



EDITORIAL

Dear Readers

2011 BROUGHT WITH it many developments amongst emerging powers and their engagement with Africa. With much media hype, the year started with South Africa becoming the latest member of the BRICS grouping, highlighting the ongoing debate over whether the country deserved to be included, and its role as a "voice of Africa" in the international arena. At the same time the BRICS countries continued their discussion through a number of high level and ministerial meetings on strengthening their partnership to overcome economic problems brought on by the financial crisis.

India's relations with the Continent were furthered with the second India-Africa Forum Summit having taken place in Addis Ababa in May. The event provided opportunity to assess the ongoing initiatives taking place through the partnership, and announcement of a new set of commitments to be implemented over the coming years.

Representatives from Africa and China have also been preparing for the next FOCAC Summit to take place in 2012. A senior officials meeting took place in October in order to review the implementation of the commitments of the previous Summit in 2009. Ongoing discussions have also taken place to strengthen the role of the African Union within the FOCAC processes. The construction of the new

African Union headquarters, financed by the Chinese government, has meanwhile been ongoing and will be inaugurated in January 2012.

In addition to the FOCAC Summit, 2012 will bring many new developments as states grapple with the ongoing financial crisis and its global implications. Other actors such as Turkey are continuing to expand and deepen their engagement with Africa. The Africa/Turkey Ministerial Review Summit held in December 2011 took place as a preparatory meeting to discuss preparations for the next Africa-Turkey Cooperation Summit to take place in 2013. Other events towards strengthened Africa-Turkey ties include the 7th Turkish- African Congress to take place in Khartoum in 2012.

Thus, as the world looks to an uncertain future, we anticipate further engagement within these partnerships, and through continued bilateral relations. We would like to thank all the contributors to the newsletter over the past year, whether through articles, reviews, conference summaries, events and publication announcements. We hope you will continue to provide these contributions and wish you all the best for the year ahead,

Hayley Herman

Programme Officer

Emerging Powers in Africa Initiative

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More analysis and commentary from Fahamu's Emerging Powers in Africa Programme can be found online in Pambazuka News: www.pambazuka.org/en/category/africa_china/

COMMENTARY

Chinese development finance in Africa

By Deborah Brautigam, American University

CHINESE DEVELOPMENT FINANCE in Africa is unusual in that much of the financial flows from China do not constitute official development aid (ODA).

Instead, much of it comes in the form of export credits and strategic lines of credit to Chinese-related companies, among other mechanisms. In this sense, it is very similar to Japanese financial flows to China several decades ago, when Japan began its outward march with a large line of credit to China, which, at the time, was not credit-worthy either. Looking at the nature of Chinese development aid — and non-aid — to Africa provides insights into China's strategic approach to outward investment and economic diplomacy, even if exact figures and strategies are not easily ascertained.

Chinese development finance in Africa involves two distinct types of financial flow: ODA and 'other official flows' (OOF). ODA as defined by the OECD refers to concessional funding given to developing countries and multilateral institutions primarily for the purpose of promoting welfare and economic development in the recipient country. Funding must be 'concessional in character' (i.e. involving government subsidies) and loans must have a grant element of at least 25 per cent, using a 10 per cent discount rate.

While only concessional loans and grants qualify as ODA, governments also offer other official flows: funds for the donor country's firms to subsidise or guarantee their private investment in recipient countries, military aid and export credits. These funds are reported as OOF. This category includes loans that are not concessional in character, and official bilateral transactions — whatever their grant element — that are primarily export-facilitating in purpose.

China provides the equivalent of ODA through three instruments: grants, zero-interest loans and concessional (you hui dai kuan, or fixed-rate, low-interest) loans. These instruments finance Chinese government scholarships for African students; Chinese medical teams; 'turn-key' construction of stadiums, government buildings, telecommunications networks and other infrastructure; technical assistance teams in agriculture and other sectors; short-term training programs; youth volunteers; and material aid (the export of Chinese goods).

Grants and zero-interest loans were the primary instruments of China's ODA until 1995, when concessional loans were introduced. According to the Chinese white paper on aid released in April this year, approximately 40 per cent of China's aid is

financed through grants. Zero-interest loans are also a mainstay of China's aid. The debt-relief program launched by Beijing in 2000 targeted overdue zero-interest loans for cancellation, with RMB25.58 billion worth (US\$3.76 billion) cancelled, and of this, RMB18.96 billion (US\$2.79 billion) was cancelled in Africa.

Only large projects with a value of at least US\$2.4 million, and that make a minimum 50 per cent use of Chinese goods and services, may be funded with concessional loans. China's concessional-loan program in Africa has grown rapidly. At the end of 2005, China Export-Import Bank had cumulatively funded only about US\$800 million in concessional loans in Africa, for 55 projects. Two years later, the number of African projects had risen to 87, and the cumulative value was about US\$1.5 billion. And the government recently pledged US\$10 billion in concessional/preferential credits for Africa, to be committed by 2012.

China also supplies other official funds that do not qualify as ODA. Three categories of loans are relevant here: export buyers' credits, including preferential buyers' credits (you hui mai fan xin dai) and commercial-rate, export commodity-secured or 'mutual-benefit' credits (hu hui dai kuan); official loans at commercial rates; and strategic lines of credit to Chinese companies.

For Africa, the OOF category provided by OECD members has normally been well below the level of funds provided on ODA terms. But this is not the case for China. China's government-provided finance to Africa falls primarily into the OOF category, rather than ODA. As noted above, China's official finance in Africa consists of grants, zero-interest loans, debt relief and concessional loans (which would all qualify as ODA), as well as preferential export credits, market-rate export buyers' credits and commercial loans from Chinese banks (none of which would qualify as ODA).

In Africa, as elsewhere, Chinese aid agreements seem to follow diplomatic ties. China's ODA does not appear to be given in larger amounts to resource-rich countries, as can be seen in flows to Nigeria and the Democratic Republic of Congo. Grants and zero-interest loans are distributed fairly evenly around the continent, while concessional loans fit a country's ability to pay, either because it is middle income or because it will finance an income-generating project.

China's economic push to 'go global' is coordinated by many policy instruments, including development aid. In this way, China's strategy resembles

Japan's outward march more than it resembles the experience of other OECD countries. Chinese banks have developed instruments they believe can link Africa's riches — its natural resources — to its development. Because they regard these resources as a source of wealth, they generally do not offer mutual-benefit loans (hu hui dai kuan) at concessional rates. And to the Chinese, even resource-poor countries like Ethiopia — whose balance sheets might not look good — sometimes have untapped capacity to service a future debt, if borrowed funds go toward productive projects. It remains to be seen whether fears about the sustainability of this debt are borne out.

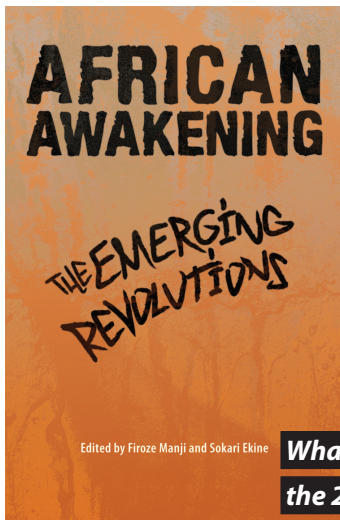
Deborah Brautigam is Professor at the School of International Service, American University, and Adjunct Professor at the Department of Comparative Politics, University of Bergen. Professor Brautigam's research was presented at China Update 2011. The annual China Update conference is hosted by the China Economy Program, in collaboration with the East Asia Forum, at the ANU in July. This article is a digest of a Professor Brautigam's chapter 'Chinese Development Aid in Africa', in Jane Golley and Ligang Song (eds.) Rising China: Global Challenges and Opportunities. This book is the latest publication in the China Update Book Series, launched at the China Update conference every year. The above article was first published on the following site: <http://www.eastasiaforum.org/2011/12/25/chinese-development-aid-in-africa/>

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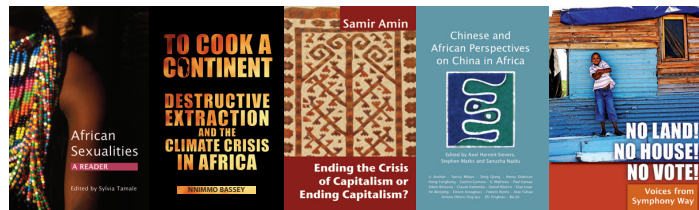
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What the mainstream media missed – the 2011 uprisings in their African context



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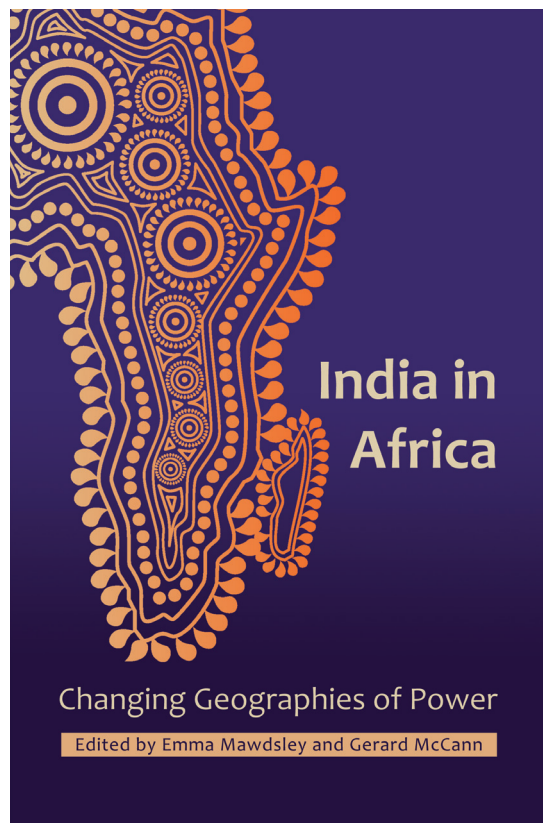


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BOOK REVIEW

“India in Africa: Changing Geographies of Power” by E. Mawdsley and G. McCann (eds.)

by Oliver Stuenkel



THIS HIGHLY INFORMATIVE collection of essays edited by Emma Mawdsley and Gerard McCann provides the reader with an excellent overview of India's presence in Africa - a topic neglected by most books on Indian foreign policy (with the notable exception of Jacob's and Chandran's *India's Foreign Policy- Old Problems, New Challenges*, which includes a short chapter on the issue). While the topic of China's growing presence in Africa has long reached the mainstream media, India's role is largely unknown outside of a small but growing circle of specialists. As the editors recognize in the introduction, "China is certainly a more potent player in most African countries and sectors than India at present, so in part this very uneven interest simply responded to an accurate assessment of their relative material powers and impacts" - at the same time, India's influence in Africa is set to increase and it holds valuable lessons for other emerging powers active in Africa, namely Brazil and Turkey.

What the authors make clear early on in the book is that while international observers have a negative

bias when analyzing China's role in Africa, India is often portrayed as overly positive - for example, China was roundly criticized and shamed publicly for its 'irresponsible hydrocarbon investments' in Sudan, but few realized that India - behaving just like China - was not subject to the same scrutiny. As Sanusha Naidu writes in chapter 3, India is comfortable operating in China's shadow, although it is unclear for how long India can escape the criticism for such controversial moves such as large-scale farm acquisitions and subsequent near duty-free food exports of crops to India.

Is India's role comparable to that of China? Are China and India engaged in a new version of the 'scramble for Africa'? In Chapter 1, Fantu Cheru and Cyril Obi argue that contrary to official Indian rhetoric, India's and China's interests in Africa are simply too similar to avoid competition. They say that

'It is important to note that when stripped of its rhetoric, it is hard to ignore the similarities between the African strategies of India and China, which is found in 'their demands for resource security, trade and investment opportunities, forging of strategic partnerships, African-Asian solidarity and South-South solidarity'.

Instead, what differentiates India's role in Africa is its smaller dimension, later entry and, due to financial constraints, the necessity to engage with economic blocs such as ECOWAS (rather than governments) and to bet on a more dynamic private sector to strengthen India's presence. This does not mean that trade is the only driver of India's engagement - as the authors point out, particularly the East African coast is of great strategic importance as India seeks to build a visible presence in the Indian Ocean, and the Indian navy regularly conducts naval patrols off Mozambique's coast.

While the common assertion that China's presence in Africa follows a centrally planned master plan designed in Beijing is not correct (as Deborah Brautigam points out in her excellent book on China's presence in Africa), it is true that India's engagement with Africa seems more uncoordinated than China's. In a way, this is unsurprising, as India's "private-sector driven, unplanned, polarizing and chaotic model of economic development" is, quite naturally, in evidence in Indian economic relations with Africa.

In Chapter 2, Pádraig Carmody correctly notes that Africa has a much greater strategic importance for

India than for China, particularly regarding energy. India possesses less than 0.5% of the world's proven oil reserves, and it is expected to run out of coal over the next decades, which will force it to import virtually all of its energy - and in order not to become overly independent on a perennially unstable Middle East, India, soon the world's third-largest energy consumer, will increasingly import African oil.

As there are more poor people in India than in all of Africa combined, and as Africa's average GDP is \$200 higher than that in India, the motivation for India's increasing aid payments can be better explained by economic and political motivations rather than by humanitarian ideals - aid is seen as a tool to boost India's soft power and reduce Africans' fear that India is primarily interested in exploiting Africa's resources. At the same time, Africa's support for India's campaign for a permanent UN Security Council Seat is indispensable, even though the clear date for the next attempt to bring about reform has not been set.

Chapter 6 by Gerard McCann is particularly enlightening as it questions the common wisdom that India's historic diaspora in East Africa provides Indian companies with a competitive advantage. He even argues that in a highly ethnicized political economy like Kenya's, the long presence of Indians would pose obstacles to the arrival of the new generation of Indian companies, like Bharti Airtel, writing that "it seems that laudatory rhetoric about historical friendship, at times, obscures tensions between various African and Indian actors." And he shows that African-Indian relations have by no means been problem-free - in 1962, for example, Kenya's political leadership openly supported China during the Sino-Indian War, despite the presence of the Indian community in Kenya. In the 1990s, the high profile complicity of Indians in Moi's kleptocratic regime compounded prejudice in Kenya against the Indian community.

Chapter 9 by Luke Patey details India's OVL's entry into Sudan, benefitting from Western oil firms' decision to exit the country due to growing insecurity and international pressure from human rights organizations. What is particularly interesting here is that the Indian government (which owns much of OVL) was much less concerned about human rights abuses than about losing its investment due to the unpredictable political situation in Sudan.

In Chapter 10, Emma Mawdsley analyzes the theoretical and philosophical underpinnings of

aid, comparing 'traditional Western aid' to 'South-South cooperation' - while such a distinction is difficult to make in the real world (as the author acknowledges), this chapter is useful for academics (rather than policy makers). She concludes that

Southern donors actively attempt to avoid this discursive positioning (of donor vs. recipient) of their development cooperation: something that many western donors could learn from. But just like western donors, southern development partners are in pursuit of their own interests, and their symbolic claims should be equally subject to critical evaluation as those of the western donors.

The authors frequently note how limited our knowledge of India's role in Africa is - effectively complicating the Indian government's capacity to pursue an informed Africa policy. From a Brazilian point of view, such arguments should cause alarm bells to ring, for Brazil possesses virtually no systematic knowledge at all about the role it plays in Africa. In order not to make avoidable mistakes (that China has made by sometimes appearing like a threat to Africa), Brazilian academics must undertake a greater effort not only to provide big-picture analyses, but to spend time on the ground and collect meaningful and measurable data. For Brazil, Africa will soon be about much more than business opportunities, South-South solidarity and the collection of support in the UN General Assembly for a permanent seat in the UN Security Council. As Alex Vines points out in Chapter 11, Africa will be of great strategic importance - this is particularly true once the new generation of large container ships can no longer pass through the Suez Canal, and need to take the route around the Cape of Good Hope - an area where Brazil will have to exert control if it seeks to position itself as a global power.

The book is thus extremely useful for those seeking to gain a better understanding of India's presence in Africa. Brazilian Africa scholars could equally benefit from it. Brazil is trailing both China and India in Africa, but if it studies China's and India's role in Africa carefully, it can avoid their mistakes and engage Africa more effectively. Otherwise, the red carpet rolled out to welcome Brazil to the continent, "will quickly be rolled up and taken away."

Oliver Stuenkel is Professor of International Relations at the Getulio Vargas Foundation in São Paulo, Brazil. The review was first published at the following link: <http://www.postwesternworld.com/>



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RESOURCES, LINKS AND ANNOUNCEMENTS

King Cobra and the Dragon, People & Power, Al Jazeera English

Film Documentary

AS CHINA INCREASES its economic ties in Africa, has the continent entered a new era of colonialism?

China's increasing engagement with Africa has become a subject of great controversy. The country's commercial interests in Africa have been called a new form of colonialism by some in the West, but many Africans say that China is a better partner than Europe or the US. But what is the reality in the African nations with the longest standing links to China?

People and Power sent Sino-French academic Solange Chatelard and filmmaker Scott Corben to Zambia during the presidential elections in September 2011 to investigate whether Africa has entered a new era of colonialism with

Chinese firms maltreating workers and devouring the continent's natural resources.

Thousands of Chinese have settled in Zambia and opened businesses, but relations have not always run smoothly.

In 2005, an accident in an explosives factory at the Chinese-owned Chambishi mine caused the deaths of dozens of Zambian workers. The incident focused Zambian minds on poor working conditions in Chinese-owned businesses and made Sino-Zambian relations a major issue in the following year's presidential election.

The People and Power team spoke to a mineworker at the cemetery where the victims of 2005 were buried. He told them that working conditions were still poor and that those who spoke out often lost their jobs.

In October 2010, another incident attracted international attention, when Chinese supervisors at the privately-owned Collum coalmine in southern Zambia fired indiscriminately with shotguns at workers who had gathered in large numbers outside the gate demanding higher pay and better conditions.

The shooters were taken to court but the case was dropped after the 13 victims received compensation.

Of the two main candidates running for president in 2011, Rupiah Banda was the most outwardly pro-Chinese. He downplayed media reports of China colonising Africa saying that Beijing was too focused on problems in its own country.

Banda's campaign focused instead on the Movement for Multi-party Democracy's (MMD) record of 20 years of peace and prosperity in Zambia. While it was true that the country had steered clear of the troubles which had plagued neighbouring Zimbabwe, Angola, Democratic Republic of Congo and Mozambique, it was also true that much of the country's new wealth had failed to make it into the hands of ordinary Zambians.

Michael "King Cobra" Sata of the Popular Front was Banda's principal challenger. The colourful politician had campaigned on an anti-Chinese ticket in 2006 but People & Power found him in a more conciliatory mood this time round. He even admitted that Zambians had much to learn from the Chinese work ethic.

However, Sata also listed plenty of negatives: "The Chinese bring labourers to push wheelbarrows which is wrong. They do not follow the minimum wage when they are paying their people. The Chinese have no conditions of service. They don't provide protective clothing. The list is endless."

Sata's promise to distribute the country's wealth more evenly proved successful and he was elected president with a majority of 200,000 votes.

Zambia's relationship with China dates back to the 1960s when the country's first President Dr Kenneth Kaunda travelled to Beijing.

Kaunda turned to the Communist state to finance a major railroad project after Western countries turned him down. While the huge Tazara railway has steadily fallen into disrepair over the last four decades, relations between the two countries have strengthened.

Today, China needs Zambian copper to manufacture the goods it sells to consumers around the world. Zambia needs Chinese investment to fund infrastructure projects and provide jobs.

The People and Power team spoke to many ordinary Zambians. Some agreed with claims that Chinese were maltreating Zambians, but others welcomed Chinese investment saying it was bringing development to the country.

Zambian workers at the Chinese financed Ndola Stadium claimed that their Chinese supervisors physically abused them; a successful Zambian businessman in Lusaka pointed out that nobody complained when the Chinese gave you a good price for your house.

We also spoke to a host of Chinese: from new arrivals to long-established residents; from employees on fixed contracts to entrepreneurs; from farmers to factory workers. Some Chinese had come to join family or friends, others had come to earn and save money or to try their luck in a new business.

The picture that emerged did not fit with media reports of "state-sponsored colonialism."

Instead, Africa seemed to represent a land of opportunity for the many Chinese struggling to fend for themselves in increasingly competitive domestic markets. In Africa, they were able to build businesses and a base on which to raise a family. Labour was cheap, markets could be dominated, and, for some, rules could be circumvented.

People & Power also spoke to representatives of Western interests in Zambia.

At a reception hosted by the Chinese Embassy the United States ambassador told Solange Chatelard that the Chinese should follow the US lead and “make a contribution.” He reiterated the words spoken by Hillary Clinton, the US secretary of state, during her visit in Zambia in June 2011: “While you’re doing well, you should also do good.” Some Zambians told us they found the policy patronising.

It is still too early to tell what Sata’s victory will mean for the future of Sino-Zambian relations, but there have been clues. Soon after his election, President Sata told the Chinese ambassador on national television that he welcomed Chinese investment but “your investment should benefit the Zambians and not the Chinese.”

If an incident such as Collum or Chambishi arises during Sata’s tenure, will King Cobra’s conciliatory mood continue, or will he turn dragon slayer?

Link to film documentary: <http://www.aljazeera.com/programmes/peopleand-power/2012/01/20121484624797945.html>

Recent Publications and New Reports

Bridging the Atlantic: Brazil and Sub-Saharan Africa
South-South Partnering for Growth

Released by The World Bank, December 2011

Report can be accessed at: <http://siteresources.worldbank.org/AFRICAEXT/Resources/africa-brazil-bridging-final.pdf>

China’s Emerging Global Health and Foreign Aid Engagement in Africa

Publication released by Centre for Strategic International Studies

English version: http://csis.org/files/publication/111122_Freeman_ChinaEmergingGlobalHealth_Web.pdf

Chinese version: http://csis.org/files/publication/111206_Freeman_ChineseGlobalHealth_Web.pdf

The Zambia–China Cooperation Zone at a Crossroads: What Now?

Written by Ana Cristina Alves, SAIIA Policy Briefing No 41, December 2011

Paper can be accessed at: http://www.saiia.org.za/images/stories/pubs/briefings/saia_spb_41_alves_20111220.pdf

Full text: White paper on China’s foreign trade

China’s Foreign Trade, Information Office of the State Council The People’s Republic of China, December 2011, Beijing



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