

**CHINA IN AFRICA:
THE ROLE OF OIL ENDOWMENTS IN THE ALLOCATION
OF CHINESE DEVELOPMENT ASSISTANCE**

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Abstract

For the period from 2000 to 2012 China has become one of the major stakeholders on the African continent. The volumes of development assistance as well as foreign direct investments are growing rapidly, which raises concerns among Western policy-makers about the impact of Chinese involvement in developing Africa countries. Chinese aid is regarded by one group of scholars as filling the gaps left by traditional donors and challenging the patterns of development established by Western ideology. Others view Chinese aid as “rogue” and fostering undemocratic regimes on the continent, driven only by the hunger for natural resources, fuel resources in particular. The current paper aims to give insights to the motives of allocation of Chinese development aid and provide the answer for the question, whether Chinese involvement in Africa is only about oil extraction. Elaborating on the existing literature on the topic and specifics of Chinese development assistance, the paper provides case studies of oil-rich and oil-poor country in order to compare the modalities of aid provided and to investigate, if oil deposits affect significantly the conditions and forms of development assistance.

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Introduction

The world of international development assistance is currently undergoing a significant transformation. The paradigms of international development established by traditional Western donors are being challenged by the pattern brought about by the countries arising from the times of colonialism with the long experience of being development aid recipients. The list of such countries includes India, Brazil and especially China, each of which attracts great attention on the part of researchers in the field of international development and policy makers. So called South-South partnerships represent an alternative to development aid from Western (or Northern) countries and international development institutions of Bretton-Woods system such as World Bank, burdened with numerous conditions and frequently alleged as inefficient

Recent developments in the world economy have proved China to be an emergent global power and the second economy in the world. Development assistance from People's Republic of China is growing annually crowding out the presence and influence of Western development institutions in developing countries of Africa and Asia. Chinese development assistance is regarded as an attractive deal with the lack of conditions imposed, the quicker speed of negotiations and orientation on building infrastructure projects. So far China works with countries where other development organization failed to cooperate with (the list of examples includes Angola, Sudan and Zimbabwe). The principles of win-win collaboration, non-interference in a countries internal affairs and reputation of Chinese development policies to be fruitful make Chinese aid packages very welcomed to a great number of countries in the world.

These new development partnerships create grounds for suspicion. China as a country with well-established communistic system is often accused of neglecting basic human rights of citizens and to restricting their political and social freedoms. The country, which is so

much different from what is considered to be a paragon for development path, is becoming more and more popular and a strong actor in the field traditionally occupied by Western political ideas. China is claimed to jeopardize (Taylor, 2009; De Haan, 2010; Rocha, 2008; Lum, Fischer, Gomez-Granger, Leland, 2009; Schoeman, 2008; Pehnelt and Abel, 2007; Carmody and Owusu, 2007; Lancaster, 2007) the efforts of World Bank and other development aid providers to eradicate corruption and maladministration in recipient countries. A political regime, the type of political arrangements, corruption rates, human rights violations and the lack of creditworthiness seem not to be the primary concern of Chinese decision-makers in the field of development aid. Among the critiques of Chinese development assistance are the support for dictatorships, interest in natural resources as the major motive for China to go global and interweaving of aid and business-targeted investments. China-African collaborations are often seen as motivated only by Chinese greed for natural resources and not promoting development per se. At the same time from the side of recipients it can be often heard that the Eastern Dragon is much more accountable than its Western counterparts (Brautigam, 2009, 2010, 2011; Lagerkvist, 2009, 2011)

The existing strands in the literature usually occupy opposite sides of debates: pro-Chinese or pro-Western. The scholars of the first group (Taylor, 2009; De Haan, 2010; Rocha, 2008; Lum, Fischer, Gomez-Granger, Leland, 2009; Schoeman, 2008; Pehnelt and Abel, 2007; Carmody and Owusu, 2007; Lancaster, 2007) see Chinese aid as “rogue” and detrimental for development, naming Chinese presence in African and developing Asian countries as a new round of colonization. Another argument of this school of thought is that China still experiencing substantial problems with development and cannot be regarded as “developed” itself due to the large number of poor population. They raise concerns about political reorientation of developing countries towards Eastern dictatorships and the loosening of the European Union and the USA influence in that region. Others (Brautigam, 2009, 2010, 2011; Lagerkvist,

2009, 2011; Sautman, 2008; Haibing, 2009) regard these concerns as prejudiced, heavily influenced by the hegemony of Western development institutions and neglecting the number of facts proving that Chinese development assistance often distributed quite evenly among recipient countries without the preferences for resource-rich or resource-poor ones or led by dictators and the countries with consolidated democratic regime.

Overall, there is still the lack of literature and, what is crucial, analytical literature on this topic caused by the insufficient transparency of aid disbursements and forms of development assistance. The White Paper on Chinese development aid was issued only in 2011, before this time all researchers were based only on approximate evaluations of Chinese development aid amounts and fragmented data from various research institutions.

The aim of the current paper is to critically assess Chinese development policies and to investigate the question to what extent China's engagement with developing countries is stipulated by the drive for natural resources, particularly oil. The research question did not receive much attention among the scholars in development studies. To achieve its aim the paper will assess the modalities of Chinese development assistance and the impact of Chinese development activities in two African countries – one oil-poor and one oil-rich to find out whether the factor of oil endowments plays a crucial role for allocation of development aid. Angola as the example of oil-rich country is often used by the scholars to accuse China for having the primary interest only in oil extraction. However, it is often being overlooked that the largest recipient of aid from China, Tanzania, is actually the country not possessing any oil or other mineral resources.

The outline of the paper is the following. First, I will present scholarly debates on the observed motives of aid allocation in general and the problem of aid effectiveness. Then I will outline major characteristics of Chinese development assistance with the focus on the differences between Chinese aid and Western assistance and will continue with different view-

points on China's role in Africa. The analytical chapter of the thesis will include case studies of an oil-rich and an oil-poor country, on basis of which I will draw a conclusion and provide implications for understanding Chinese assistance in Africa.

Chapter 1 Chinese Aid and Aid from the West in the View of Scholars

This chapter will take a closer look at the existing significant body of literature embracing not only the views of scholars on the character and the role of Chinese development aid but also on possible patterns of aid allocation examined among traditional Western donors in order to define whether the motives of China as an aid provider fall into one of those categories, and whether other countries involved into development assistance on African continent may pursue different, possibly more altruistic goals. In other words, the review will help to compare motives of aid allocation of China and other major aid providers to Africa and make a conclusion about the role of Africa on the continent. The chapter therefore will aim at answering three questions: what are the possible motives of aid allocation among traditional donors, to what extent Western aid can be regarded as effective and rationally distributed, how far Chinese aid is different from the Western one and what is the possible rationale for growing engagement of China with Africa.

1.1 General Perspectives on Aid Allocation and Aid Effectiveness

The scholar literature on the factors of development aid allocation can be divided into two major streams. The first attempts to assess the effectiveness of development aid in its goal to raise African countries out of poverty. This literature often finds substantial drawbacks in existing aid architecture and criticizes traditional aid providers and development institutions for inefficiency with which aid is disbursed. For instance, Easterly and Pfutze (2008) investigate motives under which international development institutions and agencies make decisions on aid provisions. The researchers contend that the quality of data provided on official development assistance leaves much to be desired (p. 23). The patterns according to which development agencies act are not rational and do not correspond to the benevolent goals declared in international declarations on the quality of development assistance. For instance, they found

that huge bulk of development aid is provided to countries with low scores on corruption ranking, suffering from maladministration and bad governance (p.23). It is also claimed that autocratic regimes are still one of the biggest recipients of development assistance (p. 13). The authors call the provision of development aid “an aid business” (p. 23) and mention that many channels through which aid is provided (aid tying, the use of food aid-in-kind, technical assistance) are proved to be ineffective but still in an extensive use. In addition the authors accuse international development agencies for having large overhead costs (p. 18), which in fact means that only tiny share of development aid is delivered to the recipient end.

Furthermore the study by Thiele, Nunnenkamp and Dreher (2007) argues that the patterns of development aid provision are in fact quite far from the intentions declared in the Millennium development Goals. The scholars assert that “there is a considerable gap between donor rhetoric and actual aid allocation” (p. 623), notably for the goals that are designed to tackle the issues in the fields such as primary education. The only possible explanation that the researchers come up with is the insufficient targeting of development aid (p. 622), which can lead to the failure to achieve MDGs.

The research papers mentioned can give us valuable insights for understanding why Chinese aid of a more concrete character not overburden with cumbersome procedures, bureaucratic structures and gained such a popularity among African countries.

Another study by Isopi and Mavrotas (2006) is aimed at assessing various motives for giving aid of the members of Organization for Economic Development and Cooperation. The number of factors have been examined and statistically analyzed. The findings are specific for every country involved into the study. In general, the scholars show that a big number of aid donors provide assistance to countries with lower economy growth rates (driven by poor economic conditions), smaller population (smaller nations receive more aid than bigger ones), consolidated democracy and respect for human rights (p. 12-18). The last group of factors

(consolidated democracy and the respect for human rights) is being constantly challenged, since the findings of the paper suggest the number of opposite examples. For instance, after the analysis of the patterns of US aid allocation it was discovered that this country violates its principles of democracy promotion, since the volume of US aid for countries with poor record of democracy and the cases of human rights violations (p. 12). However the authors also suggest that the number of countries (Germany, Norway, the Netherlands) shape their development policies according to the recipient needs, being more interested in social impact of aid rather than countries' self-benefit (p. 13-17). The outcome of the paper seems to be credible, however the authors, including the factor of trade and investment interest into analysis (for example, Australian aid is being disbursed mostly contingent to this factor (p. 15)), overlooks the important factor of resource interest.

A study by Alesina and Dollar (2000) also suffers from this shortcoming. With the question at the title "Who gives a foreign aid and to whom?", the authors suggest a rationale for aid allocation of the biggest world development aid donors based on quantitative techniques they have utilized in the research. In the list of possible motives they include foreign policy interests, the intention to gain supporters for the voting procedure in the UN Security Council, former colonial past of some African countries and the feeling of responsibility of former metropolitan countries for the economic conditions of their overseas territories. The authors also assert that the amounts of foreign aid usually increase (50 percent on average) during the democratization period (p. 24); however they found no support for the hypothesis that countries implementing the policies of Washington consensus experience influx of development assistance (p. 24). The authors also come to the conclusion that some Western donors (France to be the most remarkable example) pay no attention to political regime and provide equal amounts of aid both to democratic and autocratic countries. (p. 17). The fact that China was not included in the list of aid providers give us the grounds to be dubious about the argu-

ments by those who name Chinese development assistance as “rogue aid”, the vast majority of which is alleged to be channeled for nourishing autocratic regimes in Africa.

The role of the membership in UN Security Council was investigated by Dreher, Sturm and Vreeland (2007). The study reveals that the number of project World Bank carries out in countries of the analysis is highly correlated with their temporary membership in this organization, corroborating the hypothesis that political factors and foreign policy account for distribution of foreign aid by international development institutions.

The studies that have been mentioned before engender a number of questions, one of which is whether Chinese development assistance really different in its purposes from that of Western countries?” We will be able to get insights for answering this question in the further chapters of the present work.

So far we see that the question of the relationship between allocation of development aid and the presence of natural endowments have not been sufficiently addressed in the literature, at the same time we can observe the gap in this field, since the existing research on motives of development assistance does not cover emerging donors, such as India, Brazil and China.

A research by Nunnenkamp, Canaviere and Triveno (2004) presents a quite gloomy view on the patterns of aid allocation by major donors. The authors prove that the most of donors, even those who often reported to be fair and impartial, fail to respond to the institutional and policy changes in recipient countries (p. 45). In relation to the numerous critiques given to Chinese development assistance which is regarded to help countries with poor institutions, the paper contends that improvements on the scales of democracy, rule of law and corruption are not matched by expected increase in development aid (p. 45). Moreover, it can be noted that the reaction of traditional aid providers for the successes of developing countries in consolidating their statehood often negative (p. 46), in other words it is accompanied by the de-

crease in the provision of development aid. This conclusion goes in line with the outcomes of other studies highlighting the issue and undergoes critique the entire system of aid provision from traditional Western donors.

The studies reviewed demonstrate that existing aid architecture is currently in crisis and this makes understandable the reasons why Chinese aid was so much welcomed in developing world, particularly in the countries of Africa.

The second strand in the literature studying current challenges of development aid is focused on the assessment of the impact of development aid in developing countries, which will be also relevant for our research. Chinese aid is claimed to be more efficient (Brautigam, 2010; Langerkvist, 2011) than Western, this is why it is important to look at existing studies exploring this question.

Djankov and Montalvo (2005) come to the conclusion that the countries which receive the biggest amounts of development aid suffer the most from the decline on democracy scale and this negative change affect democracy even more than the presence of vast oil endowments (p. 16). This study compares the impact of development aid and abundance of natural resources in the country. Big amounts of development aid transferred in the form of financial assistance can also entail rent-seeking activities the same as extraction and export of natural resources (p. 3). The countries receiving large amounts of aid will unavoidably face the problem of corruption and embezzlement of public funds (p. 4). The authors contend that since aid can be regarded as a sort of gift and the budget revenues from aid do not come from business activities and the population of a country, government does not feel accountable for the directions aid is spent (p. 5). The proposition they make revolves around the notion that the increase in aid quantities will not generate the same growth, to put it differently in present conditions aid cannot be considered now as the instrument for boosting economic growth, vice versa more aid will only lead to deterioration of an economy and spread of corruption (p. 16).

There is also a body of literature aimed at summarizing existing research, highlighting and estimating conclusions made by other scholars in attempt to give a clear picture on the assessment of the impact of aid provision. The study by Doucouliagos and Paldam (2009) summarizes results of 106 research papers with 1217 estimates. The analysis the authors conducted proved that on average there is no evidence that development aid has any statistically significant positive impact on economic growth (p. 403). Moreover, the study concludes that “at present aid is less effective than in the past” (p. 403). The authors also emphasize the fact that despite the growing body of literature on the topic and the measures taken to improve aid effectiveness, the most of research still state that the effect of development aid is still not related to the improvement of economic conditions (p. 404).

Yet the study by Ekanayake and Chatrna (2007) finds that the correlation between aid and growth is positive on African continent, which can be explained by the fact that Africa is one of the largest recipients of development aid (p. 11). On the flipside the authors point out that that correlation is minor and cannot serve as the evidence of achievement of development aid goals (p. 11). This conclusion is challenged by the work of Gillanders (2010), in which he applies a vector autoregression model for the studies of development aid effectiveness. The outcome of the research is that “the early success of aid is mitigated by some later responses before a recovery and eventual petering out” (Gillanders, 2010, p. 22).

To sum up, from the literature review we see that the Western architecture of aid is apparently in crisis, which is proved not only by the lack of aid allocation efficiency, but also the gap between donors rhetoric and actual allocation of development aid. The motives, by which aid is disbursed are frequently quite far from benevolent goals stated in international declarations of the provision of development aid, revolving around the principles of aid ownership, aid alignment and rigorous monitoring of aid-related expenditures. The design of development aid programs is largely contingent on foreign policy goals, membership in the Se-

curity Council of the United Nations, more business goals to promote trade and to expand business activities on overseas territories.

In this part of literature review the question what patterns of aid allocation of Western donors was highlighted. Unfortunately, the role of resource endowments is not given much attention in scholar literature. The conducted analysis will allow for defining to what extent the goals of Chinese development policies are determined by the principles which are typical for Western donors and whether these principles are applicable in general to China. But before embarking on the discussion of the goals of Chinese development policies and trying to answer the question what role oil deposits play in the provision of Chinese development assistance, it is important to characterize briefly specific features of Chinese international development policy.

1.2 Specific Features of Chinese Development Assistance

China represents the example of the country that took the long path from being a recipient of development assistance and the country with one of the biggest number of the population living below a poverty line to turning into a provider of development assistance and the second largest economy in the world. China itself has a valuable experience of implementing development policies and raising people out of poverty trap. This development path however diverged from the recommendations of international financial institutions established after Bretton-Woods conference. Having selected an alternative way of political arrangement based on socialistic centralized economy China was experimenting with different models of development: from compulsory collectivization and industrialization in couple with cruelties of the Mao's cultural revolution and ending with opening up for foreign investments and trade. This paradigm of development, that proved to be effective, is broadly promoted by People's Republic of China in the countries, being recipients of Chinese development assis-

tance (Brautigam, 2010). We know that in many aspects Chinese aid does not fit into the standards of OECD countries. So, in how far Chinese aid is different from the Western one?

The first point is that the forms and financial resources of Chinese assistance do not fit into the framework of Official Development Assistance (ODA) worked out by OECD. Chinese aid encompasses the greater set of tools, some of which falling into the category of Other Official Flows of Development Assistance (Brautigam, 2011). Chinese aid, which can be viewed as the equivalent of ODA, is represented by development finance of three major types:

- 1) Grants
- 2) Interest-free loans
- 3) Concessional loans

The most conventional form of Chinese development assistance is grants which fall under the standards of development aid. Grants are disbursed predominantly for social purposes such as education, health-care and water provision, for construction of “medium and small projects for social welfare” (White paper, 2010).

The other types of Chinese assistance presuppose a loan element. For instance, Interest-free loans are also aimed at boosting social welfare in recipient countries. They are disbursed mainly for the same purposes as grants. Developing countries can enjoy quite extensive period of repayment up to 20 years. (White paper, 2010). Brautigam (2011, p. 4) argues that grants and interest-free loans are offered to every developing country with established diplomatic relationships with China.

By contrast, the most widespread form of Chinese assistance, concessional loans, are offered only to creditworthy countries or bankable projects in countries with more volatile economic conditions (Brautigam, 2011, p. 4). Concessional loans are the backbone of Chinese

Table 1 - Chinese aid. Official data and estimated volumes of assistance (Brautigam, 2009, p. 317)

	China official budget for external assistance \$ mil	Exim-bank concessional loans, annual \$ mil	Chinese debt cancellation \$ mil	Total Chinese aid, annual \$ mil	Budgeted aid to Africa, percent	Official budget for external assistance (Africa portion) \$ ml	Exim-bank concessional loans to Africa \$ mil	Debt relief to Africa \$ mil	Total Chinese aid to Africa \$ mil
1996	387	23		410					
1997	428	71		499					
1998	449	66		516					
1999	474	80		533					
2000	554	91		645					
2001	569	128	450	1147	44	250	64	375	689
2002	604	173	450	1227	44	266	86	375	727
2003	631	233	450	1314	44	278	117	375	769
2004	733	315	450	1498	30	220	158	375	753
2005	912	425	450	1787	30	273	213	375	861
2006	1028	693	450	2172	30	309	347	375	1030
2007	1466	1130	450	3046	31	440	565	375	1380
2008	n/a	1842	450			515	921	375	1811
2009	n/a	3003				600	1501	375	2476

assistance and one of the main reasons for critique from Western scholar. Concessional loans represent the merge of aid and business, some of them are funded by export credits from Export-import Bank of China with the main objective to build or update infrastructure in recipient countries or to back up the flow of foreign investments into developing economy. Officially the goal of Chinese aid is stated as “to help recipient countries to foster local personnel and technical forces, build infrastructure, and develop and use domestic resources” (White Paper, 2010). By the means of concessional and resource-backed loans China strives “to lay a foundation for future development and embarkation on the road of self-reliance and independent development” (White paper, 2010).

Combining the aim to benefit social welfare of a developing country and to expend business activities of People’s Republic of China, concessional loans imply the obligation to pay back the amount borrowed, even at the rate that is lower than the market one. In addition concessional loans often involve setting up of Chinese business on the market of developing countries, hiring and relocation of Chinese workers to African countries and they are often backed by the supplies of natural resources and oil in particular, which is viewed as the biggest threat for the economy of the recipient countries. Therefore concessional loans, being a combination of trade and business, can be regarded as the new form of development assistance. However, the question is raised whether this form of assistance can be regarded as aid or it just hides behind the proclaimed noble goals?

Let us have a look at the directions where concessional loans are channeled to and what are the roots of this form of assistance. It is mentioned in the White Paper on Chinese aid that “By the end of 2009, China had provided concessional loans to 76 foreign countries, supporting 325 projects, of which 142 had been completed”. The White Paper also points out the fields, where projects funded with concessional loans are being put into life. The vast majority of these projects were aimed at building transportation facilities, constructing commu-

nication networks and developing electricity infrastructure. It is particularly worth to mention that only 8,9 % (according to the data provided by the White Paper) of these loans were directed at funding the projects involving extraction of natural resources. This figure can serve as the evidence against the hypothesis that Chinese involvement in Africa is driven only by the hunger for resources. At the same time it is frequently alleged (Brautigam, 2011; AFRODAD, 2008; Pehnelt and Abel, 2007) that Chinese official statistics on development aid diminishes its volumes. In addition taken into account recent resurgence of projects directed at development of resource extraction industries in Democratic republic of Congo, Tanzania and Angola, it might not be erroneous to assert that in reality the amounts of financial assistance to natural resources extracting industries is not that minor. It is also known that concessional loans is not the only form of assistance that is provided by Chinese EXIM Bank (Brautigam, 2011).

Chinese aid also includes the forms of development assistance, which can be better categorized as Other Official Flows according to OECD terminology. They include concessional loans with grant element less than 25 per cent, which can be also considered as official loans at commercial rates, paid by Chinese Development bank (Brautigam, 2011, p. 5). Chinese also supply to Africa official bilateral transactions, targeted mainly to facilitating export-import transactions. According to the classification of Brautigam (2011), EXIM Bank's assistance for facilitation of Chinese exports to Africa is based on short-term loans provided to Chinese sellers to finance foreign sales (White paper, 2010). Chinese EXIM Bank's assistance is also targeted at importers of Chinese goods and services from African countries offering them long-term support for financing of transactions. In addition, EXIM bank also provides covers to private financiers (Brautigam, 2011, p. 5)

Having elaborated on the specifics of China's provision of finance for development assistance, it is important to track, in which way these flows are being spent. The White Paper

(2010) issued by Chinese government on China's foreign aid contains the complete classification of forms of Chinese aid implementation. Turn-key projects remain the main form of Chinese development activities on the African continent (White paper, 2010). They include the construction of social or manufacturing objects entirely for China's expense. China takes the whole set of duties and responsibilities related to the project from the design of the final object and providing human resources in order to carry out the project to providing all necessary technology and further maintenance of constructed facilities (Brautigam, 2009). According to the White Paper (2010) approximately 40 % of all Chinese aid is transformed into turn-key projects. Turn-key projects represent the form of Chinese assistance which fits into the paradigm of development assistance in the best way, since they do not involve any reciprocal commitments.

Second form of development aid expenditure is the provision of goods and materials to recipient countries. Among the list of goods provided are technical equipment, transportation facilities, single-item equipment, materials for construction industries and also technical services, necessary for maintenance of the equipment installed. This form of assistance also includes materials and equipment necessary for completion of turn-key projects (White paper, 2010).

Closely related to the previous two forms of assistance, the third form of development aid is technical assistance which encompasses technical guidance for the completed projects, sharing knowledge and diffusion of skills. The areas of technical cooperation stretch from agriculture to industrial production, including the broad array of various fields. The possible negative aspect of aforementioned forms of assistance can be the specific conditions of procurement procedure, favoring the bidders from China and suppliers of Chinese materials (Taylor, 2009; Carmody and Owusu, 2007; Brautigam, 2009, 2011; Langerkvist, 2011) . In other words, Chinese assistance, in spite of its "non-strings attached" policy excludes the

competitors from other countries from bidding process and is provided on the terms which foster economic benefits of China and spreading Chinese economic influence over the region.

Completion of projects in developing countries often involves several stages of its operation including training and further maintenance and fixing possible bottle-necks. China's presence in implemented projects is stretched over all stages and creates the basis not only for sustainable economic development of a country but also the grounds for broadening of the country's economic and political presence.

The specific feature of Chinese development aid is the fact that quite often purely development purposes and trade-related purposes are inextricably connected to each other (Taylor, 2009; Brautigam, 2009; Lagerkvist, 2011). Chinese development model based on the experience of China's raising out of poverty is the growth of incoming foreign direct investments, boosting trade and proliferation of production. The last of mentioned features China is aiming to put into work through establishment of 7 special economic zones in Africa with fostering entrepreneurship conditions of operation. Leadership role in the creation of special economic zones in Africa so far belongs mainly to Chinese state-owned and private companies, which are going to expand the opportunities existing on the African continent as well as to boost employment, to carry out the transfer of technologies to African enterprises. Brautigam (2011) argues that with the establishment of special economic zones Africa will represent the extension of the model of East Asia developmental state.

Non-financial component of Chinese assistance is also worth to pay attention at. Principles according to which China supplies its development aid to Africa countries are quite different from those of Western donors. Sino-African cooperation represents the example of South-South partnership. This partnership is not based on "parent-child" model or on "developing and developed" paradigm, which may be regarded as detrimental to stated developmental goals. Declared principles of Chinese aid emphasize the value of "mutual benefit" of both

a recipient and a donor. This pattern can be ideally fit into existing practices: by providing aid and contributing to amelioration of economic situation in Africa China also pursues the goal to benefit itself and local investors.

In building up cooperation with Africa China stresses the importance of equality and co-development between two parties (Brautigam, 2009; Lagerkvist, 2011; Taylor, 2009; Sautman, 2007). In provision of development aid China insists on long-term relations based on accountability and the attention to interests of a recipient party. De Haan (2010, p. 6) describes Chinese approach to development cooperation with Africa as “all-round, multi-faceted and long-term”. Additionally, it is explicitly stated in the principles of Chinese development assistance that China does not pursue the goal to make recipient countries dependent on regular infusions of development aid, it rather strives to set up a foundation on which future economic success of African countries will be based (White Paper, 2010). In the context of rivalry between Western donors and China this principle seems to be there to provide African countries, suffering from budget debts and poverty with a better alternative to Western assistance, because such a wording may remind the potential recipients about the threat to become dependent on aid provisions from Western donors.

Comparing the principles of aid provision employed by China and principles of the Paris declaration on aid effectiveness, adopted by OECD donors, it is however possible to spot a lot of similarities. Regarding aid ownership I can argue that China achieved better results as in terms of taking into account the interests and point of view of a recipient side, Chinese aid workers have always emphasized the importance of negotiation process when the priority goals are set and discussions on the conditions and amounts of aid are being held. Some scholars criticize China for implementing the projects appealing to corrupt official from some countries in realizing their populist goals (Brautigam, 2009; Pehnelt and Abel, 2007). The assistance with the construction of stadium in Tanzania, which was estimated to cost

around US \$ 40 billion and regarded as the excess of incumbent government is one of the spectacular examples of such a critique.

Another principle envisaged in Chinese development policy is non-interference into internal affairs of a recipient country. This principle differs drastically from the paradigms of development suggested by international development institutions and the guidelines for development embedded into the Post-Washington consensus. Unlike the Western world which regard aid as the tool for exerting influence on the politics within the country in order to change its political arrangements and to push governments for more democratic and transparent behavior, Chinese offer aid on the “non-strings attached” basis. Simplicity of Chinese aid makes it very attractive for African government often suffering from maladministration and proliferation of corrupt practices. Chinese aid was disbursed even for those countries which were ranked as mainly undemocratic and were ruled by pariah regimes. This peculiarity of Chinese aid is the popular pretext to view it in a negative light like destroying the efforts of Western countries to improve life conditions in African countries (Lancaster, 2007; Taylor, 2009; Lum, Fischer, Gomez-Granger, Leland, 2009; Schoeman, 2008). It was argued that in reality Chinese aid includes some hidden principles according to which aid can be provided or not (Pehnelt and Abel, 2007; Carmody and Owusu, 2007) . One of them is One China Policy, which presuppose the condition of non-recognition of Taiwan as independent state. Some scholars (Pehnelt and Abel, 2007; Taylor, 2009; AFRODAD, 2008; Rocha, 2008) argue that conditions according to which procurement process is carried out and the contracts stipulating that all materials and the vast majority of workforce are supplied by Chinese companies, the tool by which China expands its economic influence on recipient countries and strives to achieve their dependence on Chinese economy, pursuing the same goals as former European colonialist regimes.

The problem of low efficiency of development aid remains one of the most urgent ones within international development community. The lion share of aid disbursed to African countries is being abused by public officials not reaching its goals. In this light the number of scholars (Brautigam, 2009; Lagerkvist, 2011; Sautman, 2007) argue that Chinese aid actually decreases corruption rates, since it is paid not in the form of liquid money assets but is delivered in the form of concrete projects. So money is not disbursed to corrupt governments avoiding money laundering and embezzlement of funds but is channeled in the construction of social objects, shipment of good and materials, technical assistance or rendering the services.

On the other hand, there is no sound evidence that Western conditionality policy has ever brought any positive results. It was also pointed out in the previous subchapter of the literature review in reality corruption rankings do not have a great influence over decisions on aid allocation by Western donors.

By looking at the components and specifics of provision of Chinese development aid it is possible to see significant difference between two concepts of development assistance. The principles envisaged in Washington and Post-Washington Consensus and Paris Declaration on aid effectiveness seem like different attempts to revitalize the international system of development aid provision which still suffers from low efficiency and still contains the strategies and policies for development which in reality proved not to be viable. Chinese aid system was not undergone any crucial changes throughout the years demonstrating its high capacity to bring about positive changes in recipient countries. The system which was named as Beijing Consensus (Ramo, 2004), though it was never published in any written document, is significantly different from the Western way of thinking. The following table summarizes the conceptual differences which were identified after the review of the literature on the topic. This may mean that it is initially erroneous to look at the Western pattern of aid provision and Chi-

nese aid under the same angle. The next part of the chapter will shed a light onto existing points of view on the impact of Chinese development aid on African continent and the role natural resources play in allocation of Chinese aid.

Table 2 – Comparisons between Western and Chinese Aid Systems

Western Development assistance	Chinese aid
Clear segregation of business-related activities and development assistance	Development goals are inextricably connected with the purposes of expansion of business activities
Focus on fostering civil society, women empowerment, rural development, promotion of democracy, technical and medical support	Focus on infrastructure and construction of socially important objects as well as increasing the amounts of incoming investments, entrepreneurship activities
Aid is disbursed according to the principles of conditionality, directed at controlling and improving of the situation with good governance, democracy, corruption and human rights	No strings attached, no conditionality
Aid can be delivered in the forms of money transfers to the budget increasing budget revenues	Aid is delivered in the form of completed projects, goods or services
North-South partnerships, based on the relationships between “developed” and “developing”, “teacher” and “student”, “successful” and “looser”	South-South partnerships, based on the values of mutual benefit, co-development and non-interference into internal affairs of the recipient country
Decentralized coordination of aid activities, multitude of actors involved in aid provision	Decisions on aid allocation are taken in centralized fashion by Chinese government
The largest bulk of development aid is provided through financial assistance falling under the category of Official Development Assistance	The most of Chinese aid is disbursed through “Other Official Flows” type of aid not fitting into the category of Official Development Assistance
Multilateral assistance	Assistance based on bilateral agreements

1.3 Possible Motives of China's Engagement with Africa

In previous parts of the chapter different patterns of aid allocation of various countries representing the community of Western donors were identified. The conclusion was that apart from the noble goals pertaining to development of African countries Western donors often violate their declared principles by not sticking to fulfillment of Millennium Development Goals and not upholding the aims of bringing development to African countries. The second part was aimed at highlighting major peculiarities of Chinese mode of development assistance. Non-strings attached policy and predominance of the idea that infrastructure should be the cornerstone of development of Africa are its most important characteristics. By contrast Western countries opted for fostering democracy and government accountability as the way to boost the effectiveness of development assistance. But as the popular citation argues “Democracy cannot be eaten”. And this is the point where lies the growing attractiveness of Chinese engagement- its more practical and concrete value joint with the policy of non-interference which do not place African countries into inferior positions to the providers of aid.

This part of the chapter will highlight existing viewpoints on China's development assistance in Africa. Different explanations of China's entry on African continent will be reviewed including the ones assessing China as a threat to sustainable development of African countries and those advocating for reconsideration of China's role in Africa, justifying the virtue of Beijing Consensus and calling for elimination of prejudices towards China. China's role in Africa represents quite a timely topic, which is actively discussed in the community of researchers. It is possible to identify several strands in the scholar literature which look at the issue through different lenses. One group of researchers (Taylor, 2009; De Haan, 2010; Rocha, 2008; Lum, Fischer, Gomez-Granger, Leland, 2009; Schoeman, 2008; Pehnelt and Abel, 2007; Carmody and Owusu, 2007; Lancaster, 2007) look at Chinese aid as pernicious to de-

velopment pursuing a sole goal of extracting natural resources very much in the fashion of former European metropolitan states. The others (Haibung, 2008; Sautman, 2008) estimate the benefits of Chinese development model and pay attention mainly to the success of China in rising out of poverty millions of people. A relatively new point of view (Brautigam, 2009, 2010; Lagerkvist, 2009, 2011; Dreher and Fuchs, 2012) has become represented in the literature which does not see the issue in black and white colors. Pointing out existing shortcomings of Chinese approach it focuses on positive sides and the lessons Western development community can derive from Chinese development model.

So far scholars try to identify political and economic reason for China to embark on its international development policy. There is significant number of authors (Lancaster, 2007; Taylor, 2009; Carmody and Owusu, 2007; Pehnelt and Abel, 2007; Rocha, 2008) pointing out that China's entry to Africa is the part of a "grand" strategy (Pehnelt and Abel, 2007), aiming at challenging global order with Western world as the shaper of global politics and aspiring for global leadership currently occupying by the United States. South-South development partnerships in this regard are directed at gaining supporters in international multilateral organizations such as the United Nations and World Trade Organization. Carmody and Owusu (2007) give an example of the text of The Beijing Programme for China-Africa Cooperation in Economic and Social Development where existing world order is named as "unjust and inequitable" (p. 509). Taylor (2009) builds his argument on the excerpt from the speech of the Chinese premier Zhu Rongji, stating that Sino-African ties would "improve the standing of the developing countries in North-South dialogue so as to facilitate the establishment of a fair and rational new international political and economic order" (p. 16-17). Schoeman (2008, p. 404) argues that one of growing concern of the European Union and other Western donors on the burgeoning development and business activities in China is that "growing relationship of

China with Africa might undermine European/Western influence and ties” and even the suspicions that China can act as a free-rider in a global political and economic scheme.

Taylor (2009, p. 15) asserts that Beijing puts an effort into strengthening of relationships and ties with developing world “to prevent the overdomination of a new hegemon” (meaning the USA). In this diplomatic battle China positions itself as the leader of the developing world and the biggest developing country on the planet”. China’s engagement with Africa on aid, trade and investment allow China to exert “soft power” on African continent. There are also points of view stating that by providing aid to African countries China contributes to their increasing dependency, but this time not on Western countries advocating for better governance and eradication of corruption but on China with its explicit willingness to take advantage of Africa’s natural endowments.

However, it is worth mentioning the prospective of other scholars covering the issue. Brautigam (2011) and Lagerkvist (2011) advocate for reconsideration of China’s motives for expansion. They claim China’s engagement with Africa is not driven by any sentiments to change global order; it is rather the way to boost its economic activities finding new markets for Chinese goods and services. In the view of these scholars China has international development program motivated by economic reasons, “not striving for regional or global hegemony” (Lagerkvist, 2011, p. 26). This position seems to me more credible since albeit China is currently a significant stakeholder on African continent , its involvement does not surpasses the role of traditional donors. Furthermore, I believe that rising concerns regarding China in Africa are exaggerated and demonstrate a bias toward China as to the country which does not belong to OECD-world and is not stick to Western standards of development and democratic governance.

Another important aspect that was not discussed in this paper is the impact of foreign direct investments and trade of African countries with China. Chinese firms receiving gener-

ous support from the government in the form of concessional loans sometimes use projects aimed at refurbishing destroyed infrastructure as the way to penetrate the African market (Aguilar and Goldstein, 2009; De Haan, 2011; Lagerkvist, 2011). The problem here is that very often the companies which work on construction of social objects are at the same time engaged into exploitation of natural reserves (Lagerkvist, 2011, p. 34)). There are also the number of evidence that Chinese firms participate in competition with other companies on the market quite rigorously setting the lowest price for construction work, materials and workforce, using dumping as the way of price formation neglecting profit (Rocha, 2008; Aguilar and Goldstein, 2009).

Chinese companies are more risk averse since they can always rely on the bail out from their owner – Chinese government (Brautigam, 2011; Carmody and Owusu, 2007). Such circumstances of competition hinder the participation of local companies in the bidding process (Brautigam, 2009; Lagerkvist, 2011). The fact that some contracts with African governments require China to delegate the part of the work to local enterprises and hire local employees is viewed by the scholars from different perspectives. Brautigam (2011) regards this clause of the contract as promising and generating higher employment rates. Other researchers (Lagerkvist, 2011; Taylor, 2009; Lancaster, 2007) are not so optimistic arguing that this condition is not enough to contribute substantially to alleviation of poverty in the regions of China's presence.

The same is being said about special economic zones founded by Chinese investors in Africa. Lagerkvist (2011) despite being quite positive about the role Chinese may play in Africa describes special economic zone in Zambia as a failure, giving the evidences that “there are no clear-cut rules and no one in charge of the zones” (Lagerkvist, 2011, p.41).

The growing lack of the fuel resources is mentioned in the majority of research papers dealing with the issue. It is quite frequently emphasized (Carmody and Owusu, 2007; Lagerk-

vist, 2009, 2011; Aguilar and Goldtesin, 2009; Rocha, 2008; Sautman, 2008; Pehnelt and Abel, 2008; Schoeman, 2008; Taylor, 2009; AFRODAD, 2008) that China's growing demand for natural resources caused China's entry into new oil fields such as Africa one. They regard resource-backed concessional loans as the new way to slave the continent without many commitments. The number of scholars (Pehnelt and Abel, 2007; Lancaster, 2007; Carmody and Owusu, 2007) argue that oil is one of the most important factor to sustain the industrialization and production facilities of China, bringing to the attention the fact that China is now not only the second economy of the world after the USA but also the second consumer of world's oil. Africa in this sense is viewed as an unexplored region not occupied by other companies, experiencing economic and political problems and thus representing an enormous potential for business-related development. Africa was described as "the failed continent" and this stigmatization by Western scholars can be viewed as a negative influence of naming and shaming. In the countries with undemocratic regimes China most frequently represents the major trading partner (Carmody, Owusu, 2007). Among the list of such countries are Sudan and Angola as the major producers of oil on the Africa continent. Not fitting into development model of the West, these countries with proliferating corruption and autocratic government accepted the deals offered by China with greatest delight. Pehnelt and Abel (2007, p.15) argue that China tries to fill the gaps leaving on the continent by Western system of development assistance, developing partnerships with the countries where China can be the only friend. After aid was withdrawn from Sudan, Zimbabwe and Angola China has embarked on its infrastructural projects and offered them the loan backed up by supplies of natural resources, oil primarily. Engagement with these countries are also mostly regarded by experts on China and Africa as the evidence of the support that China gives to undemocratic states following the same model that was developed by China itself and being a counterforce of Africa's development in democratic direction.

Another group of researchers (Brautigam, 2010; Lagerkvist, 2011) point out that China spreads its development policy not only on resource-rich countries but also on the countries that are pretty poor in this regard. One more counterargument is that China in fact built bilateral relationships with countries characterized as consolidated democracies such as Mauritius. The argument of De Haan (2010) is that this behavior can be considered only as the response of China for the critiques of Western development community and the desire to improve its international image. The picture that was drawn by Western scholars often neglect that fact that outside Africa China was the provider of development assistance to many countries of Asia and some developing countries of Europe not being tied by the obligations pertaining to resource extraction.

The number of scholars (Taylor, 2009; Rocha, 2008; Carmody and Owusu, 2007) mention the fact that although China was extremely successful in building ties with mainly undemocratic countries such as Sudan, Angola and Zimbabwe, providing them with finance in the exchange for oil supplies and the volumes of these deals are annually increasing, it is unjust to contend that China was the only provider of finance for dictatorial governments. Lagerkvist (2011, p. 11) mentions that “there is seldom any mention of neither positive aspects, nor comparison with Western support for African autocrats or the dismal operations of Western companies in the extractive industries and the defense sectors”. Carmody and Owusu (2007) note that in Equatorial Guinea with the regime mostly reminding of autocratic with incumbent being in power for more than 20 years, the main extractors of oil resources are the companies of the USA and Great Britain. Taylor (2009, p. 21) argues that “the Chinese are not the only ones financing corrupt regimes in Luanda” (the capital of Angola), giving an example of the loan disbursed to state-owned Angolese oil company Sonangol guaranteed by the future oil supplies.

Other scholars such as Brautigam (2009, 2010, 2011) and Lagerkvist (2009, 2011) try to challenge prevailing opinions not favoring China in Africa, building its argument on the notion that resource-backed loans is the only way to ensure that the revenues from resource extraction will come for development aims such as building of factories and construction of social objects, since the most of them without this form of assistance is being pick-pocked by corrupt politicians. Infrastructural loans supported by the supplies of oil can play a role of the “agency of restraint” (Brautigam, 2010). Lagerkvist (2009) contends that there are reasons to look at Chins’ involvement in Africa in a positive light. Brautigam (2010) gives an evidence that the hugest bulk of financing coming into Angola during the time of civil war was coming from Western enterprises and banks. 48 is the estimated quantity of the loans, which Angola had commitments to repay by the end of 2000 (Brautigam, 2009, p. 274). In the list of the companies – providers of funding are BNP Paribas (France), Standard Chartered (the UK), Commerzbank (Germany). The important detail here is that the loans were also backed with oil supplies. (Brautigam, 2009, p. 294)

Table № 3 provides the data on the ownership of the companies, extracting oil resources on the territory of Africa. Interestingly, although China has become an important stakeholder in African oil industry, Western companies retain the biggest share of oil produc

Table 3 - Main African Sources of Oil for China and Their Largest Investors (China Briefing, 13.04.2011)

	Membership in OPEC	Oil resources	Largest Investors	Oil exported to China
Angola	yes	Largest sources of oil in Africa (about 50 %) – largest oil exporter in Africa in 2009	ChevronTexaco (US), Exxon Mobil (US), British Petroleum (UK), Total (France)	Largest African oil provider to China
Sudan	no	Oil exports account for 90 % of country's total revenue	China National Petroleum Company. US companies are not allowed to invest	Second largest oil-provider to China (60 % of oil goes to China)
Republic of Congo (Congo-Brazzaville)	no		Total (France) and Eni (Italy). Around 20 % US companies, including Chevron and Murphy oil	Third largest oil provider to China (around 50 % of oil goes to China)
Equatorial Guinea	no	Oil accounts for over 80 % of total revenue	ExxonMobil (US), Hess (US), Marathon (US)	Around 12 % of oil goes to China
Nigeria	yes	Second largest oil reserves in Africa – oil accounts for over 90 % of country's exports, 80 % of total revenue	Royal Dutch Shell (UK/ the Netherlands), ChevronTexaco (US), Agip (Italy), Total (France)	Small amount of oil to China (in 2009 28000 barrels / day)

tion. This evidence can be used as the argument against the notion that China's involvement represents a threat to African states and is motivated only by post-colonialist aspirations. In previous chapters I tried to demonstrate that China's role in Africa is not only about resource extraction and trade, China disbursed aid also for socially significant purposes, so as Western countries do. Basing on the context it is possible to assert that the involvement of Western countries is also dictated not only by benevolent goals, but the motives such as energy security. The debates over growing impact of China on the region are stipulated primarily by Western fears of changing orientation of African countries from West to East.

The table allowed for comparisons between involvement of companies originating from countries under the tag "traditional donors" and Chinese presence. However the question, whether the allocation of Chinese development assistance is determined only by the hunger for natural resources remains open. It is still unclear whether significant oil endowments serve as the vector for the designing and alteration of China's international development policies. The following chapter contains a case study of two countries, which attract the largest share of Chinese assistance – Angola and Tanzania, one oil-rich, the other one being oil-poor. The analysis will allow for comparisons between modalities and the form of development assistance between two countries and the conclusion to what extent the factor "oil endowments" is important for allocation of Chinese aid.

Chapter 2 – Analysis of the Role of Oil Endowments in the Allocation of Chinese Aid

2.1 Methodology

In order to investigate the link between oil endowments and the modalities and amounts of Chinese development assistance I will employ case study approach. Examples of two countries will be scrutinized – one rich in oil endowments, the other one being devoid of them. This approach was selected as it allows for comparisons between two opposite but at the same time two closest cases. Tanzania and Angola are both countries with unstable political and economic situation with flourishing corruption and low governmental capacity. Two countries have gone through decades of communistic regimes, which heavily affected economic structure. Moreover, Angola experienced civil war with its devastating consequences for infrastructure of the country, Tanzania suffered under pernicious policies of Julius Nyerere, which created an environment favorable for spread of corruption and proliferation of maladministration.

Both countries constitute the group of largest recipients of development assistance from China, despite differences in natural deposits. Hence, we can state a hypothesis that if natural deposits play a significant role in allocation of Chinese aid, modalities of aid provided will be different resulting in divergence of structure of projects implemented, conditions according to which concessional loans are supplied to African countries. Apparently, if oil endowments can affect heavily the decisions on aid allocation and aid provision taken by Chinese government, it is possible to track also the differences in impact generated by Chinese aid on economy and political arrangements of recipient countries. In assessment of impact of aid special attention will be given to infrastructural impact of aid and conditions of aid provision.

2.2 Case Study of Oil-rich Country (Angola)

“Angola is China’s second biggest supplier of oil in first quarter of 2012” says the headline of The Weekly China Briefing (May, 11, 2012), issued by Centre for Chinese Studies of Stellenbosch University. This country receiving large amounts of Chinese development aid backed up by the supplies of oil represents a conventional reason for concern for Western scholars researching the topic of China’s engagement in Africa. Angola seems to fit perfectly into negative pattern of China’s influence. Highly corrupt, indebted young state, emerging from the years of civil war, moreover having an experience of communistic government, obtaining the biggest share of its budget revenues from oil and other natural resources seems to be the ideal state where China has to locate its greedy interests.

Despite its communistic past China was not involved into aid relations with Angola, since this territory was mostly under the influence of the Soviet Union and Cuba, from which the ruling party received financial support.

After the Civil war commenced right after Angola gained independence, the country, which during colonialist time was more industrialized than the average of Sub-Saharan states (Aguilar and Goldstein, 2009, p. 1544), found itself in the ruins of demolished infrastructure with the population living in precarious conditions. Extraction of oil and diamonds has become the major source of profits for the country (Aguilar and Goldstein, 2009, p. 1547). “According to the Angola bank BCI, the country needed US \$ 15 billion in direct loans at the start of post-war (April 2002) reconstruction period of which only US \$3 to 4 billion could be raised in Angolan banks or other credit institutions” (Executive Research Associates Ltd, 2009, p. 80). Despite severe economic situation, major international development institutions rejected applications of Angola for loans, insisting on the reforms related to changing of political condition, improving transparency of budget flows, curbing proliferating corruption and

improving the situation with human rights. Loans from financial institutions and banks were issued with the premium interest as the result of risky economic environment in this country. It was the turning point for Angola's politics, marked with first financial entries of China into Angola's markets and reorientation toward the East (Executive Research Associates Ltd, 2009, p. 80).

Since that time China provided Angola with the number of loans for rebuilding of infrastructure backed up by the supplies of oil to China. Chinese aid as usual imposed no conditionality on aid regarding good governance and human rights. According to the concluded deals 70 % of projects have to be carried out by Chinese companies and Chinese workers, another 30 % was the responsibility of the Angolese side (Brautigam, 2011, p. 243).

According to China Briefing (2011) four loans were provided for Angola's government by China Eximbank with the connection to infrastructure: in 2004 (US 2 \$ billion line of credit), 2005 (another US 2 \$ billion loan in exchange for oil, increased by US 1 \$ billion in 2006) and 2007 (US 2,5 \$ billion line of credit). This cooperation was also accompanied by regular mutual visits of Chinese and Angolese officials to each other.

Let us have a look at the social and infrastructural impact of loans provided for Angola (Executive Research Associates Ltd, 2009, p. 82-83):

- 2004 – US \$ 2 billion loan divided into two parts: US \$1 billion would cover 18 contracts for public works, 60 different projects and a host of supplementary plants including 1500 trucks for farmers and agricultural merchants, a new power grid for Luanda, agricultural projects, and a 371 km road linking Luanda (the capital of Angola) and important infrastructural centre located on the North of the country Negage. The balance would go to 27 contracts and 50 social projects covering health and education, public works and social development;

- 2005 – US \$ 6,3 million interest-free loan for “technical projects”, later a US \$ 2,9 million loan deal was signed including the projects such as renovation of Luanda airport and construction of a new one, expansion and repairs for railway lines – including the famous Benguela railway line, dredging Luanda bay, a new sewage system for the capital, etc, dredging Luanda bay, a new sewage system for the capital, etc
- 2006 – a joint venture by SONANGOL (State oil company of Angola) and Sinopec was announced to build a refinery in Lobito.
- 2008 – US \$ 134 million loan to three communal development projects in Angola. The loan will fund the modernization of the electricity system in two towns of Lunda Norte and Lunda Sul provinces, the construction of a water treatment plant and canals in the Lunda area and a road upgrade projects in two other provinces

US \$ 100 million loan was also designated for upgrading health sector facilities in Huambo province. Mundo Startel, the Angolan fixed line communications utility signed a framework agreement with the Chinese company ZTE Corporations International, for the purchase of telecommunication equipment (Centre for Chinese Studies Stellenbosch University, 2006, p. 19).

If we neglect the fact that Angola now is the second largest oil supplier for China, we will see that except extracting natural resources China's involvement in Angola has mostly positive impact. China's loans even though backed by oil helped Angola to restore damaged infrastructure, overlooked by Western development institutions. Roads, hospitals, telecommunication, sanitation systems all this is included in the list of objects constructed by Chinese workers. If we add up some evidence that Chinese rigorously controlled the disbursement of the loan in order to prevent the embezzlement of these specially designated funds (Aguilar and Goldstein, 2009, p. 1558) , it is possible to arrive to the conclusion that in Angola Chinese aid is more of a virtue than a curse.

There is also some evidence that in 2008 Chinese embarked on negotiations regarding the next loan based on “sovereign guarantees” issued by Angolan treasury than “real guarantees” (Executive research Associates, 2009, p. 84-85), which means that oil will no longer will be used in exchange for provision of infrastructural loans. It can be both regarded as the attempt to decrease international pressure on critiques on China caused by deep ties between aid and trade or the symbol that seeks in Angola something more than just natural resources. Existing practices of connecting development aid and oil supplies may also be the opportunity taken by Chinese in Angola, meaning that China simply used business opportunity existed in Angola for its own profit not being determined by the motives of world hegemony and derailing of all Western efforts to advance democratization in the country.

3.3 Case Study of Oil-Poor Country (Tanzania)

Tanzania as the opposite case for analysis represents an example of the country not possessing rich fuel resources, oil in particular. The case of Tanzania is peculiar in a sense that despite China cannot rely on oil supplies, it is one of the largest recipient of Chinese development assistance on the continent (Centre for Chinese Studies Stellenbosch University, 2006, p. 51). Currently, the biggest share of goods exported from Tanzania to China constitute ores (mainly copper), which are abundant in this African country (Jansson, Burke, Hon, 2009, p. 5). Yet this is crucial to note that aid flows are not guaranteed by exports of natural resources as in the case with Angola. Except extracting ores China does a lot to create underdeveloped infrastructure of Tanzania and improve the situation with health-care and education.

Aid relations between two countries date back to 1960-s, when liberation movement in Tanzania finally ended up with the country’s independence (Centre for Chinese Studies Stellenbosch University, 2006, p.48; Moshi and Mtui, 2008, p. 5)). Like Angola Tanzania also has the period in its history marked with communistic experiments and mass collectivization. However, for the long period of about 20 years, the country was the member of non-

alignment movement, which was not the obstacle for the Tanzanian government to receive aid from both sides of the Iron Curtain.

The largest project funded by Chinese aid in Tanzania still remains the construction of Tanzara (TANZAM) railway. The length of the railroad was approximately 1860 kilometers. The construction was carried out on the territories of two countries – Tanzania and Zambia on the level of 1400 km above the sea. The source of the project was interest-free loan with the amount of US \$500 million. The project was held for 7 years – from 1968 to 1975 (Centre for Chinese Studies Stellenbosch University, 2006, p.46)

After the success of Tanzara railroad Sino-Tanzanian aid relationships suspended, caused by the reorientation of China towards more liberalized economy. During this time political regime of Tanzania also changed, brought about macroeconomic reforms, liberalization of prices and new opportunities for investors. Since that time Tanzania has received more than 100 cooperation projects and programs totaling over US \$ 2 billion (Jansson, Burke, Hon, 2009, p. 2). The same group of authors also give evidence that after the changing of Chinese way of development aid relationships started to be based upon technical and economic assistance to the fields like agriculture and manufacturing rather than on bilateral ties (Jansson, Burke, Hon, 2009, p. 4). Agricultural experts have also been sent to the country, and as was pointed out by the group of authors that “Tanzanian government acknowledged that China has provided Tanzania with a great deal of assistance” (Jansson, Burke, Hon, 2009, p. 6).

This source also gives evidence about cardiological centre which in 2009 was projected to be built as a part of Sino-Tanzanian cooperation. The centre will also be housing the anti-malaria research center (Jansson, Burke, Hon, 2009, p. 3) . From the same source we can find out that the number of Tanzanian students which were educated in China exceeds 600 from the time of establishment of bilateral agreements (Jansson, Burke, Hon, 2009, p. 3).

Numerous medical teams sent to Tanzania to share their knowledge and to spread Chinese traditional medicine is also an essential part of Chinese involvement (Moshi and Mtui, 2008).

Apart from that Chinese companies participated in various projects related to water supply systems. In 2004 China has embarked on the project that was aimed at increasing water supply to towns and villages of the North Tanzania. The deal is estimated around US \$ 77.2 million. Before that in 2001 the Chinese government provided US \$11.73 million for the Chalinze water supply project in the Chalinze area of Bagamcyo district. As the result of the reconstruction 105.000 residents gained access to over 7 million liter of clean water per day (Centre for Chinese Studies Stellenbosch university, 2006, p. 55)

National Stadium in the capital Dar-Es-Salam is another remarkable infrastructural project of China which dates to the year 2004, China covered the half of the cost, which totaled US \$ 40 billion (Centre for Chinese Studies Stellenbosch university, 2006, p. 55). The take on this project was quiet controversial, since the country was in a crisis situation and did not possess sufficient financial resources to build up not a first-need infrastructure. The project was the part of the series of “visible” infrastructure projects of China, which are sometimes regarded as the gesture to gain political allies rather than a real developmental aid.

However, currently it is possible to spot the turning point in China-Tanzanian aid relationships not spoiled by the presence of resource-backed deals. In September 2011 appeared the news about the deal that has been signed for the value of \$ US 3 billion with the mining company to mine coal and iron-ore. “A new company, Tanzania China International Mineral resources (TCMR) has been created to build the mines with the Chinese mining company taking a 80 per cent stake. (Keohane, 2011)

Simultaneously according to the same informational source the Chinese negotiated about the construction of gas pipeline backed by the loan of US \$ 1 billion (Keohane, 2011). The implementation of forthcoming project will potentially contribute to the resurgence of

debates around the modalities of Chinese aid and investment, being another supportive argument for those sticking to the point of view that Chinese involvement into Africa is only about the hunger for natural resources.

However, assessing an impact of Chinese development assistance in Tanzania the one should not forget that until recently Tanzania received aid without strong relations to its natural resources endowment and the fact that this country did not have much to offer to China did not affect the implementation of development program in Tanzania. It is important to take into consideration that the country which does not possess strategically important for China fuel resources (except natural gas, which is only currently in the process of exploitation after 20 years of diplomatic relationships) is the largest recipient of aid.

Another interesting point here is that the government in Tanzania could not be described as autocratic, Tanzania does not belong to the group of countries with ruling pariah regimes, which also destroys the argument that the support is being given only to authoritarian states. Regarding other kinds of impact as the result of Chinese involvement, there is no significant discrepancy between Tanzania and other countries as the conditions of contracts signed by Chinese and Tanzanian sides are generally the same in terms of employment of local and Chinese workers.

2.4 Comparisons and Conclusion

After conducting the analysis of the content of development assistance to oil-rich and oil-poor countries, it is possible to arrive to the conclusion that oil endowments do not play a major role in allocation of Chinese aid. Though it is very important to mention that unless the country possesses the deposits of natural resources, China soon or later undertakes projects which are aimed at doing business at resource extraction fields and commercial use of existing resource endowments. Perhaps, Chinese aid policy is not totally determined by the hunger for natural resources, which can be proven that Tanzania remained the main destination for

Chinese aid for long years. In terms of impact even disbursing huge amounts of aid China has not become a biggest trade partner for Tanzania, as this country continues to do business with countries of Europe, Great Britain as former metropolitan state in particular.

Even though at first glance Angola would be a successful example of the strategy hegemony or whatsoever, as Angola is the second exporter of oil to China. However Angola is still not abstain for signing deals with enterprises originating from the countries being called traditional donors. And it is worth to pay attention that comparing to aid provided by the countries of the West or the North, Chinese aid lags behind.

I would argue that that China pursues the goals of building up friendship ties with African countries and as the more developed friend try to assist with money and advice those countries which are not as successful as the Eastern Dragon. However, China is actively promoting its development model, which on one hand is based on investments and exploitation of natural deposits, following the scenario of Japanese involvement in Chinese economy (Brautigam, 2009). At the meantime apart from bringing development advancements to African states, this trajectory of development can also generate profits for China itself and satisfy its need for natural resources as the basis for industrialization, which China actively uses.

The conclusion is that China does not pursue the goal of resource exploitation per se, it rather identifies business opportunities existing in countries of presence and begin to take advantage of them. This perfectly fits into the concept of “win-win” cooperation, embedded in Chinese development principles and represents the paradigm where business and economic development inextricably connected with a social progress.

Chapter 4 - Implications of the Research

The current paper provides implications for further research and policy making pertaining to development policies in Africa.

First, the paper calls for reconsideration of China's role in Africa and for more impartial approach to studying Chinese involvement in Africa. It is clear that still there is a prevailing bias toward China as an outsider of development community and a country with undemocratic political regime. As a n implication for further research on the issues it is important to mention that studying and assessment of Chinese role in Africa requires comparative approach and should be carried out in conjunction with activities conducted by traditional donors in Africa. However, there is a lack of literature studying impact of Chinese development assistance in comparison with the impact of aid provided by traditional donors. The argument that China is looking only for oil or other types of resources should be revised and given more scrutiny.

Second, implications for policy-makers in the field of global development may be the following. The current paper suggests that Western donors can derive the number of lessons from Chinese paradigm of assistance. Revisiting the methods of development currently prevailing in Western world may be helpful to prevent further deterioration of economic situation in Africa. For instance Western donors do not pay much attention to infrastructure building in Africa, which is regarded as critical for achieving higher economic development by Chinese policy-makers.

Overall, the paper also notes that contemporary aid architecture is in crisis now, which should create opportunities for building development partnerships with China and not neglecting significant Chinese experience of both internal and external development.

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