

Chinese Foreign Aid in Africa: An Exploratory Study

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Abstract

In the realm of foreign aid, China is becoming a key player and consequently cannot be undermined. Particularly on the African continent, their involvement through a model of political non-interference and unconditional aid has raised some concerns from the international community regarding their modality and motives. This study is primarily an explanatory study of the landscape of China foreign aid in Africa, and will consist of literature reviews as well as a preliminary data analysis. The discussion will take into consideration various theoretical frameworks of foreign aid and business ethics as a response to the criticism aimed at Sino-African relationships.

Key words: Foreign aid, Sino-African relations, South-South cooperation, oil diplomacy, corporate social responsibility

CHAPTER 1

CHINESE FOREIGN AID IN AFRICA

Introduction

As an emerging economic power, China's presence in global engagement is undeniable. In recent years, the considerable growth the country has experienced has led scholars to believe that China would overtake the United States as the largest economy by 2016 (International Monetary Fund, 2011). This growth, that has launched China to the forefront of the global economy, has helped them become key investors and consumers of the global market, particularly on the mineral-rich continent of Africa.

Using the technological advances that helped develop their own country, China employs technology and finance to fuel its relationship with the African states. Consequently, Sino-African relationships have taken off with great momentum. In 2009, China surpassed the United States (US) in becoming Africa's largest trading partner, and by 2011 China's consumption of African resources and import of oil was closing in on the US (Lumumba-Kasongo, 2011, p. 237).

In addition—and even complementary—to the scope of trade and investments, China has also been a significant contributor of foreign aid to Africa (Raposo & Potter, 2010; Quadir, 2013; Taylor, 2006; Breslin, 2013). The presence of the Chinese

government in Africa dates back to the 1950s, with its first foreign policy ties being with Egypt in 1956. With this as a start, China expanded into the rest of Africa in the 1960s as a means of political influence (Chaponniere, 2009, p. 87). With highly-publicized visits to ten African countries in 1963-1964, China's commitment to the continent was made evident (Yu, 1988, p. 851). These visits had six specific agendas: 1) underscore the importance of the One-China policy and encouragement to cut ties with Taiwan, 2) respect the philosophy of sovereignty that comes with their non-intervention aid model, 3) promote development with equality and mutual benefit as the basis, 4) solidify China as the mentor for other developing countries' economic prosperity and success, 5) de-link African nations from forming or maintaining ties with the Soviet Union, and 6) sow anti-Western imperialist sentiments in Africa (Uchehara, 2009, p. 6).

Since then, China has been ramping up their aid programs in Africa. In 1975, they had more aid programs in Africa than the US did, with the completion of the railway link between Zambia and Tanzania in 1976 to transport Zambian copper to Dar es Salaam as the culmination of their efforts. By 1978, China had diplomatic ties with 43 countries (Chaponniere, 2009, p. 88; Anshan, 2007, p. 72). It was this continued momentum that ushered China into the turn of the century, when it launched a Forum on China-Africa Cooperation (FOCAC). This "strategic partnership" was the beginning of a new Sino-African relationship, with summits every three years to expand and explore ways to strengthen governmental ties between China and the African states (Obuah, 2012, p. 84). With every summit, China pledged an increased involvement in the "economic and social development" of the continent through deepened cooperation in areas such as "agriculture, infrastructure construction, investment and trade" (Lancaster, 2007, p. 3;

Enuka, 2011, p. 224). This level of Chinese involvement and their efforts to foster a good relationship with the African states have sparked countless discussions about Chinese motives driving these efforts.

On one hand, some commend Chinese efforts claiming to have lifted some 600 million people out of global poverty in the last three decades (Lumumba-Kasongo, 2011, p. 238). Some African leaders such as the democratically-elected president of Senegal, Abdoulaye Wade, commend China on their ability to form contracts with Africa at a pace impossible by the Western donors (Condon, 2012, p. 13). Even on local levels, a study funded by the Hong Kong Government Research Grants Council and conducted by US-based firms and a Cameroonian researcher found that university students of various African countries preferred Chinese aid over that of the US and other Western countries (Sautman & Hairong, 2008, p. 729, 732). On the other hand, due to the lack of aid data transparency, many have questioned the validity of claims of this kind. Still others have raised questions regarding the ethics of Chinese aid. These skeptics come particularly from the Western communities, but more recently, several African leaders have also brought into question the colonial motives of China (Kragelund, 2011, p. 598; Lumumba-Kasongo, 2011, p. 237; Raposo & Potter, 2010, p. 177). As evident, there are great disagreements—even among the African leaders—regarding Chinese aid (Condon, 2012, p. 13; Vickers, 2012, p. 541; Gilber & Miller, 2012, p. 1215). It is unwise, therefore, to hastily jump to conclusions about Chinese aid without further research.

Defining Foreign Aid

In assessing the effectiveness and ethical morality of Chinese foreign aid, then, we must first clearly define and understand the concept of foreign aid. The Organisation for Economic Cooperation and Development (OECD) defines aid as the “flows which qualify as Official Development Assistance (ODA)” (OECD, 2013). ODA, then, is defined as flows that are provided by official agencies (i.e. governments or their executive agencies), and is administered with the “promotion of economic development and welfare of developing countries as its main objective,” and is concessional in character, meaning that there must be at least a 25 percent grant element (OECD, 2014). This standard of measuring foreign aid largely through the amount of ODA a country provides is one that the Development Assistance Committee (DAC) comprised of 29 countries put forth, including countries in Europe, the US, Australia, and Asia.

China is not currently a member of the DAC, however, and this leads to difficulty in discussing Chinese foreign aid. Unlike the OECD-DAC countries that have set standards of ODA to report and an institutionalized system of accountability, China does not, which leads to ambiguous and even a deficit of documentation with its exact investments and foreign aid activities in Africa (Kragelund, 2011, p. 598). For example, China’s first official white paper on foreign aid was only released in April 2011 by the Chinese State Council, over a decade after the first FOCAC pledge was made. Even with its release, however, there have been discussions on whether the numbers in it are entirely accurate (Brautigam, 2011, p. 205).

Lack of Data Availability and Transparency

Possible explanations for the information deficit when it comes to Chinese foreign aid have been speculated by various experts and scholars. One of the reasons experts claim there is a lack of data on Chinese aid is that while much of the Chinese aid flow is governed by their Ministry of Commerce (MOFCOM), it does not exclusively control the aid flows from China. Subsequently, other state departments such as the Ministries of Health and Education who budget aid in their pool of resources, do not report to the Ministry of Commerce. And while the Ministry of Commerce controls much of the bilateral aid, the Ministry of Finance controls multilateral aid and the State Council controls the major initiatives, such as billion-dollar projects, on that aid. The highest level of authority in China, the State Council is comprised of roughly 50 individuals, including the premier, four vice-premiers, five councilors and various ministers and heads of government agencies as well as other officials (Lancaster, 2007, p. 3). However, there exists contradicting literature in this matter alone, as others argue that the Chinese Communist Party's Leading Group and the State Council alone are responsible for the direction and budget allocation (Kjøllestad & Welle-Strand, 2010, p. 6). In addition to these public flows, there also exist private businesses who further contribute to the inability to channel aid through one entity (Shiere, Ndikumana & Walkenhorst, 2011, p. 20).

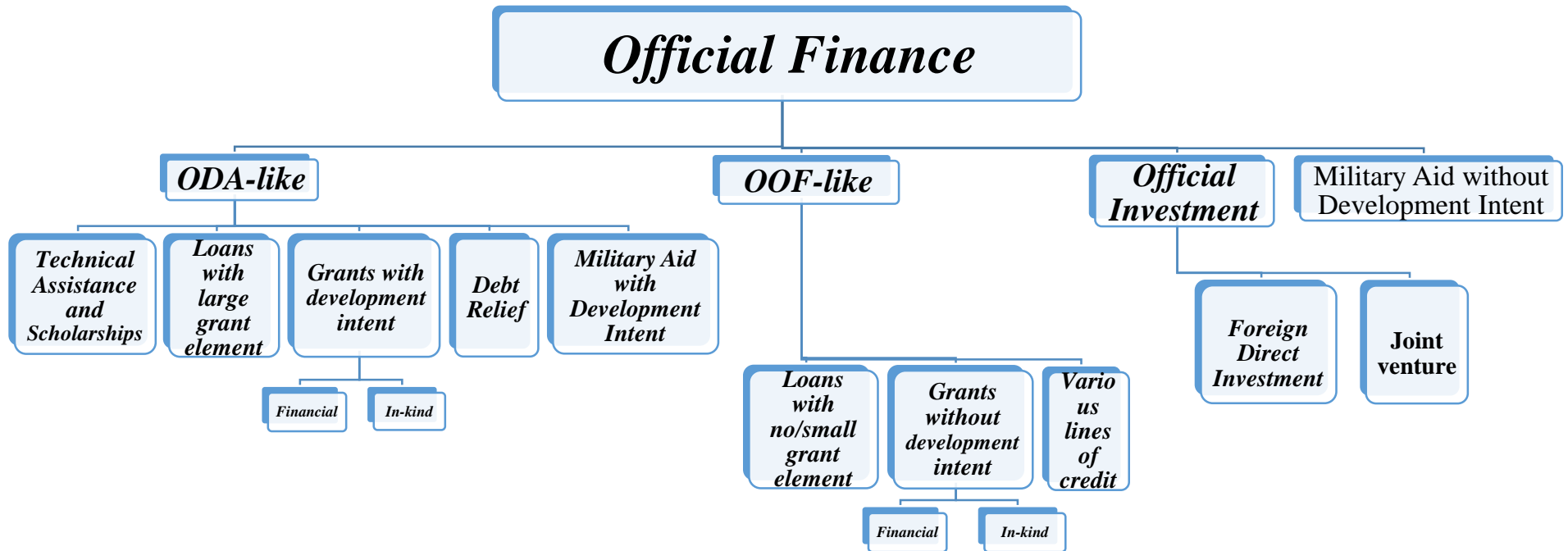
Lancaster also cites pressures, both internal and external, as causes of inadequate aid data. China claims that if exact numbers are revealed regarding the quantity of aid in data, the discrepancies between countries could cause African governments, who receive less, to demand more aid. In addition, the pressures from the Chinese population would

be hard to ignore—a large proportion of the Chinese population lives in poverty, a fact that could be the basis for domestic criticism regarding hefty international aid and spending. Additionally, “cultural traditions and philosophy” of the Asian culture taints the idea of “handouts” to other countries, making data aggregation especially challenging in China (Grimm, 2011, p. 4). Asking the recipient countries to provide numbers of Chinese aid also proves a challenge, claims Grimm, because of often outdated and unrecorded data due to loan agreements that are not bilateral (government-to-government) in nature (Grimm, 2011, p. 5).

What’s more, much of the aid that China distributes in Africa is quantified as part of larger investment projects and trade deals with recipient governments do not separate their “ODA from [. . .] investment expenditures” (Lancaster, 2007, p. 2). It becomes extremely hard, therefore, to differentiate foreign aid activities from other direct investments. Thus, my data comes primarily from the work of the Center for Global Development in partnership with the College of William and Mary, who have built an entire database dedicated to Chinese aid projects compiled by experts for the years 2000-2011. Using this database, then, I adopted their classification of aid to include ODA as well as Other Official Flows (OOF) and Official Investment, more commonly known as the Foreign Direct Investment (FDI). OOF includes transactions that do not qualify for ODA because they are “not primarily aimed at development, or because they have a grant element of less than 25%,” while FDI generally refers to a “direct economic and financial participation by an individual, a firm, or a state into the financial or economic activity of another country,” and usually involves the transfer of technology and expertise (OECD,

2013; Lumumba-Kasongo, 2011, p. 255). This study will be limited, then, to the bolded and italicized sections in the Official Finance figure as outlined below in Figure 1.1:

Figure 1.1: Official Finance Flow Diagram



Model adapted from Strange et al., 2013, p. 16

The study aims to look at Chinese involvement on the African continent, specifically at patterns and trends in China's foreign aid. In order to explore this dynamic, the following question is posed: how is Chinese aid distributed among African countries, and what does this distribution uncover about Chinese motives in the continent of Africa? While the first half of this two-fold question presents a foundation from which this discussion of Chinese foreign aid in Africa can begin, the second half explores the relationship between aid allocation and Chinese interests to make this study much more explorative.

In order to answer this question thoroughly, this study will start with a literature review exploring the historical concept of foreign aid. In this, the modality of Western aid will be briefly outlined as a foundation on which to launch the discussion of the theoretical differences between the North-South model of aid versus the South-South model. With this foundation, the modality and motives behind Chinese aid will then be explored. A subsequent data analysis will probe the connection between the monetary value of Chinese foreign aid in the various African countries and a set of independent variables suggested in the literature as potential Chinese motivations for aiding Africa. Using the data as a guide, selected case studies will be reviewed and analyzed to probe Chinese motivations further. To supplement the discussion of aid and its effectiveness with data and literature reviews, and explore the major criticism of Chinese aid, a brief discussion on Chinese business ethics will be included. Lastly, some brief policy implications and opportunities for further research will be outlined.

CHAPTER 2

FOREIGN AID: A BRIEF DISCUSSION

China as a significant player in foreign aid comes as an important discussion because historically, aid has been predominately Western-driven. Indeed, with the end of the Cold War, the Development Assistance Committee (DAC) as the development sector of the Organization for Economic Cooperation and Development (OECD) dominated foreign aid. Constituting an estimate 95% of all aid, these twenty-four member countries were the primary players in global aid (Quadir, 2013, p. 321; Kragelund, 2011, p. 585; Schoeman, 2011, p. 33). In recent years, however, emerging donors such as China have grown rapidly, with their Official Development Assistance (ODA) amounting to some \$25 billion and on the trajectory of contributing a “significant share of global aid flows” in the future (Quadir, 2013, p. 322; United Nations, 2010, p. 4). With this shift in the demographics of aid donors, there is much discussion on its implications and repercussions in the narrative of donor-recipient relations. This will be explored further in this chapter through a brief discussion on the historical context of foreign aid, and the emerging donors who gave way to changing power dynamics.

Defining Traditional Foreign Aid

Before discussing the different types of aid and assessing western aid, it must first be explicitly defined: what exactly is meant by “traditional western aid”? It is only in answering this question, then, that a better understanding of the dynamics of aid in the past can be reached. More importantly, a theoretical framework—the philosophy—in providing aid can be uncovered.

Foreign aid is defined as “all resources—physical goods, skills and technical know-how, financial grants (gifts), or loans (at concessional rates)—transferred by donors to recipients” (Riddell, 2014, p 17). As an outflow from traditional donors, this aid translates into resources that include “a vast array of ideologies, institutions, relationships, individuals and impacts” (Mawdsley, 2010, p. 364). However, although aid has largely been an outflow of assets to developing countries, it is multifaceted and must be viewed as more than simply a transaction of liquid assets. For example, aid is viewed as an “important international relationship in itself” (Ridell cited in Brown, 2009, p. 289). For donors, aid has become a way of outlining international political agendas, and for recipients, the external relationships with these donors cannot be undermined. This chapter is thus aimed at studying the multifaceted nature of foreign aid, and developing a framework for western aid modalities before discussing the emergent Chinese aid activities.

The Evolution of US Foreign Aid

The Marshall Plan is one of the earliest foreign aid efforts made by the US to Europe in the wake of World War II. Although many in the US saw the Marshall Plan to Europe as an act of charity, the Soviet Union saw such aid as a US political move encouraging Europeans to pursue an alliance with the US, a suspicion that is widely shared by scholars today (Hook, 2008, p. 154; Lebovic, 2014, p. 116). This assumption was well-merited—President Harry Truman founded the Marshall Plan in order to promote multilateralism, or “international cooperation in economic and diplomatic affairs” (Weissman, 2013, p. 110). It was built on former President Woodrow Wilson’s belief that injecting aid to promote economic development would encourage peace and prosperity throughout the world, reducing the risk of war by promoting strong trading relationships (p. 111). His efforts were largely unsuccessful, however, because of Britain’s interests in benefitting from the Commonwealth. Also known as the Sterling Bloc, the Commonwealth formed by Britain reduced tariffs on British colonies including South Africa, India, and Australia. Because of this, their profits would be jeopardized if the US made reduced tariffs and increased competition widespread (p. 112). Thus, although this emphasis on trade as a key part of aid was a testament to Wilson’s “forward thinking,” economic interests prevented this from solidifying. Though incomplete in its explanation, this contending dynamic between Wilson and Congress that rejected this idea in favor of protecting Britain, an ally, is indicative of the complexity of aid that ties it to diplomatic and economic relations.

Tension between the US and the Soviet Union were also heightened during this time, with the Soviet Union rejecting the Plan that had been devised to “help *all*

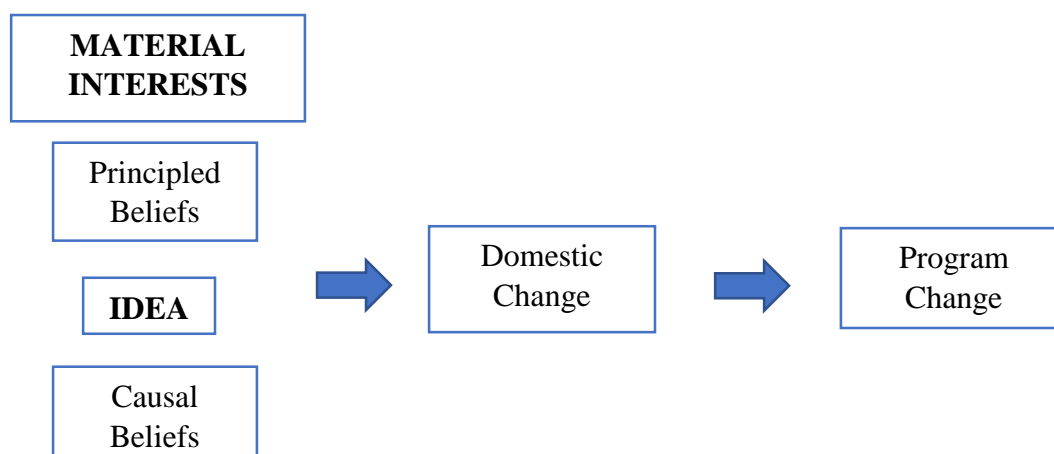
European countries—including Germany, the Soviet Union, and the Eastern Bloc” (Weissman, 2013, p. 112, emphasis added). Additionally, the Soviet Union’s military expansion after WWII deeply concerned the US, and the message of the Marshall Plan was provided as a way to stop communism and promote “American-style democracy” (p. 112). In pursuing this political agenda in Europe, Africa’s decolonization in the 1960s also positioned the US to contain Soviet influence on the continent; thus, foreign aid was used as a tool of international relations, in addition to its “moral obligation” to alleviate poverty ((Kragelund, 2011, p. 588; Bachmann, 2010, p. 565).

Since the post-Cold War era, foreign aid has evolved, following the economic and growth trends of the world. In the 1960s, now deemed the “Development Decade” by US historians, John F. Kennedy’s administration sought to alleviate poverty and make socioeconomic progress a priority (Engerman & Unger, 2009, p. 376). Additionally, until the late 1970s, the main objective of aid was to transfer resources and improve the living standards of the poor. This aid was channeled largely through the Development Assistance Group, the predecessor to Development Assistance Committee (DAC) and the development arm of the Organisation for Economic Cooperation and Development (OECD), whose goal was to improve methods of aid by clearly outlining the terms and conditions of aid (Kragelund, 2011, p. 588). Thus, aid was seen as the best means of “post-war construction” more than anything else (Chin & Quadifir, 2012, p. 591). Slowly evolving into the “development assistance order” through the momentum built in the post-Cold War era, “liberal democracy,” peace, and stability were greatly promoted, with large parts of the world adopting this Western aspect of economic liberalism (Schoeman, 2011, p. 33).

Historically, humanitarian and emergency aid has been provided in response to crises around the world. In this sense, aid is being poured into countries in the hope that it will, in the long-run, assist the country's economic growth. There is literature that affirms the effectiveness of foreign aid in the context of the Millennium Development Goals (MDGs), particularly with cutting the population living in poverty in half (Riddell, 2014, p. 2). According to an econometric study conducted by aid scholars John Loxley and Harry Sackey, aid does, indeed, have a positive effect on per capita income growth in Africa. The reason for this is largely because of its potential to increase investment, which leads to an increased level of trade (Loxley & Sackey, 2008, p. 190).

At the turn of the century, the US in particular, focused heavily on major public health issues and crises, such as the HIV/AIDS pandemic in Africa, which subsequently shaped US foreign aid structures. One of the most noteworthy changes in US foreign aid was perhaps the establishment of the Millennium Challenge Account (MCA) in 2002. At the United Nations International Conference on Financing for Development held in Monterrey, Mexico, former President Bush announced the launch of the MCA, promising to increase US foreign-aid commitment by \$5 billion over three years, and a \$15 billion aid commitment to combat HIV/AIDS in Africa and the Caribbean (Owusu, 2007, p. 3).

Figure 2.1: Program Change in Foreign Policy: A Functional Model



Model adapted from Hook, 2008, p. 152.

Figure 2.1 is a model illustrating how program changes take place, particularly models on a large scale. This model can be applied to the structural changes in US foreign aid, for example, with the establishment of the MCA as an alternative to the United States Agency for International Development (USAID). The material interests of domestic political actors contend that foreign aid is largely given by presidents to vital foreign allies with less concern for poverty relief or international development—in regards to the MCA, the Bush Administration’s material interests were largely in terminating international terrorism. This material interest in turn is influenced by causal beliefs, or “empirical claims regarding cause and effect” (Hook, 2008, p. 148).

The MCA under the Bush Administration had two primary objectives: restructuring the US foreign aid system and fighting poverty and terrorism. This decision to establish the Millennium Challenge Corporation (MCC) as a new and independent agency to which the MCA belonged was perhaps the most significant change within the

US foreign aid system. This domestic change was brought about as a result of the causal and principled beliefs that formed the ideas for restructuring, as illustrated in Figure 1.

Ultimately, this domestic change led to a greater program change, in which “what is done change[d], but the purpose for which it is done remain[ed] unchanged (Hook, 2008, p. 151). This new initiative embodied Western philosophy of conditional aid, as potential recipient countries had to satisfy objective indicators of “governing justly, investing in their people, and encouraging economic freedom” (Gibler & Miller, 2012, p. 1214). With this ex ante conditionality, only countries who met these criteria were eligible for MCC-funded aid. Thus, while the US was still providing aid to alleviate poverty and encourage sound governance, the modality switched to a more ex ante conditionality, following the definition of program change stated in Figure 1. This proved to be problematic, however, as the slow process of approving and implementing aid projects in Africa as a result of inefficient institutional capacity left African leaders frustrated (Gibler & Miller, 2012, p. 1215).

This framework of donors imposing conditions to recipient countries is a result of the dilemma that many donors face; that is, “aid is likely to work best in countries, communities and contexts where it is needed least, while the risks of its working least effectively tend to be highest in those countries that need it most” (Riddell, 2014, p. 27). Since aid is channeled the most to countries that lack the full political, social, economic infrastructure or capital to sustain themselves, the risk of it failing runs high. Thus, as the nature of aid lends itself to providing funds to countries who lack the infrastructure and systems to effectively manage them, donors may often feel the need to compensate by enforcing development designs from their own countries rather than encouraging local

and home-grown ideas and monitor aid projects with personnel from their own home country rather than hiring officials in the recipient country (Dübgen, 2012, p. 70).

In addition to the MCA, it was under the Bush Administration in which the President's Emergency Plan for AIDS Relief (PEPFAR) was formed, an effort that Obama pledged \$50 billion towards before its plateau in 2011 (Gibler & Miller, 2012, p. 1206). Finally, in 2013, the US committed \$8 billion to fight HIV/AIDS, Tuberculosis, and Malaria programs in response to the growing demand for these types of funds and an initial backlash against the weaning of aid allocated towards these endemic diseases (Ridell, 2014, p. 2; Gibler & Miller, 2012, p. 1206).

Classifying Aid Types

Given the framework that drives aid modality, what types of aid has the West provided to Africa? There exists literature that outlines the aid policies of the past few decades; although time periods are divided differently, many scholars agree on three major timelines. First, from the 1960s to the 1970s aid policies were relatively generous, with capital investments and infrastructure being the main mode of aid in the wake of World War II and the Cold War. On the contrary, the years 1970s to the early 1990s were defined by what was later dubbed as the "Washington Consensus," in which the donors began imposing conditionalities such as "political, institutional, and governance reform" (Brown, 2009, p. 290). While the former period was heavily focused on "aid effectiveness" the latter period was born out of the "economic openness and global integration agenda" that ushered in the economic globalization era of the 1990s. As is attested by the drafting of the MDGs by the United Nations (UN) and priorities set by the

World Bank, the regional banks, the OECD-DAC, the Western bilateral donors and the UN, the international communities (largely led by Western nations) prioritized free and open markets to encourage rapid economic growth (Chin & Quadir, 2012, p. 492).

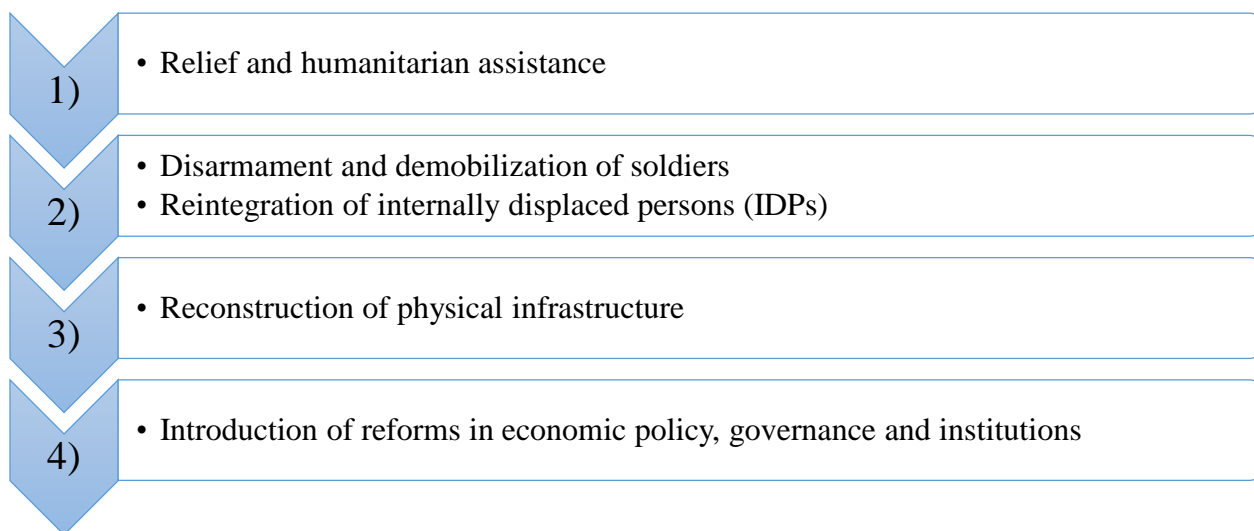
Finally, in an era known as the “post-Washington consensus” or “partnership” era, Western donors, upon realizing the limitations and inefficiencies of their imposed conditions, led to an increased focus on “recipient ownership and on their governance processes” (Brown, 2009, p. 490). Thus, William Brown argues that this contained a fundamentally “liberal bargain” in which there existed “an exchange of aid, debt relief and policy changes on trade and other issues by the industrialized countries on the one hand, for radical liberal reform of the way in which African states govern and pursue economic development, on the other” (p. 491). So as aid has developed into a more robust system of partnerships that extend beyond the face value of the funds being given, a closer look at different types of aid is necessary. It should be noted that this discussion is merely introductory, and by no means exhaustive of all the different types of aid employed.

Post-Conflict Aid

Post-conflict aid can be seen as the broad form of aid highly favored by Western foreign aid in the post-World War II and post-Cold War era, and a modality of aid still in practice today. In providing aid to nations affected by conflict, the classic theoretical framework has been very sequential, from relief to development, in order to bring about peace before economic growth can take place. Thus, although some African states may not be in the immediate throes of conflict, foreign aid provided with the aim of improving

governance and economic or political reform to recovering states can be classified as post-conflict aid. This way of separating relief (and the absence of violence) from development can be outlined in four main stages in Figure 2.2:

Figure 2.2: Relief to Development Continuum



Adapted from Toh and Kasturi, 2012, p. 204

This framework of the four stages of post-conflict aid must be executed carefully in order to maximize effectiveness. A study conducted by Mirijke Breuning and John Ishiyama in 2007 concluded that in re-building post-conflict societies, the internal politics already in place, albeit its fragile state, are far more important in explaining political stability than the timing and provision of foreign aid. Thus, the important factor to consider becomes the *modality* of aid—mainly the careful design that promotes the “inclusiveness of political groups” rather than the monetary amount or the timing of that money (Breuning & Ishiyama, 2007, p. 89). The tension between aid and institutional capacity has caused frustration among African leaders—as the African governors of the World Bank conceded that foreign aid has often undermined African institutional

capacity (Goldsmith, 2001, p. 123). An effective way to channel aid, then, is through state institutions that structure “political membership, representation, and resource allocation” (Breuning & Isiyama, 2007, p. 83). Since aid does act as a minor net plus for African states’ ability to govern well, scholars call for a greater focus on institutional empowerment in which foreign aid acts as a means by which governments and public institutions can provide basic social and public services (Goldsmith, 2001, p. 123).

Following this model, a popular modality of aid that evolved was the Multi-Donor Trust Funds (MDTFs). In its most basic form defined as a “mechanism to receive and manage donor funds for a broad thematic purpose as opposed to a specific project,” it is helpful in addressing widespread issues such as the spread of HIV/AIDS, or the reconstruction of a particular country or region after a conflict has devastated its physical infrastructure (Barakat, 2008, p. 108). This modality of aid is usually tailored towards donor specifications and implemented by agencies with little involvement of the recipient countries. Thus, the focus tends to be on rapid implementation, but often results in overlap because of similar interests and agendas among donors.

Humanitarian Assistance

Humanitarian aid can be categorized as a subset of what is known as post-conflict aid. The UN defines humanitarian assistance as “aid that addresses the immediate needs of individuals affected by crisis and is provided mainly by non-governmental and international organizations” (UN, 2006, p. 11). In addition, the UN Office for the Coordination of Human Affairs (OCHA) divides assistance into three categories—direct assistance, indirect assistance, and infrastructure support—which have diminishing

degrees of contact with the affected population (ReliefWeb, 2008, p. 32). In the time period following World War II and the Cold War in the first stages of foreign aid, humanitarian aid was provided devoid of conditions to meet the most basic needs of people in post-conflict areas. This generous aid policy as outlined in the first stage of foreign aid was a result of the mindset of humanitarian aid workers that excluded any political influences from their agendas. So with the political neutrality on which they prided themselves, aid workers believed that their job was to care for the needs of the people in a crisis, while the responsibilities to prevent such crises from happening rested on political leaders. This apolitical stance was also largely correlated with funding. It was found that agencies, such as Mennonite Central Committee, that paired their aid with social and political justice and transformation, received much less funding than the agencies, such as CARE, Save the Children, and Catholic Relief Services, that solely provided the aid with no political conditions attached (Bock, 2011, p. 38).

However, this apolitical stance that many organizations have taken proves to be extremely complex. As Joseph Bock of the University of Notre Dame notes, the scheme of foreign aid is changing, and can be partially attributed to the rise of conflict over identity—that related to ethnic, religious, political, or a combination of these. With this, it becomes impossible to see aid without donor bias. With micro conflicts erupting on the “local, national, and regional [level] without the influence of bi-polar superpower politics, [. . .]” it becomes clear that aid itself is often “political and partisan, or perceived as such, when victims of conflict and other disasters of one identity group received support when others did not” (Bock, 2011, p. 39). Thus, aid communities have begun assessing the way their aid impacts “inner-group tensions.” (p. 39).

Although humanitarian aid originated with the goal of improving living conditions, it has become much more involved. In recognizing the complexities of carrying out this type of aid in phases, major donor organizations such as United States Agency for International Development (USAID) have begun to attempt a more integrated approach that encourages economic growth and political reform in the early stages of aid inflow, rather than adhering to the relief-to-development continuum. The logic behind this stems from an economic standpoint: if income rates can be raised and more economic opportunities provided, recruitment for rebel groups or organizations becomes less economically viable, reducing the chance of violence and increasing the chances of sustainable peace (Toh & Kasturi, 2012, p. 204).

Debt Relief

Debt forgiveness to Heavily Indebted Poor Countries (HIPC) is an initiative that has been used to encourage economic growth. Through this initiative, the “Financing for Development” agenda has been seen as its own category, because of its potential to be a “more desirable” form of aid intervention (Cassimon & Campenhout, 2007, p. 745). An argument frequently made for debt relief is what is known as the debt overhang. According to this theory, debt inhibits countries from attracting investors because debt functions as a “distortionary tax,” forcing agents to use a share of future output to repay creditors (Presbitero, 2009, p. 532). Thus, this slows down economic growth by forcing governments to succumb to excessive borrowing, and excessive taxation of some sectors in the economy (Cassimon & Campenhout, 2007, p. 745). However, this type of aid has come under scrutiny for its ineffectiveness in freeing up resources—although that is

precisely what debt servicing works towards. The counterargument asserts that debt cancellation encourages almost exclusive debt servicing to highly indebted countries, for the purpose of allowing them to keep current on debt servicing, rather than for direct development purposes” (p. 746). Known as defensive lending, this model does not successfully encourage countries to undertake “structural reforms and chang[e] their policies according to debt-reduction initiatives” (Presbitero, 2009, p. 533).

Food Aid

Food aid has historically been a large component of humanitarian aid, but was limited to emergency food aid—thus primarily used in times of disaster and conflicts and had no permanent program through which governments distributed food. Take the US, for example: it was not until President Dwight D. Eisenhower signed into law the Agricultural Trade Development and Assistance Act of 1954, also known as Public Law 480, that a system providing non-emergency food aid was created, used to offer “surplus commodities to ‘friendly’ nations, either on concessional or grant terms” (US Department of State, 2013). This act was reinforced by President John F. Kennedy in the 1960s when he highlighted the importance of food in combating malnutrition. In 1973, the Foreign Assistance Act mandated food aid be used for food production, rural development, and nutritional needs. Finally, in 1975, Congress legislated no more than a quarter of the country’s food aid go to non-needy countries (Zahariadis, 2000, p. 665). Since its conception, this food aid from the US has fed over 150 million people around the world in 44 different countries (US Food Aid and Security, 2014). The Public Law (PL) 480 operates under three main programs:

- *Title I, Economic Assistance and Food Security.* Administered by the US Department of Agriculture (USDA), it was implemented primarily by developing country governments. It provided low-cost, long-term loans to developing countries for the procurement of commodities and was the primary form of food aid until 1990, but declined during the 1990's as donations became the norm. Title I is not currently funded.
- *Title II, Emergency and Private Assistance Programs.* Administered by the US Agency for International Development (USAID), it was implemented by private voluntary organizations (PVOs, e.g. not-for-profit, nongovernmental organizations registered with USAID), cooperatives, and intergovernmental organizations (primarily the United Nations World Food Program, or WFP). Donations of commodities sought to address emergency needs and developmental programs that reduced vulnerability to crises and improved the nutrition and food security of poor, malnourished populations. It is the main avenue for US food assistance, although funding varies depending on emergency needs. In fiscal year 2009, Title II provided 2.4 million metric tons of commodities and the total program cost, including food aid and support funds, was \$2.6 billion.
- *Title III, Food for Development.* Administered by USAID, it was implemented by developing country governments. Donations of commodities to developing countries were used to support food security programs. It has not been funded since 1994 (US Food Aid and Security, 2014).

Literature analyzing the motives behind food aid from 1978-1990 argue that it was largely donor-driven, both politically as well as economically. Scholars argue that food aid was a form of government-to-government policy and cite Senator Hubert Humphrey who stated during the PL 480 legislation, “Communism has no greater ally than hunger; and democracy and freedom no greater ally than an abundance of food” (as cited in US Food Aid and Security, 2014). This follows the logic behind Brown’s outline of the three stages of aid policies, the second of which was the Washington Consensus in which aid was highly conditional. Economically, the philosophy draws heavily from Title 1 and is a method by which the US can penetrate other markets (Zahariadis, 2000, p. 666).

However, contesting literature suggests that US food aid—because of its ties to humanitarian aid—has not been political, with the primary goal resting in nutrition. US food aid has largely been provided for populations with “high nutritional demand and tight budgetary restraints,” indicative of the demand that is being met (Kuhlgatz & Abdulai, 2012, p. 1780). This coupled with the finding that donors adjust their food aid to meet the nutritional needs of the recipient countries demonstrates that the goal of fighting hunger and malnutrition is being actively pursued. Additionally, it was also concluded from this study that “donor interests did not play a major role in the allocation of emergency food aid” (p. 1777).

Military Assistance

The West has used aid in the form of military assistance in Africa to promote “global stability and improve governance and economic opportunities” on the continent

(McDermott, 2014, p. 99). While it is seen as a necessary form of assistance in the wake of a disaster when the community is still in a fragile state, there have been some challenges that have forced the West, the US in particular, to adjust its approach. In the wake of the Cold War, military assistance to Africa was seen as a tool to contain Soviet influence on the continent, and as a result dropped sharply when the Soviet Union's interest in Africa weaned (Bachmann, 2010, p. 566). As such, the US acknowledges (and some scholars even encourage) military involvement only when direct US interests are at stake, such as oil and trade (Carafano & Gardiner, 2003, p. 1; Bachmann, 2010, p. 567).

In regards to the approach of military assistance, the 1990s saw a shift in how the US military provided assistance. In the early 1990s, the US military provided assistance in humanitarian missions to countries such as Liberia, Sierra Leone, Somalia, and Rwanda. The failure of these missions, however, and in particular extreme cases such as the dragging of a US Sergeant through the streets of Mogadishu in 1993, was a watershed in US peace-keeping in Africa. As a result, the US in particular, drew back from humanitarian missions and direct involvement, instead opting for training African troops for such missions (Bachmann, 2010, p. 566). Since the shift in the approach, partnerships between the US allies and the African Union (AU) have birthed efforts such as the African Standby Force (ASF) to “respond rapidly to conflicts and humanitarian emergencies” while increasing African capacity to “provide its own security and stability” (Krulick, 2013, p. 10). There is an increasing push for less direct US involvement, and instead, using approaches such as the ASF and other partnerships with the British and French government, who also have been main suppliers of military assistance to African countries (Carafano & Gardiner, 2003, p. 1).

The beacon of US and African military partnership was, perhaps, the establishment of the new African Command (AFRICOM) in the late 2000s. With this partnership between the US and Africa, AFRICOM focuses on long-term sustainable growth where US forces are committed in areas where there are no violent conflict. This “proactive peacetime engagement” fosters development and acknowledges the need for “historical and cultural understanding of the social areas in the target area [as well as a] whole-of-government efforts” (Bachmann, 2010, pp. 564-565). With an emphasis on civil engagement to the extent that the line between military and civilian interventions become “non-identifiable,” this aligns with the push in US military assistance for less direct involvement (p. 565).

An Assessment of Western Aid

In the past sixty years, literature has been indicative of the dynamic philosophy of aid, as the growing complexity of economics and partnerships gave way to international organizations and institutions, most notably the World Bank, the International Monetary Fund (IMF), and the United Nations (UN). Aid from the West acknowledges that there are more effective ways to alleviate poverty than simply through injecting money into an economy to encourage economic growth (such as increased amount of goods and services provided) and stability. As a result, this system of foreign aid has increased substantially. While twenty years ago there were less than 100 official donors, today there are over 70 bilateral and 230 multilateral aid agencies. Additionally, the upsurge in countries receiving aid from one country—from less than 40 to over 120 in the past four decades—

is indicative of how imperative aid is in developing foreign relations and economic ties (Riddell, 2014, p. 24).

Africa remains a large target today for foreign aid largely driven by the West with international organizations such as the World Bank, IMF, the USAID, the UN, and countries in the OECD. As of 2010, Africa was the largest recipient of foreign aid in general, with 36% of the world's total aid efforts being targeted to Africa; and in the past four decades, official development assistance has quadrupled from US\$11 billion to US\$44 (OECD, 2013). US involvement has diminished in a number of African countries, but continues to play a large role as a net donor on the continent, having dispersed US\$7.2 billion in Africa in 2008, while France and Germany followed suit with US\$3.3 billion and US\$2.7 billion, respectively (OECD, 2013).

Although foreign aid was vastly restructured with the establishment of the MCC and PEPFAR, in general, traditional aid still receives criticism for its ineffectiveness. As a former member of the Kenyan parliament, for example, lamented: “[Western foreign aid] has led to a situation where Africa has failed to set its own pace and direction development free of external reference” (as cited in Ayodele, Cudjoe, Nolutshungu, & Sunwabe, 2005, p. 3). The World Bank even admits the unknown effect of aid in one of its handbooks, despite the “billions of dollars spent on development assistance each year” (Easterly, 2009, p. 394). All along the political spectrum, foreign aid has received criticism. Classical liberals in the 18th and 19th century long contended that free trade based on relative cost advantages promotes higher standards of living, conservatives and libertarians view foreign aid as a tool for corrupt leaders and governments to disempower and stifle their people, and progressives and radicals view foreign aid as inhibiting

“indigenous democratic institutions” from self-empowerment and determination (Goldsmith, 2001, p. 123). Whatever the case, this harkens back to David Ricardo and Adam Smith’s idea of comparative advantage; this inability for aid to translate into growth is reflective of the idea that trade based on a country’s advantage is superior to aid.

David Ricardo’s discussion of trade introduces the idea of comparative advantage. This idea demonstrates that countries will export goods they can produce at lower real costs than its trading partners. Thus, countries export commodities in which they have, or acquire, an absolute advantage (Ruffin, 2002, p. 728). This is where the shortcomings of Western aid is reflected. For the West, rather than promoting an exchange in which both parties can benefit, aid often simply injects cash into an economy without taking into consideration the advantages that certain country has, so that it can promote trade (Chin & Quadir, 2012, p. 492).

South-South Cooperation as an Alternative to Western Aid

As an alternative to Western aid, China has emerged as a world power and a major player in the global market of foreign aid. In creating an approach that uniquely sets them apart from the traditional Western donors, a prominent theoretical framework that has been brought into discussion is the notion of “South-South aid” (Quadir, 2013, p. 322). This new model that China and other countries in the Global South (like Brazil, Russia, India, and most recently South Africa) have initiated is that of “horizontal cooperation” based on the principles of “equality, partnership, and mutual interest” (p. 323). Echoing a common theme throughout literature, critics of this model assert that

China as a Southern donor pays less attention to issues of “social justice, environmental sustainability, democracy, and human rights” (p. 324). Whatever the case may be, China uses its image as a developing country to identify with other countries in the South. Indeed, China’s status as a “net donor” is unique in the sense that while they give more aid than they receive, they still remain an aid recipient nonetheless. This is unlike South Korea that transitioned into being a donor only once they reached middle-income status (Chin & Quadir, 2012, p. 580). The Chinese stress this common root with African countries, claiming the symbolic attraction of China, a “once-impooverished country victimized by Western imperialism and held back by its own pursuit of disastrous forms of socialism,” resonates with African elites looking for a positive development model from the Third World” (Alden, 2005, p. 156).

This common identity among China and African states as aid recipients coupled with promises of “no political strings attached aid” is used to build rapport and a common identity among African nations, many who have welcomed Chinese aid (Mai & Wilhelm, 2012, p. 143; Enuka, 2011, p. 225; Taylor, 2006, p. 947). Setting them apart from the demands of traditional Western donors, China’s recent relations with African states “emblemize its nontraditional approach to development” through policies of non-interference (Speerbe, 2009, p. 225). The language that China employs also has an impact on its appeal to Africa—rather than seeing them as recipients, China claims that African countries are “equals, seeking mutually beneficial outcomes” (Quadir, 2013, p. 325; Enuka, 2011, p. 225). Scholars who share this perspective see China’s investments in “infrastructure, education, agricultural and economic development” as indicative of their

interests in Africa's long-term growth, rather than a short-term exploitive extraction of oil and other mineral resources (p. 225).

Politics: Neo-Colonialism vs. Non-interference

Not surprisingly, this notion of South-South aid that allies China with the South and partially villainizes the traditional Western donors has sparked debate about China's effectiveness in providing aid. To the argument regarding Chinese interests in Africa's long-term growth, in particular, the counterargument is made that China's focus on development projects are indicative of China's desire for "quick and tangible results," leading to accusations of neo-colonialism (Kragelund, 2011, p. 598). In terms of globalization, this then leads to arguments made for China's desire for widespread influence on the continent in a timely manner. A prominent of these counterarguments accuses China of neo-colonialism in a "new scramble for Africa" (Raposo & Potter, 2010, p. 177). In the most basic terms, neo-colonialism can be defined as "the economic and political policies by which a powerful nation-state or any political institution [. . .] indirectly maintains or extends its influences, which are essentially negative, over other areas or people" (Lumumba-Kasongo, 2011, p. 246). Claiming the same logic that drew the Europeans into Africa during colonialism, "Sino-pessimists" maintain that this Chinese interest in Africa only further perpetuates the dependency on external cash flows, inhibiting and blocking Africa's efforts to overcome them" (Adem, 2010, p. 335).

On one hand, China has been accused of perpetuating dependence on aid, with too much control over Africa's finances and natural resources, and wanting to expand Chinese influence on the continent. On the other, an argument is made for its policy of

non-interference. That is, the lack of interest on the part of the Chinese for issues such as governance and corruption mounts concern (Taylor, 2006, p. 944). If not carefully mitigated, Chinese development projects could cause serious “social, economic, and environmental changes in recipient states and regions” (Butts & Bankus, 2009, p. 8). However, in response to these criticisms, former Chinese President, Hu Jintao, shifted the narrative of Sino-African aid relations to be one of “social harmony” rather than “economic growth”—that is, “[a model] of humanitarian and development aid plus influence without interference, in contrast to the West’s coercive approach of sanctions plus military intervention” (Mullins-Tan, Mohan & Power, 2010, p. 861). But despite claims of withholding “sanctions,” Sino-African relations do indeed come with a set of their own terms (Lumumba-Kasongo, 2011, p. 256). These terms include Chinese labor and goods and services that must be bought for projects—it was even estimated that approximately 69% of Chinese aid to African countries was spent on Chinese equipment (p. 256). Other terms that accompany the flow of aid are highly diplomatic—countries who acknowledge and support the one-China principle were historically known to receive more “financial support, construction projects, [and] trade agreements” (Breslin, 2013, p. 1276).

Theoretical Framework: Public Choice Theory

An additional framework that supports the criticism of Chinese aid is that of public choice. This theory asserts that just like consumers and firms, the public sector—in this case the Chinese government as an aid donor—seeks to maximize their personal benefits. In this way, they operate similarly to how any business would—prioritizing

personal interests and maximizing profits. This does not mean, however, that they do not act somewhat out of general interest; in fact, public sector decision makers will act on behalf of their general interest; that is, given that the constraints and incentives behind it also align with their own interests (Landau, 1990, p. 559). Thus, this theory asserts that foreign aid is “ineffective and possibly damaging to recipient countries” (Williamson, 2010, p. 28). This explains, in part, the non-interference model of aid that China prides itself on. This model of aid claims that business is business and thus should not be involved politically—a claim that benefits the Chinese government because of its ability to base its aid flows based on strategic agendas rather than the needs of the respective African country and the lack of corruption in each respective African state.

This theoretical framework is especially relevant to discuss as the issue of China’s oil diplomacy in Africa surfaces in the consequent chapters through various data analyses and case studies. Seen by critics as one of the highest incentives for Chinese foreign aid, oil diplomacy and the public choice analysis seems to offer a possible explanation for the seemingly unconditional aid that China offers (Shinn & Eisenman, 2005, p. 7; Taylor, 2006, p. 951; Kopinski, Polus & Taylor, 2011, p. 130).

As recipients, the public choice theory also calls into question the special interests of recipient governments. Landau cites two main objectives for powerful individuals in recipient governments as “staying in power and securing maximum income consistent with staying in power” (Landau, 1990, p. 560). Thus, this theory calls into question the distribution of foreign aid that include self-interest on the part of the powerful individuals (Williamson, 2010, p. 30).

With this basic foundation outlining a framework and criticism of Chinese foreign aid, the next chapter will examine closer the modalities and motives which drive Sino-African relations.

CHAPTER 3

CHINESE AID MODALITIES AND MOTIVES

With the brief discussion on the West as the original aid donors, an emerging presence of Chinese aid was highlighted. With its emergence, however, Chinese aid was heavily criticized by those in the West, as was noted in the previous chapter. With the theoretical framework of neo-colonialism and non-interference that has driven its aid, then, it is necessary to study the various forms of aid projects these frameworks manifest themselves in. The following sections briefly highlight more the specific modality of Chinese aid—*how* China gives aid, and the motives behind it—*why* they give aid.

Modality

Bilateral Aid: Summit Diplomacy

In the early stages of its involvement in Africa during the 1960s, Premier Zhou and the Chinese administration used high profile “summit meetings” to establish a relationship between the Chinese and African governments (known as bilateral aid). Essentially, these meetings were a way to set up communication between the highest

levels of power in each country in order to maximize Chinese presence on the continent and expand its diplomatic reach. This model of establishing friendly relations was carried on well into the 1980s when Chinese businesses started to boom. Intended to increase confidence in African nations of their ties with China, the Chinese Premier affirmed their cooperation on the basis of “collective consultation and dialogue, and a cooperation mechanism between the developing countries [. . .] characterized by pragmatic cooperation and equality and mutual benefit” (Lumumba-Kasongo, 2011, p. 251). Symbolically, this has been significant, as from 1991-2007, China’s foreign minister made visits to African nations his first stop abroad. This modality of aid helps China maintain its position as the leader of the developing countries. Former President Hu Jintao in 2006 maintained that “China and Africa are good friends, good partners, and good brothers” (Anshan, 2007, pp. 79-80).

The pinnacle of the celebrated Sino-African diplomatic relations was, perhaps, reached at the turn of the century with the establishment of the Forum on China-Africa Cooperation (FOCAC). Not only are these summits significant and symbolic to the African and Chinese public, but, as previously mentioned, they are also where the majority of large-scale pledges to financial partnerships occur. The first conference took place in 2000 with 44 African nations in attendance, and sought to answer two main questions: 1) In what way should China and Africa work towards the establishment of a new international political and economic order in the 21st century? and 2) How should China and Africa further strengthen Sino-African economic cooperation and trade under the new circumstances? Using this momentum, the next summit was in 2003 in Addis Ababa, Ethiopia, and saw an increased commitment from the Chinese to “strengthen

cooperation with Africa in human resources development and train up to 10,000 African personnel in different fields in three years” (Lumumba-Kasongo, 2011, p. 251).

The third summit was held in Beijing during November 2006, and was the largest diplomatic event that China had ever hosted (Mullins-Tan et al., 2010, p. 862). During this summit, an enormous debt cancellation and technical assistance helped launch a \$5 billion China-Africa Development Fund under the Beijing Action Plan (BAP). This agreement saw increased international cooperation, including support from China for Africa in a permanent seat in the United Nations Security Council. This promise of Chinese support in international politics also assured them a voice indirectly in the UN, as Beijing repeatedly argued that “China and Africa share identical or similar opinions on many major international affairs as well as common interests” (Taylor, 2006, p. 944). The fourth conference in 2009 took place in Sharm El Sheikh, Egypt. This was the largest gathering to date, with 49 countries who attended. This summit had its focus on infrastructural commitments, as well as encouraging more private companies to open up their trade and investments. It was also at this summit that China cancelled 168 debts of 33 African countries (Lumumba-Kasongo, 2011, p. 252).

Infrastructure

Infrastructure projects implemented by the Chinese is a large focus of aid inflows to Africa. They are channeled through Other Official Flows (OOF) under Foreign Direct Investment (FDI). This is an example of how Chinese aid is hard to identify—although Official Development Assistance (ODA) is the means by which Western donors traditionally classify aid, China often couples its ODA with infrastructure projects and

natural resource development, with little information on exact numbers. Thus, it is a discussion that cannot be ignored as it directs so much of Chinese involvement on the continent, and is especially relevant to the discussion of its natural resource development (Foster, Butterfield, Chen, & Pushak, 2009, p. xi).

As of 2009, about 35 countries out of the 54 in Africa were engaged in infrastructural partnerships with China, mostly in the hydropower generation sectors and railway construction. To date, Sudan, Algeria, Nigeria, Zambia, Zimbabwe, South Africa, Madagascar, and Angola have received millions of dollars for infrastructure construction projects. However, different from the rebuilding of infrastructure that the Western donors have engaged in for states recovering from conflict, China's strategic infrastructure development targets countries with natural resource reserves that have been untapped due to the lack of regional and national capacity to develop them. For example, Belinga iron ore reserves in Gabon are located 500 miles inland, and have not attracted many foreign investors. Thus, China provides the necessary transportation, specifically railways, from the mine site to the coast, as well as a water export terminal. Due to the lack of electricity, China also builds hydroelectric power plants to mine the ore, process, and transport it to the coast, from where it can be exported to China (Butts & Bankus, 2009, p. 6).

Agriculture

In delivering aid that is centered on the "real needs of the recipient countries, free from shackles of unpractical ideas, agriculture has been a major focus of Chinese aid without the "package of political or economic reforms" (Mullins-Tan et al., 2010, p. 861).

With more than 44 countries who have hosted Chinese agricultural aid projects and 90 farms that have been established, Chinese interest in the agriculture sector within Africa has steadily been on the rise (Bräutigam & Xiaoyang, 2009, p. 686). This was one of the areas of cooperation highlighted in the 2009 FOCAC summit in Egypt, during which Premier Wen announced a set of goals to promote Africa's agriculture sectors, which had in the past years received relatively little interest from the traditional DAC donors.

Chinese aid experts Deborah Bräutigam and Tang Xiaoyang categorize five main trends in the development of Chinese aid from the late 1990s to the present concerning agriculture:

1. Integration of Chinese enterprises and state-controlled aid due to the poor results of earlier aid projects;
2. The new strategy of “going global” and its new opportunities for Chinese firms in agriculture;
3. The establishment of new tools and strategies to promote Chinese business engagement in Africa;
4. Diplomacy, aid and business as a package of Chinese foreign relations in a series of summits and high-level meetings; and
5. Backlash received for Chinese investment in large overseas farms solely for the importation of grains to secure domestic needs (Brautigam & Xiaoyang, 2009, pp. 693-695).

The “going global” strategy in which these five trends fall under includes building global brands from China's competitive enterprises, providing higher-value technology and service exports, and increased Chinese investments abroad. With China's efforts to

further pursue a presence in the global market in the late 1990s, they quickly realized that their goals of economic significance hinged on their capacity to link aid to other forms of economic engagement. As a result, the Chinese developed ways to fulfill this agenda through concessional loans to subsidize joint ventures, and inclusive learning opportunities such as seminars on agribusiness opportunities were sponsored by the Ministry of Agriculture and the Ministry of Foreign Affairs. The 2000s were a continuation of these diplomatic efforts in sharing agricultural expertise on the continent, particularly highlighted in response to growing concerns of neo-colonialism (Bräutigam & Xiaoyang, 2009, p. 692-695).

Health Diplomacy

Global health as a subject of Chinese interests is one that China is keen on capitalizing on, although it still remains in the peripheral within the Sino-African aid model. Since the earliest stages of Sino-African relations in the 1960s, China has been sending Chinese medical personnel and doctors to Africa to provide training, including seminars and conferences for African health personnel. In addition, China has implemented programs to prevent the spread of HIV/AIDS and malaria. More recently, in 2008, China agreed to establish a malaria prevention and treatment center at the General Hospital in Luanda, Angola's capital city. However, this was seen as a diplomatic move by critics of Chinese aid, and the funds being poured in were seen as a way to increase their stakes in the oil- and mineral-rich countries of the continent (Strange et al., 2013).

Motives

With projects that span across the different sectors in Africa, the question of why aid is being injected into these African countries comes into play. While it is no secret that the demand for minerals is highly motivational for aid, it is interesting to note another dimension—a political one—come into play.

Mineral Diplomacy: Both Modality and Motive

A widely echoed critique of Chinese foreign aid has been the natural resource interest that serves as a driver of resource input into Africa. Even in outlining the various modalities of Chinese aid across sectors and professional fields, it is apparent that there are underlying motives of aid to further the Chinese administration's agenda in its drive for international power. China boasts impressive statistics when it comes to growth. Its economic growth has steadily been growing between 7 to 10 percent since the 1980s. By 2003, China passed Japan as the second largest consumer of petroleum, only second to the United States. By 2020, China is estimated to consume more than one fifth of the world's copper (Butts & Bankus, 2009, p. 2). As a result of this fast-growing economy with a booming industrial sector, there is an increasing demand for mineral and energy resources in China that must be met (Wilson, 2005). Thus, Chinese aid functions as a way to satisfy domestic demands for minerals.

Oil is at the heart of Chinese incentive, with 45% of its oil demands being met through net oil imports. According to the Energy Information Administration of the US Department of Energy, China accounted for "40% of the growth in global demand for oil from 2002-2004" (as cited in Cheng & Huangao, 2009, p. 103). This practice of

extending aid in return for this resource has been a strategy employed to compete with Western countries (Lee, Shalmon & Rotbert, 2008, p. 111). By tying resource extraction with aid projects, they seek to create a distinctive competency that will provide them with a competitive advantage over Western donors. For example, Sudan is an oil-rich country that China has maintained relations with. Importing the majority of Sudanese oil, China provides, in return, an infrastructure which makes oil extraction and exporting more feasible—“from exploration, production, and refining to sales of crude oil, gasoline and petro-chemical products” (Anshan, 2007, p. 78).

Oil diplomacy, defined as the “foreign activities with explicit involvement of the central government aiming to secure foreign aid and gas resources or promote interstate oil and gas business cooperation,” is a major incentive in Sino-African relations (Chen, 2008, p. 80). From the Chinese government’s point of view, this is not synonymous to oil and gas trade. In economic terms, oil and gas trade is “profit-centered” and negotiated through careful cost-benefit analysis through private companies, while oil diplomacy ensures governmental partnerships. Thus, China uses oil diplomacy for “noneconomic purposes,” such as expanding state influence and strengthening governmental relationships (p. 81). Expanding state influence, in particular, provides a great incentive for strategists to increase and maintain high levels of oil diplomacy. Being in charge of oil resources enables them to manipulate future prices. This not only becomes important for China as a major oil consumer with growing domestic demands, but also gives them more soft power, a long-term consideration that Beijing highly prioritizes (Taylor, 2006, p. 942).

While oil diplomacy may initially seem less economically-driven, its national interests line up in such a way that highly values economic growth and power. So while the language often put forth by China emphasizes governmental cooperation and relationship-building, literature argues that Chinese oil diplomacy has two main goals: to secure a steady flow of oil supply for domestic demand, while also positioning China as a “global player in the international oil market,” (Taylor, 2006, p. 939). This explains the potential distribution of aid in African countries. If indeed China prioritizes economic benefit, a main assumption of the public choice theory, then countries that may be geographically small but have an abundance of minerals are positioned as large recipients of Chinese aid.

In China, oil has been mostly state controlled, with most state-owned fuel operations placed under the oversight of the State Energy Administration in 1998. In addition to the China National Offshore Oil Corporation (CNOOC) that was incorporated in 1982, Beijing established The China National Petroleum Corporation (CNPC) and the China Petrochemical Corporation (SINOPEC). Both shaped as “vertically integrated oil and petrochemical corporations with interests that stretched across the whole value chain,” each played a major role in the exploration and production of oil business, accounting for the majority of the output. (Taylor, 2006, p. 941). These companies continue to be fundamentally state owned, and as a result function in accordance to China’s foreign policy—mainly, using long-term contracts as a way to acquire foreign energy resources. With the increased number of resources and funds available at their disposal, their competitive advantage lies in the ability to outbid competitors in major contracts awarded by African governments (p. 942).

While oil is one of the main incentives for Chinese aid activities, it is not the only driver of aid allocation. Beijing actively seeks out relations with countries that produce resources of every kind, including “copper, bauxite, uranium, aluminum, manganese, and iron ore” among other minerals (Taylor, 2006, p. 938).

Politics: “One-China Policy”

In addition to oil diplomacy, the literature draws out a relationship between the amount of aid a country receives and their political ties. Particularly in relation to African countries, recognition of Taiwan and their diplomatic ties to Taipei, the “one-China policy” of recognizing the People’s Republic of China (PRC) rather than the Republic of China, has an effect on aid. This policy essentially asserts Beijing as the only “legitimate representative of China,” denying Taiwan’s existence as an independent entity (Tull, 2006, p. 463). Although this is not indicative of China’s sole motivation in Sino-African partnerships, a relationship exists between China’s aid allocations and allies in Africa. Countries that recognized Beijing rather than Taipei received considerable Chinese aid, in addition to “financial support, construction projects, trade agreements, and so on” (Breslin, 2013, p. 1276; ECOSOC, 2008; Tull, 2006, p. 476).

Indeed, China’s ODA investments in Africa still remain relatively small compared to that of other Western donors such as the US. However, China has operated its aid with the intention of receiving political support from these African countries, a reason why it seeks to capitalize on its status as a developing country, seeking “mutual benefit” (Mullins-Tan et al., 2009, p. 865). This framework from which China operates its aid has historically provided them more support. In 1971, they had enough African

support for the “One-China” principle in the General Assembly of the UN to secure a permanent seat at the UN Security Council, the seat that the Republic of China (Taiwan) had previously held (Kjøllestad & Welle-Strand, 2010, p. 4).

With this discussion on Chinese motives in particular, it is hypothesized that the presence of minerals and natural resources will have a significant bearing on the amount of Chinese aid each country in Africa receives. Additionally, in regards to diplomatic ties, it is hypothesized that countries with relations with Taiwan rather than Beijing will receive less aid from China. In order to test these hypotheses and give creditability to the critiques of Chinese foreign aid that puts resource extraction and political diplomacy as the underlying motives for Chinese aid, it is a preliminary data analysis to which this discussion will now turn.

CHAPTER 4

EXPLAINING FOREIGN AID VARIATION THROUGH DATA ANALYSES

Introduction

In enhancing the discussion about Chinese foreign aid in Africa, a series of data analyses were run to assess the variation in Chinese aid. Due to the ambiguity and the lack of disclosure on the part of the Chinese, data from the Center for Global Development in partnership with the College of William and Mary, Brigham University, and Development Gateway was used. With an extensive record of each of the Chinese aid projects, the numbers were extracted to quantify the amount of aid provided for each country.

The main purpose of this study was to provide a discussion with concrete data on the variation of Chinese aid in Africa, in hopes of providing an explanation of Chinese motives and agenda in Africa through the variation. In quantifying this idea, a simple linear regression analysis was not seen as an adequate depiction of the aid landscape. Thus, a risk ratio analysis, and a multivariate regression analysis were additionally conducted. Although the three different analyses also lack the certain results desired and

call for a more in-depth study quantifying some of the independent variables—such as the amount of natural resources in a given country—it does provide a more dynamic assessment of Chinese aid in Africa.

Before delving into the numbers of this study, it should be noted that the currency conversions from the Chinese yuan and other African currencies were converted to US dollars in 2014. If this study is to be examined at a later date, the monetary values may vary according to fluctuations in the currency exchange rates.

Simple Linear Regression

Methodology

The first analysis conducted was the simple linear regression. In this study, the unit of analysis used was individual African countries—54 in total, as defined by the World Bank database. Using data released by the Center for Global Development, the ODA and OOF projects that China implemented in Africa from the years 2004-2011 were extracted and categorized by countries. The data show how much aid China gave to individual countries in Africa, rather than to the continent as a whole. The independent variables were based on data published mostly by the World Bank; as a result, the research suffers, to some extent, from a lack of data availability. The year 2004 was the earliest year that all the independent study variables were fully available for each country; consequently, that is the earliest year that this study dates, yet again reflective of the shortage of data and literature that exists even in large organizations.

The findings do not define patterns of Chinese aid outside the given time period. This limitation makes a difference. If the range of years had been extended to 2000-2011,

for example, Nigeria would be the largest recipient of Chinese aid, receiving over US\$47 billion largely in the form of transport and storage aid. Angola, South Africa, Zimbabwe, and Ghana also received significant funds through infrastructure projects and energy supplies among other types of aid—US\$37 billion, 27 billion, \$24 billion, and 23 billion, respectively (Strange, Parks, Tierney, Dreher, Fuchs & Ramachandran, 2013). On the other hand, countries such as Benin and Somalia—who border some of these largest recipient countries—were not heavily targeted by China, each receiving less than US\$50 million (Strange et al., 2013). When the time period is adjusted to reflect only projects implemented in the years 2004-2011, however, the narrative changes—the top recipient country is no longer Nigeria, and the cumulative amount of aid decreases with the limited range in years. Moreover, only the official flows (ODA, OOF, and FDI) were taken into consideration, rather than including unofficial flows allocated from private companies and NGOs due to the lack of data.

Results & Discussion

Table 4.1 lists the recipients of Chinese foreign aid for the time period 2004-2011, along with the percentage of the total Chinese aid to Africa that each country receives, from the largest recipient to the smallest:

Table 4.1: African Recipients of Chinese Foreign Aid (greatest to smallest)

<u>Country Name</u>	<u>Aid Received (in US\$)</u>	<u>Aid Received (%)</u>
1. Ghana	18,060,327,662.37	23.63%
2. Congo, Dem. Rep.	6,703,448,459.84	8.77%
3. Zimbabwe	4,611,585,767.51	6.03%
4. Ethiopia	4,555,515,419.36	5.96%
5. Mozambique	4,223,448,600.00	5.53%
6. Angola	4,002,614,269.79	5.24%
7. Sudan	3,679,016,193.14	4.81%
8. South Africa	3,511,779,704.50	4.60%
9. Cameroon	3,025,754,163.68	3.96%
10. Equatorial Guinea	3,023,200,000.00	3.96%
11. Zambia	2,628,464,999.18	3.44%
12. Nigeria	2,224,076,069.62	2.91%
13. Egypt, Arab Rep.	2,014,324,706.33	2.64%
14. Congo, Rep.	1,476,459,962.02	1.93%
15. Tanzania	1,296,595,954.34	1.70%
16. Mauritius	1,222,159,239.15	1.60%
17. Chad	1,183,609,096.51	1.55%
18. Kenya	1,115,598,660.56	1.46%
19. Uganda	1,034,074,213.95	1.35%
20. Côte d'Ivoire	625,536,638.04	0.82%
21. Mali	590,938,506.21	0.77%
22. Namibia	532,215,106.66	0.70%
23. Mauritania	529,857,423.25	0.69%
24. Togo	443,586,721.54	0.58%
25. Malawi	440,486,327.27	0.58%
26. Senegal	358,105,744.33	0.47%

27. Gabon	308,151,109.68	0.40%
28. Libya	303,095,275.05	0.40%
29. Sierra Leone	282,914,225.00	0.37%
30. Morocco	260,192,232.04	0.34%
31. Eritrea	257,986,627.51	0.34%
32. Madagascar	200,242,832.87	0.26%
33. South Sudan	189,712,750.45	0.25%
34. Liberia	189,197,351.84	0.25%
35. Niger	185,740,130.92	0.24%
36. Guinea	179,952,356.75	0.24%
37. Guinea-Bissau	172,895,628.63	0.23%
38. Lesotho	146,006,189.96	0.19%
39. Central African Republic	125,143,600.01	0.16%
40. Burundi	118,670,675.43	0.16%
41. Algeria	92,311,385.37	0.12%
42. Botswana	75,681,635.27	0.10%
43. Tunisia	64,565,358.07	0.08%
44. Comoros	52,839,478.11	0.07%
45. Benin	39,162,245.64	0.05%
46. Somalia	26,872,181.35	0.04%
47. Cape Verde	22,694,595.83	0.03%
48. Djibouti	18,215,145.92	0.02%
49. Burkina Faso	-	0.00%
50. Gambia, the	-	0.00%
51. Rwanda	-	0.00%
52. São Tomé and Príncipe	-	0.00%
53. Seychelles	-	0.00%
54. Swaziland	-	0.00%

Data retrieved from Strange et al., 2013

As can be seen from Table 4.1, Ghana was the largest recipient of Chinese foreign aid in the years 2004-2011, receiving almost 25% of the total Chinese aid to Africa. This amount is approximately three times as much as the next highest recipient, the Democratic Republic of the Congo (DRC). While 17 of the countries received official funds or aid from China, through projects, grants, and other official flows, about 20 countries received aid ranging from \$100,000,000 to about \$630,000,000. Eight countries received from around \$18,000,000 to under \$100,000,000, while six countries did not receive any official flows from China in the years 2004-2011. Examining the distribution of aid percentages, it appears that 24 countries receive less than 1% of Chinese aid, indicative of China's preference for a wide breadth of relationships, perhaps more so than the depth.

The distribution of aid varied greatly, with no initial pattern standing out. Ghana as the evident outlier was especially surprising, seeing as it received significantly more aid than any other country in Africa. To put this into perspective, the amount of aid Ghana alone received from China in this time period is three times more than the total amount of aid the bottom thirty-four countries received altogether. Taking into consideration Ghana's small land size (32nd largest out of 54 countries) and Gross Domestic Product (GDP) per capita (21st highest out of 54 countries), this seems to be an incredible feat.

Another notable finding concerns a country's aid level in relation to its political ties. For example, four of the six countries that received no aid from China during the years 2004-2011—Burkina Faso, Gambia, São Tomé and Príncipe, and Swaziland—had diplomatic relations with Taiwan rather than with mainland China (Guest, 2013). While

this correlation does not indicate causation, this finding is consistent with literature that highlights China's efforts to increase and maintain African support for the "One-China" policy.

To explain the variation in the amount of aid received by the various African countries, a series of independent variables were used, as shown in Table 4.2 The definitions of these variables can be found in the Appendix 1. Data availability somewhat constrained the choice of independent variables.

Population and land area were chosen to determine whether the physical landscape of a certain country and/or the size and density of the population would make a country more likely to receiving Chinese aid. Additionally, if there is no correlation between the population or land size and the aid distribution, the possibility of these variables confounding the effect of other variables can largely be eliminated. That is, a relationship between population or land size and aid received may be caused by the fact that larger countries often have more dense populations, and thus receive more aid. GDP per capita was chosen for the purpose of assessing whether a country's level of economic development has an effect on aid allocation; the years 2004 and 2011 were chosen to examine whether aid, if influenced by GDP per capita, would fluctuate between these two years (beginning and ending time periods). Lastly, the employment to population ratio was chosen to determine whether Chinese aid projects in Africa were creating more jobs for the locals or not, a common criticism of unconditional Chinese aid (Lumumba-Kasongo, 2011, p. 256).

The remaining variables were chosen largely due to literature that asserted that natural resources are a major Chinese incentive in providing aid to African countries

(Chen, 2008; Grimm, 2011; Taylor, 2006; Wilson, 2005). In looking at natural resources, then, the variable particularly of interest was the total amounts of natural resource rent and the amount of arable land to use for farming, as agricultural development was one of the aid modalities discussed in the previous chapter. In order to examine the stated Chinese intent to use unconditional aid based on a philosophy of non-interference, control of corruption and political stability based on the World Governance Indicators, provided by the World Bank, were used. The results are shown in Table 4.2:

Table 4.2: Independent Variables and the R² Value

<u>Independent Variable (2011)</u>	<u>R² Value</u>
1. Population	0.0860
2. Employment to population ratio, 15+, total (%) (modeled ILO estimate)	0.00002
3. GDP per capita (current US\$): 2004	0.0064
4. GDP per capita (current US\$): 2011	0.00004
5. Total natural resource rent	0.0348
6. Land area (sq. km.)	0.0469
7. Arable land (% of land area)	0.0015
8. Arable land (hectares)	0.0528
9. Control of corruption: 2004	0.0006
10. Control of corruption: 2011	0.0001
11. Political stability: 2004	0.0097
12. Political stability: 2011	0.0005

None of the independent variables yielded substantial results. The highest r^2 value was the population variable around .08, indicating an extremely weak relationship. The finding for the relationship between a country's population and the amount of aid it receives is not surprising, as a country such as Ghana with a population of rough 20 million receives 10 times more aid than Nigeria whose population is over 178 million (World Bank, 2014). The finding for the employment to population ratio was also not

surprising, as the literature highlights China's policy of bringing Chinese workers and equipment to Africa for aid projects, as discussed later in this study (Lumumba-Kasongo, 2011, p. 256). The GDP per capita for the years 2004 and 2011 were examined separately, and the relationship between a country's level of GDP per capita and the aid received actually weakened with time.

The finding for total natural resource rent comes as a surprise, as the relationship is not as significant as was originally hypothesized. This relationship will be explored more in depth in the multivariate regression analysis.

The findings for variables 6-8 that concern land also shows an extremely weak relationship, at best. This is consistent with the results in Table 1 that show the amount of aid each country receives. The top recipient, Ghana, has an extremely small land area compared to its neighbor in the North, Algeria (ranked in the bottom half of aid recipients). Arable land was also of interest to determine whether China's commitment to agricultural development had an impact on aid distribution. However, the results indicated a weak relationship between arable land and aid.

The findings for variables 9-12 show a lack of relationship between governance and the amount of aid that an African country receives; this is consistent with the literature, most prominently with the non-interference model of Chinese aid. In fact, when comparing the r^2 values of 2004 and 2011 for control of corruption and political stability, the relationship (though already weak) gets weaker with time, portraying China's little to no interest in a country's governance when providing aid.

Risk Ratios

Methodology

Natural resources and the notion of resource diplomacy plays a major role in the conversation of Chinese aid in Africa. It was a surprise, then, that the linear regressions failed to indicate correlations. Thus, a risk ratio analysis was conducted to tease out any relationship between natural resources and variation in aid. The amount of aid received was grouped into four categories: \$0-\$80 million (Category 1), \$80-280 million (Category 2), \$280-\$1 billion (Category 3), and more than \$1 billion (Category 4). Next, natural resources that were highlighted in literature were selected—namely gold, petroleum, natural gas and copper as highly significant and uranium as slightly less significant (Chen, 2008; Grimm, 2011; Taylor, 2006; Wilson, 2005). With this information, the question posed was simply this: are countries with these natural resources (known as the “exposure” in a risk-ratio) more likely to receive more aid than countries that do not have these resources?

Results & Discussion

With Tables 4.3- 4.8 highlighting the various natural resources studied, the results were as follows. In each of the tables, the ones on the left (*Tables 4.3-a, 4.4-a, etc.*) compare countries of the bottom half categories (1-2) to the top half categories (3-4). The tables on the right (*Tables 4.3-b, 4.4-b, etc.*) compare the bottom three quartiles (1-3) to the top quartile (4). The last table presents the cumulative natural resource rent for all the African countries. This is solely divided by the number of countries in the top and bottom half of rent, and the countries that receive the top and bottom half of aid.

Table 4.3-a: Gold

	1 to 2	3 to 4
Gold	11	19
No Gold	14	10
Gold Risk Ratio:	1.52	

Table 4.4-a: Copper

	1 to 2	3 to 4
Copper	5	13
No Copper	20	16
Copper Risk Ratio:	1.62	

Table 4.5-a: Petroleum

	1 to 2	3 to 4
Petroleum	6	13
No Petroleum	19	16
Petroleum Risk Ratio:	1.50	

Table 4.6-a: Natural Gas

	1 to 2	3 to 4
Natural Gas	3	11
No Natural Gas	22	18
Natural Gas Risk Ratio:	1.75	

Table 4.7-a: Uranium

	1 to 2	3 to 4
Uranium	6	10
No Uranium	19	19
Uranium Risk Ratio:	1.25	

Table 4.3-b: Gold

	1 to 3	4
Gold	17	13
No Gold	18	6
Gold Risk Ratio:	1.73	

Table 4.4-b: Copper

	1 to 3	4
Copper	9	9
No Copper	26	10
Copper Risk Ratio:	1.80	

Table 4.5-b: Petroleum

	1 to 3	4
Petroleum	9	10
No Petroleum	26	9
Petroleum Risk Ratio:	2.05	

Table 4.6-b: Natural Gas

	1 to 3	4
Natural Gas	6	8
No Natural Gas	29	11
Natural Gas Risk Ratio:	2.08	

Table 4.7-b: Uranium

	1 to 3	4
Uranium	10	6
No Uranium	25	13
Uranium Risk Ratio:	1.10	

Table 4.8: Cumulative Natural Resource Rent (2004-2011)

	Top half aid	Bottom half aid
Top Half Rent	21	6
Bottom Half Rent	6	21
Natural Resource Risk Ratio:	12.25	

The risk ratio, seen in each of the boxes, indicates how much more likely the countries with the natural resources are to be in the higher category of aid. For example, in Table 4.3-a, countries with gold are 1.52 times more likely to be in the aid Category 3 and 4. In other words, if countries have gold, their chances of receiving more than \$280 million of aid from China increases by 1.52 times. Using the same logic, Table 4.3-b can be interpreted: countries with gold are 1.73 times more likely to receive \$1 billion or more of aid from China than countries without gold.

There was a wide range in the risk ratios, with the lowest ratio in countries with uranium—although countries with uranium had a greater chance in receiving more than \$1 billion of aid, it was only a 10% increase. The most extreme, on the other hand, was the resource rent risk ratio. Defined by the World Bank as the “total natural resources rents are the sum of oil rents, natural gas rents, coal rents (hard and soft), mineral rents, and forest rents,” it indicates the surplus value of the natural resources after all costs have been accounted for (World Bank, 2014). Since the World Bank database only provides the percentage of the country’s total GDP, the actual amount of rent was calculated by multiplying the resource rent percentage and the country’s GDP for the years 2004-2011.

Unlike the other independent variables where the ratio was computed as simply the presence or absence of the resource, the ratio for the resource rent was split into two

categories: top half and bottom half of rent using the median rent as the reference point in Table 4.8 (approximately \$927,365,424). The amount of aid received was also split using the same method, with approximately \$43,660,456 as the median. The result was astounding: countries in the top half of the rent category with more than \$927,365,424 of resource rent were more than 12 times as likely to be in the top half of aid (receiving \$43,660,456 or more of aid from China) as countries in the bottom half of rent. Though this is not conclusive, it does provide some helpful insight to how China decides to allocate their aid.

Multivariate Regression

Methodology

A multivariate analysis was conducted to examine the relationship between the presence or absence of selected minerals and the amount of aid received. Especially relevant to the discussion is the result of the countries with an abundance of petroleum and copper, two of the most consumed minerals in China. Lead, coal, and cobalt as minerals highly desired by China were additionally added from the preliminary linear regression and the risk ratio analysis.

The following two equations were estimated using the Ordinary Least Squares (OLS):

$$\begin{aligned}
 \mathbf{1. \$Aid} &= \mathbf{a_1} + \mathbf{b_1*(Gold)} + \mathbf{b_2*(Petroleum)} + \mathbf{b_3*(Copper)} \\
 &+ \mathbf{b_4*(Cobalt)} + \mathbf{b_5*(Coal)} + \mathbf{b_6*(Lead)} \\
 &+ \mathbf{b_7*(Natural Gas)} + \mathbf{b_8*(Uranium)} \\
 &+ \mathbf{b_{10}*(GDP\ per\ capita)} + \mathbf{\epsilon}
 \end{aligned}$$

$$2. \text{\$Aid} = b_9 * (\text{Natural Resource Rent}) + b_{10} * (\text{GDP per capita}) + \epsilon$$

Where $\text{\$Aid}$ = amount of aid in US\$

a = aid if the rest of the variables equaled 0; a constant

b = slope; the change of aid to respect to presence or absence of each resource

b_1 = slope associated with the presence of gold

b_2 = slope associated with the presence of petroleum

b_3 = slope associated with the presence of copper

b_4 = slope associated with the presence of cobalt

b_5 = slope associated with the presence of coal

b_6 = slope associated with the presence of lead

b_7 = slope associated with the presence of natural gas

b_8 = slope associated with the presence of uranium

b_9 = the amount of natural resource rent (in USD)

b_{10} = slope associated with the effect of the change of GDP per capita on aid

ϵ = random error

In this model, 0 was used to indicate the lack of resources such as gold, petroleum, copper, and 1 was used to indicate the presence of the same resources. The resource rent was the sum of cumulative resource rent for the years 2004-2011.

The variables represented by b_1 through b_9 are easy enough to conceptualize. Assuming that countries with more natural resources are more likely to receive more aid from China, we would expect these estimated slope coefficients to remain positive. These variables would address the mineral diplomacy that China is well-known for. Although

not explored extensively in the literature, I included GDP per capita to examine whether China provides aid based on economic needs of the country. Thus, the variable b_{10} examines just that—a positive number indicates that China is going into more developed countries, and their aid is not related to the standard of living (GDP per capita) in the country. A value of b_{10} that is less than 0 would, however, be consistent with a charitable motive for aid.

Lastly, it is possible that the political affiliation of certain African countries may have an effect on the amounts of aid they receive. However, this is beyond the limitations of my study as the timelines for my data set differ, and would impact any conclusions that may result. While the dependent variable reflects aid activities between the years 2004-2011, some African political ties were switched within that given time period, making it difficult to draw a correlation between political affiliations and the amount of aid given to a certain country. As a result, that variable was eliminated from my study.

The results of this study are not entirely conclusive, particularly because of the dichotomous nature of the variables, with the exception of the amount of natural resource rent and GDP per capita (b_{10}). Thus, even though any further implications on Chinese involvement in Africa cannot be assumed because the exact amount of natural resources in each country is unknown, it can be inferred, from the cumulative value of the natural resource rents, that mineral-rich countries are more likely to receive more aid from China.

Expected Results

The equation above seeks to uncover the two basic questions concerning China's motives in providing aid to Africa: is aid correlated to low GDP per capita (i.e. needs-based relief), correlated to natural resources (i.e. utilitarian aid), or a combination of the two? A third concern that this study is unable to address beyond basic observation involves that of political inclination (i.e. hegemonic power). It was noted above that four out of six countries that received no aid from China in the time period between 2004 and 2011 had diplomatic ties with Taipei rather than Beijing. Beyond that, however, my assumptions are limited by the different years in which they switched diplomatic ties. Thus, it is argued—based on literature reviews and previous findings in my dataset—that China's motivation lies largely in the extraction of natural resources. It is hypothesized, therefore, that Chinese aid is largely utilitarian, seeking out the maximum benefits and the lowest cost for its economy.

Results & Discussion

In performing the multivariate analysis, the independent variables initially highlighted as being a motive behind China's aid were studied against the amount of aid given to each country. Using dummy variables with 0 representing the lack of a given resource in a country and 1 representing the presence of a given resource, an analysis was run. The results are displayed below. Table 4.9 presents the regression run with the natural resources and GDP per capita (1st equation), while Table 4.10 presents the regression run with the natural resource rent and GDP per capita (2nd equation).

Table 4.9: Natural Resource and GDP per Capita

	Coefficients	Standard Error	t Stat
Intercept	<u>16964013.6</u>	744363680.6	0.227899
GOLD	1066273512	929563760.1	1.147069
PETROLEUM	1862595136	854922226.4	2.178672
COPPER	454270331.2	1017781740	0.446334
COBALT	-10541860.5	1489509284	-0.00708
COAL	1277552325	932160680.8	1.370528
LEAD	-593550353	1171976813	-0.50645
NATURAL GAS	17450245.75	940056436.9	0.018563
URANIUM	-935888689	931232521.5	-1.005
GDP PER CAPITA (2004)	-92561.4809	189045.8777	-0.48962

Table 4.10: Cumulative Natural Resource Rent and GDP per Capita

	Coefficients	Standard Error	t Stat
Intercept	<u>1443536502</u>	481376572.7	2.998768
Cumulative Rent 2004-2011	0.00383721	0.004007234	0.957571
GDP PER CAPITA (2004)	-136155.97	185039.377	-0.73582

The coefficients provide insight as to the aid allocation. The intercept, represented in the OLS by ‘ a_1 ’ (bolded and underlined in the chart above), equals \$169,640,013.6 in Table 4.9; that is, given that all the independent variables were 0, aid would equal \$169,640,013.6. Similarly, the intercept of \$1,443,536,502 shows the amount of aid that it would be if the cumulative rent and GDP per capita equal 0. A close look at the independent variables also provides insight as to China’s interests in resource extraction.

With so many variables that vary greatly in range, we must establish some sort of boundary within which we may deem a relationship significant or insignificant. For this particular model, because the number of the most interest to us is the t-statistic, the Akaike final-prediction-error criterion was applied, which limits the significant t-statistic to -1 and 1. That is, only the independent-variable slopes with t-statistics greater than 1 or

less than -1 were considered. According to Akaike, this criterion minimizes the equation's prediction error (as cited in Khosrow-Pour, 2006). Using this parameter, take gold, for example. According to this analysis, countries with gold are more likely to receive over \$1,066,273,512 in aid compared to countries who do not have gold. In addition, the t-statistic of 1.14 signifies a strong relationship; thus, it appears that countries with gold are more likely to receive Chinese aid. The same logic applies to petroleum—with a t-statistic of approximately 2.14 that represents a strong relationship, countries with petroleum are likely to receive over \$1,862,595,136 in aid than countries who do not have petroleum. The t-statistic of the cumulative natural resource rent shown in Table 9 is .96, extremely close to meeting the Akaike criterion of the t-statistic being greater than 1.

In regards to Chinese humanitarian motives of providing aid, this preliminary analysis suggests that the lower the GDP per capita, the more aid they receive, according to the sign of the t-statistic for GDP per capita. However, because it does not fit the Akaike criterion, it is a weak negative effect; that is, China does not exclusively provide aid to countries with low GDP per capita.

Another important statistic here to note is the r^2 for each of the regressions. The r^2 corresponding with Table 4.9 was .178; that is, approximately 17.8% of the variation in aid could be explained by the presence of natural resources. The r^2 corresponding with Table 4.10 was .023, showing that approximately 2.3% of the variation in aid could be explained by the amount of natural resource rent. Initially, there seems to exist a disconnect between the r^2 values reported. If the natural resource rent is a reflection of the natural resource a country profits from, it would seem logical for the r^2 values to be

somewhat similar. One explanation for this, however, can be that China is not interested in the resources that have already profited the country. That is, rather than providing aid for countries who have already taken advantage of their natural resources and therefore have a higher resource rent, China is more interested in untapped resources. In this case, then, the r^2 for natural resource rent (Table 4.10) would be expected to be a low number. This possible explanation also explains, then, the reason for the weak simple linear relationship between aid and natural resource rent shown in Table 4.2.

Through a process of elimination and applying the Akaike model, the best fitting model is shown in Table 4.11.

Table 4.11: Natural Resources with Akaike Model Restriction:

	Coefficients	Standard Error	t Stat
Intercept	169640013.6	744363680.6	0.227899
GOLD	1066273512	929563760.1	1.147069
PETROLEUM	1862595136	854922226.4	2.178672
COAL	1277552325	932160680.8	1.370528
URANIUM	-935888689	931232521.5	-1.005

Applying the Akaike criterion and a new intercept, the model gets noticeably smaller, with certain natural resources having been omitted. Of the variables that are missing, however, the biggest surprise comes with the absence of copper and cobalt—two large demands regarding natural resources in the Chinese economy. This is a contrast to the literature reviewed, as many scholars have noted the amount of consumption of copper in order to support the large boom of the Chinese economy (Butts & Bankus, 2009).

A potential problem that arises with this particular model of analysis is that the dichotomous nature of the independent (resource) variables don't allow for an accurate

specification of how resource endowments actually affect the amount of aid delivered. Thus, while it can be seen that aid largely follows the presence of petroleum, coal, lead and natural gas, it cannot be concluded how the amount of these resources in African countries causes the amount of aid provided by China to vary.

Conclusion

In conducting various types of data analyses, the results were largely in agreement with the literature on Chinese aid in Africa. Specifically, the most notable findings were in congruence with discussions of China's interest in countries with natural resources. With the various limitations that were both imposed (such as the Akaike criterion) and unintentional (such as the dichotomous nature of the natural resource variables), further quantitative analysis was disabled. Thus, it is acknowledged that these findings do not represent a conclusive argument on China's aid activities in Africa. However, these observations should still be noted:

- Judging by the wide allocation of aid in Africa, China seems to value the breadth of their influence, perhaps more than depth. Although the amount of aid allocated differ vastly, Ghana was an outlier in how much aid they received at over 20% of all Chinese aid in Africa. By contrast, the rest of the countries received a relatively modest share at around 1-10% each.
- Using the risk ratio method, it was discovered that countries with more than a total of \$927 million of natural resource rent were over 12 times as likely to receive more than \$43.5 million of aid from China, providing insight to Chinese aid motives.

- Controlling for all the natural resource variables and placing Akaike's final-prediction-error criterion, it was found that gold, petroleum, coal, and uranium yielded significant results. That is, Chinese aid was more likely to be given to countries in which these resources were found.
- The amount of cumulative natural resource rent a country had seemed to be a more insignificant factor in Chinese aid allocation than originally hypothesized, as both the simple linear regression and multivariate regression analysis yielded a weak relationship. One explanation for this, however, was that China's interest lies in untapped potential rather than minerals that had already been extracted.

CHAPTER 5

CASE STUDIES

Using the dataset released by the Center for Global Development in partnership with the College of William and Mary, three specific case studies will be briefly discussed in order to unpack some of the modalities and motives employed by China in their aid activities. Ranked according to their monetary value, the largest, the median, and the smallest loan were examined. The three case studies that were selected were: copper mining in the Democratic Republic of the Congo (DRC), telecommunications in Zimbabwe, and agriculture in Sierra Leone. These case studies provide an enriched discussion of Chinese aid operations, with the recipient countries representing various regions of Africa, as well as different sectors of Chinese involvement. The value in Chinese aid activities varied greatly, with the smallest loan was to Liberia estimating around US\$140 and the largest being a US\$10 billion loan to Ghana.

The methods of selecting these case studies were entirely based off of the quantity of aid (largest, median, lowest), and the availability of data. Additionally, since these cases highlight the different sectors of Chinese involvement, assessing them with a

specific framework in mind proved challenging. Thus, this chapter presents a descriptive analysis of the aid projects, rather than an empirical argument.

Before going further, it must be noted that in actuality, the DRC was not the largest recipient of Chinese aid in the period between the years 2004-2011. Rather, it was a deal signed by the Exim Bank of China in Ghana for transportation, oil, and agriculture. This deal was, however, discontinued mid-project for undisclosed reasons before completion. Before discussing the second-highest deal in the DRC, then, below is a brief discussion of China's largest megadeal with Ghana.

Africa's Largest Megadeal: Ghana

In September of 2010, the Export-Import Bank of China pledged a megadeal (categorized by the Center for Global Development as any deal over US\$1 billion) to Ghana. The amount, totaling around US\$9.87 billion, was a part of a US\$13 billion investment for transportation, oil, and agriculture. Along with the Exim Bank of China (government agency), the China National Machinery and Equipment Import & Export Corporation and the China Machinery Engineering Corporation (both state-owned companies) also signed on as donors. At the end of the negotiations, Ghana only signed to the allocation of US\$6 billion specifically to build a road, railway, and dams. This loan was contracted to be paid back over 20 years in "exports," including 13,000 barrels of crude oil daily for 15 of those years (Strange et al., 2013, p. 32). With this loan, the China National Machinery Import and Export Corporation and China Machinery Engineering Corporation were chosen as the implementing agencies for the construction of a railway from Ghana's central city of Kumasi through Tamale, and finally to the town of Paga on

the Burkina Faso border (p. 32). Expected to be implemented in April of 2011, this project was underway as of mid-February of 2012. This loan has been classified tentatively as other official flows (OOF), because of its grant element that was less than 25%, but also because its intent leans more towards trade that benefits China rather than a loan that focuses mainly on Ghana's development. This loan, on China's part, was especially strategic in their oil diplomacy, as Ghana's oil production was to ramp up to 120,000 barrels a day and eventually reach 250,000 barrels per day, making it Africa's sixth highest oil producer (Kpodo & Valdammanis, 2010).

Surprisingly, however, the amount of literature on this topic seems to be lacking. According to the online African Railway Publication *Railways Africa*, a US\$3 billion loan from the China Development Bank had been approved by the Parliament in Accra. And according to the Ghanaian Minister of Transport, Alhaji Collins Dauda, US\$500 million of this amount was being allocated to rehabilitate the 276km Takoradi-Kumasi railway (Railway Africa, 2012). In terms of follow-up, however, information has been sparse, and the most current status on this project was the planned implementation date of the two phases set for September 2012 and June 2014 respectively (Holmner & Britz, 2011, p. 11). However, this project seems to be at a standstill today, with little progress being made which explains the deficit in literature available (Ruske & Kauschke, 2013, p. 48; GhanaWeb, 2013; Briggs, 2014, p. 77; Railway Africa, 2012).

Due to this unanticipated gap in literature regarding Ghana's biggest aid project, the second-largest aid project to Africa was taken—a loan to Democratic Republic of the Congo that amounted to around US\$6 billion. Thus, the three subsequent case studies taken represent the different sectors of Chinese involvement, as well as the different

regions on the continent. The loan given to the Democratic Republic of Congo represents a large loan focused mainly on infrastructure in Central Africa, while the medium-sized loan to Zimbabwe focuses on the communications sector in Southern Africa, and the small loan given to Liberia represents the agricultural sector in West Africa.

Infrastructure: Democratic Republic of the Congo

Second only to Ghana's loan in monetary value, the Democratic Republic of Congo (DRC) represents another megadeal signed by China: a US\$9 billion loan from the Exim Bank of China in 2007. With US\$3 billion drafted for mining infrastructure and US\$6 billion for national infrastructure such as energy and transportation, this amount was later decreased to US\$6 billion due to concerns from the IMF regarding DRC's national debt (AidData, 2013). With the given allocation of funds, the purpose of this loan was to help develop and improve Congolese infrastructure while simultaneously developing mines and purchasing mining rights in the Dikulwe-Mashamba (DIMA) mine near Kolwezi, one of the "world's largest confirmed copper reserves" (Putzel et al., 2011, p. 25). China bought the rights to this reserve for US\$850 million from a Belgian mining company (p. 25). Similarly to the previous case in Ghana, the Congolese state copper company, *Gécamines*, as the owner of this mine agreed to concede a number of deposits containing up to 10.6 million tons of copper, of which approximately 6.8 million tons were confirmed, along with access to 425,000-625,000 tons of cobalt and other potential mineral substances (Strange et al., 2013). An initial 50,000 tons of copper was available for annual output, gradually upscaling to 40,000 tons over the next two decades (Gibson, 2015).

This deal was funded by China Railway Engineering Group (CREC), a state-owned corporation, in addition to the Exim Bank of China, a government agency. The implementing agencies were Sinohydro Corporation in China, and *Gécamines* in the DRC. The project was originally owned by Sinohydro Corporation, with a 25% share, while China Railway Engineering Corporation had a 43% share and *Gécamines* had a 32% share. The CREC'S investment was on appeal, however, to the China's National People's Congress Standing Committee, and was consequently reduced. As of May 2013, 62% of the project was owned by Chinese enterprises and the rest belonged to the state-owned Congolese miner, splitting the copper and cobalt 68:32 between China and the DRC, respectively (Putzel et al., 2011, p. 25).

According to the Center for Global Development database, an initial US\$3 billion was allocated towards infrastructure, including 2,000 miles of railway between Sakania and Matadi, a 2,000-mile road linking Kisangani and Kasumbalesa and other roads, 31 hospitals, 145 health centers, two universities, and 5,000 government housing units. As of March 2013, US\$458 million had been released for said infrastructure projects, providing China with copper and cobalt for the next 25 years as payment. A total of 13 projects were started with the \$458 million between 2008 and 2013, of which half have been completed as of 2013. They are shown in Table 4.1 on the following page:

Table 5.1: Projects in the DRC

	Description	Cost (USD)	Status
1.	Refurbishment of 5.3 km of Boulevard du 30 juin, Kinshasa	24.1 mil	Completed
2.	Refurbishment of 2.5 km of Boulevard du 30 juin, Kinshasa	19.3 mil	Completed
3.	Refurbishment of Esplanade of the People's Palace, Kinshasa.	19.7 mil	Completed
4.	Refurbishment of 7.25 km of Avenue du Tourisme, Kinshasa	24.3 mil	Completed
5.	Refurbishment of 4.3 km of Boulevards Triomphale et Sendwe, Kinshasa	29.2 mil	Completed
6.	Construction of a 450 bed hospital, Kinshasa.	99.9 mil	Completed
7.	Refurbishment of Lutendele road, Kinshasa	21 mil	Implemented
8.	Refurbishment of 66 km of Beni-Luna road, North Kivu	57.8 mil	Completed
9.	Grading of 137 km of national road between Lubumbashi and Kasomeno, Katanga province	50.5 mil	Completed
10.	Asphalting of national road between Lubumbashi and Kasomeno, Katanga province	87.5 mil	Implemented
11.	Donation of solar panels by Sinohydro	11 mil	Completed
12.	Donation of generators	6.5 mil	Implemented
13.	Factory to build prefabricated houses, Kisangani	7.5 mil	Implemented

Adapted from Strange et al., 2013

In order to examine this study more carefully, especially in the lines of mining standards, there must be a framework by which it is assessed. Due to the magnitude of mining projects from Western and other donors alike, there is an emerging international standard that demands projects adhere to a set of guidelines with respect to community

and public participation. One such model that is used comes from the World Resource Institute, which outlines the following:

- ***Participation in Decision Making/Consultation*** – Companies must negotiate with affected local and indigenous communities before attempting to start any projects. These negotiations are expected to last throughout the duration of the projects, with the understanding that local communities may “withhold consent at each stage of mine development” (Miranda et al., 2003).
- ***Access to Information/Disclosure*** – The mining company is expected to provide “full disclosure of pertinent information to potentially affected communities, including employment opportunities for both women and men as well as for marginal groups.” Additionally, this information must be presented in a way that is both culturally appropriate and intelligible (Miranda et al., 2003).
- ***Indigenous Peoples and Free, Prior, and Informed Consent*** – Companies must obtain free, prior and informed consent from the affected communities before, during, and after the duration of the mining operations (Miranda et al., 2003).
- ***Consent-Benefit and Compensation Agreements*** – Companies must clearly state the terms constituting each phase of the mining project when entering into a binding contract. These agreements must be enforceable through “national court system or through mutually acceptable arbitration procedures.” If at any given point the project changes drastically or the company fails to uphold its commitments, the indigenous communities have the right to deny

consent to a project. Should this occur, no other requests should be made for other potential projects unless stated otherwise by the community (Miranda et al., 2003).

With the mining reserves being one of the largest in the world, the revenues from this deal were expected to reach at least US\$40 billion, even reaching as high as \$120 billion—roughly four to eleven times Congo’s annual GDP (Global Witness, 2011). Thus, this project with little disclosed information has been closely scrutinized, particularly because of China’s unwillingness to sign on to any international standard (Shemberg, 2009, p. 4).

Participation in Decision-Making/Consultation

Echoing criticisms of the lack of available public information when it comes to its aid projects, China was again heavily criticized by Global Witness, an accountability non-governmental organization based in the United Kingdom, of negotiating a deal behind closed doors. According to their 2011 report, Global Witness found that negotiations occurred only with a small group of Congolese government representatives, including Katumba Mwanke, a politician close to President Joseph Kabila “without an official government position” (GlobalWitness, 2011, p. 5). Among those present, not a single one of them represented the close to 12,000 locals in the area of Dima (Putzel et al., 2011, p. 25-26). Moreover, this negotiation happened with no prior international bidding process. Thus, this process which situated China as both the principal buyer and seller of the minerals saw great potential for over-charging and cost inflation at the global market level (Global Witness, 2011, p. 6).

Access to Information/Disclosure & Indigenous Peoples and Free, Prior, and Informed Consent

These standards call for the access to information for locals, but also highlights the opportunity for fair and equal employment. According to the 2009 report by Rights and Accountability in Development (RAID) on work conditions, China largely ignored this rule. Overall, the report found that Chinese companies ranked the lowest in terms of general workplace conditions, assessed by Congolese workers themselves. In terms of salary, the Chinese were paying full-time workers US\$15-220 per month, approximately half of what Western companies paid (around US\$300 per month). At the mines to which the Sicomines Agreement pertained, workers were earning around \$220 a month. Reports of abuse are also not uncommon, such as “a manager stabbing a worker in the temple with a screwdriver, [. . .] whipping four employees, [. . .] urinating on a worker, [. . .] and dismissal of injured workers without sufficient medical attention or compensation” (Putzel et al., 2011, p. 28). The workers did not get compensated for time overworked, and their complaints remained largely overlooked, culminating in the shooting of ten Congolese workers in one instance (p. 28).

This notion of mining with no consideration for environmental and social repercussions comes as a stark contrast to Congo’s reform efforts in the past. In 2002, only five years prior to this deal with China, Congo passed the DRC Mining Law of 2002 and the associated Mining Regulations of 2003. With the intent of liberalization in order to attract more investors, these reforms sought to diversify the actors in the mining industry. Whereas this industry had previously been dominated by the state-owned Gécamines (who would later become the main recipient and contractor of the Sicomines

deal), these new laws enacted “guidelines for granting land and managing environmental and social impacts” (Putzel et al., 2011, p. 10). The DRC Ministry of Mines saw the formation of several new agencies to enforce these guidelines, including an environmental department of mines to assess associated environmental and social impacts of mining practices, as well as provide a system by which the 10,000 artisanal miners, active in the DRC, can be formalized and protected (p. 11).

Despite these laws to decentralize mining practices and minimize the social responsibility, however, China’s multi-billion dollar bilateral deal was enacted largely for the benefit of its demands back home, as well as the government of the DRC. With 12,000 people living permanently in the DIMA area—many whom are artisanal miners—the social impact was dismally tangible. As of 2011, in the preliminary prospecting phase, the Sicomines deal destroyed people’s fields and disturbed local schools. However, these violations were largely ignored, raising suspicion of corruption existing in the government. According to one former Gécamines employee and DIMA resident, 200 residents at one point were displaced without any compensation, save for plastic sheeting. In addition, artisanal miners were delocalized, and thus no longer eligible for compensation due to their status as being illegal (Putzel et al., 2011, p. 25-26).

Consent-Benefit and Compensation Agreement

A main reason that China is able to continue its project with little concern for environmental and social responsibilities rests in what is known as the stabilization clause. Essentially, this clause is defined as “the contractual clauses in [. . .] contracts between investors and host states that address the issue of changes in law in the host state

during the life [of] the project” (Shemberg, 2009, p. 4). This practice is widely established across regions of the world, and is used to protect investors, particularly large corporations from the application of “unfavorable legislation or administrative measures subsequent to the conclusion of the contract” (p. 5). Thus, because China and the officials in the closed negotiations agreed to a contract with this clause, the indigenous communities—nor the government, for that matter—do not have the power to “deny the consent to a project,” as defined by this international mining standard (p. 5).

This discussion of the stabilization clause is also extremely relevant in the discussion of environmental justice and human rights. Regarding this particular topic, discussion on the “right substance of stabilization clauses in foreign investment contracts” has emerged, with two opposing views. The first argues that the stabilization clause offers stability to the contractual relations. As a result, they should include corporate interests while excluding the “fundamental human rights obligations of corporations” (Černič, 2010, p. 215). The opposing view, however, asserts that the stabilization clause should not “interfere with the fundamental human rights obligations or corporations and investors alike” (p. 215). Due to the fact that the Congo has been tied to this stabilization clause, they are tied to legislation from which “they will not be able to diverge without paying compensation for any resulting loss” (Global Witness, 2011, p. 7). That is, no matter what laws and legislation it wishes to pass in areas including “taxation, customs, human rights and environmental protection,” any form of interference with the Sicomines project would not permit such laws to be passed (p. 7). With a blind eye turned towards social and environmental impact, then, China seems to favor the first argument of the stabilization clause as solely utilitarian and economic.

In the midst of extreme criticism, the project was suddenly suspended in December 2012, following Exim Bank of China's withdrawal of financial support. With reasons unknown, the CREC and Sinohydro were charged with reimbursing the money that had already been disbursed in official loans, totaling around US\$1 billion (AidData, 2013). Although China has withdrawn support on the Sicominex deal, the DRC was seen to be "too heavily vested in improving their country and [have been] seeking other potential benefactors" (Gibson, 2015). And with mineral wealth totaling about US\$24 million with coltan, cobalt, copper, gold and diamond reserves, it remains highly likely that China will continue to invest in the DRC's mineral sector (Gibson, 2015).

Even after its discontinued support in 2012, talks of another partnership have already ensued. This does not come as a surprise, as China's use of infrastructure as a modality of aid in order to secure access to natural resources has not been uncommon (Butts & Bankus, 2009; Li, 2006; Ombaba et al., 2012; Breslin, 2013).

China's rising demand for copper can be largely attributed to the upsurge in construction, followed by transport and electronics goods. Copper is also used as a major input for communication wiring, plumbing, piping, power generation and transmission, as well as hybrid, electric and fuel cell vehicles (Streifel, n.d., p. 23). While China consumes 40% of the world's copper, making it the largest consumer of copper, they mine less than 6% of their supply domestically, making them extremely reliant on imports to fulfill demand (Gamache et al., 2013).

Communications: Zimbabwe

The second case study comes from the communications sector in Zimbabwe. In January 2010, a bilateral grant agreement was signed between China and Zimbabwe for approximately US\$7.4 million. The purpose of this grant was to support state-owned telecom provider, NetOne, with an expanded network coverage and implement projects to be agreed upon by the Chinese and Zimbabwe governments in the future. A subsequent agreement for a US\$45 million concessional loan was signed by the Exim Bank of China in June of 2010, which was officially signed in March of 2011 by NetOne. Dispersed by the Stanbic Bank of Zimbabwe and implemented by the Chinese private telecommunications firm, Huawei Technologies, the goal was to reach 7,000,000 Zimbabwean subscribers. With the loan, NetOne successfully launched mobile broadband and 3G service and built the broadband switching center, the Broadband and Ascot Packet Core Switching Centre, in the city of Bulawayo (Strange et al., 2013).

NetOne is the first cellular network operator in Zimbabwe based on Global Systems for Mobile Communications (GSM), and has connected Zimbabweans for the first time with 500 lines during the World Solar Summit in September 1996 held in Harare. Although it is a private company, it is wholly owned by the Government of Zimbabwe, and was formed as a subsidiary of the Posts and Telecommunications Corporation (PTC). It boasts the largest network coverage, providing service to all major cities and towns—both urban and rural—as well as tourist resorts, mining and other farming areas. According to Chinese Ambassador Xin Shunkang, the telecommunications deal was in response to Chinese Premier Wen Jiabao's desire to enhance bilateral economic and trade cooperation (Shunkang, 2010). On the NetOne website, the

Managing Director, Mr. Reward Kangai, openly expresses his “profound gratitude to the President of the Republic of Zimbabwe His Excellency Robert Gabriel Mugabe for sourcing investment from the People’s Republic of China” (NetOne, 2014).

This deal comes at an appropriate time, as NetOne had been struggling to stay afloat (NetOne, 2014). In a state where much of the enterprises are state-owned, NetOne has been one among several failed businesses. Deemed a “perennial loss-making entit[y],” it has been speculated that the best answer for Zimbabwe’s business comes from foreign investors. Thus, a grant totaling over US\$7 million for a struggling economy seems ideal (Magure, 2012, p. 77).

Since this was a grant and Zimbabwe is not expected to repay China, it cannot be known for sure what Chinese motives are, and what they expect in return from the country. However, it is known that China has been investing in Africa to mine significant deposits of uranium for the generation of electric power. A partnership between these two countries was a result of President Mugabe’s “Look East” policy, a policy that was fueled by tensions between the country and its traditional aid partners in the West, who have in the past “objected to Mugabe’s authoritarian practice” (Li, 2006, p. 6). Capitalizing on the severed ties between Mugabe and Western donors, China has pushed forward with its non-interference policy, implying a friendship and partnership between Zimbabwe and China (p. 7).

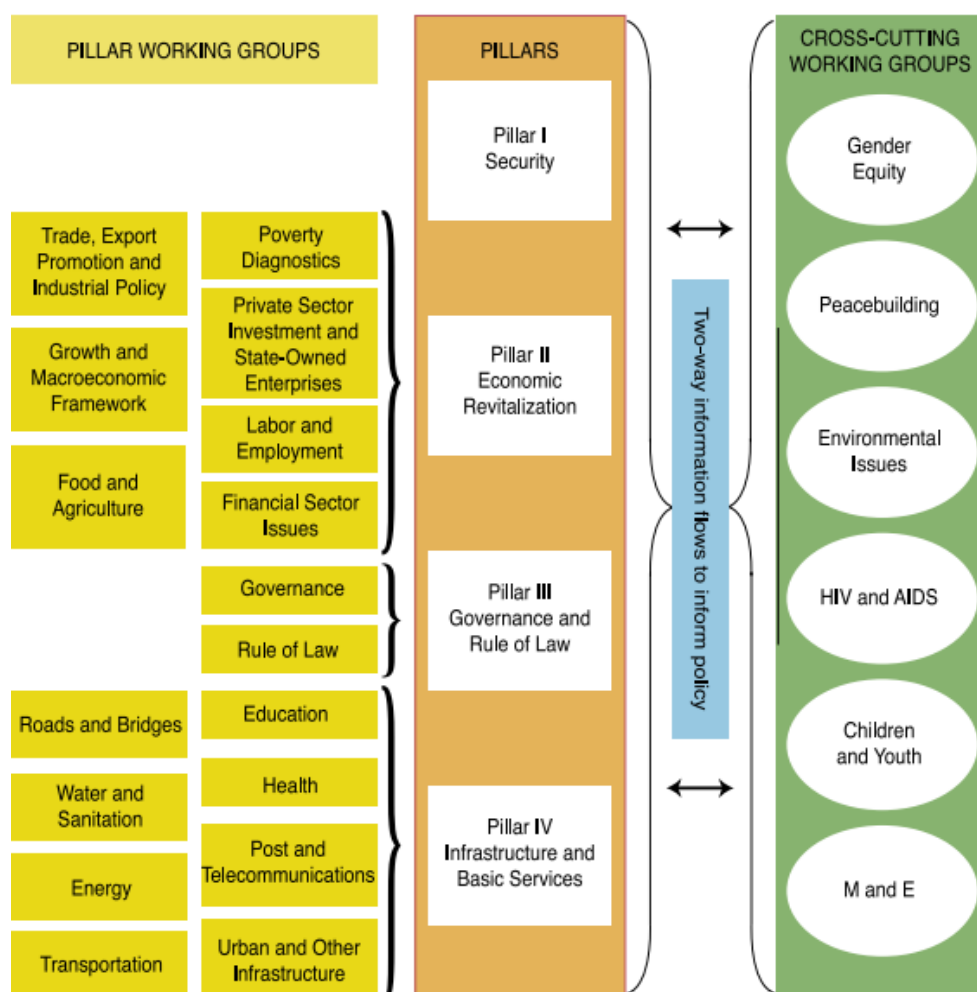
Agriculture: Liberia

In 2010, the government of China made a donation of ten thousand Liberian dollars, or approximately US\$140 to the local agricultural group Diversity Farm in

Liberia. A non-governmental group funded to support the government's Poverty Reduction Strategy (PRS), a program of the World Bank, they provide free tree crops to rural farmers, rural public schools and clinics (Strange et al., 2013). Although the specific uses of this money are unknown, this grant was a small element of China's ongoing partnership and diplomatic relationship with Liberia that flourished after 2003, when Liberia formally ended its relations with Taipei, Taiwan (African Center for Economic Transformation, 2009, p. 1).

Liberia's PRS was built on what is known as the four Pillars. These Pillars represent the core values to be addressed in order to promote "inclusive and sustainable growth [and address] the poverty challenge in all its dimensions," and provides a framework through which key priorities can be established, scarce resources allocated across competing demands, and Liberia's most important development goals achieved (Poverty Reduction Strategy, 2008, p. 43). The four pillars are shown in Figure 5.1.

Figure 5.1: The Four Pillars of the Poverty Reduction Strategy



Model adapted from *The World Bank, 2013, p. 44*

The orange box in the figure shows the four main Pillars—Security, Economic Revitalization, Governance and Rule of Law, and Infrastructure and Basic services. Mutually enforcing, progress in one pillar facilitates progress in the other. For example, there must exist some sort of peace and security before sustainable economic growth can take place. Likewise, peace will be threatened with the lack of infrastructure to deliver basic social goods such as public health services, increasing the level of chronic poverty. In addition, significant progress made in governance and rule of law, can facilitate the

progress of improved education and access to public health through legislation. Another strength of this four Pillar model is the way it engages both public and private sectors of the country. As President Ellen Sirleaf notes in the beginning of the report, reducing poverty is not a task that the “government can do alone.” Rather, it is something that requires the combined efforts of the private sectors, to fuel growth and jobs (World Bank, 2008, p. 1).

In this strategy spanning from 2008-2011, this particular grant from China focused on the food and agricultural sector. In 2010, the year that this grant was allocated, China provided technical assistance in hybrid rice cultivation at Cuttington University in Liberia and the Booker T. Washington vocational education institute. In addition, China also built an agricultural technology and training facility at the Center for Agricultural Research Institute (CARI). This agricultural development was the main area of cooperation identified by USAID and China for Liberia (Feed the Future, 2010). In 2011, China established its new Chinese-Liberia Agricultural Technology Demonstration Center at the CARI, where its staff provides technical assistance to support CARI’s activities (Feed the Future, 2011).

Chinese efforts made on the agricultural sector, and on cultivating rice, in particular, came at a fitting time. In 2009, Liberia was importing 75% of its rice, while its neighbor Sierra Leone imported as much as 85% (Brautigam, 2009, p. 234). Rice is also highly political, and in what has been deemed by the Liberians as the “rice problem,” violent conflicts have ensued as a result (p. 235). According to Brautigam, in addition to providing institutional capacity for increased rice cultivation, China also had a domestic agenda to fulfill: grain as part of its national security. So while Western donors are more

reluctant to provide agricultural aid because of its expensive preparation and implementation and riskier nature, the Chinese see it as an opportunity to secure their own rising demands (p. 235). Although less noticed by the international community, as evidenced in the partnership of China and the US government, this transactional nature of Chinese agricultural aid bears much similarity to their aid projects in mineral extraction. Thus, the challenge becomes disassociating Chinese aid projects and their ulterior motives, as well as the sincerity of the “mutual benefit” that China claims in its African involvement (Anshan, 2007, p. 74).

Conclusion

These case studies each represent a different sector in various parts of Africa. In one sense, then, it provides a multifaceted perspective on Chinese engagement on the continent. In another sense, however, it highlights the similarity in motives as well as some of the challenges and opportunities when it comes to Chinese aid. In each of these cases reviewed, there existed indicators that confirmed criticisms China frequently receives. These indicators were: 1) the lack of open and transparent data, 2) the considerable advantage towards China that calls into question their motives, and 3) the lack of concern for regulations and policies, both at the international and local level. All of these indicators are the consequences of the lack of accountability, and without the structural and administrative support, creates even greater opportunities to avoid further accountability. Thus, a vicious cycle of the lack of accountability is perpetuated, raising a myriad of concerns from the international community on the ethics of Chinese foreign aid.

In the realm of its foreign transactions, China has been extremely reluctant to release any open data that is readily available (Brautigam, 2011, p. 205). This proves to be an immense challenge, and is an issue that bleeds into the other critiques of Chinese aid that exist. The largest Sino-African deal was suspended for unknown reasons, with no explanation provided. This lack of transparency not only raises some serious concerns about the lack of information in the process, but it also begs the question of accountability—who were the key players in the process, why did the deal get suspended mid-execution, and does there not exist a system to keep track of such a large transaction?

With this problem in accountability, it is impossible to know beyond educated speculation whether the deals that China makes with Africa truly benefits both economies. Thus, when the results given are no more than numbers quantifying the amount of copper and cobalt that China will receive from the DRC over the next 25 years, educated speculation merits serious questions regarding the terms and conditions of the agreement.

The last consequence of the lack of accountability that is addressed in these case studies is the concern for laws and policies, from the international level down to the local communities. Seen particularly in China's relationship with Zimbabwe's Mugabe as well as the lack of local participation in the DRC mines, this is perhaps indicative of the need for greater accountability systems and necessitates a further look at the business ethics that exist in China, to which this paper now turns.

CHAPTER 6

BUSINESS ETHICS

Business Ethics and Corporate Social Responsibility

Given that much of the criticism of their engagement stems from their disregard for the condition of the host country, business ethics and social responsibility is a discussion highly relevant to the issue of Chinese foreign aid on the continent of Africa. One of the key arguments is that their policy of non-interference often justifies turning a blind eye to the issue of basic human rights. In order to discuss this in the context of broad social responsibility, however, it must be explicitly defined and then discussed within a given framework.

Fred David, author of the *Strategic Management* text used in undergraduate business schools, defines business ethics as principles of conduct within an organization that drive the decision making process and behavior. Essentially, these social policies concern what responsibilities the firm has to “employees, consumers, environmentalists, minorities, communities, shareholders, and other groups” (David, 2013, p. 316). To put it

simply, it is the “study of business situations, activities, and decisions where issues of right and wrong are addressed” (Introducing Business Ethics, n.d.).

Although explicit in its definition, it is extremely difficult to discuss ethical behavior in business, with no concrete rules of what is ethically permissible or not. Using “abstract, universal concepts” to solve specific ethical dilemmas makes consistency in global affairs hard to achieve. This is further complicated by the basis for deciding permissible negotiation regulations such as proper disclosures and behaviors in negotiations often arising from “a history of common practice,” or justification that “everyone is doing it” (Donaldson & Dunfee, 2004, p. 259). What’s more, the involvement of completely different cultures with different standards of ethical behavior further exacerbated this issue (p. 259).

The fine balance between profits and social responsibility is a discussion that many disagree on. Some authors such as David assert that the first social responsibility of a business “must be to make enough profit to cover the costs of the future because if this is not achieved, no other social responsibility can be met” (David, 2013, p. 317). Conversely, Rhys Jenkins of the Journal of International Affairs argues that corporate social responsibility driven solely by profits “to the exclusion of other goals” may have adverse effects in the long term. His logic follows that socially irresponsible businesses will “find their benefits diminished by growing economic and social insecurity, shrinking markets and the depletion of available raw materials” (Jenkins, 2005, p. 534). With the ambiguity that exists within defining corporate social responsibility as driven by profits or ethics, a new definition has been proposed. Corporate social responsibility as a more inclusive domain of study can be defined as:

an umbrella term for a variety of theories and practices all of which recognize the following: (a) that companies have a responsibility for their impact on society and the natural environment, sometimes beyond legal compliance and the liability of the individuals; (b) that companies have a responsibility for the behavior of others with whom they do business (e.g. within supply chains); and that (c) business needs to manage its relationship with wider society, whether for reasons of commercial viability, or to add value to society (Prieto-Carrón, Lund-Thomsen, Chan, Muro & Bhushan, 2006, p. 978).

Before going into a brief discussion of business ethics and China, it is important to outline a few frameworks for business ethics and corporate social responsibilities. Given that corporate social responsibility is a subject in need of globally consistent implementation, the disconnect between ethics in the West and China is where criticism of Chinese ethics stems from. Thus, business ethics in the West will be discussed prior to assessing its Chinese counterpart.

In the literature, three main frameworks are highlighted as the traditional way of approaching business ethics, or corporate social responsibility, in the West: utilitarianism, Kantianism, and the natural rights theory (Ostasiewski, n.d., p. 1). These three theoretical frameworks will be discussed in order to assess which framework best fits Chinese aid practices, if any are determined to fit. Below is a brief discussion on each of these frameworks.

Theoretical frameworks

Utilitarianism

An idea developed primarily by Jeremy Bentham, utilitarianism assumes that humans are “pain-avoiders and pleasure seekers,” seeing this as the best way to approach

life (Ostasiewski, n.d., p. 1). Thus, utilitarianism proposes that as a society, the ultimate goal of entities in power should be to “achieve the greatest good for the greatest number” (p. 1) The widely-used and highly relevant concept of performing a cost/benefit analysis developed from this pragmatic concepts of utilitarianism (p. 3). Specifically speaking, this cost/benefit analysis is philosophically connected to the utilitarian view that a certain decision should only be made if the “sum of utilities produced by the act is greater than the sum total of utilities produced by any other act that could have been performed in its place (Khera, 2001, p. 30). This framework fits Milton Friedman’s assertion that “organizations have no obligation to do any more for society than is legally required. Friedman may contend that it is irresponsible for a firm to give monies to charity” (as cited in David, 2013, p. 317).

Kantianism

The second framework comes from the German philosopher Immanuel Kant. Reminiscent of the Golden Rule in Christianity, Kantianism places great value on human beings. One of its core beliefs is a principle referred to as the “categorical imperative” (Khera, 2001, p. 28). That is, all individuals should act consistently with how they expect others to act (p. 29). Taking this a step further, Kantianism argues that humans should always be treated “as ends only and never as means to one’s own ends” (Ostasiewski, n.d., p. 2). Unlike utilitarianism, which promotes decision-making based on unique situations, Kantianism holds that ethical decision as a “duty that is supposed to follow on all occasions and across all situations” (Ma, 2010, p. 124).

Natural Rights Theory

The last framework is the natural rights theory, developed by John Locke in the late seventeenth century. Written in the *Second Treatise of Government*, this theory emphasizes the importance of the individual and the protection of “individual rights in the pursuit of liberty and exercise of property” (Ostasiewski, n.d., p. 3). Thus, this theory asserts that the government’s ultimate function should be to protect the individual rights of its people. Should it fail to do so, the people have the right to overthrow it (Ostasiewski, n.d., p. 3).

This framework encompasses the human rights perspective, which is an ethical theory that offers the basic human rights to everyone. In this line of thinking, ethically wrong behavior includes any decision made by agents that prohibit human beings from accessing the substance of their human rights (Koldstad, 2009, p. 571). So while it implies rights for an individual, it also implies duty for others. Fundamental to the study of business ethics as corporate social responsibility, a standard distinction in the literature assigns “universal duties,” or duties that everyone has, and “non-universal duties, which can be assigned to specific agents” such as specific individuals, organizations, and even multinational organizations (p. 571). Tim Donaldson, a noted scholar on the topic of business rights, outlines the three main criteria for determining the validity of a right: 1) the right must protect something of great importance, 2) the right must be subject to substantial and recurrent threats, and 3) the obligations or burdens imposed by the right must justify a fairness-affordability test. In essence, the companies must be able to pay for the provision of a right, but must only pay an amount deemed an efficient use of funds entrusted to management by stockholders (Donaldson, 1989, p. 75).

Business Ethics in an International Context

It is one matter to discuss business ethics in terms of theories and definitions in an imagined setting with little context, but another matter entirely to substantiate what constitutes ethical behavior and establish good corporate social responsibility that can be applied—however loosely—by the majority of international and multinational organizations. In the past, having recognized this as an issue in need of attention, efforts have been made by the larger international organizations to establish global standards of ethics in conducting business (Frederick, 1991, p. 166). As outlined by William Frederick, a noted scholar on issues of corporate social responsibility, six prominent efforts had been made until the early 1990s to provide a globally recognized and consistent framework for ethics:

- *United Nations Declaration of Human Rights (1948)*: This law gravitates towards the natural rights theory, assuming the basic rights of human dignity for everyone. It also encourages the development of non-discriminatory employment policies and favorable working conditions, providing workers fair wages. However, it falls short in providing a specific criteria for what constitutes fair wages (Ostasiewski, n.d., p. 4; Frederick, 1991, p. 166).
- *The European Convention on Human Rights (1950)*: Affirming human rights, this document assigned to multinational corporations the duty to respect the rights of “all persons regarding freedom of thought, conscience, religion, and expression” (Ostasiewski, n.d., p. 4; Frederick, 1991, p. 166).
- *Helsinki Final Act (1975)*: This Act reaffirms the UN Declaration of supporting the health and well-being of their workers to promote a standard of living. It goes

further, however, to include environmental responsibility, such as respecting environmental laws of the host country and preserving ecological balance and environmental rehabilitation (Ostasiewski, n.d., p. 4; Frederick, 1991, p. 166).

- *Organization for Economic Co-operation and Development Guidelines for Multinational Enterprises (1976)*: While affirming the previous legislation, these guidelines had a larger focus on multinational corporations. Politically, these guidelines condemned bribes to government officials and becoming illegally engaged in their host country's politics. Environmentally, they encouraged specific actions and technology to monitor and protect the environment (Ostasiewski, n.d., p. 4; Frederick, 1991, p. 166).
- *The International Labor Office Tripartite Declaration of Principles Concerning Multinational Enterprise and Social Policy (1977)*: Focused largely on labor issues, this policy mainly concerned itself with "equal pay for equal work, advance notice of plant closings, severance pay, health care benefits for lower income groups in host nations, and advance notice of plant closings" (Ostasiewski, n.d., p. 4; Frederick, 1991, p. 166)
- *The United Nations Code of Conduct on Transnational Corporations (1972)*: This addressed consumer protection through methods such as "safe packaging, proper labeling, and accurate advertising." It was also an important legislation that prohibited interference in intergovernmental relations and illegal meddling in the internal politics of its host countries. And while it did not actually discuss environmental issues, it called for the "development of international environmental standards" (Ostasiewski, n.d., p. 4; Frederick, 1991, p. 166).

Using these intergovernmental compacts and policies for business ethics in an international setting, Frederick outlined what he considered necessary normative corporate guidelines, including multinational corporations' duty to protect employees' basic human rights through favorable work conditions and protection against unemployment as well as respect for local job standards and commitment to upgrade local work capacity through training (Frederick, 1991, p. 166; Donaldson & Dunfee, 2004, p. 266).

With these efforts, it was clear that although there was a recognized need, globally, for the development of business standards, their enforcement of these regulations were limited. So while these efforts were being made predominantly by Western institutions, Chinese business ethics were largely excluded from this model. This was primarily because of the differing philosophy in developing business ethics, but also because of the vast difference between the economies of the West and China. While these ethics that originated in the West aligned with the open markets and democracy there, China's planned economy and its recent "opening up" process saw few parallels with this discussions (Harvey, 1999, p. 90).

Business Ethics in China: A Brief Overview

Lu Xiaohu, Professor of Philosophy at the Shanghai Academy of Social Sciences, compares the emergence of business ethics in China to the emergence of Chinese culture—that is, its initial emergence devoid of any influence from abroad. He attributes the development of business ethics largely as a response to the economic reforms that took place in China around the 1980s (Lu, 1997, p. 1509). It was during this time that

“central concern of the people for business and economic life, the orientation of ethical studies towards economic activities” and the increasing significance of moral rather than political standards for society began to emerge (Ip, 2009, p. 463). With the traditional Confucian values, the origins of Chinese business ethics are drawn from Confucian core ethics: *ren*, *yi*, and *li* that comprise what is “morally acceptable in human society” (p. 464). Within these values, *ren* focuses on social relationships, more specifically the human capacity to show compassion towards other human beings. *Yi* represents a sense of moral rightness, while *li* represents the various etiquettes and norms both in personal and institutional lives (Ip, 2009, p. 464; Lu, 1997, p. 1510). Thus, in a sense, while not explicitly defined as a field of study, these ideas gave way to the development of business ethics.

The mid-1990s to the early 2000s saw a time of institutionalizing business ethics in China, with major structural decentralization taking place among state-owned enterprises. This was also the time when the Shanghai Cultural Association of Corporations was established, and the Labor Law of 1995 was passed, as China’s first ever labor law. Moreover, universities and other academic institutions established courses on business ethics. However, it remained largely an academic discipline, with little considerable implementation in businesses themselves. (Lu, 1997, pp. 1509-1511).

A shift from theories and discussions to implementation was brought about in 2002. However, when China joined the World Trade Organization (WTO), it held them accountable to stricter guidelines in regards to how they conducted business. During this time period, China faced a crisis of credibility that forced them to rethink not only their technical requirements, but also their ethical requirements to be internationally

recognized and accepted. Additionally, with the rise of the Internet and the abundance of media, there was an increased interest, from the Chinese people, on their personal interests and rights. This subsequently gave rise to public opinions that could not be ignored (Lu, 2008, p. 454).

In response to the increase in accountability that subsequently moved China from a traditional planned economy to a market economy, the discussion of business ethics became much more “issue-oriented,” with topics of commodity and moral development, economic changes and moral development, and economic reforms and traditional ethics taking place (Lu, 1997, p. 1510). With the fusion of traditional and modern values, the Chinese discussion on business ethics still draws heavily upon Confucian principles. These principles are characterized by the emphasis on moral cultivation, importance of interpersonal relationships, family orientation, respect for seniority and hierarchy, pursuit of harmony and avoidance of conflict, and saving face. In comparing this to the three frameworks that have shaped Western discussions of business ethics, Confucianism comes closest to the Kantianism framework of business ethics—an idea that values maintaining harmonious relationships above all else (Clair & Norris, n.d.).

Conversely, it is interesting to also see the parallels between the Chinese culture and utilitarianism. Chapters 2 and 3 have tentatively concluded that Chinese aid is largely utilitarian based on literature reviews and preliminary data analysis. It is interesting to confirm that oftentimes, concepts of utilitarianism are visible within communitarianism. The reason is based on the assumption among communitarian societies that individuals must consider necessary actions to maintain a stable society, and value this stability over individual rights (Lodge & Vogel, 1987). Thus, the Chinese business culture and

mentality that values such a cohesive society out of respect for hierarchy and seniority may be, in part, an explanation of its development aid in a framework of business ethics.

Challenges of Business Ethics in China

Business ethics as a subject still faces challenges finding its place in China. Ironically, Xu points to these economic reforms, in the late 1970s through the 1980s, as a primary reason for the lack of business ethics in China. Whereas the traditional virtue is rooted in wisdom that stems from Confucianism, the development of market economies to a certain extent “undermines these virtues” (Lu, 2009, p. 458).

China’s case is unique in that its sociopolitical construct is Communist, with a ruling government that emphasizes a socialist, free-market economy where “centralized decision-making, internal bargaining, and bureaucratic red tape are still the norm” (Clair & Norris, n.d.). However, in light of international scrutiny received regarding their environmental pollution and worker exploitation in coal mining and consumption, it has modified its legal system to ensure businesses operate within WTO regulations, though the specifics of the changes remain unknown (Clair & Norris, n.d.). In fact, this highlights a major problem in the discussion of Chinese ethics—the lack of conclusive research. Although there has been wide coverage of ethical issues, they lack “indigenous research approach[es],” with many of the scholars who critique Chinese ethics being trained outside China or having adopted “western traditional research methodologies” to do comparative studies (Chan, Ip & Lam, 2009, p. 1). In addition, Chinese scholars are quick to observe that media has played a large role in misinforming the public about its ethical regulation through its criticisms of China’s lack of ethics, a criticism they claim

“are definitely factual, but [. . .] not generalized to a nation or the whole population of the ethnic group” (p.2).

Another challenge involves the Chinese managerial structure, and the fact that there lacks separation of ownership from management. In this aspect, Chinese scholars call for a more truly socialist market economy, in which public interest is safeguarded, common prosperity promoted, and the lawless curtailed. Additionally, with China’s state-owned foreign aid agencies, the challenge that must be addressed becomes effectively preserving the interests of employees, investors, and the public through corporate management and public administration. If done successfully, China’s managerial economy, which was seen as the root of China’s lack of business ethics, would actually become an “impetus towards development” (Clair & Norris, n.d.; Lu, 2008, p. 459).

Of the challenges, however, perhaps the largest issue that China faces is the apparent disconnect in the unfavorable way that traditional Confucian Chinese views manifest themselves among the international community. In light of the parallels drawn between Chinese ethics and Kantianism it would appear that their ethics would be more inclined towards transparent practices. However, Chinese firms consistently dominate the “least admired list” on *Fortune’s* ranking of most admired socially responsible companies (David, 2013, p. 317).

The answer to this can be found by studying China’s business strategies. According to McNeilly, Chinese business negotiators often view the marketplace as a “battlefield,” and the ultimate goal to “capture the market without destroying it” (McNeilly, 1996, p. 9). Thus, they draw business tactics heavily from Sun Tzu’s book, *The Art of War*, *The Three Kingdoms*, *36 Strategies*, and *The Book of Five Rings*. From

these books, themes that emerged and were reflected in Chinese business practices included language such as “striving for total victory,” “gathering intelligence and information,” “taking advantage of an adversary’s or competitor’s misfortune,” and even going as far as “engaging in deception to gain a strategic advantage,” and “transforming an adversary’s strength into weakness” (Tung, 1994, p. 58).

Additionally, another study conducted comparing Chinese and Canadian business ethics confirmed such practices, as Chinese negotiators were far more likely than Canadians to “consider false promises, misrepresentation, inappropriate information gathering, and attacking opponent’s network” (Ma, 2010, p. 131). The author contributed this difference in Western and Eastern ethics to the concepts of low-context and high-context cultures, respectively. Low-culture contexts, such as Canada, value open and explicit conversation with little or no attention paid to contextual cues. In contrast, China’s high-context communities value contextual cues and, as a result, are more situational and don’t reflect what is predetermined by their ethical standards. Thus, if they deem that the use of certain less ethical strategies will help achieve the desired results, they are more likely to employ such strategies, with little consideration for formal agreements (Wright, Sceto & Lee, 2003, p. 82).

This explains, in part, the reasoning behind Chinese development efforts in Africa, and their disregard for governance and environment issues, as well as labor issues highlighted in the case study of copper mining. Their ethics maintain that business is business, and therefore should not interfere with politics; thus, their business strategies often operate on conditions that economically benefit their economy. With Africa becoming the source of “intelligence and information” that they gather, China targets

Africa's strengths—that is, minerals—and takes advantage of the lack of institutional structure and policies surrounding those minerals to use for their benefit (Lumumba-Kasongo, 2011, p. 255).

In discussing Chinese foreign aid, then, two things becomes clear: first, the significance of cultural and traditional belief systems must not be undermined, because a discussion of their foreign aid activities cannot be complete without uncovering the belief systems from which they are derived. Second, much of the discussion concerned with business ethics comes from the rapid transformation of the Chinese economy from that of a planned one to a market one. As it has been argued, these economic reforms make “moral degeneracy an inevitable price to be paid,” making business ethics a difficult standard to establish (Wright et al., 2003, p. 82).

CHAPTER 7

CONCLUSION

This study served as an introductory overview of Chinese aid involvement on the African continent. It sought to uncover: 1) what the distribution of aid look like in Africa, and 2) what that distribution reveals about Chinese motives. Before diving into the discussion about Chinese aid, however, there was a brief discussion on the evolution of Western aid starting in the mid-1900s, from which the standards and norms for aid were established. It was in this discussion using existing literature that brought out the emerging Chinese aid ideals and philosophies to depict the tension between Western donors and China. While the Western donors delivered aid to countries with conditionalities of good governance and respect for basic human rights, China's aid contended that business and government be kept separate. This non-interference policy was perhaps among the largest differences between the US aid structure and China's. Therefore, it remains the largest point of contention, along with the West's critique of China's mineral extraction.

With this in mind, research was conducted to answer the two main questions posed above. In regards to the distribution of aid in Africa, it was noted that almost all countries in Africa received aid from China between the years 2004-2011. Ghana was the highest recipient by far, receiving over 20% of total Chinese aid, while other countries received anywhere from 1-10%. From this, it can be inferred that China seeks out influence in all areas of Africa, while clearly favoring some countries over others. In an effort to uncover Chinese motives behind aid projects in Africa, a preliminary data analysis was conducted. In this analysis, widely-echoed sentiments concerning Chinese interests in minerals was affirmed: countries with more than US\$927 million of natural resource rent were more than 12 times as likely to receive aid from China between the years 2004-2011 as countries with no resource rent. More specifically, countries with gold, petroleum, coal, and uranium were more likely to receive Chinese aid. Although not conclusive due to the dichotomous nature of the independent variables, this was helpful in providing an insight to China's motives behind their aid.

Another interesting finding was that of political affiliation. Burkina Faso, the Gambia, Rwanda, Sao Tome and Principe, Seychelles, and Swaziland were all countries that failed to receive aid from China. Of these six countries, four of them—Burkina Faso, the Gambia, Sao Tome and Principe, and Swaziland—had diplomatic ties with Taiwan rather than Beijing.

Further Research

This study as an introduction to the topic of Chinese aid in Africa was limited in scope and depth, leaving much room for continued research. One of the biggest

constraints experienced was in the data used, and the conclusions drawn from the analysis were extremely tentative. The independent variables being dichotomous, the discussion on countries with a certain natural resource could go no further than assessing whether the presence of that resource had an effect on aid. If exact values for the amount of present resources in a country had been available, the data analysis method would have been much more sophisticated, yielding a much more enriched discussion.

Along similar lines, the relationship between countries with natural resource rent and aid was weaker than anticipated. One explanation that was given suggested that China's interest rested in untapped potential, rather than countries that had already profited off of their resources. This hypothesis requires further research and a more extensive data analysis, with the potential of affirming Chinese interests in African natural resources with a new perspective.

Policy Implications

In continued Chinese involvement in Africa, there exist some policy implications. For China, the strategy of differentiating themselves from the Western donors as a fellow member of the Global South seeking mutual benefit has been the rhetoric employed in its African relations. However, this approach is a stark contrast to the continuous exploitation of the continent for its natural resources, and therefore runs the risk of being targeted by movements that still harbor anti-colonial sentiments (Eisenman, 2012, p. 809).

For Africa, there is still an argument that can be made for the necessity of aid due to its positive impact on per capita income growth that results in poverty reduction

(Loxley & Sackey, 2008, p. 190). There is, on the other hand, a need for a reduced demand in Africa for foreign aid. A possible solution to making this feasible rests in increased levels of trade. A study assessing a relationship between trade and growth revealed that while simply opening up trade did not have a significant effect on economic growth in Africa, conditions and policies governing trade in Africa made economic growth much more likely (Loxley & Sackey, 2008, p. 182). For Africa, then, growth becomes a matter of instituting policies that will make trade beneficial for the continent.

In the past, trade between China and Africa have favored Chinese demands while swamping local production in Africa. For example, while Africa exports precious commodities such as crude oil that has made up over two-thirds of the total export value to China since 2000, China exports manufactured goods to Africa, most often in the form of cheap textiles and clothing (Eisenman, 2012, p. 806). This becomes highly problematic for poverty reduction in Africa, as Chinese “labor-intensive manufacturing” exports to Africa inhibit Africans from getting a foothold in this sector that is considered the “first rung of the development ladder” (p. 808).

In order for Sino-African relations to truly be mutual, there must be a long-term strategy on encouraging trade that curbs Chinese imports and capitalizes on the precious minerals that Africa can offer. In order for this to happen, there must be great strategic caution and informed engagement on the part of Africa nations as a whole, with an emphasis on strategic thinking and business ethics (Eisenman, 2008, p. 808). For this to take place, there must be an increase in institutionalized capacity to make informed engagement possible. This requires a greater push for vigorous research, including at the national and international level (Chandiwana & Ornbjerg, 2003, p. 295). Ultimately, the

Sino-African relationship must be transformed to reflect a vision in which Africa's growth is made a priority for poverty alleviation.

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Appendix 1

Definitions, according to the World Bank, of the independent variables used in Table 4.2:

<u>Indicator</u>	<u>Definition</u>
Population	Total population is based on the de facto definition of population, which counts all residents regardless of legal status or citizenship--except for refugees not permanently settled in the country of asylum, who are generally considered part of the population of their country of origin. The values shown are midyear estimates.
Employment to population ratio, 15+, total (%) (modeled ILO estimate)	Labor force participation rate is the proportion of the population ages 15 and older that is economically active: all people who supply labor for the production of goods and services during a specified period.
GDP per capita (current US\$)	GDP per capita is gross domestic product divided by midyear population. GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. Data are in current US dollars.
Total natural resources rent (% of GDP)	Total natural resources rents are the sum of oil rents, natural gas rents, coal rents (hard and soft), mineral rents, and forest rents.
Total natural resource rent	Calculated by multiplying the total GDP by the total natural resource rent (as a percentage of the GDP).
Land area (sq. km)	Land area is a country's total area, excluding area under inland water bodies, national claims to continental shelf, and exclusive economic zones. In most cases the definition of inland water bodies includes major rivers and lakes.
Arable land (% of land area)	Arable land includes land defined by the FAO as land under temporary crops (double-cropped areas are counted once), temporary meadows for mowing or for pasture, land under market or kitchen gardens, and land temporarily fallow. Land abandoned as a result of shifting cultivation is excluded.

Arable land (hectares)	Arable land (in hectares) includes land defined by the FAO as land under temporary crops (double-cropped areas are counted once), temporary meadows for mowing or for pasture, land under market or kitchen gardens, and land temporarily fallow. Land abandoned as a result of shifting cultivation is excluded.
Control of Corruption: Percentile Rank	Control of Corruption captures perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests. Percentile rank indicates the country's rank among all countries covered by the aggregate indicator, with 0 corresponding to lowest rank, and 100 to highest rank. Percentile ranks have been adjusted to correct for changes over time in the composition of the countries covered by the WGI.
Political Stability and Absence of Violence/Terrorism: Percentile Rank	Political Stability and Absence of Violence/Terrorism captures perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including politically-motivated violence and terrorism. Percentile rank indicates the country's rank among all countries covered by the aggregate indicator, with 0 corresponding to lowest rank, and 100 to highest rank. Percentile ranks have been adjusted to correct for changes over time in the composition of the countries covered by the WGI.