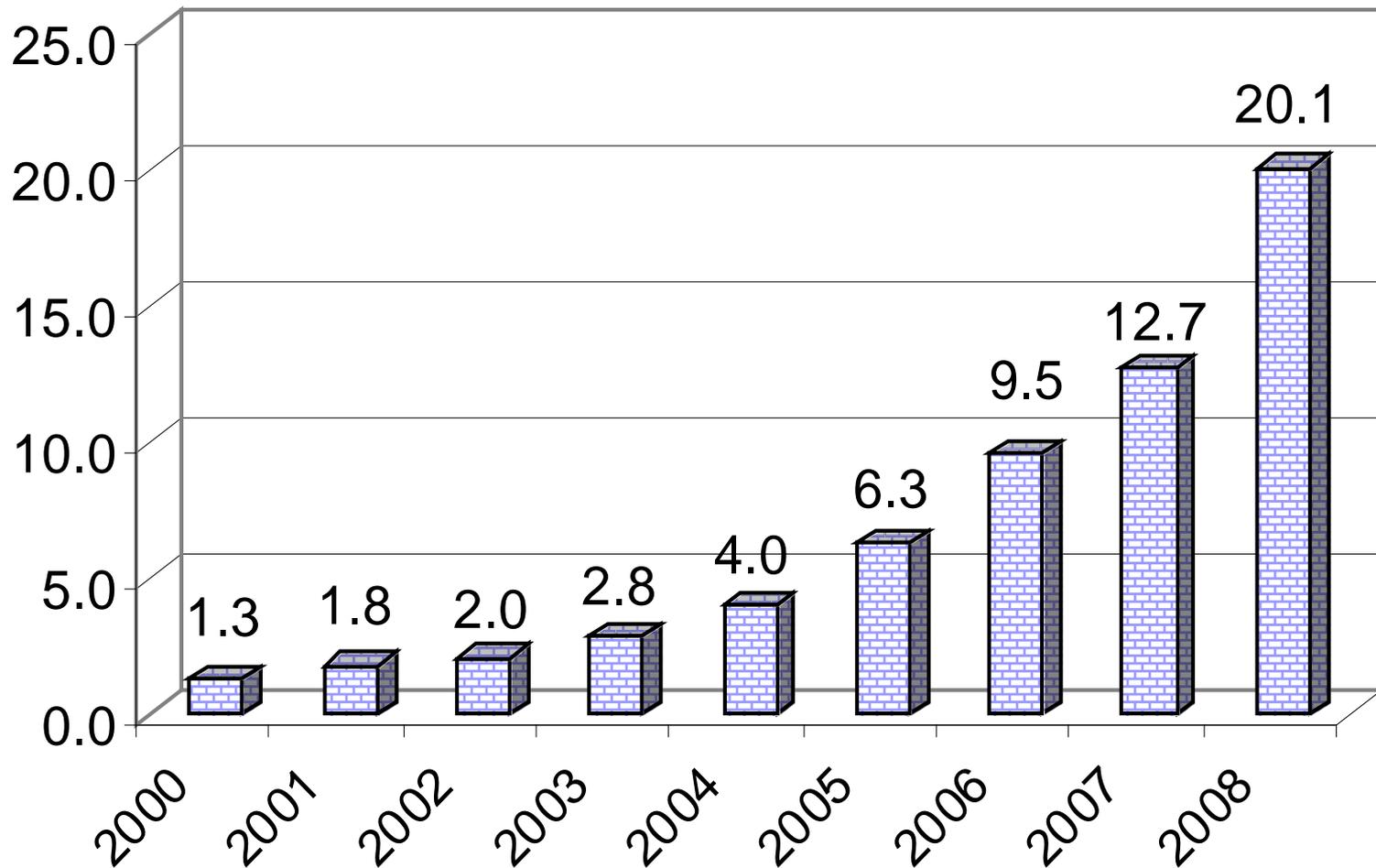
- Timber/Forestry
- Infrastructure
- Agriculture

# China's Largest Single Investment in Africa ...

20% of South Africa's  
Standard Bank (2008)

(About \$5 billion)

# Chinese Companies, Turnover from "Economic Cooperation" in Africa (\$bil)



# 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



# Chinese Investors in Zambia 1990



# 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

### ***Myths***

- *Zimbabwe 100,000 ha maize farm*
- *Zambia jatropha*
- *Mozambique \$800 million for ag inv.*
- *\$5 billion fund for ag*
- *Uganda concession*
- *“China’s Rice Bowl”*

### **Realities**

- 20 Agrotech stations
- Hybrid seed focus
- Import substitution
- Only 1 large project: Oil palm in DRC
  - Plan: 100,000 to 1,000,000 ha ?
  - Pilot phase: 250 ha

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