
America and China in Africa: Future Competition or Cooperation?

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EXECUTIVE SUMMARY

Africa is viewed as having the best potential in the world for economic growth due to favorable demography and the thirty- year expansion of public education throughout the continent. The conventional assessment is that China has strategically targeted Africa to obtain natural resources and that America is losing competitively because it has not aggressively pursued African economic opportunities. A major strategic question is what will be the impact of the world's two largest economies on the future of Africa?

Keywords: Africa, United States, China

INTRODUCTION

From 1980 to 2000, Africa grew economically at only 2 to 3% per year. In the first decade of the 21st century, Africa increased its rate of growth to 5%, and the potential for the next twenty years is significantly higher. This shift from bleakness to possibly rapid economic expansion is exemplified by two famous covers from the *Economist* magazine. In May 13, 2000, the *Economist* cover was entitled, "The Hopeless Continent." Thirteen years later, the *Economist* cover proclaimed, "Africa Rising" (Economist, 2013). The history of Africa's low single-digit growth during the last three decades is in stark contrast to that of China, which following the reforms of Deng Xiaoping, had nearly 10% annual growth for thirty years. This economic expansion was fueled by a youthful work force and a one child policy that enabled the Chinese society to concentrate its educational attention on relatively fewer students. One of the long-term side effects of the one child policy is that the Chinese population is now aging and the economy is maturing, leading to forecasts that China's growth rate will decline (O'Neill, 2011). In the *Growth Map*, Jim O'Neill, former Chief Economist at Goldman Sachs, argued that the two major factors determining economic growth throughout the world are demography and productivity. Many say it is now Africa's turn for rapid growth because of its high ratio of workers to senior citizens and the expanding education of its youth over the past thirty years, which will enable society-wide productivity increases. Near double-digit growth in several African countries is forecasted according to *The Fastest Billion*, published by Renaissance Capital (Robertson, 2012).

AMERICAN AND CHINESE STRATEGIC POSITIONING IN AFRICA

Africa's potential raises the strategic question of how should China and America position themselves for the future. From less than \$100 million of Foreign Direct Investment (FDI) in Africa in 2003, China increased its FDI to over

\$12 billion in 2013 (Bremmer, 2013). Even this dramatic growth in FDI may underestimate China's African investment because up to \$75 billion in unreported Chinese FDI may have occurred from 2000 to 2011. Sometimes accurately determining data within China can be very difficult due to language issues, government secrecy and complicated transactions among state-owned banks and corporations. Statistically, international trade is simpler and systematic reporting of exports and imports is usually routine around the world. The trade data involving China, America and Africa is startling. In 2009, China's trade with Africa surpassed that of the United States, and has continued to grow so rapidly that in 2013, China conducted \$210 billion in African trade compared to \$85 billion for America. Another indicator of the strategic priorities of the two countries is that China has commercial envoys in 54 countries in Africa compared to just 8 countries for America (Nisen, 2014). Summarizing the strategic difference between America and China, Ian Bremmer (2015) has said "China is the only country in the world that has a global strategy." In contrast, Witney Schneidman (2013) of the Brookings Institute said, "The problem is that the U.S. government provides virtually no support for American businesses seeking to trade or invest in Africa." Certainly, the economic data over the last fifteen years indicate that Africa is far more important to China than to the United States.

Some argue that cultural differences between China and America strategically significant. China is famous for long-term perspectives and needs natural resources for its 1.3 billion people. In terms of development assistance to African nations, the communist government of China has a philosophy of "No Strings Attached" with little concern for internal national politics, whereas the United States frequently emphasizes human and political rights. One startling example of this difference regarding human rights is that when President Jimmy Carter visited China in 2014, and was a guest at a dinner in the Great Hall of the People, President Xi Jinping was in the same building at another event, but did not see Carter. Just a few days earlier, the Chinese President had hosted the notoriously autocratic President Robert Mugabe of Zimbabwe and described him as "an old friend of the Chinese people whom we respect very much," and said that China "stood shoulder to shoulder against imperialism, colonialism, and hegemony." (Schell, 2014) This pointed disrespect for former President Carter is just one example of China asserting its independence fueled by its growing economic strength that led Orville Schell to entitle his article, "China Strikes Back."

CHINA IN AFRICA

The Chinese involvement in Africa was described in a special 2013 report by the Brookings Institute. China has mobilized the wide resources of its government and society to develop port infrastructure in Africa which has led to ripple effects, including contracts for Chinese companies, relocation of low labor cost businesses to Africa as Chinese wages increase especially in high pollution industries, and diplomatic benefits at the United Nations and other multilateral institutions as China emphasizes its solidarity with other developing countries. With its diplomatic and economic facts on the ground, China is increasingly winning the competition against the United States (Sun, 2013). To improve its strategic African position, the White House hosted in 2014 an Africa-U.S. Leaders Summit at which President Barack Obama said that the U.S. has a different approach compared to other nations that "look to Africa simply for its natural resources...and simply want to extract minerals from the ground..." The American President did not specifically mention a country but his remarks were widely attributed to be a swipe at China (Sun, 2015). Responding to the African-U.S. Leaders Summit, the Chinese internet publication, Hanqui.com, said that the "barbed words against China" show American "performance anxiety" and "lack of confidence." "It said, "Chinese leaders and officials often meet with African leaders, but talk about China-Africa friendship, [and] never ridicule a third party" (Hanqui, 2014).

AMERICA IN AFRICA

The United States has emphasized the humanitarian dimensions of its African involvement. The most successful example of this has been American programs to fight AIDS, centered around the President's Emergency Plan for Aids Relief (PEPFAR). The PEPFAR program was proposed by President George W. Bush in 2003, and the US Congress provided \$63 billion dollars in funding from 2004 to 2013. As of September, 2014, 7.7 million people,

primarily in Africa, were receiving medical treatment for AIDS, and in 2014, 14.2 million pregnant women received AIDS testing and counseling (<http://www.pepfar.gov/funding/results/>). One study (Bendavid, 2009) estimated that 1.2 million lives were saved by the program. Michael Gerson (2014), columnist for the Washington Post and former speechwriter for President George W. Bush said, “PEPFAR is perhaps the greatest American work of mercy since the Marshall Plan. And Americans should know about it and be proud of it.” He specifically mentioned a woman in Zambia when asked why she walked miles to a remote AIDS clinic, simply said, “Because we heard the Americans are going to help us” (Gerson, 2014). Democratic Congresswoman, Karen Bass, and her party’s leader on the House Subcommittee on Africa said, “Every place I have traveled in Africa, President Bush is an absolute hero and is credited with saving millions of people’s lives” (Mason and Wroughton, 2014).

Another major initiative of President Bush was the Millennium Challenge Corporation (MCC) established in 2004. The MCC was the American response to the United Nations proclamation in 2000 of the Millennium Development Goals which called for the reduction of world poverty by half before 2015. The MCC view is that the best engine to achieve the UN Millennium Development goals is organic business expansion underpinned by vibrant civil society participation. The MCC has used detailed governance criteria to measure both democratic processes and a positive business climate, particularly the ability of entrepreneurs to easily start and expand their companies. MCC programs have been developed on a democratic, grass-roots basis by low-income countries, rather than decided by consultants associated with large organizations such as the IMF, World Bank or governments in rich countries. Of the 24 countries which have developed programs funded by the MCC, 14 are in Africa (<http://www.pepfar.gov/>).

DEMOCRATIC CRITERIA FOR MCC COUNTRY SELECTION

The MCC has three categories of good governance criteria: Ruling Justly, Investing in People, and Economic Freedom. The Ruling Justly category targets civil society processes by measuring:

- Political Rights
- Civil Liberties
- Voice and Accountability
- Government Effectiveness
- Rule of Law
- Control of Corruption

The Investing in People criteria begins with Girls’ Primary Education and emphasizes human resources expenditures:

- Girls’ Primary Education Completion Rate %
- Public Primary Education Spending % of GDP
- Public Expenditure on Health % of GDP
- Immunization Rate DPT and Measles %
- Natural Resource Management

The third category, Economic Freedom, has six criteria:

- Business Start-Up Climate
- Inflation Rate
- Three Year Budget Balance
- Trade Policy
- Regulatory Quality
- Land Rights and Access

The MCC has emphasized internal and external evaluation of the effectiveness of its programs (Wiebe, 2008). A prominent independent source for evaluating the MCC has been the Center for Global Development which has published working papers by its MCA Monitor Analysis project. Sheila Herrling and Steve Radelet (2007) reviewed

the status of countries which were eligible for MCC funding. They concluded that the MCC should apply the democracy criteria very strictly.

An example of MCC's emphasis on democracy comes from Gambia. In June, 2006, the MCC announced that it had suspended Gambian eligibility due to political circumstances. In monitoring the events leading up to the 2006 elections, the MCC noted that opposition leaders had been arrested and press freedoms restricted. Interestingly, this suspension was supported in Gambia by a staff writer for the Freedom Newspaper (2006) who wrote:

"President Jammeh is not keen at sharing the letter that was handed to him by the US Ambassador...suspending Gambia from the said US fund,...The administration of President Jammeh is done for good. Going by this document, the Jammeh government woefully failed rights and governance test....It is imperative to note that for countries to benefit from the US Millennium Account, they must demonstrate that they are ready to promote democracy, good governance and the rule of law."

This is a concrete example of the democracy criteria preventing MCC funding for a country and of that impact on civil society dialogue within the low income country.

This emphasis on democracy was the subject of a panel discussion, "The Millennium Challenge Corporation and Democracy Promotion," sponsored by the Carnegie Endowment for International Peace on December 6, 2007 (Carnegie, 2007). The opening remarks were by the Chief Executive Officer of the MCC, Ambassador John J. Danilovich, followed by a presentation by an MCC Senior Policy Associate, Alicia Phillips Mandaville, with two respondents, Morton Halperin of the Open Society Institute, and Jennifer Windsor, Executive Director of Freedom House. Ambassador Danilovich said "the MCC will always keep the strengthening and deepening of democracy in our partner countries around the world as one of our core initiatives." Mandaville then stressed the linkage between democracy and the reduction of poverty through economic growth. She emphasized that "democratic institutions matter...not for democracy in and of itself, but...for positive economic outcomes as well." Mandaville noted that when countries come to the United States to seek MCC funding, they also visit Freedom House, whose measurements are part of the eligibility process. Halperin of Open Society said that although democracy is included in the analysis, it needs to be put on the same level as corruption. The MCC will not provide funding if a country fails the corruption criteria, but democracy is only half of the Ruling Justly category. He recommended that if a country fails the democratic criteria, it should not be eligible for funding.

In terms of the advancement of women, the MCC not only includes girl's education in its criteria, it actively encourages legal progress. For example, in testimony before the House Committee on Foreign Affairs regarding "The FY 2016 Budget Request: Assessing U.S. Foreign Assistance Effectiveness", MCC CEO Dana Hyde mentioned that the Ivory Coast had legally reformed its entire family code to provide equal rights for women in order to help qualify for MCC funding (Hyde, 2015). The details of the MCC good governance criteria show how differently American aid is managed compared to China and its "no strings" approach.

One of the MCC's major recipient countries has been Ghana. In 2006, a compact for \$547 million was signed to implement Ghana's Growth and Poverty Reduction Strategy. It had three main principles: governing justly, investing in people and encouraging economic freedom. *ModernGhana*, a website newspaper, reported in 2012 that Daniel W. Yohannes, the American CEO of the MCC, visited Ghana at the completion of the compact and said he was pleased with its results. In a press conference, a journalist asked about the possibility of a second compact. Yohannes noted that, "Ghana had chosen, after completing the consultation processes with their constituencies, NGOs, Civil society Organisations (CSOs) and the people to say they want to concentrate on energy" (ModernGhana, 2012).

A second compact with Ghana for \$498 million was signed in 2014 and did emphasize energy. In keeping with the importance MCC gives to on market forces, \$190 million is tied to policy reforms in the electrical sector. The compact is also linked to Power Africa, a major initiative of the Obama Administration (Rose, 2014). Power Africa is administered by the United States Agency for International Development (USAID) and has budgeted \$5 billion to promote the development of electricity in Africa. The Power Africa website of USAID notes that 70% of the population in Sub-Saharan Africa (600 million people) does not have electricity. Reflecting the market orientation of the American government, the website says: "By pooling and leveraging commitments of governments and private sector partners, Power Africa provides the tools needed to overcome the barriers that have constrained

Africa's power sector, and its economic growth and development. To date, Power Africa has leveraged more than \$20 billion from the private sector for new on and off-grid projects in sub-Saharan Africa, meaning that every dollar the U.S. Government has committed to Power Africa has already leveraged almost three dollars in private sector investment commitments." (Power Africa, 2015)

The MCC has just celebrated its tenth anniversary and believes that its compacts have promoted both economic development and good governance. From 2004 to 2014, the MCC spent about \$7 billion in Africa, an average of \$700 million a year. (Rose & Weibe, 2015)

CHINESE FOREIGN ASSISTANCE IN AFRICA

In July, 2014, the Chinese Government issued a white paper on its foreign assistance to Africa which was about \$5 billion a year from 2010 to 2012. According to Yun Sun (2014) of the Brookings Institute, the report described over 200 projects including agricultural technical demonstration centers, hospitals, malaria centers, and water initiatives as well as infrastructure projects. Sun interpreted the report, especially the detailed listing of projects, as an attempt to counteract the image of China as being interested only in the natural resources of Africa. Another review of China's African Aid Program was authored by Li Xiaoyun (2006) from the College of Humanities and Development of the China Agricultural University in Beijing. The English language document had ten charts including one entitled, "China's Aid Strategy and modality," which included a diagram showing how China seeks to stimulate African development and poverty reduction by working with the African Union Development Bank, UN organizations and individual countries, thus reinforcing the image that China works closely with international institutions to advance economic growth in developing countries.

The Center for Global Development (Strange et al, 2013) analyzed African Aid programs worldwide and concluded that the amount of foreign economic developmental aid by China was roughly the same as the United States. But due to the humanitarian PEPFAR funding, the United States still spends significantly more than on African Aid than China. In terms of the perception that Chinese aid is oriented to obtaining natural resources, Strange et al (2013) distinguished between commercial investments and humanitarian assistance. Chinese foreign direct investments in Africa are clearly oriented to natural resources, but Chinese foreign aid has broad human development dimensions.

HISTORICAL CONTEXT OF AFRICAN DEVELOPMENT

Future progress in Africa has been placed in historical context by Robertson (2012) in *The Fastest Billion*. Africa has a 19th and 20th century legacy of European colonialism, and has endured armed conflicts, dictatorships, droughts and poverty. Despite these challenges, Africa has made widespread progress in health, democracy and economic growth. This mixture of struggle and human achievement has occurred throughout the rest of the world, and Robertson believes that similar positive economic and political change will also happen in Africa. The overriding historical force fueling progress since the 1700's has been the process of industrialization, which country by country, has led to four stages of human transformation. The first stage is agriculture followed by industrialization, which then usually leads to democratic middle-class societies, and then finally, an information-age economy. It is now Africa's turn to take advantage of accumulated human knowledge and Robertson forecasts Africa will go through these four stages faster than other continents have done, thus achieving the title of his book, *The Fastest Billion*. Historically, it can be noted that in the 20th century alone, Europe had two World Wars, dictatorships in Germany, Italy, Spain, Portugal, Greece and the Soviet Union, and as recently as the 1990's, violence in the former Yugoslavia. Nonetheless, by the 21st century, considerable European progress in peace and prosperity was achieved. In the last ten years, Africa has had democratic changes of power in Nigeria, Ghana, and elsewhere. Robertson points out that Africa had three democracies in 1995, nineteen in 2012, and he forecasts, it will have fifty by 2050. Robertson's book has a chapter which details educational progress throughout Africa. In 1975, only one out of ten African children made it to high school. It is anticipated that by 2020, depending on the country, that ratio will improve dramatically from five to nine out of ten. This expansion of education will lead to large society-wide

productivity gains. Even though Africa is still plagued by armed conflicts, great economic progress throughout the continent is highly probable.

FUTURE AMERICAN AND CHINESE PARTICIPATION IN AFRICA

The potential of Africa raises the question of what will be the contributions from American and Chinese participation. In summarizing the current strategic positioning of the two nations in Africa, both countries provide significant economic development aid, but China is far more aggressive in its commercial involvement. The close linkage between the Chinese Government and business is significant. The humanitarian aid to Africa by the American government, especially in terms of fighting AIDS is extraordinary, but apparently has had minimal impact on American business' involvement in Africa. The relative lack of U.S. economic participation in Africa is ironic, because the United States has a substantial African-American heritage. This heritage has in fact, significantly contributed to Congressional support for American government programs in Africa including PEPFAR, MCC initiatives, and trade agreements oriented to Africa. But China, even with a very different culture, has done more economically on the continent. The Obama Administration organized the 2014 African Leaders summit at the White House in an attempt to energize American business involvement.

FUTURE COMPETITION OR COOPERATION

The future of Chinese and American involvement in Africa will be determined largely by Africa itself. Parts of Africa have various forms of democracies; others have authoritarian governments. The United States is committed to promoting democracy and criticizing human rights violations. China is providing significant development aid and has twice the economic involvement of the United States. It is interesting to hear the perspectives of African leaders about American and Chinese participation in its future. During the White House Summit, Jakaya Kikwete, the democratically elected President of Tanzania, said, "We want to move from aid donor and aid recipient...to the next level now of investments and trade" (Mason & Wroughton, 2014). At a BRICS conference in 2012, South African President Jacob Zuma said, "We view China's success as a source of hope and inspiration." Shamsuddeen Usman, the Nigerian minister for national planning, said that Nigeria loves the Chinese, because China actually writes checks (Bremmer, 2013).

American and Chinese aid and investment have benefitted Africa. In fact, there have been several efforts to coordinate the involvement of the two countries, especially by think tanks, such as the Brookings Institute, and the Chinese Institute of International Studies. As reported by Sun (2015), there has been cooperation in relation to the Sudan conflict and the Ebola crisis, but this coordination has been minimal and has been characterized as occurring at the "lowest common denominator." Unfortunately, the competition in Africa has been fueled by geopolitical interests in both countries. A RAND study in 2014 concluded that America was losing ground in competition with China and that the government should take significant steps to upgrade its African presence. The China Academy of Social Science took a similar approach. Its 2013 Report said, "The West's current campaign to deepen their influence presents more strategic competition to China....China should focus more on a competitive strategy in Africa" (Sun, 2015).

CONCLUSION

In September 2015, the United Nations will meet and replace the Millennium Development Goals with the Sustainable Development Goals. One major proposed goal is the near elimination of absolute poverty by 2030. With the rapid expansion of cell and smart phones, many believe this can be accomplished. The poorest continent in the world is Africa, but with the help of intelligent economic development programs, Africa can grow rapidly. The combination of Chinese development assistance and the MCC governance programs can help achieve both

economic and political growth for Africa, especially for women. At “A Conversation with MCC CEO Dana J. Hyde” sponsored by The Center For Global Governance on April 24, 2015 in Washington, D.C., several in the audience argued that the MCC should significantly expand its programs, both for humanitarian reasons and for America to provide a strong democratic political and economic contrast with China.

A major debate over the last twenty years has been the relevance of “The Clash of Civilizations” by Samuel Huntington (1993) and the “The End of History” by Francis Fukuyama (1989). Huntington argued that the world will continue to have major differences among civilizations with the two major future conflicts being between Islam and the West and China and the West. Fukuyama (1989) argued that the world will inevitably evolve into democratic, middle class societies, and that the historical, ideological battles characterizing the Cold War are over. Africa is a key test of who is right in this debate. One hopes that both America and China, via competition or cooperation, will make strong, positive contributions to human progress in Africa.

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