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IS CHINA EXPLOITING AFRICAN RESOURCES?

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1. Introduction

Although the modern cooperation between China and Africa dates back to mid-1950s, when People's Republic of China had just been founded, it has only received widespread attention since the middle of the first decade of the 21st century. The event that marked a new stage in the relation was a successful Beijing Summit of the Forum on China-Africa Cooperation (FOCAC) in 2006, not only because it gathered top leaders of 48 African countries, but also because in the West it awakened an enormous interest in China's African policy (Bräutigam, 2009: 1-2, 134; Shinn, 2012: 29-33, 48-55).

1.1. Preliminary assumptions

In the last few years, an accelerating Sino-African cooperation has not only re-opened a scholarly research on the topic, but has also induced commentaries from policymakers, leaders, organizations and the media alike. The commentaries tried to assess the possible causes of China's implication on the African continent and the extraction of natural resources became one of their main topics, especially in the West (Bräutigam, 2009: 3; Taylor, 2006). Consequently, "colonial past and neo-colonial present of the West" in Africa was brought into debate and China faced accusations of following a similar pattern of engagement with the continent (Chintu; 2013; Jiang, 2009: 591-2; Kopiński, 2012: 4, 27; Marks, 2011; Shinn, 2012: 120-1). Moreover, the colonist discourse is persistent in the media, as it resurfaces with every important deal closed in the context of Sino-African cooperation. Thus, the Western public is frequently teased by both explicit and implicit accusations of "colonialism" readily reproduced by the newspapers, e.g. *El País* (Reinoso, 25 Mar 2013; 5 May 2014), *The New York Times* (French, 16 May 2014; Tatlow, 26 Mar 2013) or *CNBC Africa* (Naidoo, 12 Feb 2015; Reuters, 12 Jan 2015), or documentaries, e.g. *The Chinese are coming* (Barnwell, 2011). Without a doubt, scholars recognize such an imperialist rhetoric, as Marton and Matura (in Kopiński, 2012: 27) argue:

> There have in recent years been frequent references to the notion of a 'new scramble for Africa' in popular discourse about the continent's present and future. Indicatively, an article in *The Times*, entitled 'The new scramble for Africa begins', stated that 'Black gangster governments sponsored by self-interested Asian or Western powers could

> become the central story in twenty-first century African history', warning at the same time that 'modern imperialism on the resource-rich continent will be less benign than old colonialism', and that 'great powers aren't interested in administering wild places any more, still less in settling them: just raping them' (Parris 2008). Such alarmism crosses the political spectrum, with an article in *The Guardian* in 2005 claiming that 'a new "scramble for Africa" is taking place among the world's big powers, who are tapping into the continent for its oil and diamonds', adding that 'corporations from the US, France, Britain and China are competing to profit from the rulers of often chaotic and corrupt regimes' (Leigh and Pallister 2005).

The Western discourse appears to be infused with self-consciousness, when it comes to the colonial past, and with self-righteousness, when it comes to present relationship with the decolonized world. Whenever the Westerners attach imperialist motives to the Chinese, the latter neglect the accusations and simply throw them back. Moreover, the Chinese, as well as their African sympathizers, frequently dismiss the charges by stressing the *win-win* nature of their partnership (Marks, 2011). Chinese leadership would also routinely talk about "South-South solidarity", meaning that the "economic cooperation" between China and Africa is a partnership between two developing regions of the world (in opposition to the already *developed* North). With its label of a developing country, but also its "development success", China receives "a great deal of credibility as a partner with relevant recent experience" (Bräutigam, 2009: 11; also Kopiński, 2012: 1-3). A punchy headline by *CNBC Africa* (Naidoo, 12 Feb 2015), "China sees S. Africa as equal: Zuma", illustrates the latter and indicates that the accusations of neo-colonialism are rather unimportant to African leaders.

The idea for this paper has originated in the popular discourse explained in the previous paragraphs, and its aim is to discuss the growing economic ties of China and Africa. Thus, the leading question throughout these pages will be the following: *Is China exploiting Africa's mining resources?* The energy and minerals are indeed central to the cooperation between these two regions, just as central as they appear to the Western observers (Jiang, 2009; Taylor, 2006). However, China's engagement with Africa is not limited to the mining sector, as their economic cooperation proves to be diverse in a number of aspects.

1.2. General clarifications

Firstly, China is frequently perceived as a centralized entity and its actions in Africa are believed to follow a political agenda. However, China is composed of different agents that oftentimes satisfy their own priorities in Africa. When it comes to Chinese investment, there are two kinds of companies: the state-owned enterprises (SOEs) and the private firms. The former have either a provincial or the central government as a majority owner, and also include projects operated by public institutions. The latter include collectively owned enterprises, as well as Chinese-foreign joint ventures, or, as Chintu and Williamson (2013: 1) put it, a “full range of firms from large, global companies such as the privately owned telecommunications equipment maker Huawei […], to small, family-owned traders”. Although private companies are the most numerous (with estimations of proportion ranging between 55 and 85 percent of the total), the SOEs lead the investment in terms of money value (Chintu, 2013; Shen, 2013: 1-8; Shinn, 2012: 129).

Regardless of the diversity of Chinese companies in Africa, the leading motive for both private and government-led investments remains the “profit maximization”. Even if the SOEs appear to use “investment to secure access to raw materials and natural resources”, as some scholars point out (Shinn, 2012: 130), it can be argued that their motive is simply to comply with “supply and demand considerations”, rather than “political factors” (Chintu, 2013: 2).

Secondly, China’s economic cooperation with Africa includes a variety of sectors, despite of the importance of the mining sector. There is a difference in sector distribution between the SOEs and private firms. The SOEs lead the investment in the aforementioned mining, but they are also deeply involved in the construction and infrastructure sector. On the other hand, the private firms have a high frequency in manufacturing and services, as well as in the mining sector (Shen, 2013: 7; Shinn, 2012: 129-30).

2. Diversity of economic cooperation

Thus, the next section of this paper will provide a further, sector-by-sector insight into the topic of Sino-African trade, and Chinese investment and aid in Africa, and will attempt to assess the importance of different sectors of economy vis-à-vis *mining resources*.

2.1. Official developmental assistance

After the preliminary assumptions of the previous pages, the main body of this paper will take on the topic of economic cooperation of China and Africa. The section will begin with the introduction of Beijing's foreign aid to African governments, as it is elemental on the matter of the cooperation, but often is just a part of China's vast official financial assistance to the continent. Although it might appear to be generally misinterpreted in the popular discourse, in part due to its secretive nature and the consequent lack of official figures, "Chinese development aid is important for understanding Chinese foreign policy and economic statecraft" (Bräutigam, 2011: 203).

2.1.1. Categories of official assistance

Traditionally the foreign aid has been dispatched by a league of Western countries, of which China is not a member. Their specific definition of non-private aid is mandated by the Development Assistance Committee (DAC), which at the same time is part of the Organization for Economic Cooperation and Development. By their standards, the official development assistance (ODA) consists of grants and concessional loans. Moreover, apart from a low interest, the concessional loans must fulfill a requisite of 25-percent grant element in order to be comprised within the category of ODA. The bulk of official Western financial assistance to Africa falls into ODA category, but there are also other official flows (OOF), which may include loans under less favorable conditions, e.g. concessional loans with a gran element below 25 percent, or market-rate credits, as well as transactions of commercial nature. In spite of this, OOF are also believed to serve developmental ends (Bräutigam, 2011).

China's instruments of aid which qualify as ODA by DAC standards include grants (mostly material goods, occasionally cash) and concessional loans, as well as zero-interest loans and debt relief. Ministry of Commerce (MOC) is limited to grants and zero-interest loans, whereas China Eximbank offers concessional loans. However, their importance in overall assistance is small, as portrayed by the fact that by the end of 2005 they only amounted to 3 percent of Eximbank's finance (Bräutigam, 2011: 203-5; Shinn, 2012: 148-50).

Nevertheless, Eximbank in its majority provides assistance that is labelled as OOF by DAC. Given that Eximbank, together with China Development Bank (CDB) and China Agricultural Development Bank, manages the totality of China's policy investment, Chinese OOF necessarily constitute a lion's share of Chinese overseas aid. The assistance from the policy banks takes form of *export buyers' credits*, committed to Chinese exporters on terms nearly as favorable as concessional loans, in order to help their foreign sales; *official loans at commercial rates*, committed to African projects; and *strategic lines of credit*. The latter are packages that "combine export sellers' credits, export buyers' credits, import credits (allowing the company to finance imports of foreign technologies), and preferential foreign loans" and are committed to China's biggest, global companies. At a glimpse these appear to be instruments of business. However, the Chinese might perceive natural resources as a significant source of wealth, hence assume that resource-backed loans at commercial rate are a fair deal for financing development (Bräutigam, 2009; 2011).

2.1.2. Size of official assistance

The estimation of value of China's foreign aid turns to be a difficult task. Bräutigam (2011: 211) calculates the value of Chinese grants, zero-interest and concessional loans, and debt relief, i.e. Chinese ODA, in Africa to be roughly at $1.2 billion as of 2008 – which would place it right behind DAC donors. However, given the fact that OOF constitute the lion's share of China's developmental assistance, whereas for the Western countries OOF are just a modest addition to the ODA, the Chinese developmental assistance could be of much bigger importance than initially assessed and amount to multiple billions of dollars (Bräutigam, 2009: 179-84). With such a budget Beijing is able to undertake assistance projects in various sectors. According to Shinn and Eisenman (2012: 150):

> Over the years China has provided assistance for a wide range of projects in Africa. […] Areas of engagement have included light industry and manufacturing, mining and natural resource development, transportation infrastructure, power stations, public buildings and stadiums, housing projects, irrigation and water supply, broadcasting stations, agriculture, medical teams, and specialized training in both China and Africa.

2.1.3. Agriculture

Agriculture is one of the most notable sectors in the context of China's foreign aid to Africa. The first assistance project dates back to 1959 when freshly decolonized Guinea established official ties with China. Since then China has built more than ninety farms with a goal of passing them to the local farmers. Beijing has also dispatched more than 10,000 technical experts to Africa and set up demonstration centers, which have become hybrid-seed experimental farms. By 2006, Chinese agricultural projects in Africa amounted to about two hundred. The majority of plantations have consisted of rice paddies, but some projects have also generated cotton, tea, sugar, fruit, soy bean, fish, pig and chicken (Bräutigam, 2009: 236-41; Shinn, 2012: 151).

According to recent white paper on foreign aid (Xinhua, 2014), between 2010 and 2012 China completed agricultural demonstration centers in such African countries as Benin, Mozambique, Sudan, Liberia and Rwanda. "The demonstration center in Liberia promoted hybrid rice and corn planting in areas of nearly 1,000 hectares, and trained over 1,000 agricultural researchers and farmers". The center in Rwanda worked on the adaptability of paddy rice and fungi, and provided training to local organizations, including women's associations and paddy rice growers. Moreover, China dispatched senior expert teams to such countries as Benin, Botswana, Guinea-Bissau, Lesotho, Mauritania, Botswana and Mali, where they assisted the local leaders in the formulation of agricultural laws and development plans; promoted agricultural techniques and technology; and helped in the application to World Health Organization (WHO) for free membership. Also in the same period, China has provided training to the recipients of its agricultural assistance, including Africa:

> These programs covered a wide range of sectors, including management of crop cultivation, forestry, animal husbandry and fishery, national policymaking on rural development and poverty reduction, food security, and agricultural cooperation among developing countries, and issues concerning the agricultural chain, such as technology dissemination and the processing, storage, marketing and distribution of agricultural products (Xinhua, 2014).

The engagement of China's agricultural aid to Africa has gone through a transformation since its initial conception. It all started with large, state-owned farms, but as African countries went switching the diplomatic recognition to China, Beijing has taken over smaller projects originally conceived by Taiwan. Furthermore, the projects granted to African farmers oftentimes decayed after the departure of the Chinese. An example of Mbarali farm in Tanzania shows that the yield could reduce to as little as half of initial amount. However, in mid-1980s China came back to create new and repair old projects. It was also the moment at which the agricultural cooperation switched from aid to business, as the farms were taken by Chinese state-owned companies and Chinese-African ventures were established. The companies were encouraged by "mutual benefit" slogan and a loan fund created in 1985. Also, the new profit-centered approach secured continuous support of the Chinese farmers. Since 2006 Beijing has encouraged more investment, as well as training and technology transfer (Bräutigam, 2009: 236-52; Shinn, 2012: 151-2).

Africa is believed to need agricultural investment. Such is the importance of the sector that it became a scenario of Beijing-Taipei struggle for diplomatic recognition from freshly decolonized African countries. Taiwanese aid was competitive, so China had to outperform it (Bräutigam, 2009: 237). Moreover, agricultural cooperation is believed to leverage China's utilization of African energy and minerals. Bräutigam (2009: 241) supports that argument with a quote from an official:

> Just after the [2006] summit ended, a Chinese official explained to the *International Business Daily* that China's interest in energy and mineral projects in Africa was "likely to trigger some negative reactions." China could use agricultural aid to help smooth the way. This could be a way to "combine 'getting' and 'giving'," he said.

2.1.4. Health care

Beside agriculture, China's early assistance to Africa included medical aid. Since 1963, when an independent Algeria established formal relations with China, until 2009, the Ministry of Health has sent more than 20,000 medical specialists to work at African healthcare centers and treated up to 240 million patients. These medical teams conduct surgical operations and take on basic health care within standard modern specializations, and also put into practice the traditional Chinese medicine, as they conduct acupuncture therapy and herbal research. What's more, they organize short-and long-term courses for African personnel. Except for the medical teams, the Chinese Ministry of Health assists Africa by building hospitals, clinics and pharmaceutical plants, donating medicine and medical supplies, and organizing campaigns targeted at the infectious diseases, e.g. malaria, HIV and avian influenza (Shinn, 2012: 150-1).

During the Beijing Summit in 2006, the Chinese government has pledged to provide $38 million worth of antimalarial medicine, and to construct thirty new hospitals and as many antimalarial demonstration centers in (Bräutigam, 2009; Shinn, 2012). A scholar argues that the latter represents a will of reform of the medical assistance to Africa. Its novelty consists of a business-oriented approach, in which, similarly as it did in agriculture, the aid is turning towards a "mutually beneficial cooperation". That is because the demonstration centers are to be supplied by Chinese companies, which will receive a great deal of promotion throughout Africa (Bräutigam, 2009: 118-9).

The latest instance of China's medical assistance to Africa has taken place in the context of the Ebola crisis in western Africa, which started as soon as in December of 2013. The most affected countries have been Sierra Leone, Guinea and Liberia. China began to send aid in April of 2014 and spent at least $120 million ever since. The aid consisted of funds, medical equipment and supplies, deployment of 1,200 medical workers and experts, as well as food and other goods (Xinhua, 21 Mar 2015; 26 May 2015). The last patient in Liberia has been discharged from China's Ebola Treatment Unit on the 5th of March of 2015. On the 9th of May the WHO declared Liberia Ebola-free and a few days later the Chinese medical team returned to Beijing (Xinhua, 17 May 2015).

2.1.5. Volunteering and training

One of the newest aid programs incorporates youth volunteering missions. It began in 2002 with an overseas service program launched by the Communist youth and a volunteer association, and in 2005 took its actual shape under the name of Chinese Young Volunteers Serving Africa. "At the end of 2009, China had 312 youth volunteers in Africa". Their activities are diverse and since the inception have included teaching Chinese, sports and physical education, music, tourism skills, industrial techniques and cultural development; assisting in rural construction and animal husbandry, in public health and medicine; upgrading information and medical technology; as well as helping "to develop the use of marsh gas" (Shinn, 2012: 154).

China offers training courses and scholarships for university-degree studies. The training courses share the Chinese experience of urbanization, economic growth, poverty alleviation, and explore the fields of management, economics, agriculture, health, justice, education, telecommunications, security, water pollution and sewage treatment, etc. "By 2007, the Ministry of Commerce reported that, over the years, China had held 2,500 short and medium-term training courses in twenty different fields […] with more than 80,000 people participating". More interestingly, during the Beijing Summit in 2006, China reserved half of the quota in its courses for the African participants. In relation to the university degrees, China's Ministry of Education offers majors in agronomy, medicine, engineering, and science, but also in humanities. During the Beijing Summit, China pledged to double the scholarships for African students. It raised the quota from 2,000 to 4,000 (Bräutigam, 2009: 119-21).

2.1.6. Infrastructure

The bulk of China's official economic assistance to Africa has consisted of infrastructure projects. According to one estimation infrastructure could amount to 70 percent of Chinese developmental assistance to the continent (Shinn, 2012: 152). The estimated distribution of financing commitment confirmed between 2001 and 2007 went as follows: The two largest areas of power and transportation received one third each, followed by telecommunication with a 17-percent share. Moreover, about 14 percent of the assistance in the area was categorized as general infrastructure. At last, the remaining 3 percent consisted of water-supply projects. Power projects consisted mainly of hydropower dams, which are considered to be of great strategic importance for Africa's power sector, but also included a smaller part of thermal power plants and energy transmission projects. Assistance in transportation consisted of rehabilitation of old and construction of new railways and, to a lesser extent, roads. As for telecommunication assistance, in majority it consisted of equipment sales between Chinese manufacturers and African operators. Although on a much smaller scale, the Chinese companies are also involved in construction and rehabilitation of communication backbones. However, China backed these activities with credits committed by two of its policy banks, Eximbank and CDB. Whereas general infrastructure included multiple projects that did not fit into any specific sector, the water-supply projects included dams that were not related to power generation (Foster, 2008: 16-9).

When it comes to China's development assistance, the natural resources appear to lose priority. Nevertheless, some infrastructure projects financed by Beijing might be indirectly related to energy or mining. As the paper has already stated, some of the credits committed by China are commodity-backed. What's more, some developmental projects are a part of a bigger scheme, in which the mining minerals are involved. Such is the case of Gabon's Belinga Iron Ore undertaking worth $3 billion. A survey conducted by the World Bank (Foster, 2008: 18) portrays this case as follows:

> China Ex-Im Bank is also preparing to finance the 560-km Belinga-Santa Clara railway in Gabon, which, together with Poubara hydropower dam, and deepwater port at Santa Clara, is part of the already mentioned Belinga Iron Ore project. The China Ex-Im Bank's loan for the project is to be repaid via sales of iron ore to China.

The gigantic development package devised in 2007 for the Democratic Republic of Congo (DRC) supposed a similar case. The negotiations were held between three parties: Sinohydro, China Railway Engineering Corporation and the DRC. The infrastructure project was to be financed by two separate lines of credit of $3 billion each, issued by Chinese banks, and it would consist of pave roads, including an auto-route and bridges; railway construction and rehabilitation; construction and equipping of health centers, hospitals, low-cost houses and two universities; rehabilitation of two airports; construction of two hydroelectric dams and rehabilitation of two electricity distribution systems. Simultaneously, a cobalt-copper mine would be developed and a joint venture would be established with each of the three parties receiving about one third of the shares. The revenues from the mine would be used to repay the former infrastructure, as well as the mine itself – worth another $3.2 billion. Around one third of the costs was to be covered by the Chinese companies, whereas the rest was to be covered by a credit from an undisclosed source. Eventually, however, the deal was modified (Bräutigam, 2011: 213-4).

2.2. Investment

As seen in the previous section, China's official development assistance often serves the needs of the Chinese companies involved with Africa. Moreover, the investment prevails in the commodity sector, causing an impression that it is the only interest and recipient of Chinese foreign direct investment (FDI) to the continent. Notwithstanding, Chinese SOEs and privately-owned firms are involved in a number of different sectors and this section will attempt to illustrate that.

2.2.1. Size of Chinese investment in Africa

Chinese investment in Africa has been growing exponentially in the last few years: It increased tenfold between 2005 and 2011. Nevertheless, China's share in the African investment remains arguably small. Such a claim is portrayed by the fact that within Africa's inward FDI flow in 2011 China represented roughly $1.7 billion, or around 4 percent of the total. In addition, within Africa's inward FDI stock by 2011 China "reportedly" accounted for $14.7 billion, equivalent to a tiny 2.6 percent of the total. What's more, Africa doesn't seem to receive much attention from the Chinese investors either, as suggested by the fact that China's investment to Africa only represented $1.7 billion or 2.2 percent of China's outward FDI flow in 2011 (Chintu, 2013; Shen, 2013: 3).

At the end of 2011, China's MOC recorded 1,586 active investment projects in Sub-Saharan Africa, out of which 55 percent was private. However, the record of MOC ignores the private projects of value under $10 million, which constitute the majority of foreign investment projects in Africa. "Moreover, investment made by individuals is not subject to the certification system and therefore is not included in the database". The MOC alone estimates that a number of private investment plans is actually two to three times bigger. A case study of six African countries contrasted the data of MOC and local investment-promotion agencies, and showed that the number estimated by the MOC was indeed accurate. According to statistics presented by the latter, Chinese FDI goes to forty-four Sub-Saharan countries, but the frequency of projects varies. Five states account for 40 percent of projects: Nigeria, South Africa, Zambia, Ethiopia and Ghana. Furthermore, these are followed by Tanzania, DRC, Angola, Sudan and Kenya, and the top ten countries together stand for two thirds of projects in Sub-Saharan Africa (Shen, 2013).

Shen (2013) points that the private and state-owned firms tend to invest in different areas. The biggest sectors of private engagement consisted of manufacturing, representing 36 percent of a total number, and services, representing 22 percent. Interestingly, mining constituted 16 percent and ranked as the third biggest private sector. On the other hand, the majority of government-led projects, 35 and 25 percent of the projects, went to construction and mining respectively (Figure 1). There has been no recent Africa-wide study on sector distribution of Chinese FDI by value, but Shinn and Eisenman (2012: 136) are able to draw an overview of the situation:

> Allowing for enormous discrepancies in the cumulative total of Chinese FDI to Africa, a comprehensive UNCTAD study provided the most detailed information on where most of this investment has gone by sector. By dollar value between 1979 and 2000, 46 percent went to manufacturing (mainly textiles, light industry, home appliances, and machinery), 28 percent to resource extraction, 18 percent to services (mainly construction), 7 percent to agriculture, and 1 percent to miscellaneous. There has been no subsequent Africa-wide study on the sector distribution of Chinese FDI. There are, however, many subsequent country investment case studies and much anecdotal information. By most accounts, there has been a major shift during the twenty-first century of Chinese FDI toward resource extraction, especially oil and minerals, telecommunications, and banking.

2.2.2. Mining and energy

Chinese mining companies invest in Africa's oil, chromium, copper, bauxite, cobalt, iron, diamonds, coal and nickel (Shinn, 2012: 137). Although China consumes more than one fourth of global production of minerals, and even though Africa holds roughly 30 percent of global mineral reserves, Chinese FDI in African mining is small in comparison with other activities. This is portrayed by the fact that Chinese involvement in African mining sector represented only 6 percent of China's total outward FDI in 2012 (Chintu, 2013).

Oil indeed is the sector that attracts most attention of the Western public, since the investment in this area amounts to multiple billions of dollars. As for China's FDI in the oil sector in Africa, it is estimated that between 2001 and 2007 Chinese companies invested \$4.8 billion in Nigeria, \$2.4 billion in Angola, \$5 billion in Sudan. However, China was also estimated to have invested $3.1 billion in the mineral sector in South Africa, Zambia, Zimbabwe, DRC, Nigeria and Eritrea (Shinn, 2012: 137).

China’s three biggest investors in the oil sector are the state-owned China National Petroleum Corporation (CNPC), the China National Offshore Oil Company (CNOOC) and China Petrochemical Corporation (Sinopec). By 2006, CNPC invested in nine different countries in Africa, whereas Sinopec invested in six and CNOOC in three (Shinn, 2012: 137). Chinese oil and mineral companies continue to further invest in Africa. The Aluminium Corporation of China (Chalco) is expected to invest about $1.3 billion in a joint venture with British-Australian giant Rio Tinto, in order to develop a greenfield project in two of Guinea’s Simandou iron ore blocks. The Jinchuan Group acquired South Africa’s Metorex for another $1.3 billion (Chintu, 2013). In 2013 there have been two important acquisitions in the oil and gas sectors. The American Apache sold its Egyptian subsidiary to Sinopec for nearly $3 billion and the Italian Eni sold its Mozambican subsidiary to PetroChina for over $4 billion. Also in 2013, Ghana and Cote d’Ivoire began to produce oil and attracted the interest of international investors, including CNOOC and CNPC. However, still pending was a deal through which the French Total would sell its Nigerian assets to Sinopec for $2.5 billion. At last, at the end of 2013, Sinopec announced that it expected to invest $20 billion in Africa in the following five years (UNCTAD, 2014).

2.2.3. Manufacturing

Manufacturing doesn’t constitute as big share of Chinese FDI to Africa as it used to, but it still remains predominant in some countries. According to Shinn and Eiesenman (2012: 136-7), 90 percent of Chinese investment in Cote d’Ivoire between 2000 and 2007 went into manufacturing; in Ethiopia it was 66 percent, in Ghana 92 percent, in Uganda 63 percent. The same source lists Sudan’s manufacturing as a recipient of 50 percent of Chinese FDI, and Zambia as a recipient of 87 percent. However, these numbers appear questionable due to China’s heavy investment in their oil and copper sectors respectively. Also, China’s SEZs are “known as free trade zones, export processing zones, industrial zones and free ports”. Thus, their ambience is positive for the development of manufacturing, as represented in the Figure 2.

Chinese SOEs, which lead China’s FDI in Africa, have explicit government backing and it makes it easier for these mega-companies to establish ties with local governments, and consequently reduce the political risk. The SOEs can stimulate complementary investment, as this paper has already mentioned, both in and out of mining sector. The most appreciable example of the package deals is represented by China's Special Economic Zones (SEZs) in Africa. "These were designed and approved by China's Ministry of Commerce but executed by Chinese SOEs". There are seven zones: Zambia, Mauritius, Egypt, Ethiopia and Algeria have one each; and Nigeria has two. Related complementary activities within the zones include sectors like mineral processing, construction materials, logistics, solar energy and manufacture of related equipment. Nevertheless, the SEZs also allow to other unrelated sectors to develop: seafood processing, production of ceramics, textiles, medicines and furniture. Hence the SEZs contribute to economic development of the host country (Chintu, 2013).

2.2.4. Agriculture

The overall importance of Chinese involvement in African agriculture has been exaggerated and China has been accused of grabbing Africa's land for its own. In addition, China's FDI into agricultural sector is oftentimes confused with China's assistance program to Africa's agriculture. The former is a rather recent development, whereas the latter has traditionally been in the center of China's foreign aid and policy making vis-à-vis Africa. Consequently, the investment in Africa's agriculture is a yet smaller portion of China's modest agricultural cooperation with the continent. Shinn and Eisenman (2012: 138) offer an insight into a variety and extent of agricultural investment projects:

> In 2008, the China State Farm Agribusiness Corporation operated at least eleven agricultural projects on about 40,000 acres in Zambia, Mali, Guinea, Ghana, Mauritania, Tanzania, Togo, Gabon, and South Africa. Some of these qualified as aid projects. Zambia has at least twenty-three Chinese farms representing an investment of $10 million. They all provide food for the local market. In 2007, ZTE signed an agreement with the DRC for a 247,000 acre palm biofuels project. In 2010, Sudan granted ZTE about 25,000 to cultivate wheat and maize. Ethiopia allowed China to grow sesame seed, a major Ethiopian export to China.

In spite of land-grab accusations, China has an undeniable interest in land. "China grows about 95 percent of the food it consumes and feeds 20 percent of the earth's population on only about 8 percent of the world's arable land" (Shinn, 2012: 138-9). Chief of China's Eximbank commented that Africa has a plenty of unused land, and that was the reason why he encouraged Chinese farmers to move to the continent. Such statement only adds to the concern that China wants to take over African land in order to grow food for the Chinese market. However, this claim is dismissed by the Chinese. A senior official in the Ministry of Agriculture responded that similar practice would neither be "realistic" nor "politically acceptable". Another official noted that "China will continue to meet its food shortages by importing from major agricultural exporters such as the United States rather than buy farmland outside China" (Shinn, 2012: 139).

Indeed, agricultural investments appear attractive to Chinese businessmen. However the goal is not the export back to China, but rather satisfying the local market. The case of Ethiopia, where Chinese were allowed to grow sesame seed, may constitute a rare exception, given the evidence that sesame seed is Ethiopia's major export product to China. Notwithstanding this exception, the Chinese tend to integrate into local framework to the point that there are farms in Nigeria, Kenya, Zambia, Uganda, Senegal and Sudan that employ equal numbers of Chinese and Africans. The number of Chinese farmers in these cases ranges between 400 and 2,000 (Shinn, 2012).

2.2.5. Banking

With the exception of Hong Kong and Shanghai Banking Corporation, which already in 1981 established ties with Africa through an acquisition of a controlling share of Equator Bank, China's FDI in African banking is only recent. In 2007, CDB invested $3 billion in a 3.1 percent stake of Barclays Bank, which, interestingly, is a majority shareholder in South Africa's Absa Bank. In the same year, the Industrial and Commercial Bank of China (ICBC) decided to purchase 20 percent of South Africa's Standard Bank. The enormous investment worth $5.5 billion expanded ICBC's influence over the continent, given that Standard Bank was the largest in terms of assets and has offices in seventeen African countries, as well as twenty-one countries outside of Africa. One year later, Standard Bank and ICBC announced a $1 billion fund for investment in mining and energy sectors within China and Africa. The China Construction Bank, the Bank of China and China Union Pay also are active on the continent, opening branches and establishing partnerships in a variety of African countries: Zambia, South Africa, Mauritius, Kenya (Shinn, 2012: 140).

Chinese banks expand their operations as a consequence of accelerating Sino-African cooperation. The banks advise their clients of African investment possibilities and expansion opportunities, but also offer a range of services: “merchant, wholesale, and investment banking products and services” to the local community (Shinn, 2012).

2.3. Trade

Sino-African bilateral trade, similarly as China’s FDI to the continent, has experienced an exponential growth at the beginning of the 21st century, and, with regard to energy and minerals, received just same amount of attention and criticism. This section attempts to value the commodity sector in the overall trade.

2.3.1. Accelerated growth

Although China maintained political ties and official assistance with Africa before the initialization of the reforms in 1970s, the Sino-African trade was generally irrelevant. The turbulent times of the Great Proletarian Cultural Revolution in the late 1960s constitute an exception, as Africa became to share a sizeable portion of China’s trade. Nevertheless, China didn’t come to play a bigger role in African trade until a decade ago. Sino-African trade relations were redefined:

> Together, China’s increasing demand for raw materials and ability to produce affordable consumer goods and capital equipment has become the dual catalyst for the sharp growth in China-Africa trade. As of 2011 multimillion-dollar trade deals between China and African countries are commonplace. The dollar value of China-Africa trade has risen twenty-fold over the last decade – from $6.3 billion in 1999 to $128.5 billion in 2010 – when it represented about 13.5 percent of Africa’s total world trade and 4.3 percent of China’s (Shinn, 2012: 99).

The establishment of FOCAC in 2000 supposed a new framework for bilateral trade. Africa has risen from constituting 1.8 percent in 1999 to more than 4.3 percent of China’s total trade in 2010. In the same period of time, China has risen from 2.6 percent to nearly 13.3 percent of Africa’s total trade. Even after the bilateral trade decreased between 2008 and 2009, China began raising its exports to Africa anew (Shinn, 2012).

2.3.2. Pattern of engagement

The pattern of trade followed on the framework of Sino-African partnership is that of China satisfying its demand for energy and minerals, and searching export markets for its products, as well as investment destinations. It’s a pattern that has been created in aftermath of Deng Xiaoping’s economic reforms in the mid-1970s and has succeeded until now. The complementarity of the economies of China and Africa makes their partnership possible. The trade is generally balanced between the two regions.

However, upon dissecting Africa into different countries important differences emerge. On a country-by-country basis, the balance of trade between China and resource-rich countries tends to disfavor the African country. Contrarily, in trade with non-resource-rich countries, China tends to receive the surplus. Therefore, non-resource-rich African countries with trade deficit with China include Benin, Egypt, Ethiopia and Liberia. Resource exporters with trade surplus with China include Angola, Congo, the DRC, Libya and Gabon. Moreover, China’s exports are diversified, while African exports are generally formed by primary products. Since 2000, crude oil has made up over two thirds of African exports to China, whereas iron and platinum were important, too. By 2009, almost 80 percent of Chinese imports from Africa consist of metals and petroleum products (Shinn, 2012: 117).

3. Conclusion

Sino-African cooperation proves to be a complex relationship. China interacts with the continent through a variety of agents. Both private and government-led companies invest in African projects and trade. Moreover, Beijing takes action in Africa through development assistance at government-to-government level.

The section 2.1 shows that China’s development assistance is distributed mainly through its three policy banks – out of which the Eximbank is the most noticeable in Africa. In addition, that section also showed that foreign aid falls into two categories according to DAC of developed countries. By their standards foreign aid, defined as ODA, consists of grants, concessional and zero-interest loans, and debt relief. China’s ODA remains modest in comparison to traditional aid donors. However, the biggest part of China’s development assistance to Africa is classified as OOF, which consist of export buyers’ credits, official loans at commercial rates and strategic lines of credit.

Through the whole of development assistance, Beijing is engaged in a variety of sectors. Agricultural projects consist mainly of farms, demonstration centers and sending of expert teams. Healthcare projects consist mainly of construction of hospitals, healthcare centers, transfer of technology and medicines, as well as sending of medical missions. Volunteering projects involve a wide range of people in cultural, entertainment and professional activities. Teaching projects consist of short-term courses and university courses for the aid recipients. Finally, infrastructure development makes up the bulk of China's foreign aid projects to Africa, in areas like transportation and power generation.

The latter two sections show the implication of the Chinese companies, both private and government-led, in Africa. Although the mining sector remains to be the most important in this area, the Chinese companies are also present in other sectors. In case of SOEs important are also construction and infrastructure sectors, whereas in case of private firms the manufacturing and services are also frequent.

In bilateral trade China-Africa cooperation follows a pattern, in which China import mostly mining resources, whereas Africa imports manufactured goods. Although there is an overall balance in trade, the relationship proves to be imbalanced on a country-specific basis. It is discovered that resource-rich countries tend to have an export surplus with China, and non-resource-rich countries tend to have a trade deficit with China.

As the trade relations and China's FDI show, China is heavily implied in Africa's resource sector. Moreover, China's development assistance to African infrastructure also seems to be related to major mining projects. Nevertheless, the diversity of China's approach to the continent makes it impossible to honestly judge China as solely interested in the exploitation of the Africa's resources.

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Annex

Figure 1: Sector spread of Chinese OFDI in Africa, comparing government and private led projects. Source: Shen (2013: 7).

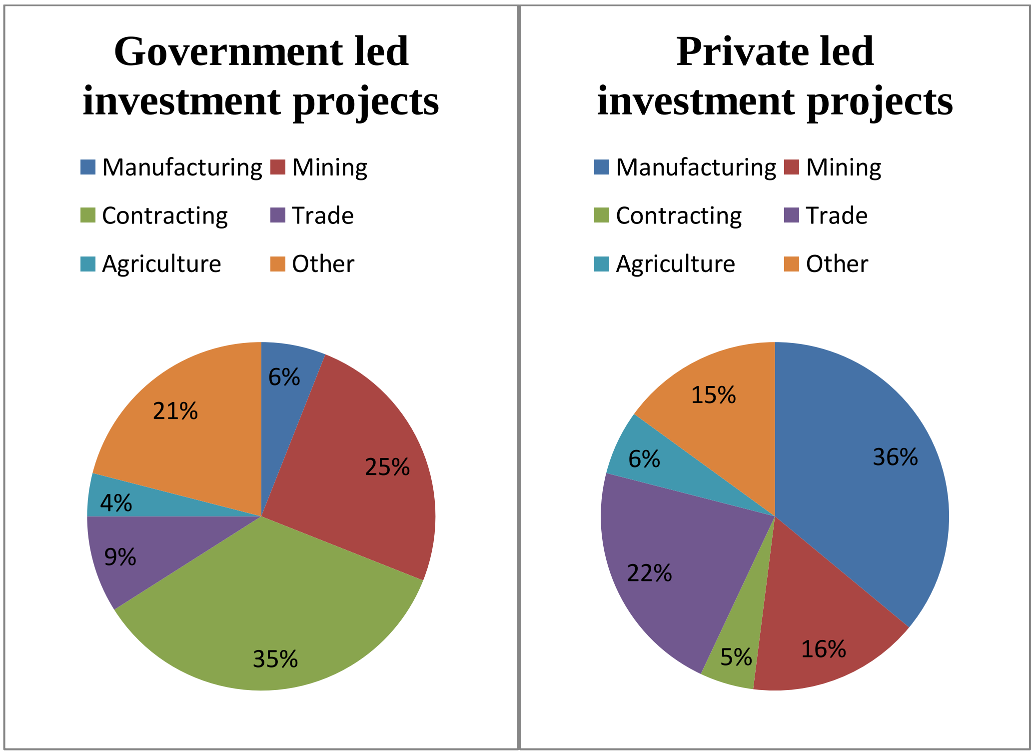

Figure 2: Africa's Special Economic Zones. Source: Chintu (2013).

Name	Committed	Chinese SOEs	Description
Zambia-China Economic and Trade Cooperation Zone/Chambishi Multi-facility Economic Zone	$1.5b	China Non-Ferrous Metal Corporation (CNMC)	Mineral processing and related value-added industries, food processing, light industries, assembly plants, real estate
Egypt Suez Economic and Trade Cooperation Zone	$280m	Tianjin Economic-Technological Development Area (TEDA) Investment Holdings	Petroleum equipment, electrical appliance, textile, automobile manufacturers, logistics
Ethiopia Eastern Industrial Park	$100m	Qiyuan Group, Jianglian and Yangyang Asset Management	Construction materials, steel products (plates and pipes), home appliances, garment, leather processing, and automobile assembly
Mauritius Jinfei Economic and Trade Cooperation Zone	$750m	Shanxi province Tianli Group, Shanxi Coking Coal Group and Taiyuan Iron and Steel Company	Manufacturing and services, solar energy, pharmaceuticals, medical equipment, and processing of seafood and steel products, as well as housing, hotels, and real estate
Nigeria Lekki Free Trade Zone	$370m	China Civil Engineering	Transportation equipment, textile and light industry, home appliances

		Construction Corporation (CCECC)	and communication, warehousing, export processing, living and business
Nigeria Ogun-Guangdong Free Trade Zone	$500m	Guangdong Xinguang International Group, China-Africa Investment Ltd., Chinese CCNC Group,	Light manufacturing, including construction materials and ceramics, ironware, furniture, wood processing, medicine, small home appliances, computer, lighting, and paper
Algeria-China Jiangling Free Trade Zone	$556m	Jiangling Automobile Group, Zhongding International Group	Automobiles and construction materials