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# China and Africa relations: Making their lunch or eating it?

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**Abstract**

Despite the exponential increase in Chinese investments in the past one-and-half decade, opinions are sharply divided among scholars about the real impact of these investements on ordinary Africans, with critics claiming that China is "making and eating Africa's lunch". The paper examines the benefits of Chinese aid flows, investment volumes, employment and infrastructural development against some estimates of risks (such as environmental damage, job loses, democracy and human rights and economic dependence). It then argues that despite reservations that China is getting significant benefits in terms of resource extraction over long periods in exchange for their investments, it is also important to consider risks such as time inconsistency, weak property rights, potential regime change, contract renegotiations, and expropriations. Whether China will make and eat Africa's lunch depends on the political will and policies designed by African leaders to reduce the risks to their countries, while maximizing the benefits of Chinese investments.

**Keywords**: Africa; China; Foreign direct investments.

## 1. Introduction

Despite China's unprecedented strides in investment and development in the past one-and-half decades along with growing Sino-African relations, there is a widespread perception that China's investments in Africa are not benefitting Africans (Ethics Institute, 2014; French, 2014; Insaidoo, 2016). The greatest concern among many Africans is whether "China is making their lunch or eating it" (The Economist, 2011). Chinese officials and government-controlled media indicate that their engagement contributes to development in Africa (Interview, Chinese Embassy, Accra, July 29 2016) because they are based on south-south cooperation, win-win and mutual benefit (ibid). Studies such as Global Ethics Institute of South Africa, (2014), Howard French, (2014) and Insaidoo, (2016), among others, cast serious doubts about China's positive spin of their investments. Instead, they show that Africans are being shortchanged and not receiving sufficient compensation to justify the scope of Chinese investments. For example, French (2014) and Insaidoo (2016) are of the view that China's engagements in Africa are largely extractive. They portray China as a "new colonial and imperial power", interested in extracting resources for their own benefit with little return for Africa. China sees Africa as a new place for Chinese migrants to settle and for businesses on which to cut their teeth.

On the other hand, studies such as Sautman and Hairong (2009) that appeared in the 2009 *The China Quarterly*, China-Africa Research Initiative (CARI) at Johns Hopkins University and the 2016 Afrobarometer survey cast a positive spin on Chinese investments, indicating that overall Africa is benefitting from the money invested in it. Favorable perceptions of China in the Afrobarometer survey are driven mostly by Chinese investments in infrastructure/development and business, as well as the low cost of products (Afrobarometer, 2016).

These mixed findings have rekindled fresh debates among scholars, policy-makers and development activists about the real impact of Chinese investments in Africa. Using expert interviews, media analysis and an extensive literature review, this paper uniquely contributes to the ongoing debate by providing more nuanced arguments about whether Africa is benefiting from Chinese investments or being ripped-off as argued by critics. In doing so, the paper weighs benefits such as aid flows, investment values, employment and infrastructural development such as roads, ports and railway against some estimates of costs/risks (such as environmental damage, job loses, democracy and human rights and political dependence) to provide a concrete yardstick to measure and compare the extent to which Africa is benefitting from Chinese investment or not

The paper argues that Chinese investments present tremendous opportunities and risks to both Africans and Chinese. Although critics have expressed reservations that China is getting significant benefits in terms of resource extraction over long periods (periods of about 30 years or so) in exchange for their investments, with grave consequences for environmental degradation, it is important to balance the picture by the idea of risk. If the Chinese get a promise of 30 years of 10,000 barrels of oil a day in exchange for $x billion investment now, they suffer from a time inconsistency. China is spending their own money now but they have to hope that the returns will endure over 30 years, admittedly a long shot. Many African governments have weak property rights, go through frequent regime change, contract renegotiations, and expropriations. Thus, the benefits of the Chinese should be weighed by some measure of risk, the probability of losing part or all of their investments. Furthermore, not all African countries will benefit equally from Chinese investment. Those with appropriate regulatory measures in place can make Chinese investment more beneficial to their citizens than those who fail to do so. Thus, the extent to which such investments could translate into tangible benefits to Africans significantly depends on the good judgement and strategies of African leaders and policy makers in working out such deals.

The structure of this article is as follows: The introduction is followed by a discussion of the evolution of China-Africa relations in a historical context, and examination of China's approach to development in relation to the Western model. It also highlights ongoing debates and implications of China's development model for Africa. In the next section, I highlight the volume of China's major investments in aid and grants, trade and infrastructure, and analyze the benefits and costs for Africa. In the penultimate, I examine the strategies and measures adopted by African leaders to address the growing complaints and anti-Chinese sentiments, to ensure that Africans reap maximum benefits from Chinese investments. The final section presents the conclusion.

## 2. China-Africa relations and development model

Although China's relations with Africa can be traced back to the 15th century (Olivier, 2008), the relations gained new momentum when Beijing declared "go-out" state-policy in 2000 (Kuo, 2015). As a growing economy, China needs natural resources such as energy, minerals, timber, and agricultural products, increased access to African markets for China's exports (Brautigam, 2009, 2011). As a rising power, and for geo-political and strategic considerations, China needs the support of African leaders as a bulwark against the domination of the West in global governance and institutions including the United Nations and World Trade Organisation (WTO), and to promote the One China Policy to effectively outmaneuver and limit Taiwan's presence in Africa. Sino-Africa relations gained a major boost following the establishment of the Forum on China-Africa Cooperation (FOCAC) in 2000, as a mechanism of collective dialogue and practical cooperation. The forum has led to series of development strategies such as the Tenth Five Year Plan's (FYP) (2001-05), that stressed "going out, actively and gradually," the Eleventh FYP (2006-10) that encouraged "going out further" and the Twelfth (2011-15) focusing on "speeding up implementation of the going out strategy" (Matthews & Ling, 2016). During the December 2015 FOCAC conference in Johannesburg, Chinese President Xi Jinping elevated China-Africa strategic partnership to a comprehensive strategic cooperative partnership, affirming the principles of sincerity, real results, affinity and good faith, and upholding the values of friendship, justice and shared interests (Interview, Chinese Embassy, Accra, July 29 2016).

## 3. China and Africa development cooperation

Since the introduction of economic and political liberalization in the 1980s and 1990s, neoliberalism and Western ideas of democracy have emerged as a gateway to modernity and development in Africa. Since 2001, China has presented a counter-development narrative rooted in state-driven strategies and pragmatism based on a four-pronged approach to development in Africa (Interview, Chinese Embassy, Accra, July 29 2016). First, the approach emphasizes "South-South", "partnership of equals," "win-win", "mutually beneficial" development based on aid-trade-investment deals, fostering self-reliant development among low-income developing states (Asante, 2017). Aid is thus not altruistic, but rather a crucial component of Chinese soft power. Second, Chinese aid (Beijing Consensus) has no political conditionality or strings attached (Brautigam, 2011). This contrasts starkly with the West's paternalistic embrace of the "Washington Consensus." that links aid to free market principles, democratic reforms, good governance and human rights. Third, Chinese aid is almost entirely bilateral, with "directly'" targeted aid toward key sectors such as agricultural, mineral extraction, infrastructure and manufacturing, as opposed to the "indirect" Western donor interests in human rights, transparency, empowerment, and gender equality. Fourth, it links "resources for infrastructure" or the "Angola Model", where the borrowing country repays the infrastructure development loan through natural resources (Interview, Chinese Embassy, Accra, July 29 2016).

China's alternative approach to development has generated many debates among scholars, development activists and the media. The "Optimists" school of thought views China's approach to development in Africa as a tantalizing opportunity, which provides an alternative model different from the paternalistic Western model, and "arguably more effective in achieving development goals" (Matthews & Ling, 2016). Increasingly, some African governments see China as a country that managed to develop without adopting American-style political systems. Pessimists/alarmists schools of thought brand China-Africa relations as a new form of colonialism and imperialism geared towards a scramble for the continents resources (French, 2014). It is further argued that "no conditionality" policy will undermine efforts by the West to promote democracy and governance in Africa. However, a database of major loans made by China to Africa between 2000 and 2014 published by the China-Africa Research Initiative in 2016 revealed that countries that received Chinese loans were not all resource-rich countries. "When we talk about China and Africa and interests, people talk about natural resources, but one of our findings was that actually there isn't a clear pattern in terms of the amounts of loans to countries and how well-endowed they are with natural resources" (Eom, 2017) Oil-rich Angola received the largest amount of funding, but resource-poor Ethiopia came in second (Eom, 2017).

In 2011, during her visit to Lusaka, Zambia, former US Secretary of State Hillary Clinton cautioned Africa to beware of the "new colonialism" played by China (World News, 2011). On 28 July 2015, during his speech to the African Union in Addis Ababa, Ethiopia, President Barrack Obama echoed a similar sentiment when he stated that "economic relationships can't simply be about building countries' infrastructure with foreign labor or extracting Africa's natural resources" (The White House, 2015). Unlike Beijing, Washington claims it will "stand up for democracy and universal human rights" and environmental responsibility, rather than simply "extract minerals" in Africa (The White House, 2015). However, in recent times, Washington's credentials as paragon and champion of human rights in Africa have been tainted by the rapid militarization of the US presence in Africa since the launch of fight against terrorism.

## 4. Progress on trade, aid flows, investment values and employment

In 2009, China became Africa's largest trading partner, beating the United States to that position. With limited investments in Africa prior to 2000, China's trade with Africa has increased from about $10 billion in 2000 to $220 billion in 2014 and was approaching $300 billion in 2015 (China Daily, 2014). In 2014, the volume of China-Africa trade volume reached US$ 222 billion, 21 times that of 2000. China's stock investment in Africa was over US$ 30 billion, more than 60 times that of 2000. China's cumulative investment in Africa exceeded $150 billion by the beginning of 2014 (Chen & Su, 2014) Of these investments, close to $100 billion has gone into energy and infrastructure projects (Chen & Su, 2014). China has a record of cancelling debt to Africa's poorest countries. Between 2000 and 2009, it cancelled $2.8 billion of debt owed by thirty-five African countries. China exempted the tariff on 97% of the commodities exported to China from the 31 least developed African countries. Presently, China's 28 strategic sectors have cultivated over 160 flagship multinational enterprises that benefit from commercial contracts via foreign aid projects, especially in Africa (Matthews & Ling, 2016).

In December 2015, FOCAC Summit, China announced it carried out close to 30 economic and trade measures for China-Africa cooperation, benefiting countries across Africa. China also dispatched about 20,000 agricultural experts and medical-team members, provided 55,000 scholarships for programs in China and trained 83,000 people in various skills. China is the largest contributor of peacekeepers among the five permanent members of the United Nations Security Council (UNSC), with close to 3,000 Chinese peacekeepers involved in 16 peacekeeping missions in Africa. Since 2009, China has been consistently engaged in escort missions in the Gulf of Aden and the waters off the coast of Somalia, and has to date escorted over 6,000 Chinese and foreign ships in the area (Chinese Embassy, Accra, July 22 2016).

However, there are critical challenges. China may announce such projects with fanfare at international ceremonies, but is difficult to track down disbursement. Most of the aid and investment projects announced by China remains mere pledges, and it is not clear how much each African country receives since there is no way to track down the distribution of aid and investments to Africa. There is also some confusion about the exact amount of China's foreign aid to Africa, because it lumps aid, trade, grants and investment together. The lack of accurate statistics and the fact that China keeps most of such information a national secret is very worrying.

## 5. Infrastructure, growth and development

Africa lags behind other developing regions concerning infrastructure development and coverage, particularly, road, rail and telephone density, power generation capacity and service coverage (UNCTAD, 2016). The World

Bank estimates that Africa needs $93 billion investment per year to meet its infrastructure requirements (World Bank, 2015). The Bank further estimates 10–12 per cent of GDP, for lower middle-income countries and resource-rich countries and 25–36 per cent of GDP for low-income countries to meet their infrastructure needs (World Bank, 2015). Despite the huge deficit in infrastructure, private sector investment and participation in infrastructure provision in Africa is low (African Development Bank, 2010). Consequently, in 2015, the African Development Bank initiated the infrastructure fund Africa50, to mobilize over $100 billion for infrastructure development, from the stock market, African central bank reserves and African diaspora, to support private sector participation in the economy, including national and regional projects in the energy, transport, information and communications technology and water sectors; (UNCTAD, 2016), however, progress has been slow due partly to delays in disbursement of funds.

It is in this context that Chinese investments in infrastructural development have become important. As noted, Africa is blessed with abundant untapped natural resources but lacks the capital to exploit them. China, on the other hand, has the capital and technology but lacks the natural resources and desperately needs them to feed its manufacturing industry. Although Chinese investments come in different forms such as commercial and concessional loans, investment, credit lines and grants, the most controversial one is the trading of infrastructure for resources (see Table 1). Under this arrangement, a loan is negotiated to finance an infrastructure project and repayment of the loan is made in terms of natural resources such as oil or cocoa beans. China hails this barter system as an example of economic complementarities between China and Africa and "mutually beneficial" to both parties (Cassel, Candia, & Liberatore, 2010). It is instructive to note that Chinese firms win more construction contracts from the World Bank than any other country in the world. Farrell (2016) argues that between 2007 and 2015, Chinese companies won almost a third of all World Bank infrastructure projects in Africa.

Table 1: China's Major Resources-for-infrastructure Loans (pledged) 2006-2012

| Country | Guaranty | Main funded projects | Pledged concessional loan | Year and bank |
|---|---|---|---|---|
| Nigeria | Oil | General infrastructure | $3 bn | 2012 China Development Bank (CDB) / China Exim Bank (under negotiation) |
| Angola | Oil | General infrastructure | $3 bn | 2011 China Exim Bank |
| Ghana | Oil | General infrastructure | $3 bn | 2011 CDB |
| Angola | Oil | General infrastructure | $2.5 bn<br>$2 bn | 2007 China Exim Bank<br>2004 China Exim Bank |
| DRC | Cobalt | Mine development and related infrastructure | $5 bn to $9 bn (extended in January 2008, reduced to $6 bn in August 2009) | 2007 China Exim Bank |
| Gabon | Iron ore | Mine development & related infrastructure | $3 bn | 2006 China Exim Bank |

*Source: Data has been Updated by Author from the 2009 CRS (Congressional Research Service), China's assistance and Government Sponsored activities in Africa, Latin America and SE Asia*

### *5.1. Angola infrastructure for oil*

On April 4, 2002, Angola's 28-year civil war ended with severe damage to the country's infrastructure, and with limited funds to begin reconstruction. Not satisfied by the International Monetary Fund's (IMF) and World Bank's conditional loan package, the Angolan government turned to China for funding. On March 21, 2004, the Angolan government signed a $2 billion loan with the China Export Import Bank (Ex-Im) for public infrastructure development, (Corkin, 2008) such as electricity, roads, water, telecom, public works, health, education, and fisheries. The US$ 2 billion loan was backed by an agreement to supply China with 10,000 barrels of Angolan crude per day (see Table 1). The loan has a 3-year grace period and 15-year repayment term (Corkin, 2006). The loan was tied to 70% of contracts awarded to Chinese state owned enterprises

(SOEs) for public tenders construction and civil engineering. The China Ex-Im Bank compiled a list of 35 Chinese companies approved by both the bank and the Chinese authorities to tender in Angola. Chinese firms received a number of the project contracts, with loans transferred from China's Ex-Im Bank (Cassel *et al*., 2010).

### *5.2. Democratic Republic of Congo infrastructure for cobalt and copper*

Like Angola, the civil war in the Democratic Republic of Congo (DRC) from 998 to 2003 led to massive destruction of the country's infrastructure and economy. The DRC has vast unexploited deposits of copper and cobalt that draw interest and investments from international investors and donors. In April 2008, the DRC government signed a US $9 billion agreement with China Export Import Bank (Ex-Im) for public infrastructure development, comprising of 6 billion US dollars for the construction of railways, roads, housing and hospitals and US $3 billion in mining infrastructure, particularly in new explorations. The joint venture, SICOMINES was awarded the right to mine 620,000 tonnes of cobalt and 10.6 million tonnes of copper in the Katanga region over a period of 30 years. The government has named the deal a "Vast Marshall Plan". The Congolese opposition party *Mouvement de Libération du Congo* (MLC), criticized the deal as "lopsided", giving China disproportionate revenues (Hellendorff, 2011). About 150 Congolese Parliamentarians went on strike to protest against the deal (ibid). Subsequently, under IMF pressure, the loan was scaled back to $6bn.

### *5.3. Ghana infrastructure for oil and cocoa*

In 2007, Ghana discovered oil in commercial quantities at the Jubilee Field and commenced oil production in 2010. Yet Ghana has more than an estimated $2 billion financing gap for necessary infrastructure (Foster & Pushak, 2011). After unsuccessful efforts to obtain concessional loans from its traditional partners the IMF and World Bank, the government turned to China for funding for two major infrastructural projects: The Atuabo Gas project[1] and Bui Hydro Dam for cocoa. Ghana and China signed an agreement involving US $850 million (as part of the $3 billion loan) for gas and other infrastructure projects.[2] In exchange, Ghana is committed to supply about 12,000 barrels of oil daily for fifteen-and-a-half years to pay the $3 billion loan. In 2009, Ghana and China also signed another

[1] Ghana National Petroleum Company (GNPC) and UNIPEC signed a commercial agreement that committed Ghana to supply crude oil to the Chinese to repay the $3 billion loan.

[2] In July, 2014 in a rather surprising twist to the saga of the $3 billion CDB loan Ghana government announced a proposal to take only $1.5 billion instead of the $3 billion as originally signed.

loan deal originally US $622 million for the Bui Dam project to bring electricity to rural communities that lie far beyond the reach of the national electrical grid. The loan was financed through export/sales of 30,000 tonnes of cocoa per year at current world market prices – rather than a fixed price – until the dam became operational (Odoom, 2015). Contrary to a Local Content Act targeting 90% in the petroleum industry by the year 2020, the Ghanaian negotiators accepted 60% of contracts going to China. A case in point is China's use of cocoa (40,000 tonnes for 17 years) as collateral for Chinese resource for infrastructure (RFI) swap worth US $660 million for the construction of Bui Dam in Ghana. This deal involving cocoa beans is different from the oil for infrastructure deals in Angola, Sudan and Nigeria (Ezechukwu, 2015).

### *5.4. Nigeria infrastructure for oil*

Nigeria is the world's 12th-largest oil producer and the eighth-largest oil exporter. But the country imports roughly between 85-100% of its fuel needs because of the disrepair and mismanagement of its four state-owned refineries.[3] In 2010, Nigeria signed a $23 billion agreement with China to construct three gasoline refineries and a fuel complex. The deal between the state-run Iberian National Petroleum Corporation and China State Construction Engineering Corporation Limited is expected to add 750,000 barrels a day to Nigeria's refining capability as well as to reduce the approximately $10 billion a year it spends to import refined fuel. In exchange, China receives one-sixth of Nigeria's 36 billion barrels of oil reserves (Financial Times, 2010). In Nigeria, the construction of Papalanto Plant, estimated US $400 million, was oil-backed such that in return CNPC (or PetroChina, which is CNPC's listed arm) secured a deal to purchase 30,000 barrels of crude oil a day from the Nigerian National Petroleum Corporation (NNPC) for one year, at which time it would be renewable. In Gabon, the Poubara Hydropower Dam deal is to be built by Sinohydro as part of the US $3 billion Belinga Iron Ore project and in Guinea, the loan for the Souapiti Dam is linked to mining (bauxite) revenues.

## 6. Costs and benefits

As stated earlier, Africa lags behind other regions of the world in almost every sector of infrastructure development, while private sector participation is considerably low. Escribano and Guasch (2008) estimate that the lack of quality infrastructure in Africa holds back per capita economic growth by 2 percentage

[3] BBC 14 May 2010 Nigeria and China sign $23bn deal for three refineries.

points each year and firm productivity by 40 percent. Brautigam (2009) argues that infrastructure for oil deals are not new. Such deals have been used since the beginning of the century and proven workable. She explains that in 1970s and 80s China used resource-backed loans to foster its own development, by leveraging its natural resources (oil and coal) to attract a $10 billion loan from Japan. Through this arrangement, Japanese firms (transport corridors, coal mines, power grids) built new infrastructure for China (Brautigam, 2009). Based on China's own experience, it is argued that such deals work, are effective, and are a fast and promising way for Africa to bridge its infrastructural gap. Evidence across many African countries shows that through the infrastructure for resources deals, China has become the biggest provider of infrastructure construction in Africa.

Estimates reveals that since 2005, China has invested more in Africa's infrastructure than in any other part of the developing world. More than $44 billion has been spent to build roads, airports, and housing that are essential to the continent's economic development. For example, the market share of Chinese companies rose rapidly from 9.9% in 2002 to 40.1% in 2011, and has remained fairly stable, (Chen & Stone, 2003) while that of Europe, historically Africa's largest contractor with 44.3% of the region's total market revenue in 2002 declined to 34.6% in 2011, and that of US contractors dropped from 24.1% in 2002 to 6.7% in 2011 (Chen & Stone, 2003).

Other evidence points to the fact that infrastructure for oil deals have become even more important in post conflict restructuring societies such as Angola, DRC, Sudan, and Liberia. In Angola, China expanded its investments by "rebuilding of the Benguela Railway," an 840-mile transcontinental railway that links the Atlantic port of Lobito in Angola with rail networks in the Democratic Republic of Congo and Zambia. The project estimated to cost $300 million, will provide a cheap outlet for Congolese and Zambia copper, tin, and coltan." (Chen & Su, 2014). In Lagos, the commercial capital of Nigeria, China continues to expand its investment by helping in developing Africa's largest free trade zone, involving "a total of 16,500 hectares of land bordered by the Atlantic Ocean and the Lagos and Lekki lagoons has been earmarked for the whole free zone, which will include a deep-water sea port and a new international airport in close proximity" (Chen & Su, 2014). The Lekki Free Trade Zone construction is estimated to cost $5 billion to complete the first phrase of the project, covering 3,000 hectares of land is designed to reduce Nigeria's dependence on imports. The project also includes roads, power plants, and water plants (Chen & Su, 2014). However, there are concerns about the degree of implementation of these deals.

Also, significant in the infrastructure for oil deals is the fact that through such deals, African countries are able to invest in projects that the traditional partners such as the IMF, World Bank, and Western energy firms have declined to invest in environmental and other concerns. China reached a $10 billion hydrocarbon deal with Nigeria at the beginning of 2014. In addition to exploiting crude oil and natural gas, China has been involved in constructing an additional refinery in Baro, Nigeria. In Zimbabwe, China Africa Sunlight Energy Ltd. invested $2.1 billion in developing a 2,100-megawatt plant to help ease electricity shortages in Zimbabwe, which is only capable of generating 1,320 megawatts against a demand of 2,200 megawatts of electricity.

According to the African Development Bank (AfDB), "only 39 % of the African population has access to electricity, compared to 70-90% in other parts of the developing world" (African Development Bank, 2010). Africa's power connectivity is 39MW per million inhabitants, the lowest in any developing region, and "more than 30 African countries experience recurrent outages and load shedding, with opportunity costs amounting to as much as 2 per cent of the total annual value of the economy" (African Development Bank, 2010) Ghana's economy has been expanding (especially in the past two decades), yet the country has been facing a persistent energy crisis which is significantly slowing the country's growth. This is negatively affecting businesses and sometimes forcing them to shut down operations completely, leading to job losses. The energy crisis was further compounded by an unreliable supply of gas from neighboring Nigeria via the West African Gas Pipeline (WAGP). Due to frequent damage to the pipeline and high volatility in Nigeria, Ghana was compelled to replace gas with oil in its thermal generators, costing government millions of dollars per day.

Despite the challenges, Western donors and financial institutions were unwilling to fund the construction of major projects such as the Bui Dam, citing environmental concerns. What's more, the ability of the government of Ghana to borrow soft-term loans from its traditional partners (the IMF and World Bank) were constrained when Ghana attained a lower middle-income status in 2011. Some of Ghana's sources for borrowed loans on soft terms for projects such as roads, power, and harbors are no longer available or the length of time for the repayment of these loans has been reduced while interest rates have increased. For example, in the case of the World Bank, Ghana can only borrow for 25 years instead of the 40-year duration for the repayment of the loans, while the interest rate has increased from 0.75% to 1.5% (Odoom, 2015).

China's commitment to fund and build the Bui Dam came as a huge relief to the Ghanaian government. Under the deal, 400 megawatts of electricity were added to the national capacity. This the government hails as an important step in mitigating the energy crises. The Bui Power project has important spillover effects for irrigation, the development of ecotourism and fisheries, the Resettlement and Community Support Program, and additional employment of about 6,000 Ghanaian artisans/laborers on site especially during construction period. As well, other potential benefits included improvement in health, educational, and social facilities (Odoom, 2015). Ghanaian authorities justify the infrastructure for cocoa deal because it offers a ready market for cocoa, a major export and source of revenue for the Ghanaian government (Hensengerth, 2013). In the same vein, gas from the Aboadze thermal plant is designed to enhance energy generation and reduce the high cost of oil import, a major factor rising debt and budget deficit. Other benefits of the plant include stable and lower cost of gas supply, boost production of liquefied petroleum gas (LPG) for domestic use, and provide employment opportunities in the oil and gas sector, enhanced infrastructure to support the petroleum and petrochemical industry to boost economic growth.

In addition, Chinese investments and infrastructural development are yielding positive results in employment creation in some African countries. In 2008, Angola started a housing project that is funded and run by the Chinese; the project employs four thousand local workers, all of whom attended a four-week training program before joining. Across Africa, the development of special economic zones in Egypt, Zambia, Ethiopia, Kenya and Nigeria, among others, has the potential to promote structural change and boost job creation. In March 2015, China announced that it had chosen Kenya as the center for its new industrial hub and would be promoting a new cooperation model there. China is committed to financing an industrial park which is to be created in Mombasa, and an industrial zone along the Standard Gauge Railway Corridor, to enable Kenya to improve her trade balance with China and to give her exports preferential access to the Chinese market (Vircoulon & Madonna, 2015). Steven Kuo states that, "in Africa's price-sensitive marketplace, telecommunications infrastructure, for example, has become very reliant upon Chinese technology, which is competitively priced, durable and enjoys strong back-up service compared to its Western competitors" (Kuo, 2015).

In recent years, wages have been rising in China, forcing Chinese industries to move away from labor-intensive manufacturing firms to knowledge-intensive services and information technology. As well, jobs that were previously moved from the United States to China are now offshoring to Africa, “Made in China” is now “Made in Africa” (Eom, 2017). For example, in 2012, the Huajian Group, a major shoe manufacturer in China, employing 25,000 workers, opened a factory, “shoe city” in Addis Ababa, in Ethiopia (Eom, 2017). With $2 billion investment over five years, the supply chains span the United States, China and Africa produces for U.S. brands such as Tommy Hilfiger, Guess and, ironically, Ivanka Trump’s eponymous shoe line (Eom, 2017). Within a few years of operation, the company has increased its employment from the initial 600 to 3,500 (Kuo, 2015). Another positive development in the manufacturing sector is that Chinese managers are now implementing technical skills-training programs for their African workers within Africa and China. The China-Africa Research Initiative indicate, Chinese projects benefit African workers, the foremen and technicians tend to be Chinese while the manual laborers are generally African. “African workers frequently make up over 80 percent of the factory workforce” (Eom, 2017).

The African Development Bank estimates that “the road access rate in Africa is only 34%, compared with 50% in other parts of the developing world, while transport costs are 100% higher”. (AfDB, 2010). China has currently invested heavily in the railway, ports, and harbors sectors. Researchers at the China-Africa Research Initiative estimate that, “between 2000 and 2014, China made $24.2 billion in loans to finance transportation projects on the African continent, eighty percent of those loans were for roads and railways.” Classic examples include the Ethiopia-Djibouti Railway mega project that was inaugurated on October 5, 2016 in Addis Ababa, Ethiopia (Tigrai Online, Ethiopian Daily News, 6.10.2016). 70% of the $3.4 billion US dollars project, was financed by a loan from China's state-run Exim Bank and built by China Railway Group and Chinese engineers, while the remaining 30% was provided by the Ethiopian government (ibid). The project is the first standard gauge electrified railroad on the continent built with Chinese standards and technology. The train connects landlocked Ethiopia with Djibouti and its access to the Red Sea. The 750-kilometer (466 miles) line, is expected to carry up to five million tons of goods per year, with operational speed of up to 120km/h, thus reducing the total travel time from three days by heavy truck to about 10 hours (ibid). During the official launch of the project, Ethiopian Prime Minister Hailemariam Desalegn stated that, “This project is like our blood vessels. The reason is because Ethiopia's outlet is through Djibouti. Therefore, this project determines if we can live or not live” (ibid).

Another project is the Kenya railway line, a $13-billion railroad in Kenya, financed by the Export-Import Bank of China and built by the state-owned China Road and Bridge Corporation. These projects are expected to have a massive impact on the economies of both countries, the region, and China. The latter benefits by connecting ports and facilitating the movement of raw commodities that are badly needed to fuel China's development. In “East Africa, particularly the ports in Kenya, ports in Tanzania and especially ports in Djibouti, these are very important for the Chinese just for the exports” (China-Africa Research Initiative, 2017). These projects will take a long time to pay dividends but by contrast African economies are likely to see an immediate impact. These transportation projects can stimulate local economies, and “this is good for local, loan recipient countries just because these projects have a lot of costs and not a lot of immediate financial return” (ibid).

China’s financing through the Exim Bank and The Ministry of Commerce (MOFCOM) have allowed SOEs to take some risks and reap decent profits. China’s state lenders have assumed some long-term risks of certain African governments failing to pay back the low-interest loans. (Huang and Chen, 2016). As a result, the risks for potentially unpaid or defaulted loans end up in the hands of the Exim Bank. Once a loan is initiated, the SOE building the project receives regular payments directly from the Exim Bank, which lowers the risk of no profit for the contractor. It also shifts the risk to be shared between the African Government and the Exim Bank. Considering that most of the infrastructure loans from the Exim Bank offer a grace period of 5-10 years, the burden for a borrowing African government is significantly reduced (Huang & Chen, 2016).

## 7. Risks

Over the past decade and a half, China has shown that it can deliver infrastructure such as roads, ports, and dams quickly and cheaply through resources-for-infrastructure deals, with the potential to stimulate economic growth and development. Critics, however, have expressed reservations about the risks and/or costs associated with Chinese investments, including resources-for-infrastructure deals and the consequences for human rights, democratization and good governance, environment, labor laws, and economic dependency.

UNCTAD has shown Chinese trade and investment with Africa are repurposing African countries as exporters of farm produce, minerals, ores, and crude oil, and importers of manufactured goods. As aptly put by Lamido Sanusi, a former director of the Nigerian National Bank, “So China takes our primary goods and sells us manufactured ones. This was also the essence of colonialism” (Vircoulon & Madonna, 2015). This trade relationship reinforces African economies’ dependence and specialization in natural resources and undermines efforts at industrialization. Relatedly, the past two decades, domestic markets in many African countries have been decimated by relatively cheap ‘Made in China’ products. In Ghana, South Africa, Zambia and Nigeria, the thriving local textile industries have been flooded with cheap textiles from China with grave consequences for that sector. Various studies have documented examples of shoddy work by Chinese firms (Ethics Institute, 2014). Media and public discussions dominated poor work by Chinese contractors on power stations in Botswana and a hospital in Angola that was closed down due to severe cracks (Olander and Staden, 2016).

## 8. Environmental damage

Critics also contend that infrastructure for resource deals poses major risks of environmental damage. As a developing country, China has a poor environmental track record both at home and abroad. Worse yet, the enforcement of recent regulations introduced by the Chinese government has forced some Chinese SOEs which could not meet standards to relocate to African where there are weak environmental standards. In Sudan, the Merowe Dam Project is an example of a Chinese project with weak observance of environmental standards. The initial assessment cleared the project with minor provisions, but the Sudanese Ministry of Environment was never allowed to review the assessment. In 2006, an independent review concluded that the project was far from meeting European or international standards.

However, in recent times, there is evidence that China is becoming more serious about environmental concerns. In 2007, The Export-Import Bank of China (Exim Bank) published its environmental policy (adopted in 2004). Under the auspices of Forum on China-Africa Cooperation (FOCAC) in 2000, China published environmental guidelines for its African projects, the action plan included an environmental agenda, encompassing pollution control, biodiversity conservation, protection of forests and fisheries, and wildlife management, but it was never put into operation (Cassel *et al*., 2010). Following protests by a Gabonese environmental NGO that the project to build a hydropower dam in a Gabonese national park after Brainforest violated environmental guidelines, Exim Bank suspended the project (Cassel *et al.*, 2010). If African governments go to China to avoid World Bank's strict environmental standards, then it is their responsibility for setting the standards they want to live by and ensure that China and others strictly comply to the standards. Classic example is the involvement of Chinese nationals in illegal gold mining or "galamsey" in Ghana and the consequent environmental hazards (Asante, 2017).

## 9. Disregard for employment law and poor working conditions

It has been estimated that in the past decade there are more than one million Chinese living in Africa, most of them laborers and traders (French, 2014). African cities have seen a rapid increase in smaller Chinese investors in food outlets, retail shops, and textiles. China does not have a fixed model regarding recruiting local labor; the numbers often vary from one contract to another. In Angola, it was 70% Chinese labor and in Ghana 60%, yet other countries received deals which require less hiring of Chinese labor. In 2011, China sent 452,000 workers abroad, of which 243,000 were engaged in construction work, accounting for 53.8% of the total. This has created some misunderstanding, distrust and even antagonism from the host countries. Yet other sources indicate that on most construction sites in Africa, the majority of the labor force is local, while most of the skilled labor is from China. Findings from Ethics Institute of South Africa show that 55% of respondents opined that Chinese companies in Africa were hiring Chinese employees only. China Daily in 2011 reported that the ratio of Chinese to local employees by China Roads and Bridges Corporation (CRBC) was around 1:15 but this has not been verified. Huang and Chen (Huang and Chen, 2016) contend that the figure may not be representative of most Chinese-built infrastructure projects. Relatedly, critics argue that Chinese construction companies operating in Africa import all inputs from China. For example, in Angola, Chinese construction companies import all inputs including simple ones like pins and bolts from China (Huang and Chen, 2016) citing lower cost, higher quality, and a greater volume of Chinese inputs compared to African inputs. This has negative impact on the domestic market.

Furthermore, lack of respect to employment laws and exploitation of workers has triggered anti-Chinese sentiment in many parts of Africa. Perceptions of a lack of respect for labor laws and practices are fueling mass discontent among Africans (Ethics Institute, 2014). For example, in 2008, two Chinese were killed in Equatorial Guinea by Guinean workers protesting against their working conditions. This incident occurred because the Chinese workers refused to stop work and join the protest (Vircoulon & Madonna, 2015). In 2012, the manager of a Chinese coal mine in southern Zambia was killed by two Zambian miners. In 2014, two people were killed and nine others wounded in Madagascar during clashes between the Chinese managers of a sugar factory and their Madagascan employees (Vircoulon & Madonna, 2015). Chinese goods are being imported on a massive scale at rock-bottom prices, leading to a strong competition from Chinese goods in the domestic African market, exemplified by the presence of Chinese shopkeepers even in rural areas of the smallest countries in the continent (Lesotho, Swaziland, among others). Apart from working practices which border on exploitation, Chinese penetration of the African retail sector (a sector which is often reserved for the local people and rare to find foreigners in Africa) is fueling anti-Chinese sentiments among the local population. In 2009, in the eastern suburbs of Algiers, clashes between Chinese and Algerian shopkeepers resulted in several shops being trashed. There is the possibility of more anti-Chinese violence and protest in Africa if the current trends continue.

## 10. Governance

The Beijing consensus emphasizes non-interference in the sovereignty of a state, and ignores good governance mechanisms such as anti-corruption, transparency, and accountability promoted by the West including the Equator Principles, the Extractive Industries Transparency Guidelines, and the Kimberly Process to address concerns over resource curse thesis. Critics are of the view that Chinese companies contracted to work on aid projects are individually selected by the Ministry of Commerce and report directly to the Exim Bank (Corkin, 2008) instead of on a competitive basis and thus are prone to corruption. Yet some scholars argue that Chinese resources-for-infrastructure loans reduce opportunities for corruption and embezzlement. The funds are held in Chinese banks and disbursed directly to construction firms when work is completed. Comparing China's corruption and transparency policies with those of the Global North, Brautigam writes, "A second look reveals that it was Western banks that gave loans without requiring transparency, and Western companies that exported Angolan oil, providing cash flows for the ruling party" (Brautigam, 2009).

## 11. African responses

In response to growing concerns among African population and scholars that Africa is not benefiting from Chinese investments, coupled with the wave of anti-Chinese sentiments and public criticism, some African countries have passed legislation to regulate the labor market and trade practices. In 2005, the Democratic Republic of Congo passed a law banning foreigners from working in the retail sector. The implementation has been slow and ineffective because sometimes they hire Congolese to front for them.

In July 2015, Malawi, insisted that foreign shopkeepers leave rural areas and operate their business in one of the country's four largest cities, with a minimum capital of $250,000. In Tanzania, Parliament passed a law limiting work by non-nationals in the country. In 2014, Ghana's Parliament passed the Minerals and Mining (Amendment) Law, 2014. The law criminalizes illegal small-scale mining, popularly known as "galamsey", but unlike the old law it criminalizes mining by foreigners and Ghanaians without a permit. Clause Two of the new law criminalizes the engagement of foreigners in small-scale mining operations and makes it an offense for a Ghanaian to employ or engage a foreigner to undertake or participate in illegal small scale-mining activities. Clause Three of the law empowers the court to order the forfeiture to the state of any mineral extracted as a result of the offense, while Clause Four ensures strict liability for offenses committed under the law. In that regard, an accused person could be convicted even if it is proven that he or she did not knowingly commit the offense.

In addition to regulating national employment legislation, there has also being a crackdown on Chinese nationals involved in illegal activities such as mining. In Ghana, more than four hundred Chinese miners were arrested in 2013 and expelled for illegal gold mining. Illegal gold mining activities has generally had devastating consequences, including the pollution of bodies of water such as the Birim River (now undrinkable), destruction of farmlands, forest reserves, social tensions and violent clashes between host communities and illegal gold miners, and illegal gold miners and small scale and medium size gold mining companies due to encroachment by illegal gold miners. In Kenya, the owner of a Chinese restaurant who banned Africans from entering his restaurant after 5:00 pm was arrested. In Gabon in 2013, the state decided to withdraw Addax's oil production rights, accusing the company of tax fraud and of breaching environmental standards. In 2014 Gabon also took back the 75% of Belinga

Mining Company (Comibel) held by the Chinese companies China Machinery Engineering Corporation and Pangang Group, who were due to implement a 1.6 billion mining project.

## 12. Conclusion

China's footprint on the African continent is increasingly becoming big and bold. China's investments in Africa including trade, aid, and infrastructure (especially roads, ports, and railway) has increased exponentially in recent years. Critics indicate that China is "making and eating Africa's lunch." Chinese investments provide alternative sources of investments from the West, and some countries benefit more than others, particularly those where China replaces missing Western aid and has the potential to yield increases in job creation, training and technology transfer.

This article shows that considerable concerns and mixed feelings exist over the beneficial nature of China's system of resource extraction over long periods in exchange for their investments, as well as growing reservations about whether such dependency and neocolonial ambitions are legitimate and justifiable. Since infrastructure facilitates the transportation of mineral and natural resources to China, it is also important to balance the picture by also looking at potential risks to China. Some of China's investments are long-term, and may not necessary yield immediate benefits to China in the immediate future. Furthermore, other risks for China include time inconsistency, weak property rights regimes in Africa, the potential for regime change, contract renegotiations, and expropriations. By providing financial aid or loans, China is willing to take on some risks, with the potential of future long-term benefits. The Chinese commerce ministry estimates that compared with a 50% international norm, 65% of Chinese foreign direct investments make a loss (Kuo, 2015).

Whether China will make and eat Africa's lunch depends on the political will and measures and strategies taken by African leaders and policy makers such as the African Development Bank to reduce the risks to Africa, while maximizing the benefits of investments from China including resources-for-infrastructure deals. It is encouraging that African leaders appear to be listening to complaints and concerns from their citizens, especially as to the influx of Chinese migrant workers, and are responding through legislation, however the enforcement leaves much to be desired. Altogether, improving transparency and accountability particularly in ways African governments negotiate and sign deals with China will be an important step going forward. The current regime where China treats information on bilateral aid as a state secret and is often not even available to national parliament, makes it not only difficult to track down disbursement of aid, grants, and loans, but often impossible to gauge its impact on development.

## Biographical Notes

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