



CONFERENCE SUMMARY RECORD

China and Canada in Africa: Interests, Strategies and African Perspectives
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Introduction

In Ottawa on 20-21 September 2012, the China Institute of the University of Alberta, in collaboration with the International Development Research Centre (IDRC) and Canada's Department of Foreign Affairs and International Trade (DFAIT), convened a conference to explore Chinese and Canadian experiences, policy options, and outlooks for constructive engagement in Africa's growth and development. An invited group of distinguished scholars, private sector representatives, and officials from Canada, China, the USA, Europe, and a number of African nations assembled at IDRC for 1.5 days of open discussions under Chatham House rules. The conference was organized around six panels, each followed by an open question-and-answer exchange.

The purpose of this summary record is to present an overview of the major themes, issues, ideas, and ways forward that were discussed during the conference. A peer reviewed, edited publication will follow in the coming year that more fully captures the issues addressed.

Four overarching themes emerged from the Panels. First, myths and generalizations about China's resurgence in Africa obscure, or lag behind, the realities and the nuances. Second, China, Canada, and Africa are not monolithic actors. Third, Africa and China are more important to each other than ever before. At the same time, Africa is becoming increasingly salient to Canada for economic and foreign/security policy reasons. With its growing middle class and rapid population growth, Africa is likely to have a population over 2 billion by 2050, with a very high percentage of Africa's population being of working age. Fourth, China's engagement with Africa is not unproblematic, but Chinese policy towards African countries has been adapting across many dimensions. Despite obvious asymmetries, African states and civil societies act in ways that nudge Beijing to respond, learn, and sometimes change course.

Keynote Address

Ambassador Zhong Jianhua, Special Representative for African Affairs, Ministry of Foreign Affairs, People's Republic of China (who previously served five years as China's Ambassador to South Africa) gave a keynote address - his first public discussion of China-Africa relations in North America. He reiterated that China's policy of "economic openness" on the African continent is just over thirty years old and its results could not have been forecasted, in the same way that current, varied trajectories within Africa cannot be predicted. China is still learning how to

do business in diverse international jurisdictions and it is still developing its own academic and official expertise about Africa, as noted at the fifth Forum for China-Africa Cooperation (FOCAC) in Beijing, July 2012. But the basis of the China-Africa relationship is built on sincere partnership and reciprocity, according to the Ambassador.

Panel I - Realities & Trends

Experts discussed the present engagement and motivations of China and Canada in Africa and began to debunk some of the myths and generalizations. It was acknowledged that perceptions of China, Canada and Africa as monolithic actors are inaccurate. There is no coherent or centrally-driven Chinese policy in Africa. Many Chinese individuals and firms operate quite independently of government policy or guidance. Africa has evolved. Growth has been impressive though uneven, socially and regionally. Autocracy has given way to some form of democratically-elected government in most jurisdictions. Moreover, new forms of non-state governance have emerged such as the African Mining Vision. Internationally, the “field” is no longer confined to former colonial powers and other industrialized nations, but has opened up to the BRICs. Chinese actors themselves are diverse, often with competing interests. African nations face a challenge and a responsibility to take the lead in building frameworks that ensure benefits from China’s growing economic footprint, including through civil society. Africa has already become the 4th leading destination of Chinese foreign direct investment, and China’s aid program is reorienting toward greater emphasis on people-centred project work. There is greater emphasis on issues of African integration and security. Apart from its expertise in specific sectors of resource development and infrastructure and its ongoing work in support of AU-led peacekeeping operations, Canada has a useful role in offering policy advice and technical assistance to

African countries, whether to strengthen private sector development, to reinforce macroeconomic reform, or to help build systems of accountable governance to deal with potentially difficult areas such as labour and environment questions. But Canada requires some policy coherence to become a more proactive and effective player.

China’s Rapid Economic Rise across Africa by the Numbers **Understanding China’s economic resurgence in Africa is impossible without some key indicators:**

Over 1 million Chinese currently living or working in Africa

Two-way trade increased from US\$10 billion in 2000 to US\$166 billion in 2011; up 22% again during the first five months of 2012 year-over-year

China surpassed the USA in 2009 as leading trade partner with the continent

Zero-tariff treatment to be phased in for 97% of products exported from African Less Developed Countries (LDCs)

800+ Chinese State-Owned (including provincial and town) Enterprises operate in Africa

Estimates vary, but Chinese FDI exceeds US\$15 billion (could be US\$40 billion) and is rising as Canadian-listed firms in mining and oil & gas are acquired by Chinese firms

At FOCAC V (July 2012), China committed up to US\$20 billion in preferential credits to African states for infrastructure, agriculture, manufacturing, and SME development. This is in addition to grant aid, zero-interest loans, investment funds, and commercial export credits.

Panel II - Peace & Humanitarian Issues

Despite less overall conflict across the continent compared to the previous decade, Africa still faces a number of security challenges and remains host to large peace operation missions.

China deploys three quarters of its peacekeepers in Africa and is the UN Security Council Permanent Member with the largest contribution of uniformed

personnel there. China pays only 3.9% of the UN’s peacekeeping budget (7th highest), slightly more than Canada’s assessment of 3.2% (although Canada also contributes outside of its assessment). China supplies logistics, engineering, and medical contingents as well as HQ staff, but no combat troops. The PLA established its first peacekeeping training centre just two years ago.

Over the last decade, the Chinese approach to African security has evolved from the strict posture of non-interference to a less dogmatic and more pragmatic approach. This can be seen in its recent shift in position on Darfur. China has an increased propensity and capability to respond to natural disasters and man-made disasters on the African continent. The PLA Navy has sustained an effective anti-piracy task force off the Horn of Africa for nearly five years. China and Canada could share peace, anti-piracy, and relief operations and coalition building experience and consider closer collaboration either bilaterally or trilaterally.

At the same time, China has its own Africa security interests even if the continent is not at the centre of its overall security policy. China is a rising, though still limited player in small arms and light weapons exports to African countries. Up to 20% of China's conventional arms sales go to African states, and a higher proportion of small arms and ammunition, come from Chinese exporters. Chinese small arms are now reach-

ing rebels, pirates, terrorists, and other non-state actors. China's significant economic presence in Africa increases security threats to Chinese nationals and assets there (e.g., Libya evacuation, killings and kidnappings of Chinese workers in Ogaden, Niger Delta) and increases potential for attacks on Chinese by African Islamists critical of treatment of Uyghur Muslims in China (e.g., Boko Haram attacks in Northern Nigeria). In March 2011, the Chinese government evacuated 35,000 nationals from Libya within ten days; this marked the first operational deployment of the PLA Navy into the Mediterranean.

On the question whether Sino-Canadian conflict and competition is inevitable in Africa, consensus seemed to be that there are wide areas of potential cooperation but this must be done in ways acceptable to Africans. Canada might have a role as interlocutor, but it would first have to update its understanding of African security issues and revise its role accordingly.

Panel III - Africa's Economic Dynamism and Sino-Canadian Complementarity

This panel surveyed current Chinese and Canadian economic engagement in Africa and how they might interact, while ensuring Africans themselves set priorities, design rules of the game, and ensure sustainable and adequate benefits to host societies. The scale of China's financial engagement is remarkable and fast-paced: China Eximbank alone has invested US\$67.2 billion in the past decade in Africa – greater than the World Bank – and Chinese state commercial banks such as the Industrial and Commercial Bank of China (ICBC) and the China Construction Bank (CBC) have become heavily involved on the continent.

China prefers to work bilaterally rather than through multilateral financial institutions. China is now the number one creditor to Africa and number three in-

vestor (although Chinese financial transactions are not easily tracked and categorized due to lack of transparency and definitional challenges). China's exports have become more diverse and sophisticated, and its lending norms have evolved with accent on green considerations and SME needs. At the same time Africans' comfort and capability in managing the Chinese presence, while still developing, has improved. China positions itself as a developing country and shares attitudes with African states on matters such as technology transfer, intellectual property, human rights, as well as education and science.

With Africa's emerging dynamism, investor perceptions are changing: already 63% "positive" and growing (a perception gap remains between those already

invested in Africa and those not yet there). Africa will, based on current trends, represent 12% of global GDP by 2050, 300% more than at present, and could be home to seven of the world's ten fastest growing economies within five years. Overcoming stereotype impressions, the quality of the business environment is also improving. Numerous African nations outperform Brazil and India in corruption indices; Africa's middle classes are growing, infrastructure is improving, and democracy is spreading.

After years of neglect and refocusing elsewhere, Canada must move fast to recover its past status in Africa. EDC's Africa profile is limited to a portfolio of \$2.5 billion in assets covered, half of which is political risk insurance. In fact, Chinese activity may help to re-

stimulate interest by both Canadian government and business (to co-finance, co-develop, co-partner).

There are opportunities for Canada in natural resources and infrastructure and for EDC to structure deals with Chinese financial institutions. Canadian firms do have some advantages over Chinese ones, including a greater willingness to use local labour and a willingness to adhere to international anti-corruption, environmental, health, and safety standards. There are also areas of potential collaboration between Canada and China in working with African governments to build sound regulatory regimes, to enhance sustainability strategies, to manage growth (rapid urban sprawl was noted in particular), and to ensure adequate and accessible SME financing is available.

Panel IV - Transparency and Accountability

Until recently, issues of transparency and accountability were generally accorded little attention, in large measure due to Cold War circumstances favouring Western allies such as Mobutu. However, specific challenges have arisen due to African democratic waves that began around 1990 as well as growing international demands for "good governance" and "aid effectiveness". China's explicit non-interference and non-conditional "no strings" approach to Africa, at least in terms of financial transfers not being linked to governance or human rights issues, gets interpreted as part of some hidden agenda, but can also be seen as a consistent form of soft power rather than cynical instrumentalism.

Lack of transparency around Chinese financial flows to Africa can be partly linked to domestic sensitivities: China itself remains a significant recipient of multilateral aid. Slowly, China is recognizing that host regime type and institutions matter. To lessen friction points, reduce suspicion, and improve China's brand and reputation – especially in those many African jurisdic-

tions that are much more open and attuned to transparency and accountability considerations than China's domestic experience – much more attention towards values, processes, and capacity building is required. This includes educating Chinese firms and entrepreneurs who tend to bring their domestic experience with them: "to understand China in Africa you have to understand China in China".

African governments have a responsibility to structure Chinese engagement in ways that consistently enhance local values and institutions. Thus there is an ongoing demand for serviceable, context-specific models of governance that are neither borrowed wholesale from the West or China but that are driven by African needs and requirements. This is important for natural resource sector oversight but also applies across the board. Canada has longer experience with these issues and should seek out complementarities for trilateral engagement rather than focus solely on challenges and competition.

Panels V & VI - Africa's Rise, Grand Strategy, & Thinking Outside the Box

The morning of day two was devoted to more wide ranging speculations around the China-Africa-Canada nexus. IMF projects 5.5% continental GDP growth in 2013 but there is no room for complacency as income inequality deepens. Africa is still furthest from the 2015 Millennium Development Goals (MDGs) despite considerable progress. But seventeen countries are defying old “economic basket-case” stereotypes while another six are firmly on the right track. Aid, trade, and investment need to take into account the quality of economic growth. Given that Africa remains a dynamic frontier for mineral and energy exploration and development, it is no surprise that China has emerged as a dominant player given its immense resource appetite.

Canadian firms and technical assistance since the late 1980s have set the stage for Chinese ability to access Sudanese, Nigerian, and Libyan oil, DR Congo's minerals, Zambia's copper, and (as appears likely) Tanzania's gold. Indeed, China is replacing Canada as a major player in African natural resources (and, for that matter, in peace operations). But opportunities remain to build on historical legacies and a valuable, if weakened, Canadian brand. The lack of policy direction and related “tool kits” to support Canadian private sector activity in Africa remain a significant obstacle for Canada to navigate the “rising Africa” wave and China's prevalence therein.

The BRICS are increasing their presence on the continent while Canada pulls back; China opens its markets to African Less Developed Countries (LDCs) while Canada has not expanded market access beyond Least Developed Countries (LLDCs). China's greater

brand consciousness and policy coherence provides Africans policy space through better financing terms, fewer strings, more project/less program aid done in consultation with African governments. The spirit of the Bandung Afro-Asian Conference (1955) is still harnessed by Chinese policy-makers, but the idea of a “Beijing Consensus” replacing the Washington Consensus is a figment of Western imagination. Chinese FDI is also hardly confined to natural resources. China wants to move up global value chain and this can in turn present opportunities for African economies.

Too many Canadians remain caught in a “China as threat” and “Africa as marginal interest” mindset, and are fixated on human rights/democracy values that understate the progress that has occurred on these fronts. This stance overlooks the tension between different conceptions of human rights, sovereignty, and self-determination where African historical experience lines up more closely with China than the West. Canada can adopt a new mental posture towards Africa, by learning from China: eg. being less paternalistic, cultivating partnerships, deepening institutional engagement, pursuing win-win strategies and conveying respect within asymmetric relationships.

If Canada does not change its approach and align to new realities and new opportunities, Canada risks having its profile and influence in African economic development as well as security and political issues decline relative to the full range of competitors, including China, that have more effectively recognized and responded to Africa's rise through wider forms of engagement.

Concluding Summary

Canadians must get beyond impressionistic, too often simplistic, outdated and dismissive images of Africa, ones overly focused on Africa's problems that cause opportunities to be missed. China's deepening engagement in Africa is part of a global transformation and presents both challenges and opportunities, demanding a search for complementarities and new models of cooperation. Paternalistic relationships cannot ensure mutual benefits and alignment with African priority needs.

New and ever more complex issues of regulatory efficiency and fairness, environmental sustainability, corporate social responsibility, etc., demand advanced techniques of governance, public-private partnerships, international collaboration, and wider participation from civil society. Above all, Africans must lead but,

with the right strategies and the right partnerships – including continental and regional approaches – Canada and China can become effective and engaged players, cooperate where possible and compete where competition ultimately benefits African economies and societies.