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CHINA IN AFRICA: BEATING THE ODDS OF UNDERDEVELOPMENT

Abstract:

The onset of the Forum on China-Africa Cooperation (FOCAC) in 2000 paved the way for an increase in aid and investment in the developing countries of Africa. As a result of this, China-Africa trade grew from 11 billion USD in 2000 to 170 billion USD in 2011, making China Africa's largest bilateral trading partner.

This partnership is crucial to evaluating Africa's economic growth and whether investments, trade and aid have resulted in the improvement of economic conditions and political stability in the region or if China's activity in Africa has had a negative impact on the continent. The arguments that follow will support the assumption that high levels of Chinese investments, aid and trade have improved the political economic development of Uganda, Kenya, and Zimbabwe. This paper will look at the impacts that China's financial involvements have had on the political economy of development in Africa. More specifically, the questions that will be addressed are: Has Chinese foreign investments, aid and trade in Kenya, Zimbabwe, and Uganda improved the economic situation in these countries? Has China's economic engagements had positive or negative effects on Kenya, Uganda and Zimbabwe's development from 2000-2015? The variables that will be used to determine the impacts on Africa will be: economic growth (based on GDP per capita), political inclusiveness (based on Freedom House and Ibrahim Index for African Governance indicators) and Human Development (based on the Human Development Index of health and education).

Keywords:

Development, Trade, Economic growth, Foreign aid, Political inclusiveness, Human development.

JEL Classification: A10

A mutual partnership begins

The onset of the Forum on China-Africa Cooperation (FOCAC) in 2000 paved the way for an increase in aid and investment in the developing countries of Africa.¹ As a result of this, China-Africa trade grew from 11 billion USD in 2000 to 170 billion USD in 2011, making China Africa's largest bilateral trading partner.² Chinese-African relations extend back into the 1980s when Chinese policy shifted more towards modernization under Deng Xiaoping.³

This partnership is crucial to evaluating Africa's economic growth and whether investments, trade and aid have resulted in the improvement of economic conditions and political stability in the region or if China's activity in Africa has had a negative impact on the continent.

Brief literature overview

The literature on this topic is substantial and there are opposing viewpoints on the positive and negative impacts of Chinese investments in Africa; those against China in Africa and those who support the partnership and see it as a development tool for the continent. An article by Pooja Khosla titled "Intra-Regional Trade in Africa and the Impact of Chinese Intervention: A Gravity Model Approach" argues that trade relations with China have distorted patterns of trade in Africa. Khosla states that Chinese presence has hurt trade between African countries domestically, as they tend to import goods and export less to neighbouring countries within Africa.⁴ The *Investing in Africa Forum* was held in 2015. Miria Pigato and Wenxia Tang authored the piece on "China and Africa: Expanding Economic Ties in an Evolving Global Context".⁵ This summary argues that Chinese investments could be very beneficial to Sub-Saharan Africa (SSA), but that Africa should also do its part in meeting the challenges that it is facing domestically in order to prosper and become sustainable.⁶ In sync with Khosla's article, Pigato and Tang put forth that China's move towards a more consumption-driven growth model can decrease local demand and this will have disastrous results for commodity producers in Africa.⁷

Lastly, Christopher Alessi, and Beina Xu's article on "China in Africa" addresses the benefits of Sino-African ties.⁸ They argue that China has engaged in "commercial

¹ Forum on China-Africa Cooperation, accessed April 10, 2016, <http://www.focac.org/eng/>.

² Pooja Khosla, "Intra-Regional Trade in Africa and the Impact of Chinese Intervention: A Gravity Model Approach," *Journal of Economic Development* 40 (2015): 42, accessed April 10, 2016, <http://www.jed.or.kr/full-text/40-4/2.pdf>

³ Wissem Souci, "Political Economy of Development," (POLI 579), March 10, 2016.

⁴ Khosla, "Intra-Regional Trade," 56.

⁵ Miria Pigato, and Wenxia Tang, "China and Africa: Expanding Economic Ties in an Evolving Global Context" (Summary presented at the Investing in Africa Forum, Addis Ababa, Ethiopia, June 30-July 1, 2015).

⁶ Pigato and Tang, "China and Africa."

⁷ Pigato and Tang, "China and Africa."

⁸ Christopher Alessi, and Beina Xu, "China in Africa," *Council on Foreign Relations*, last updated April 27, 2015, <http://www.cfr.org/china/china-africa/p9557>

diplomacy" that is unequivocal in its kind. A large portion of China's funding has taken the form of infrastructure financing, which is direly needed on the continent. The Chinese central government, including its state-owned banks, said it will provide 1 trillion USD in financing to Africa by 2025 which is a staggering figure. Alessi and Xu attribute the success of China in Africa to the former's policy of non-interference; China rarely attaches any political strings to its assistance to Africa which is very different from other countries' approach.⁹

The arguments that follow will support the assumption that high levels of Chinese investments, aid and trade have improved the political economic development of Uganda, Kenya, and Zimbabwe. This paper will look at the impacts that China's financial involvements have had on the political economy of development in Africa. More specifically, the questions that will be addressed are: Has Chinese foreign investments, aid and trade in Kenya, Zimbabwe, and Uganda improved the economic situation in these countries? Has China's economic engagements had positive or negative effects on Kenya, Uganda and Zimbabwe's development from 2000-2015? The variables that will be used to determine the impacts on Africa will be: economic growth (based on GDP per capita), political inclusiveness (based on Freedom House and Ibrahim Index for African Governance indicators) and Human Development (based on Human Development Index of health and education).

Sino-Kenyan ties

The first section will look at the impacts of China's Foreign Direct Investment (FDI), trade, and aid on the political economic development of Kenya. The bilateral partnership between Kenya and China has historical roots, it goes back to the People's Republic of China establishing diplomatic relations with the Republic of Kenya in 1963.¹⁰ President Moi of Kenya further strengthened relations between the two countries in 1978. In 2002 the newly-elected President Mwai Kibaki expressed his intention of further deepening relations with China and wanting to expand the amicable partnership between the two countries. Accordingly, China was the fourth country to recognize Kenya's independence in 1963.¹¹

China's effect on Kenya's economic growth

From the onset of his first government, Kibaki shifted Kenya's focus to economic recovery. He adopted a liberalized market approach, whereby he allowed people to engage in economic activities without major limitations. The economy's growth rate

⁹ Alessi and Xu, "China in Africa."

¹⁰ Joseph Onjala, "A Scoping Study on China-Africa Economic Relations: The Case of Kenya," *Institute for Development Studies* (2008): 4, accessed April 10, 2016, https://www.researchgate.net/publication/239732019_A_Scoping_Study_on_China-Africa_Economic_Relations_The_Case_of_Kenya_Revised_Final_Report

¹¹ Onjala, "A Scoping Study," 4.

recovered from under 1 percent in 2003 to 7 percent in 2007; the highest that Kenya had achieved in several decades.¹²

Foreign Direct Investment (FDI) in Kenya is defined as investment in foreign assets, credits, property or benefits, undertaken by foreign national for the purpose of production of goods and services, which are to be sold either in the domestic market or exported overseas.¹³

The economic partnership between China and Kenya has been described as a "symbiotic relationship".¹⁴ Chinese investments in Kenya are focused mainly in the manufacturing sector (90%) and service sector (10%) but recently there has been a move to mining and mineral exploration. It was not until 2000 that FDI from China began to grow and became remarkable starting from 2004-2006.¹⁵

The China National Offshore Oil Corporation (CNOOC) signed a deal with the Kenyan government in 2006 which gave CNOOC six blocks for mineral exploration.¹⁶ However, after unsuccessfully drilling for oil in Northern Kenya, the company quit all its licences in 2010. There have been other attempts by foreign companies to explore the mineral sector in Kenya that have been unsuccessful.¹⁷

Moreover, China has also invested significantly in Kenya's port infrastructure, supporting a 22 billion USD project that was encouraged by Kibaki's government in 2008 under the new "Look East Policy". The Asian nation has also been in favour of regional institutions such as the East African Community and the Great Lakes Forum. This has done well to help integrate African markets.¹⁸ Figure 2 in the Appendix shows the GDP per capita (current USD) growth of Kenya from 2000-2015, Kenya's GDP per capita is \$60.94 billion (2014).¹⁹

In August of 2013, Kenya continued its infrastructural initiatives by entering into a 5 billion USD deal with China.²⁰ The recent natural resource findings in the African nation (gas, oil, coal and rare earths) has attracted the Chinese government to pursue its investments

¹² David Booth et al, "An Update on the Political Economy of Kenya, Rwanda, Tanzania and Uganda," *East African Prospects* (2014): 26, accessed April 13, 2016, <http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/8945.pdf>

¹³ Onjala, "A Scoping Study," 11.

¹⁴ Patrick Mutua Kioko, "A Study on Chinese Economic Relations with Africa: Case Study, Kenya," *Prime Journal of Business Administration and Management* 2 (2012): 489, accessed April 12, 2016, <http://www.primejournal.org/BAM/pdf/2012/mar/Kioko.pdf>

¹⁵ Mutua Kioko, "A Study on Chinese," 492.

¹⁶ Lucy Corkin, "China in Africa," *Renaissance Capital* (2011): 25, accessed April 15, 2016, http://www.fastestbillion.com/res/Research/China_in_Africa-210411.pdf

¹⁷ Corkin, "China in Africa," 25.

¹⁸ Corkin, "China in Africa," 25.

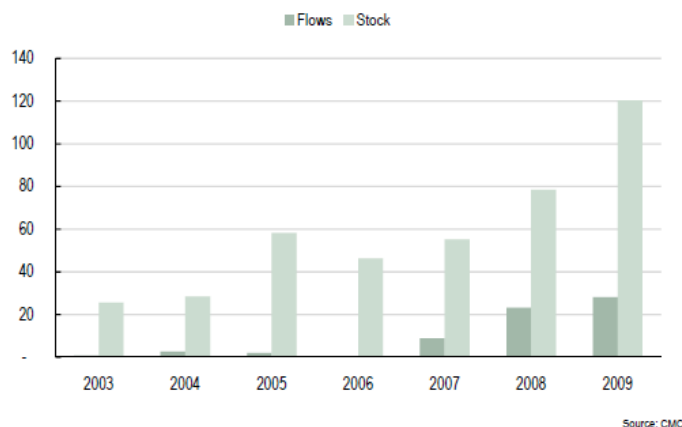
¹⁹ "World Data Bank," accessed April 11, 2016, <http://databank.worldbank.org/data/reports.aspx?source=2&country=KEN&series=&period=>

²⁰ Jyrki Luukkanen et al, "Development Futures in Kenya and Tanzania Beyond 2015" (Summary presented for the Finland Futures Research Centre, January 2015).

in Kenya. The Chinese also dominate most road projects in Kenya and have agreed to conduct satellite mapping of the mineral deposits in Kenya, and have partaken in the construction of the Lamu port. China is also funding the Mombasa-Nairobi-Malaba railway line.²¹ Figure 1 in the Appendix (posted to the *Deborah Brautigam Blog* on February 15, 2016) shows Chinese investments categorized by sector in Kenya: main sectors are rail and road, manufacturing, aid, and other.

Investment into Africa is facilitated through state-owned Chinese banks. The Export-Import Bank of China (Exim Bank) has quickly transformed into the world's largest export credit agency with "significant and expanding operations in Africa".²²

Chinese FDI to Kenya 2003-2009, \$mn



China's FDI outflow has been crucial to the East African country for many reasons:

Firstly, China's FDI has filled the void that the weakening of Kenyan competitiveness to attract foreign direct investment has left and this plays a very important role for the country.²³ Secondly, the new Chinese policy of gaining closer economic ties to Kenya has increased Chinese entrepreneurial presence in the country.²⁴ FDI has had advantages and disadvantages; it has led to diversification of FDI with China investing in a variety of sectors such as retail services, tourism, transport, construction, power plants and telecommunication. It has also resulted in the creation of jobs although this has been a debated success.²⁵

²¹ Luukkanen, "Development Futures."

²² Chris Alden et al, "China Returns to Africa: Anatomy of an Expansive Engagement," *Real Instituto Elcano* (2008): 9, accessed April 14, 2016,

http://www.realinstitutoelcano.org/wps/wcm/connect/c2621b804f018b31b083f43170baead1/WP-51_Alden-Large-SoaresdeOliveira_China_Africa_Engagement.pdf?MOD=AJPERES

²³ MutuaKioko, "A Study on Chinese," 9.

²⁴ MutuaKioko, "A Study on Chinese," 9.

²⁵ MutuaKioko, "A Study on Chinese," 9.

Chinese influence on Kenya's governance

The next section will look at the impact that Chinese investment, aid, and trade have had on Kenya's political inclusiveness. The goal will be to assess whether these types of financial assistance have made Kenya's governance more susceptible to democratic or authoritarian forms of government. This will be done using the indicators of Freedom House (non-governmental organization that conducts research and advocacy on democracy, political freedom, and human rights) and the Ibrahim Index of African Governance (IIAG) which is an annual statistical assessment of the quality of governance in every African country.

Kenya adheres to the "One China Policy" which acknowledges that there is only one China in the world and that Chinese Taipei is one part (a Province) of China".²⁶ The acceptance of this condition by Kenya undoubtedly strengthens the diplomatic ties between the two countries. Further, China's African Policy is centred on providing assistance to the continent with "no political strings attached". This is referred to as China's "Non-Interference Policy". This policy stems from China's historical experience of western interference and China is careful not to involve itself in Africa's politics.²⁷ This significantly and uniquely sets this bilateral partnership apart from other donor countries of Africa who seem to almost always attach some form of political baggage to their assistance.

However, there is another aspect to consider with this detached view in that the lack of political strings provides a risk that the Chinese policy will: 1) give rise to authoritarian regimes who have hidden motives that are not in the best interest of their people. 2) debilitate social standards and not benefit poor people. 3) weaken efforts to fight corruption and promote just governance in Kenya.²⁸

Kenyan President Kibaki's new party came to power in 2008. His presidency was not well-received, in fact, his rise to power was met with violence on an unprecedented scale prompted by the disputed 2007 presidential election results. The conflict stemmed from the ethnic groups of the Kalenjin and the Kikuyu who violently fought each other in the post-election violence. Their leaders, Kenyatta and Ruto, were indicted by the International Criminal Court (ICC) for crimes against humanity committed during this period.²⁹ The 2013 election of Uhuru Kenyatta as president and William Ruto as his deputy caused quite an uproar. Both men faced charges of crimes against humanity related to the post-2007 election violence at the ICC. Their election was preceded by warnings by some donor countries such as Britain and the U.S. (notably China kept silent) that the country [Kenya] would suffer "consequences" if the two men were elected.³⁰

²⁶ Onjala, "A Scoping Study," 41.

²⁷ Onjala, "A Scoping Study," 42.

²⁸ Onjala, "A Scoping Study," 42.

²⁹ Booth, "Update on Political Economy," 15.

³⁰ Luukkanen, "Development Futures."

Kenya's overall governance is currently ranked 14th (out of 54 African countries) on the IAG.³¹ Also, *Freedom House* has deemed the nation "Partly Free" in its index.³²

China's impact on human development in Kenya

The following section will conclude the Kenyan case by examining the political economic development of Kenya by considering the impacts that Chinese trade and aid have had on human development. The Human Development Index (HDI) factors of health, employment (where applicable) and education will be noted in determining the positive or negative effect that China's trade and aid have had on Kenya. The HDI is a summary measure of the average achievement in key dimensions of human development.³³

The Chinese exports to Kenya mainly include telecommunication equipment, electrical machinery, civil engineering equipment, motor and transport vehicles, motorcycles, and iron and steel products, household electric appliances, textile goods, commodities for daily use, building materials and drugs.³⁴ 2002 saw the trade value between China and Kenya reach 186.37 million USD, whereby the Chinese export took up 180.576 million USD while the import was 5.798 million USD. The main Kenyan exports to China include scrap metals (copper and aluminium waste), fruits and nuts, black tea, coffee, sisal fibre, leather, raw hides and skins and fish.³⁵ Figure 3 in the Appendix shows the description of Kenya's imports from 2004-2006.

The advantages of trade with China are numerous for Kenya: including modernization of industries, building of infrastructure and creation of employment but the disadvantages are just as important if not more so to the overall economic growth of Kenya. Africans blame China's low prices of goods for the collapse of local industries.³⁶ There are huge quantities of cheap Chinese products available in Kenyan markets. However, this has resulted in losses due to competition from Chinese imports which has hurt the local textile industry and other local manufacturing sectors.³⁷

The impact from China's aid on the HDI indicator of health can be seen in the following point. One of China's largest pharmaceutical companies, Beijing Holley-Cotec Pharmaceuticals, opened its facility in Nairobi (since 1993) to serve the East and Central African region. The company's top managers committed themselves to distributing anti-

³¹ "Ibrahim Index of African Governance (IIAG)," accessed April 14, 2016,

<http://mo.ibrahim.foundation/iiag/data-portal/>

³² "Freedom House," accessed April 16, 2016,

<https://freedomhouse.org/country/kenya>

³³ "United Nations Development Programme (UNDP)," accessed April 16, 2016,

<http://hdr.undp.org/en/countries/profiles/KEN>

³⁴ Onjala, "A Scoping Study," 9.

³⁵ Onjala, "A Scoping Study," 9.

³⁶ Kingsley Ighobor, "China in the heart of Africa," *Africa Renewal* (2013): 6, accessed April 10, 2016,

<http://www.un.org/africarenewal/magazine/january-2013/china-heart-africa>

³⁷ MutuaKioko, "A Study on Chinese," 10.

malarial drugs in the African continent.³⁸ This has had positive effects as Kenya's life expectancy at birth has increased from 52.8 years (2000) to 61.6 years (2015).³⁹ Figure 5 in the Appendix shows the highest total commitments to Health, Population, Water, and Sanitation (HPWS) projects by African country from 2000-2012 both from China as a donor and Development Assistance Committee (DAC) donors. Kenya is in the top 3 countries for both of those lists.⁴⁰

As of 2011 Kenya had received several small loans and grants, with total aid reaching 160 million USD. Kenya was the site of the first Confucius Institute, a cultural centre dedicated to the teaching of Mandarin.⁴¹

Chinese companies operating in Kenya are not based on joint venture. The companies are mostly privately owned by Chinese companies that are dominant in Kenya. There is very limited joint ownership or local capital.⁴² Thus, employment and job creation has not met the desired needs for local Kenyans as a great number of people employed in the privately owned companies are of Chinese origin. To increase economic development, Africa must sustain high growth rates and increase its trade volume, particularly their export sector.⁴³

China's impact on Uganda's economic growth

The subsequent part will evaluate the impact of Chinese activity on the political economic development of Uganda by considering effects on the country's economic growth, governance, and human development. Figure 6 in the Appendix shows the GDP per capita growth (current USD) of Uganda from 2000-2015.⁴⁴

In 2009, total Chinese investment was 68 million USD, making China Uganda's third-largest foreign investor for that year.⁴⁵ Chinese companies in Uganda are involved in trading, agricultural developments, leather processing, manufacturing of building materials and hotel management. Uganda is a resource-poor country but the recent discovery of oil reserves has sparked Chinese interest in the region. As of 2011 there were plans for CNOOC to partner Total and Tullow Oil in constructing an oil refinery in Western Uganda, estimated to be a 2 billion USD initiative.⁴⁶ Uganda is a highly

³⁸ Onjala, "A Scoping Study," 20.

³⁹ "UNDP."

⁴⁰ Karen A. Grepin et al, "China's role as a global health donor in Africa: what can we learn from studying under reported resource flows?" *Globalization and Health* (2014): 6, accessed April 15, 2016. DOI 10.1186/s12992-014-0084-6.

⁴¹ Corkin, "China in Africa," 27.

⁴² Onjala, "A Scoping Study," 20.

⁴³ Thompson Ayodele, and Olusegun Sotola, "China in Africa: An Evaluation of Chinese Investment" (Summary presented for the Initiative for Public Policy Analysis, 2014).

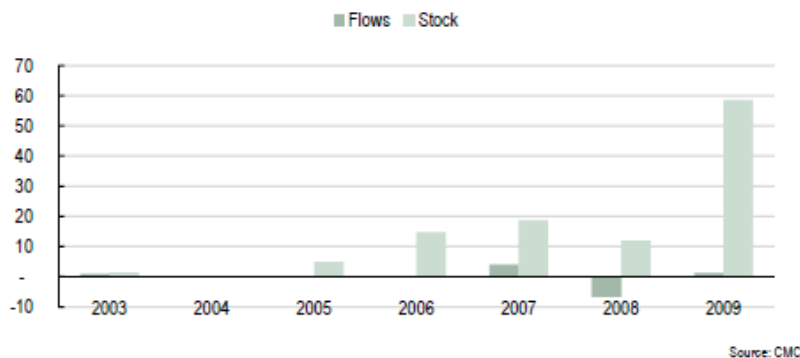
⁴⁴ "UNDP."

⁴⁵ Corkin, "China in Africa," 32.

⁴⁶ Corkin, "China in Africa," 32.

liberalized economy making it attractive by presenting foreign investors with very limited regulations.⁴⁷

Chinese FDI to Uganda 2003-2009, \$mn



Moreover, President Museveni is known as a "crusader" for business, particularly FDI. He has met China's interests with open arms, giving free land free of charge to investors looking to build factories, hotels and hospitals.⁴⁸ A quantitative problem in this research is the insufficient data available on the number of Chinese companies investing in Uganda.⁴⁹

The 2006 Beijing Action Plan encouraged economic and trade cooperation zones in African countries.⁵⁰ One of these zones is the "The Lake Victoria Free Trade Zone" (LVFTZ), an entirely private venture that was planned in 2005 in Uganda's Rakai District. This supposed project would be Africa's largest tax-free economic zone of 200 square miles. Upon completion, it would house up to 500,000 people that would be able to conduct business.⁵¹

China's role in Uganda's governance

The political cooperation between Uganda and China extends back to 1962 when the Government of the People's Republic of China congratulated Uganda on its independence and initiated immediate diplomatic recognition.⁵² Along with other African countries, Uganda provided support for China's legitimate seat at the United Nations (UN) in 1971. Additionally, Uganda adheres to the single condition that China inflicts for giving investments and aid to other countries: the "One China Policy".⁵³

⁴⁷ "Evaluating China's FOCAC commitments to Africa and mapping the way ahead." (Report by the Centre for Chinese Studies, January 2010).

⁴⁸ Booth, "Update on Political Economy," 59.

⁴⁹ "Evaluating China's FOCAC."

⁵⁰ "Evaluating China's FOCAC."

⁵¹ "Evaluating China's FOCAC."

⁵² "Embassy of the People's Republic of China in the Republic of Uganda," accessed April 16, 2016, <http://ug.chineseembassy.org/eng/zwgx/t168251.htm>

⁵³ "Embassy China."

In terms of governance, China's success in maintaining solid economic cooperation with [African] countries is attributed to its policy of not imposing any conditions on governance or human rights before commencing financial support of a project, because otherwise is regarded as interference in the internal affairs of other countries.⁵⁴ So far, it has worked to their advantage to keep this up as China-Uganda relations are of high diplomatic encounters.

FOCAC 2006 was the outset for increased interaction including official visits between the two countries.⁵⁵ The Chinese Premier Wen Jiabao was the first to visit Uganda in June 2006 (ahead of the FOCAC summit that year). In April 2008, a delegation from the Communist Party of China visited Uganda at the invitation of Uganda's ruling party, the National Resistance Movement. As well, a number of Ugandan delegations have visited China in the last few years. Notably, President Museveni attended the opening ceremony of the Beijing Olympics in 2008.⁵⁶ Thus, the overly frequent visits between the two countries demonstrates the solidity of their political cooperation and that China highly supports the Ugandan government.

On the IIAG, Uganda ranks 19th out of 54 for its overall governance with a score of 54.6.⁵⁷ Their category determined by Freedom House for freedom indicator is "not free".⁵⁸ In 2012, Uganda was ranked the most corrupt country in East Africa, based on a report by Transparency International.⁵⁹

Chinese influence on human development in Uganda

The final part of the Ugandan case study will examine the impacts that China's aid and trade have had on the political economy of development in the East African country. Since the agreement signed in 2010 between China and Uganda under the mediation of FOCAC, more than 60% of Uganda's exports to China are duty-free. The imports to Uganda include electrical and high-tech goods and footwear and apparel. Uganda exports cow and horse hides, agricultural produce and cotton to China.⁶⁰

⁵⁴ Deborah Brautigam, "China, Africa and the International Aid Architecture," African Development Bank Group (2010): 37, Working Paper No. 107. Accessed April 15, 2016, <http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/WORKING%20107%20%20PDF%20E33.pdf>

⁵⁵ "Evaluating China's FOCAC."

⁵⁶ "Evaluating China's FOCAC."

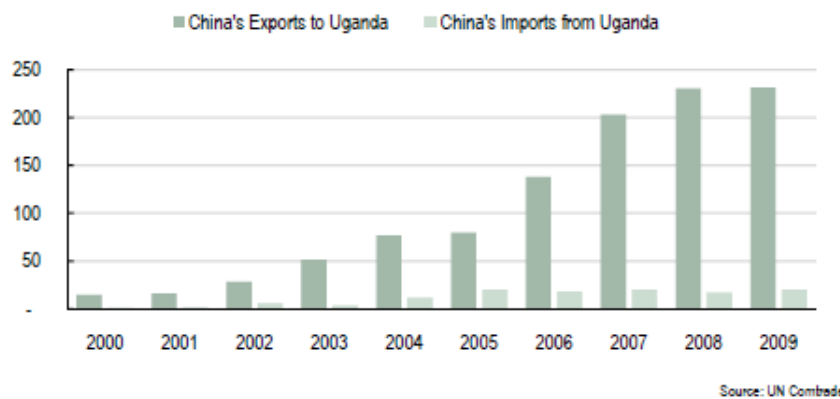
⁵⁷ "IIAG."

⁵⁸ "Freedom House."

⁵⁹ "Transparency International," accessed April 12, 2016, http://www.transparency.org/news/pressrelease/uganda_tops_east_africa_in_corruption

⁶⁰ Corkin, "China in Africa," 32.

China's trade with Uganda 2000-2009, \$mn



The donor countries of the Organization for Economic Cooperation and Development (OECD) are major providers of foreign aid to Uganda. The African country has benefitted greatly from Official Development Assistance (ODA) from China. China is not a member of the OECD and so it does not provide ODA assistance. China provides the equivalent of ODA through grants, zero-interest loans, and concessional (fixed-rate, low-interest) loans.⁶¹

Foreign aid comprises about 50 percent of the government's budget and finances free primary education, free basic health care, and others.⁶² Figure 4 in the Appendix shows the top recipients of Chinese finance to Africa from 2000-2011. Uganda is placed as having received "more than 1 percent of China's Africa commitments".

The Chinese government has been providing aid for Uganda in the health sector as well which has resulted in the growth of human development with the life expectancy at birth rising from 58.5 years (2000) to 48.11 years (2015).⁶³ China has also provided medical equipments to different organizations in Uganda. China Red Cross Society has at times provided donations to Uganda to fight natural disasters and diseases such as Ebola.⁶⁴

China-Uganda relations have also had positive results for education in Uganda. The Chinese governments' sponsored scholarships has been a gateway for a number of Ugandan students to go to China yearly to do further studies. Presently, there are 35 scholarships given to Ugandan students each year.⁶⁵ FOCAC has encouraged a number of Ugandan teachers and experts to participate in trainings for human resource

⁶¹ Deborah Brautigam, "Chinese Development Aid in Africa," in *Rising China: Global Challenges and Opportunities*, by Jane Golley et al. (Australia: Australian National University E Press, 2011), 204.

⁶² Edwin Muchapondwa and Samson Mukanjari, "Understanding Chinese and Western development finance in Uganda, South Africa, and Zimbabwe," *World Institute for Development Economics Research* (2014): 5, accessed April 10, 2016, <https://www.econstor.eu/dspace/bitstream/10419/103011/1/786798149.pdf>

⁶³ "UNDP."

⁶⁴ "Embassy China."

⁶⁵ "Embassy China."

development in China. The proven results of this exchange have been that the expected years of schooling in Uganda based on the HDI have risen to 9.8 years.⁶⁶

China-Zimbabwe relations

The concluding part of this paper will analyze the growth of the political economic development of Zimbabwe based on China's FDI, aid and trade. Similarly, the impact on political economic development will be measured using the same factors of economic growth, political inclusiveness and human development.

A brief overview of Zimbabwe is necessary to better understand the following section as it is a country of political corruption, economic under-development and mass poverty. Zimbabwe has experienced a long struggle for independence throughout its history and finally attained it in 1980. However, this period in time also led to the rise and dominance of President Robert Mugabe who has controlled the country's political scene since 1987.⁶⁷

The impoverished Zimbabwean economy has faced many obstacles; unemployment and poverty are widespread, corruption and repression are common features of society. In 2000, Mugabe reinforced the land reform act which seized white-owned farms and redistributed it to landless black Zimbabweans. This led to a food shortage crisis that is still prevalent in Zimbabwe today. The country is also at a high risk of debt distress, with an unsustainable external debt estimated at 8.4 billion USD (2014).⁶⁸

China's impact on Zimbabwe's economic growth

As of 2009, Chinese contractors had completed 67 million USD of contracts and in that year alone signed new contracts worth 60 million USD.⁶⁹ Sinomine Resource and Exploration has a contract to develop a platinum and palladium mine. As of 2011, there were 228 registered Chinese workers in Zimbabwe.⁷⁰ Figure 7 in the Appendix shows the growth of GDP per capita (current USD) of Zimbabwe from 2000-2015.⁷¹

Due to the political climate in Zimbabwe, some western donors are unwilling to support Mugabe's authoritarian style. Western development funds have shrunk and so China has filled this void and has been Zimbabwe's top source of foreign investment.⁷² Chinese investments reached 600 million USD in 2013, according to the Chinese Ministry of

⁶⁶ "UNDP."

⁶⁷ "The Failing State of Zimbabwe," Africa Economic Development Institute 1 (2009): 2, accessed April 12, 2016, http://priv.asiaeconomicinstitute.org/resources/uploads/africa/articles/1_1/1237478297Africa_Exclusives_Vol1_No1_2009-03-02_RO.pdf

⁶⁸ "The Failing State."

⁶⁹ Corkin, "China in Africa," 37.

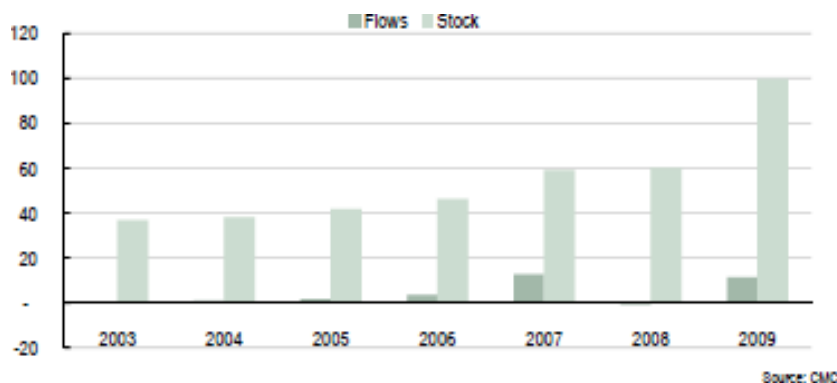
⁷⁰ Corkin, "China in Africa," 38.

⁷¹ "UNDP."

⁷² "Forum on China-Africa Cooperation (FOCAC)," accessed April 8, 2016, <http://www.focac.org/eng/zfgx/t1353378.htm>

Commerce, ranking Zimbabwe as the top attraction for Chinese investment in sub-Saharan Africa that year.⁷³

Chinese FDI to Zimbabwe 2003-2009, \$mn



China's role on Zimbabwe's governance

Zimbabwean political climate is a controversial subject especially when it comes to western donors or in this case Chinese investments, trade and aid in the region. It is not surprising then given Mugabe's authoritarian rule that Zimbabwe ranks 44th out of 54 on the IAG index for overall governance.⁷⁴ Freedom House has deemed the Southern African nation as "Partly Free" although this seems a bit optimistic in light of the political strife present in the country.⁷⁵

China's approach in renewing relations with Zimbabwe has been increasingly hesitant. Due to Mugabe's land reform policy, this alienated the country from the international community. In a reactionary move, Mugabe began his "Look East Policy" in 2003 and turned to Asian countries such as China for cooperation.⁷⁶ Contrarily, China has at times actively defended authoritarian regimes, that of Mugabe's and others when the leaders were facing harsh criticism for human rights violations.⁷⁷

Further contributing to the "awkward diplomacy" between China and Zimbabwe was a controversial arms shipment aboard the Chinese vessel *An Yue Jiang* bound for the capital city of Zimbabwe, Harare.⁷⁸ The shipment's arrival would have coincided with the Zimbabwean presidential elections. The Chinese foreign minister shrugged this event off

⁷³ "FOCAC."

⁷⁴ "IAG."

⁷⁵ "Freedom House."

⁷⁶ Corkin, "China in Africa," 37.

⁷⁷ Julia Bader, "China, Autocratic Patron? An Empirical Investigation of China as a Factor in Autocratic Survival," *International Studies Quarterly* 59 (2015): 25, accessed April 13, 2016, <http://onlinelibrary.wiley.com/doi/10.1111/isqu.12148/full>

⁷⁸ Corkin, "China in Africa," 37.

as “normal military trade” between the countries but this incident attracted great public criticism.⁷⁹

When considering the political impacts that China’s aid has inflicted on Zimbabwe, it is important to note that China’s backing of President Mugabe may have hidden motives. China's motive lies within Zimbabwe’s resource wealth.⁸⁰ This could provide reasoning as to why China has had no objections in providing arms, infrastructure, and resources to the Mugabe government despite its repressive nature. The harmful implication that this presents in Zimbabwe is that this enables President Mugabe’s government to violently counter resistance groups and arguably adds to the nation’s instability.⁸¹

There is a point to consider with Zimbabwe’s authoritarian system of government under the leadership of Mugabe. Chinese aid may not be the determinant in human rights abuses. It is plausible that Zimbabwe, prior to receiving aid from China was already a repressive regime and so Chinese aid may not have been a causal factor in making it more corrupt or repressive.⁸²

Regardless, China has recently reclaimed the partnership with Zimbabwe. This was signalled by the Chinese foreign minister’s visit in February 2011, showing signs of renewed interest in Zimbabwe as a trading and investment partner, mostly in the fields of mining and agriculture.⁸³

China on Zimbabwe’s human development

The last variable that will be assessed in determining China’s effects on political economic development of Zimbabwe is human development by using the HDI. Zimbabwe’s life expectancy at birth has increased from 43.9 years (2000) to 57.5 years (2015). Also, the expected years of schooling is 10.9 years presently.⁸⁴

Aside from Zimbabwe’s mineral wealth, tobacco has been the main export to China, comprising 82 percent in 2008 and 67 percent in 2009 of total exports to China. The African country also exports cotton, ferrochrome and nickel to China, and imports electrical goods, farming equipment, chemicals, textiles and medicines.⁸⁵

⁷⁹ Corkin, “China in Africa,” 37.

⁸⁰ “The Eagle Feather,” accessed April 17, 2016, <http://eaglefeather.honors.unt.edu/2013/article/279#.VxVZOPkrKUI>

⁸¹ “The Eagle Feather.”

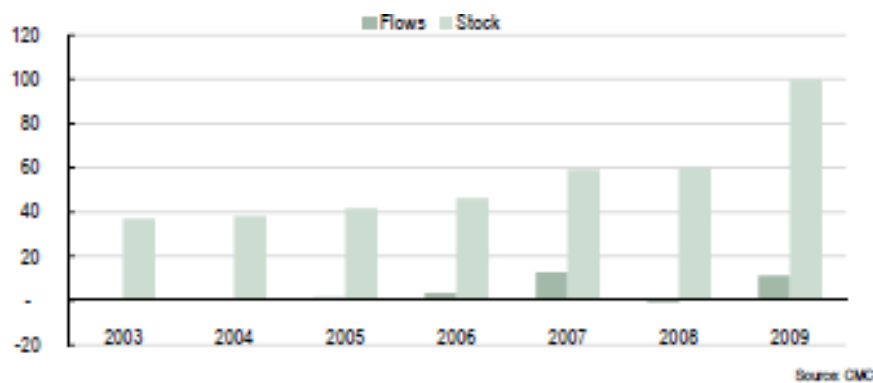
⁸² “The Eagle Feather.”

⁸³ Corkin, “China in Africa,” 38.

⁸⁴ “UNDP.”

⁸⁵ “UNDP.”

Chinese FDI to Zimbabwe 2003-2009, \$mn



Considering that Zimbabwe is classified as a low-income country, it has openly welcomed high levels of development assistance from international donors.⁸⁶ Zimbabwe relies a great deal on aid. As a result of the economic and political situation in 2000, bilateral and multilateral official development assistance (ODA) suffered greatly.⁸⁷ There was a surge in Chinese development assistance as China came to Zimbabwe's rescue.

Since 2000, international aid has focused on HIV/AIDS prevention, democracy, and governance initiatives, humanitarian assistance, economic growth and agriculture.⁸⁸ The health situation in Zimbabwe has devastated the economy and a portion of the FDI received by the country has to be redirected to health care which takes away from infrastructure development and other sectors of the economy that need improvements.⁸⁹

However, reliable figures are hard to come by when researching Chinese aid. Since China is not a member of DAC, they do not report their aid to the committee, and this leads to estimates being made on China's contributions. Estimates of China's own ODA are often greatly exaggerated.⁹⁰

Assessing China's overall impact

The evidence presented throughout this paper demonstrated that China-Africa relations have continued to grow and their bilateral partnership has had major impacts on the African continent. As we saw, the birth of FOCAC in 2000 deepened this relationship and it was from then onwards that Chinese diplomatic relations with Africa took shape.

Formerly, China mostly supported Africa in terms of aid in the form of loans, grants, humanitarian assistance or debt relief. Since 2000 onwards, China has become a major investor in the region with its foreign direct investment concentration mainly in African countries and thus becoming Africa's largest bilateral trading partner.

⁸⁶ Muchapondwa, "Understanding Chinese," 9.

⁸⁷ Muchapondwa, "Understanding Chinese," 10.

⁸⁸ Muchapondwa, "Understanding Chinese," 10.

⁸⁹ "The Failing State."

⁹⁰ Brautigam, "China Africa," 21.

In terms of economic growth, the three countries Kenya, Uganda and Zimbabwe have all had an increase in their GDP per capita from Chinese FDI, trade and aid. Although they have improved by varying degrees (see Appendix, Figure 8) Kenya has seen the most growth from 2000 to 2015. Similarly, Uganda's GDP per capita has grown steadily and peaked in 2008. Zimbabwe's growth saw a decline in the first years of 2000 but it too peaked in late 2008.

Chinese activity in the three countries has had insufficient impact for political inclusiveness and governance. Even though the African countries accept the "One China Policy" and have maintained relatively amicable diplomatic relations, China has had a different role in each country.

There has not been a huge shift towards a more authoritarian rule in Kenya as a result of China's involvement there. Uganda and China have a mutual understanding it seems, as both governments are highly corrupt partnered with their high profile visits to one another which has strengthened their pact. China has taken cautious steps in its relationship with the southern African nation of Zimbabwe. However, economic interests have superseded political issues and China has once again extended a diplomatic hand to Zimbabwe because of recent oil reserve findings there.

Lastly, the human development aspects of growth have had mixed success. Kenya's health sector has benefitted a great deal from Chinese aid. Uganda has relied heavily on aid from China, particularly health aid in combating diseases such as malaria. As Zimbabwe is a poverty-stricken country, this has meant that a large portion of Chinese aid is diverted to the health sector which takes away from possible growth of other industries.

Therefore, the evidently high level of Chinese FDI, trade and aid in Uganda, Zimbabwe, and Kenya between the years 2000-2015 have had positive results for the overall economic growth in those countries, but have also played a role in the decline of governance. Finally, the human development has seen relative growth in health and life expectancy in all three cases.

There remains a lot more to be done in hopes of making the political economy of Africa sustainable and boosting its economic growth. Africa has been a continuous victim of the underdevelopment trap, linked to the Harrod-Domar growth model, in which the African economy's growth has been stumped by the inadequate investment volume.⁹¹ Therefore, if China were to vastly expand its investment volume in the most needed sectors of Africa, then this increased investment could potentially be the key to faster growth in Africa.

⁹¹ Lawrence H. White, *The Clash of Economic Ideas: The Great Policy Debates and Experiments of the Last Hundred Years* (New York: Cambridge University Press, 2012), 268.

ACRONYMS

CNOOC	China National Offshore Oil Corporation
DAC	Development Assistance Committee
EXIM	Export-Import Bank [of China]
FDI	Foreign Direct Investment
FOCAC	Forum on China-Africa Cooperation
GDP	Gross Domestic Product
HDI	Human Development Index
HPWS	Health, Population, Water, and Sanitation (projects)
ICC	International Criminal Court
IIAG	Ibrahim Index for African Governance
LVFTZ	The Lake Victoria Free Trade Zone
OECD	Organization for Economic Cooperation and Development

Appendix

Figure 1

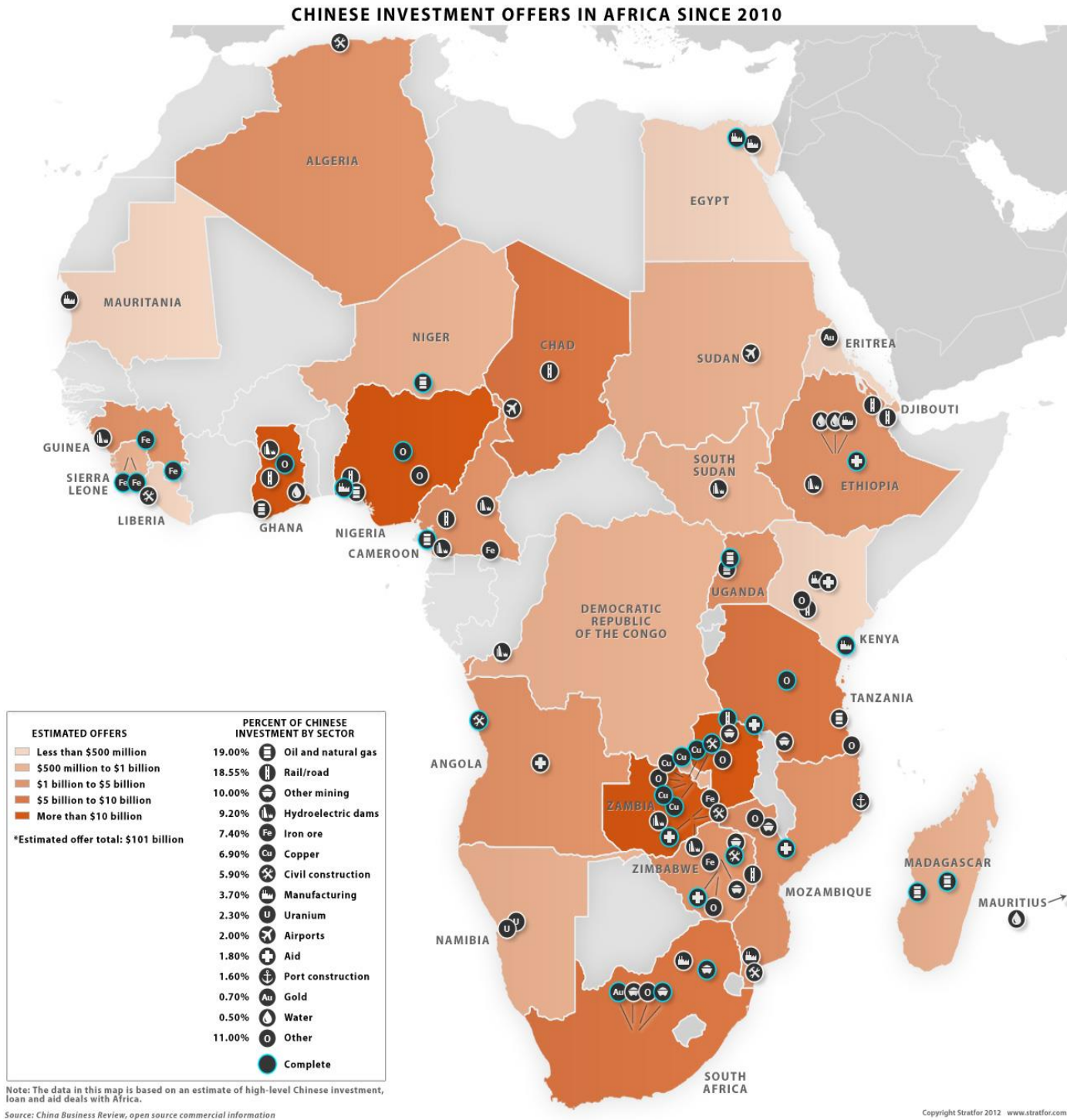


Figure 2

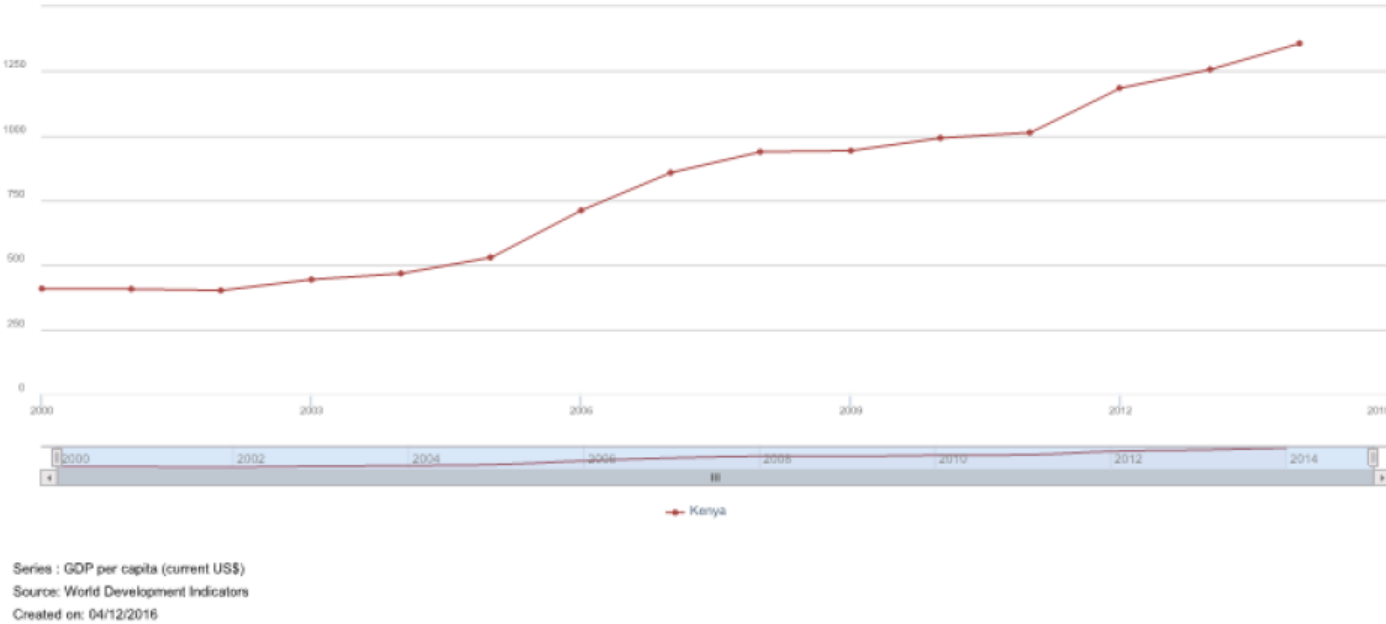


Figure 3

Items	Description	2004		2005		2006	
		Value US \$	% of total	Value US \$	% of total	Value US \$	% of total
1	Food & live animals	6,946,625	2	4,843,586	2	3,440,786	1
2	Beverages & tobacco	177,481	n	370,303	n	40	n
3	Crude materials, inedible, except fuels	1,129,130	1	1,338,276	n	1,799,632	n
4	Mineral fuels, lubricants & related materials	1,134,536	1	23,737,922	8	1,798,928	n
5	Animal & vegetable oils, fats & waxes	199,226	n	25,335	n	58,097	n
6	Chemicals & related products, n.e.s	25,063,446	13	34,254,279	13	45,161,264	10
7	Manufactured goods classified chiefly by material	51,197,790	26	87,671,224	29	160,275,765	35
8	Machinery & transport equipment	54,993,236	28	99,750,706	33	181,558,751	40
9	Miscellaneous manufactured articles	58,360,951	29	45,837,353	15	63,156,849	14
10	Commodities & transactions not classified elsewhere in the s.i.t.c	3,984	n	-	-	60	n
Total imports		199,206,405	100	297,828,983	100	457,250,173	100

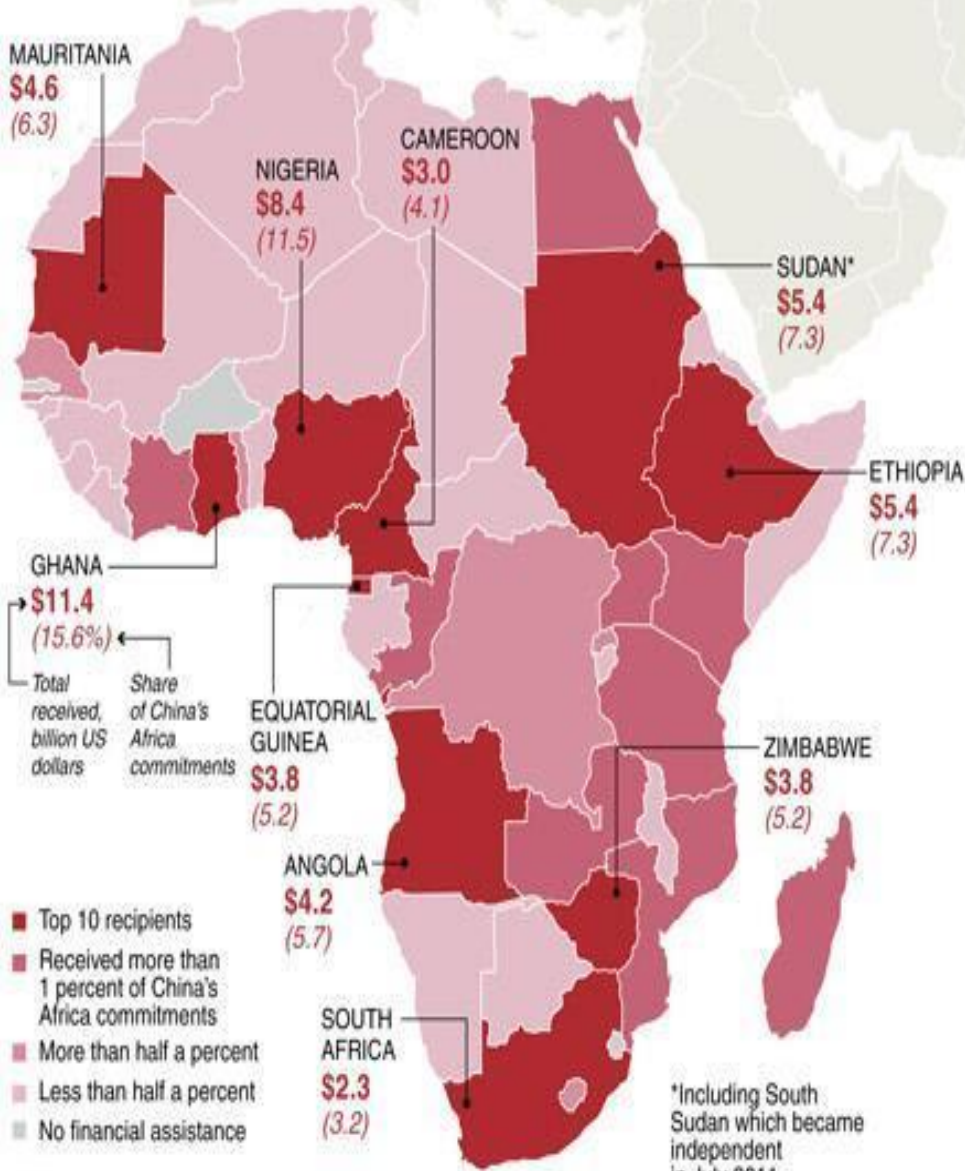
Source: Customs Department, Kenya Revenue Authority 2008
N = negligible

Figure 4

China assistance to Africa

During the last decade, China has been investing heavily in African natural resources, developing mines, oil wells and running related construction companies

Top recipients of Chinese finance to Africa 2000-2011
 Survey of media reports on 1,673 Chinese-backed projects



Billion-dollar projects

- Ghana, 2010**
Concessionary loan
\$5.49 billion
- Nigeria, 2006**
Infrastructure in exchange for preferential oil right bidding
5.38
- Mauritania, 2006**
Oil exploration, sewage systems, iron mine, road
4.04
- Ghana, 2009**
Loan for oil and road projects
3.0
- Equatorial Guinea, 2006**
Oil-backed loan
2.69
- Ethiopia, 2009**
Loan for dam construction
2.25
- South Africa, 2011**
Financial cooperation agreement
2.25
- Angola, 2004**
National Rehabilitation Project
1.51
- Madagascar, 2008**
Hydroelectric construction
1.42
- Sudan, 2007**
Railway construction
1.38
- Angola, 2009**
Agriculture development
1.20
- Zimbabwe, 2004**
Powerplant construction
1.01

AFP Source: Aid/Data/Center for Global Development

Figure 5

African Country	HPWS From China (USD million)	African Country	HPWS From DAC Donors (USD million)
Cameroon	840.9	Nigeria	10,502.6
Ghana	740.1	Ethiopia	8,981.2
Kenya	271.1	Tanzania	8,818.0
Sudan	227.7	Kenya	8,654.9
Zimbabwe	223.7	Uganda	6,54.9
Angola	107.8	Mozambique	6,295.1
Mauritius	84.9	South Africa	6,060.6
Côte d'Ivoire	80.6	D.R. Congo	5,237.8
Zambia	64.7	Zambia	4,814.9
Niger	64.7	Ghana	4,335.9
Sum of top 10 recipients	2,706.1		70,248.0

Source: CAAD for China and OECD CRS for other DAC donors. Figures refer to only bilateral contributions and, in the case of China, only to valued projects.

Figure 6

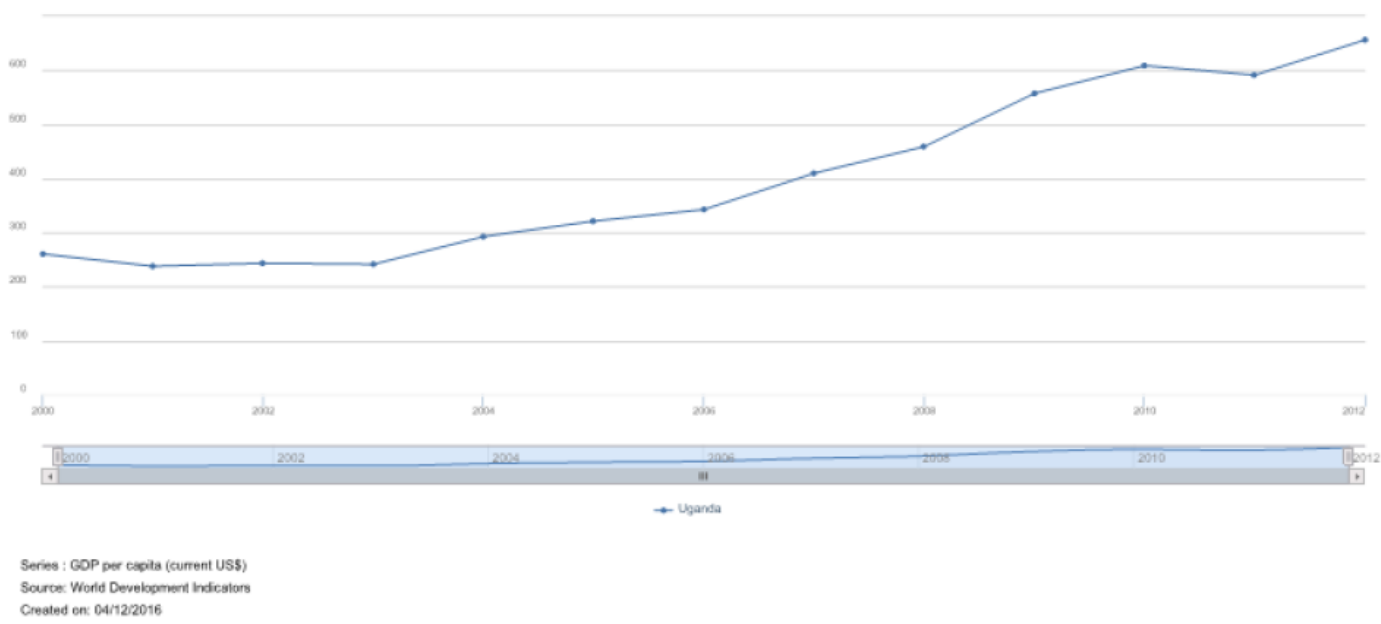


Figure 7

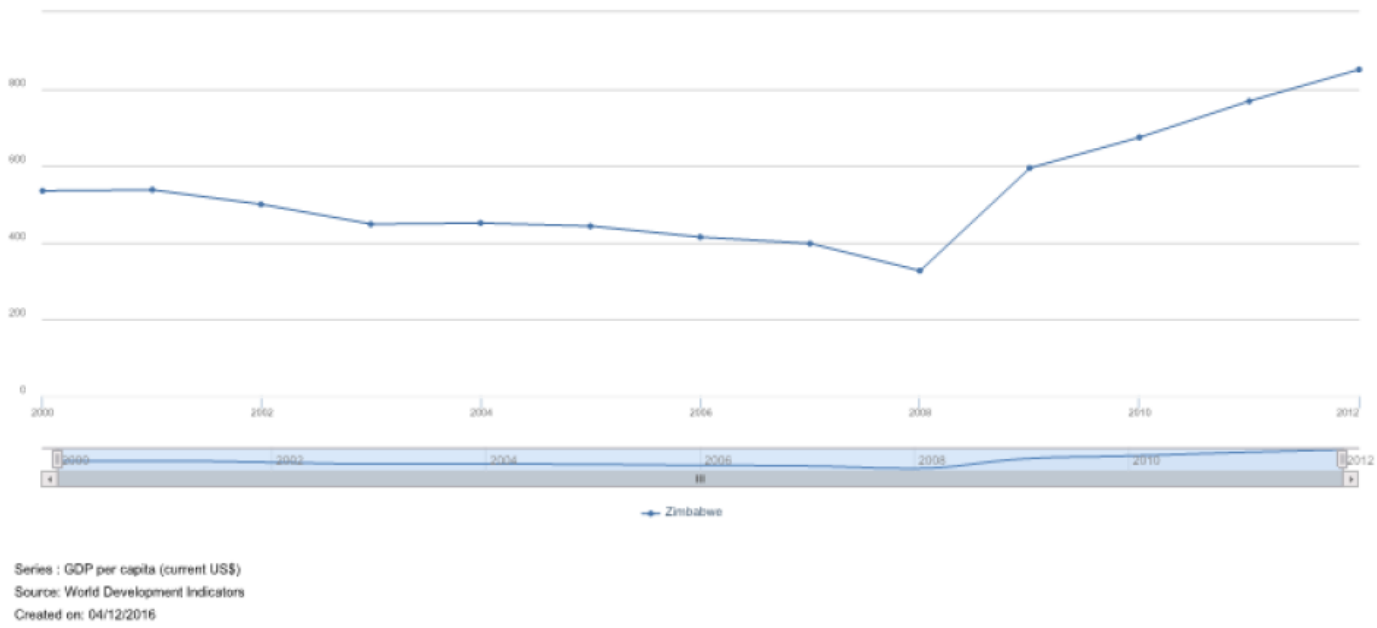
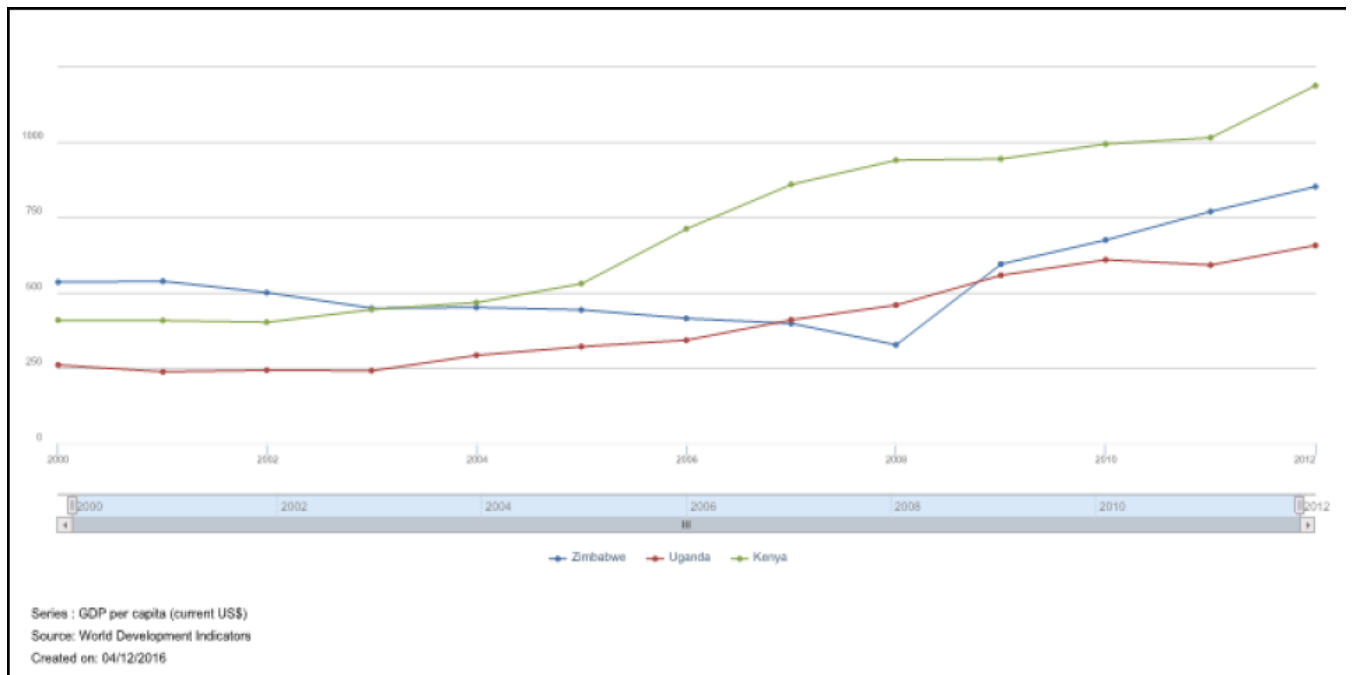


Figure 8



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