Economic Statecraft: China in Africa

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Abstract: China's investment in Africa is a deliberate policy choice to secure Beijing's economic and political objectives. Chinese policies may undermine or discourage US efforts to create better governance and improved standards of living in Africa, but these effects are incidental and do not threaten vital American interests. The United States should encourage Beijing's participation in international economic institutions, and thereby facilitate US economic strength and promote African development.

In October 2000, China and forty-four African countries established the Forum on China-Africa Cooperation (FOCAC) to "vigorously promote further China-Africa cooperation . . . so as to promote the common development of China and Africa."[1] The subsequent triennial forum ministerial meetings have become elaborate celebrations of deepening China-Africa relations. Concurrently, the Western media heralded China's neo-imperialism, massive investment, and comprehensive strategy to secure exclusive access to Africa's resources. Beijing's "success" in Africa contrasts starkly with Washington's approach to economic statecraft through the African Growth and Opportunity Act and its annual forums. Congress passed this act in 2000, as China was building the Forum, "to assist the economies of sub-Saharan Africa and to improve economic relations between the United States and the region."[2] While many extol the positive effects of the act in improving African governance, its annual forums have been lackluster meetings of bureaucrats, and the Western media highlight that most Africans remain disappointed with the amount of US investment. Similarly, President Obama's weeklong visit to three African nations in July 2013 pales in comparison to the seventeen African nations that Hu Jintao visited during one ten-month span of his tenure as China's president. This article peers through the public veneer of state visits and ministerial meetings to examine China's influence in Africa through trade, Foreign Direct Investment, and Official Development Assistance.[3] It argues successful economic statecraft by China does not

1 "Beijing Declaration of the Forum on China-Africa Cooperation," *Forum on China-Africa Cooperation*, September 25, 2009, http://www.focac.org/eng/ltda/dyjbzjhy/DOC12009/t606796.htm.

2 Vivian C. Jones and Brock R. Williams, *U.S. Trade and Investment Relations with sub-Saharan Africa and the African Growth and Opportunity Act* (Washington, DC: U.S. Library of Congress, Congressional Research Service, November 14, 2012), 15.

3 Throughout this article, I refer to Africa as if it was a unified entity. In reality, China's economic statecraft on the African continent is varied and recognizes the differences of the fifty-three distinct African nations. However, FOCAC membership and China's African Policy published in January 2006, http://english.peopledaily.com.cn/200601/12/eng20060112_234894.html provides the context for simplifying the analysis with a continent approach. Although US policy often separates North Africa from sub-Saharan Africa (as in the African Growth and Opportunity Act), China's policy does not.

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threaten any vital American interests, and the United States has several possible responses.[4]

Many assess that the increase of China's trade, investment, and developmental assistance from 2000-10 as a means to secure an economic and political advantage in Africa. While Beijing's economic statecraft may undermine US efforts to reform African governance and economics, these effects are incidental; however, Africa would do well to evaluate and balance the long-term costs with the short-term benefits of Chinese aid and investment. Recognizing that China's economic statecraft in Africa does not threaten vital US interests, America should adopt an accommodating posture toward Beijing's involvement there. As part of its overall rebalancing toward the Asia-Pacific, Washington should intensify efforts to increase Beijing's participation in institutions to maintain the global international economic system which facilitates US strength. Simultaneously, the United States should review its approach in Africa to find alternative ways to advance its interests and mitigate the risk to African development inherent in the Chinese approach.

Rationale and Scope

Beijing's objectives in Africa stem from its "going out" strategy, introduced in its 10th Five Year Plan for 2001-05. This strategy included China's decision to join the World Trade Organization and encouraged businesses to invest abroad.[5] The resulting economic statecraft in Africa and concomitant creation of FOCAC support four broad objectives: first, access to natural resources which are essential for sustained economic growth; second, new markets for increased domestic production; third, votes in the United Nations and other international forums to diminish criticism of Beijing's human rights record and build support for the People's Republic of China's (PRC's) rise; and fourth, reduced diplomatic recognition of Taiwan.[6]

The PRC's reinvigorated economic statecraft is a boon for Africa. After decades of wrangling with western nations and international

4 David A. Baldwin, *Economic Statecraft* (Princeton, NJ: Princeton University Press, 1985). Baldwin argues economic statecraft is "economics as an instrument of politics" (3). As described by Secretary of State Hillary Clinton, US economic statecraft includes making economic objectives a part of foreign policy, finding economic solutions for strategic challenges, increasing US exports, and building diplomats' economic capacity. For more see Hillary Clinton, "Delivering on the Promise of Economic Statecraft," lecture, Singapore Management University, Singapore, *U.S. Department of State*, November 17, 2012, http://www.state.gov/secretary/rm/2012/11/200664.htm. In this article, I refer to China's trade, foreign direct investment, and development aid as economic statecraft since these are generally considered economic tools that China is employing to achieve political and economic objectives.

5 Greg Levesque, "Here's What's Driving China's Investments In Africa," *Business Insider*, June 27, 2012, http://www.businessinsider.com/heres-whats-driving-chinas-investments-in-africa-2012-6; Wang Duanyoung, *China's Overseas Foreign Direct Investment Risk: 2008-2009* (Johannesburg, South Africa: South African Institute of International Affairs, January 2011), 5,9, 16-17, http://www.saiia.org.za/occasional-papers/china-s-overseas-foreign-direct-investment-risk-2008-2009.html; Christopher M. Dent, "Africa and China: A new kind of development partnership," in *China and Africa Development Relations*, ed. Christopher M. Dent (New York: Routledge, 2011), 8-12.

6 David E. Brown, "Hidden Dragon, Crouching Lion: How China's Advance in Africa is Underestimated and Africa's Potential Underappreciated," (Carlisle, PA: Strategic Studies Institute, September 17, 2012), 1-2, http://www.strategicstudiesinstitute.army.mil/pubs/display.cfm?pubid=1120; U.S. Congress, Senate Committee on Foreign Relations Subcommittee on African Affairs, Remarks by David H. Shinn, "China's Growing Role in Africa: Implications for U.S. Policy," November 1, 2011, http://www.foreign.senate.gov/imo/media/doc/David_Shinn_Testimony.pdf ; Chris Alden, "China in Africa," *Survival* 47, no. 3 (Autumn 2005). For decades, the last two political objectives were more important for China than the first two economic objectives. That priority has reversed since 2000 with China focused on its economic objectives first

organizations about the terms for developmental assistance, African nations can now access financing with "no strings attached" other than to reject Taiwan[7]. In contrast, for countries to participate in Amerca's African Growth and Opportunity Act, the President must certify they meet a myriad of economic and political conditions.[8] The simplicity and immediacy of China's economic statecraft, when contrasted with assistance from the United States, entices African leaders to overlook Chinese firms operating without host-nation labor, independent of international environmental standards, and with poor workmanship.[9]

Although the PRC's economic statecraft in Africa since 2000 is significant in scope and pace of growth, it is not new when viewed historically or massive when compared with economic engagement by the rest of the world.[10] China's engagement with Africa is easily mischaracterized as new and massive because its relatively opaque systems inhibit complete accounting of previous and current investment and aid. Beijing defines investment and assistance independent of commonly accepted standards, often resulting in poor comparisons with investment and assistance from developed economies. Since the PRC joined the World Trade Organization, however, there is consistent and reliable data to evaluate China's trade with Africa.

China-Africa Trade

Trade between China and Africa increased from $10 billion in 2000 to $130 billion in 2010.[11] In 2000, trade with Africa was 3.6 percent of the PRC's total trade; by 2010 it had increased to 15.3 percent.[12] China's portion of Africa's total trade increased from approximately 6 percent in 2005 to 12.5 percent in 2010.[13] In 2008, the PRC replaced the United States as Africa's top trading partner with $100 billion in total trade.[14] In 2010, 70 percent of China's imports from Africa was oil and 15 percent was other raw materials (lumber, minerals, food, etc.).[15] Consistent with these imports being highly concentrated in oil, 70 percent of them come from only four countries: Angola (34 percent), South Africa (20 percent), Sudan (11 percent), and Republic of Congo (8 percent). Likewise,

7 Council on Foreign Relations Independent Task Force Report no. 56, *More Than Humanitarianism: A Strategic U.S. Approach toward Africa,* (New York: Council on Foreign Relations, 2006), 51, http://www.cfr.org/africa/more-than-humanitarianism/p9302.

8 AGOA "authorizes the President to designate countries as eligible to receive the benefits of AGOA if they are determined to have established, or are making continual progress toward establishing, the following: market-based economies; the rule of law and political pluralism; elimination of barriers to US trade and investment; protection of intellectual property; efforts to combat corruption; policies to reduce poverty, increasing availability of health care and educational opportunities; protection of human rights and worker rights; and elimination of certain child labor practices." The International Trade Administration, U.S. Department of Commerce, "African Growth and Opportunity Act General Country Eligibility Provisions," http://trade.gov/agoa/eligibility/index.asp

9 Dent, "Africa and China: A new kind of development partnership," 12-16.

10 David H. Shinn and Joshua Eisenman, *China and Africa* (Philadelphia, PA: University of Pennsylvania Press, 2012), 3; Dent, "Africa and China: A new kind of development partnership," 5.

11 Shinn & Eisenman, *China and Africa*, 114-115.

12 United Nations Conference on Trade and Development, *Handbook of Statistics 2011* (Geneva, Switzerland: United Nations Publications, 2011), 2-3.

13 Ibid., 90-91.

14 Shinn, "The Impact of China's Growing Influence in Africa," 17. Although the US-Africa trade was greater than China-Africa trade for 2009, China resumed its place as Africa's lead trading partner in 2010.

15 David H. Shinn, "The Impact of China's Growing Influence in Africa," *The European Financial Review* (April-May 2011): 11, 17, in Proquest.

China's exports to Africa are highly concentrated with 55 percent in the continent's five largest economies: South Africa (21 percent), Egypt (12 percent), Nigeria (10 percent), Algeria (7 percent), and Morocco (6 percent).[16] These five countries are also among the continent's richest and thus lucrative markets for Chinese exports of textiles, machinery, manufactured goods, and communications equipment.[17] Similar to China, American trade with Africa is concentrated in natural resources from a few countries.[18]

The increase of natural resource exports from Africa to China has contributed to Africa's significant economic growth during the last decade while developed economies have suffered through a financial crisis and sluggish growth. These resources have been important to help the PRC meet its booming demand for energy to sustain increases in manufacturing, economic growth, and poverty reduction. The developing African economies are natural markets for China's relatively inexpensive manufactured goods; however, these compete directly with the nascent African industry and hinder opportunities for development of African manufacturing.[19] While Africa and China both benefit from the increased trade, Africa's benefits are likely to be short lived without a corresponding investment in infrastructure and structural reforms necessary to move their economy from extractive industries to manufacturing and other higher value-added markets.

This increase in China's trade with Africa does not substantially disadvantage America. Despite recent growth, Africa in 2010 represented only 3 percent of global trade and was not a significant trading partner for the United States.[20] As developing economies, African countries are not natural markets for US products.[21] Nearly two-thirds of Chinese imports from Africa are oil; however, this represents only 13 percent of Africa's total oil exports and only 3 percent of the PRC's oil requirement. The United States and European Union combined receive 25 percent of Africa's oil exports.[22] America is projected to be the world's largest oil producer by 2020 and a net exporter of oil by 2035, making China's increased access to Africa's oil of no strategic threat.[23]

China's Investment in Africa

While trade data is relatively clear, investment data is ambiguous and subject to interpretation because Chinese state-owned enterprises

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16 Mary-Françoise Renard, *China's Trade and FDI in Africa*, Working Paper No. 126, (Tunis, Tunisia: African Development Bank Group, May 2011), 12-14, http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/Working%20126.pdf .

17 United Nations Conference on Trade and Development, *Handbook of Statistics 2011* (New York: United Nations, 2011), 404; David E. Brown, "Hidden Dragon, Crouching Lion," 16.

18 Jones and Williams, *U.S. Trade and Investment Relations*, 7-12.

19 Ali Zafar, "The Growing Relationship Between China and Sub-Saharan Africa: Macroeconomic,Trade, Investment, and Aid Links," *The World Bank Research Observer* 22, no. 1 (Spring 2007): 107, in ProQuest.

20 United Nations Conference on Trade and Development, *Handbook of Statistics 2011*, 10-11.

21 Ibid., xii. Thirty-three African nations are considered heavily indebted and thirty-one are considered least developed. Their economies lack the resources necessary to purchase high-end technological goods. Their markets are focused on subsistence goods, textiles, and basic machinery. These nations will require significant growth before they are able to afford US exports.

22 Shinn, "The Impact of China's Growing Influence in Africa," 17.

23 International Energy Agency, *World Energy Outlook 2012 Executive Summary* (Paris, France: International Energy Agency, 2012), 1, http://www.iea.org/publications/freepublications/publication/name,33339,en.html.

use unique accounting standards which, before 2010, were largely inconsistent with International Financial Reporting Standards. These enterprises often ignore market forces and traditional risk analysis as the government seeks political objectives over sustained profitability.[24] The PRC establishes the amount and type of investment as a matter of policy; by contrast, western governments set goals and then work with private firms to meet those goals. Chinese investment in Africa is almost analogous to wealthy nations' development assistance, and their commitment of specific investments are not always completed, thus creating further uncertainty as to the true extent of their investment.

One assessment is that China's direct investment in Africa doubled from less than $1 billion in 2000 to more than $2 billion in 2010, increasing at a rate significantly faster than other investment, making China the single largest investor in Africa.[25] Many analysts suspect this level underreports the true amount of China's investment. Despite the discrepancy about the precise figures, there are four consistent conclusions about their investment: it has grown substantially over the last decade consistent with its global investment growth; it is a small but significant percentage of China's overall foreign investment ($68 billion in 2010); it is a small portion of global investment in Africa ($55 billion in 2010) leaving traditional investors from the United States, Europe, and Japan in significant positions; and it is highly concentrated in the oil industry and highly concentrated among a few countries.[26]

China's increasing investment in Africa while western investment has remained steady reflects different investment strategies and not African preferences. Investing in Africa provides the PRC with higher returns than the alternative of buying the debt of governments that have forced interest rates to historic lows. Expanding production capacity in Africa also alleviates pressure from excess domestic investment and can facilitate shifting labor-intensive production to Africa as Chinese labor costs rise and their firms seek higher value-added domestic production. Because these firms are accustomed to corruption typical of state-controlled developing economies, they have a higher risk tolerance for investing in Africa than their western counterparts. China's increased investment in Africa does not indicate US firms are missing opportunities. Rather, America's profit-driven firms have evaluated the risk of investing in Africa and determined the risks are too high to warrant substantial investment.

Many African countries rely on foreign investment to jump start economic growth, expand employment, and mitigate inherent shortages

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24 Duanyoung, *China's Overseas Foreign Direct Investment Risk: 2008-2009*, 16-17.

25 Brown, "Hidden Dragon, Crouching Lion," 18; Vivien Foster et al., *Building Bridges: China's Growing Role as Infrastructure Financier for Sub-Saharan Africa* (Washington, DC: The International Bank for Reconstruction and Development / The World Bank, 2009), 3, https://openknowledge.worldbank.org/bitstream/handle/10986/2614/480910PUB0Buil101OFFICIAL0USE0ONLY1.pdf?sequence=1; Shinn, "The Impact of China's Growing Influence in Africa," 17.

26 Simelse Ali and Nida Jafrani, "China's Growing Role in Africa," *International Economic Bulletin* (Washington, DC: Carnegie Endowment for International Peace, February 9, 2012), http:/m.ceip.org/2012/02/09/china-s-growing-role-in-africa-myths-and-facts/9s2g&land=en; Foster et al., *Building Bridges,* 2.Harry G. Broadman, *Africa's Silk Road: China and India's New Economic Frontier* (Washington, DC: The International Bank for Reconstruction and Development/The World Bank, 2007), 93, 94, http://siteresources.worldbank.org/AFRICAEXT/Resources/Africa_Silk_Road.pdf; Brown, "Hidden Dragon, Crouching Lion," 19; David Shinn, "China's Investments in Africa," *China US Focus*, November 1, 2012, http://www.chinausfocus.com/finance-economy/chinas-investments-in-africa.

in foreign currency, domestic investment, and tax revenue. Foreign investment can link developing countries to globalized markets, introduce new technology, and improve productivity.[27] However, China's investment is concentrated in retail and textiles, which add little to African capacity or expertise in industry, processing, or refining capacity which could result in higher value-added manufacturing.[28] African textiles manufacturing competes with many developing economies for access to saturated markets making this an unlikely industry to achieve substantial growth.

China's Aid for Africa

Understanding development assistance in Africa is also challenged by ambiguity and imprecise reporting. PRC's banks provide grants, interest-free loans, and concessional loans (considered development assistance by the Organization for Economic Co-operation and Development [OECD]) to Africa without the transparency of western banks.[29] However, some of China's publically announced loan commitments are at market rates and thus not normally considered aid, adding to the uncertainty of the true scope of assistance.[30]

One estimate of China's developmental aid to Africa is that it has grown from $600 million in 2001 to $2.5 billion in 2009.[31] Another study focusing on loans highlights an increase in Chinese lending to Africa from $800 million in 2005 to approximately $1.4 billion in 2009.[32] Although there have been many reports of $1.8 billion in aid solely in the form of loans, much of this commitment from the Export Import Bank of China was loans at market rates and does not constitute aid in accordance with Organization for Economic Co-operation and Development standards.[33]

China's estimated $2.5 billion in aid to Africa is dwarfed by OECD aid of $29 billion in 2010.[34] Among all OECD, the United States gives the most development assistance to Africa with $7.8 billion in 2010. The World Bank's annual aid to Africa of approximately $4.5 billion also exceeds China's contribution. Other multinational organizations contribute a combined $18 billion annually to Africa. While China's aid grew significantly from 2000-10, OECD aid remained relatively flat as developed economies dealt with growing debt, stagnating financial

27 John C. Anyanwu, *Determinants of Foreign Direct Investment Inflows to Africa, 1980-2007*, Working Paper No. 136 (Tunis, Tunisia: African Development Bank Group, September 2011), 5, http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/WORKING%20136%20Determinants%20Of%20Foreign%20Direct%20Investment%20Inflows%20To%20Africa%201980-2007%20AS.pdf .

28 Shinn & Eisenman, *China and Africa*, 142; Dent, "Africa and China: A new kind of development partnership," 11.

29 Martyn Davies et al., *How China Delivers Development Assistance to Africa* (Stellenbosch, South Africa: Stellenbosch University--Centre for Chinese Studies, February 2008), v, http://www.ccs.org.za/downloads/DFID_FA_Final.pdf.

30 Shinn & Eisenman, *China and Africa*, 148.

31 Deborah Brautigam, *The Dragon's Gift* (New York: Oxford University Press, 2009), 170.

32 Ali and Jafrani, "China's Growing Role in Africa.

33 Brautigam, *The Dragon's Gift*,178.

34 Organization for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC), *Development Aid at a Glance, Statistic by Region: Africa*, 2013 edition, http://www.oecd.org/dac/stats/Africa%20-%20Development%20Aid%20at%20a%20Glance%202013.pdf; http://www.oecd.org/investment/aidstatistics/42139250.pdf.

resources, and the economic collapse of 2008.[35] Much of China's aid to Africa comes as infrastructure projects (railroads, dams, ports, etc.) while western aid is usually intended for improving social conditions (health, education, poverty reduction, etc.) or loan forgiveness.[36] Thirty-five African countries have received aid from the PRC to develop infrastructure. As with trade and investment, the infrastructure aid has been concentrated with greater than 70 percent going to four countries: Nigeria, Angola, Sudan, and Ethiopia.[37]

Many of these projects, however, have been criticized for poor workmanship, abusive labor practices, and disregard for environmental considerations.[38] African leaders whose nations have received Chinese aid have accrued tangible short-term benefits of popular support by demonstrating the ability to deliver infrastructure improvements. However, it remains unclear if this aid will produce lasting economic growth or meaningful improvements in standards of living for their people.

Assessment

China's comprehensive economic statecraft in Africa is consistent with its goal of a peaceful rise enabled by continued economic growth, improved relations with other countries, and greater inclusion in international organizations.[39] This increased influence projects an image of a global power with strategic reach and facilitates forming an international coalition to peacefully adjust the international order. China's economic statecraft in Africa not only raises its global standing, it is consistent with the growing need for energy resources and their desire to shift domestic production to higher value-added goods.

China integrates trade policy, investments, and aid to achieve specific domestic economic and international political objectives. Its strategy in Africa helped mitigate the effects of the global recession following the 2008 financial crisis. Through this period, the PRC maintained significant, albeit lower, growth rates; increased trade with Africa is a component of this success. Consistent with this approach, China's chief aid instrument, the Development Bank of China, is a subordinate institution within the Ministry of Commerce.[40] In contrast, the United States Agency for International Development (USAID) has a loose affiliation with the Department of State and only coordinates with the Department of Commerce which is responsible for facilitating US exports.[41] The US government's recent emphasis on integrating defense, diplomacy, and

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35 Ali and Jafrani, "China's Growing Role in Africa.

36 Shinn & Eisenman, *China and Africa*,150-160; Davies et al., *How China Delivers Development Assistance to Africa.*

37 Foster et al., *Building Bridges,* 3-4.

38 Nathan William Meyer, "China's Dangerous Game: Resource Investment and the Future of Africa," *International Policy Digest*, October 9, 2012, http://www.internationalpolicydigest.org/2012/10/09/chinas-dangerous-game-resource-investment-and-the-future-of-africa/#comment-4384 .

39 Zheng Bijan, "China's 'Peaceful Rise' to Great-Power Status," *Foreign Affairs* 84, no. 5 (September/October 2005): 18.

40 For a complete description of how China has organized government agencies for economic state craft see Brautigam, *The Dragon's Gift*, 107-117.

41 For an overview of the US system of Development Assistance see Curt Tarnoff and Marian Leonardo Lawson, *Foreign Aid: An Introduction to U.S. Programs and Policy* (Washington, DC: U.S. Library of Congress, Congressional Research Service, February 10, 2011).

development showcases its view that development assistance is primarily intended to achieve national security objectives.

China is reaping political benefits from improved relations with African nations which offer more than fifty votes in the United Nations and other international organizations built on the "one state—one vote" principle. At the December 2012 International Telecommunication Union's (ITU) World Conference in Dubai, China and Russia opposed American and European proposals to maintain the Internet as a global common with mostly unrestricted access.[42] Of the thirty-five African nations attending, only three (Gambia, Kenya, and Malawi) voted with the United States, resulting in an 89 to 55 defeat for the US and European interest.[43] As China's economic and military power continue to grow, this increased diplomatic clout will facilitate its attempts to restructure the international order built by the United States and its European allies (who have stagnating population growth and sluggish economies) will also grow. Beijing's relatively small economic investment in Africa has garnered it substantial political support in this endeavor.

Much of the PRC's *success* in its economic statecraft derives from its view of African nations not as developing countries in need of assistance and reform but rather as equal members of the international community worthy of engagement. It frames this engagement as mutually beneficial for all parties with no expectation for other nations to adjust their domestic standards. Those nations also look to China as a model for development because it has enjoyed historically high growth and raised itself out of the category of least-developed country. While African nations can benefit from infrastructure improvements, debt forgiveness, and increased trade, Beijing's model of a state-controlled economy is unlikely to work for most of these nations as they lack China's size and access to capital.[44] The nature of Chinese aid and investment, dubious quality of infrastructure projects, accelerated extraction of resources, and undercutting of emerging manufacturing create a long-term risk for African nations that will likely outweigh the current benefits.

Despite China's *success*, this approach is not an appropriate model for the United States to secure its national interests in Africa. The United States' National Security Strategy lists security, prosperity, values, and international order as its enduring interests.[45] In June 2012, President Obama signed the US Strategy Toward Sub-Saharan Africa which articulated US interests in the region as . . .

> ensuring the security of the United States, our citizens, and our allies and partners; promoting democratic states that are economically vibrant and strong partners of the United States on the world stage; expanding opportunities for U.S. trade and investment; preventing conflict and mass

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42 L. Gordon Crovitz, "America's First Big Digital Defeat," *The Wall Street Journal*, December 16, 2012, http://online.wsj.com/article/SB10001424127887323981504578181533577508260.html.

43 Mike Masnick, "Who Signed The ITU WCIT Treaty... And Who Didn't," *Techdirt*, http://www.techdirt.com/articles/20121214/14133321389/who-signed-itu-wcit-treaty-who-didnt.shtml.

44 China's development has been accelerated by its ability to access capital through Hong Kong, Macau, and Shanghai. Geography and history have combined to make these cities natural ports and financial hubs. South Africa is the only African nation that enjoys comparable access to capital. The other 53 countries of Africa lack China's attributes calling to question the efficacy of China's model for African development.

45 Barack Obama, *National Security Strategy* (Washington, DC: The White House, May 2010), 7.

> atrocities; and fostering broad-based, sustainable economic growth and poverty alleviation.[46]

While economic statecraft must contribute to securing these interests, ignoring African governance standards would retard African development, contribute to regional instability, and prolong the continent's pervasive poverty.

However, many African officials resist implementing reforms as preconditions for US development assistance or investment. China's economic statecraft and success in achieving growth with a state-controlled economy has reinforced the hope they can attract foreign capital and investment to spur sustained economic growth without liberalizing their governments. Those benefiting from the investment and infrastructure projects are likely to increase their complaints that America's insistence on governance reforms is an intrusion in their domestic affairs and resist US leadership in international institutions.

Responding

China's economic statecraft in Africa provides it with economic and diplomatic advantages without threatening any vital US interests. However, the long-term effects are likely to be negative for African countries despite the short-term benefits. Given this complexity, the US response to Beijing's economic statecraft should address three areas. First, the United States should find ways to cooperate with China in Africa, avoiding confrontation or competition. Second, the United States should reinvigorate and strengthen the international economic institutions which undergird the liberal economic order essential for US prosperity. Third, the United States should improve African economic development with its Power Africa and Trade Africa initiatives while sustaining efforts to improve African governance.

As Secretary of State Hillary Clinton noted, "the Asia-Pacific has become a key driver of global politics."[47] Accordingly, the United States is rebalancing its strategy toward the Asia-Pacific with a recognition in its Defense Strategic Guidance that "China's emergence as a regional power will have the potential to affect the U.S. economy and our security in a variety of ways. Our two countries have . . . an interest in building a cooperative bilateral relationship."[48] Thus, any US reaction toward China's economic statecraft in Africa must consider implications for US-China relations as a first priority. Although some fear China's economic growth and its corresponding increase in military capability, trying to limit this growth is infeasible and inconsistent with US interests. Thus, US policy should accommodate China's peaceful rise while challenging its attempts to change rules and norms of the international system which favor democratic institutions and US strength in global commerce.

America should look for opportunities to cooperate with China in Africa. US-China cooperation there could serve as confidence-building

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46 Barack Obama, *U.S. Strategy Toward Sub-Saharan Africa* (Washington, DC: The White House, June 2012), 1-2.

47 Hillary Clinton, "America's Pacific Century," *Foreign Policy*, November 2011, 57.

48 Leon Panetta, *Sustaining U.S. Global Leadership: Priorities for 21st Century Defense* (Washington, DC: The Department of Defense, January 2012), 2.

measures as the two nations work through disagreement and potential conflict in the Asia-Pacific region. A natural area for cooperation lies in conflict termination and prevention. China has recently become the leading contributor to UN peacekeeping missions with the United States as the leading funder. The United States should facilitate this trend's continuation.

The United States retains a vital interest in "disrupt[ing], dismantle[ing], and defeat[ing] al Qaeda and its violent extremist affiliates."[49] In Africa, this means denying safe haven in Somalia, the Maghreb, and the Sahel, and helping threatened countries "build their capacity for responsible governance and security through development and security sector assistance."[50] Although al Qaeda threatens China less than it does the United States, as Chinese influence and presence grows globally, this threat will likely grow with it. The United States should leverage that growing influence and interest in regional security to help eliminate potential al Qaeda safe havens in Africa.

As the United States seeks areas of cooperation and mutual benefit with China in Africa, it must remain mindful that the PRC views the current international system as one built and maintained by the United States, based on American values, and serving US interests, and thus an inhibitor to its plans for a peaceful rise. Because the United States uses this system to reinforce its values of democracy, transparency, free-markets, and human rights, the system threatens Beijing's view of sovereignty and core interests. China seeks a new international system that reduces the influence of the United States and expands the ideal of state sovereignty.[51] China is using its economic statecraft in Africa to build support for this world view.

The US response to China's economic statecraft in Africa should focus on strengthening the legitimacy and effectiveness of international institutions which preserve the system of global commerce on which the United States relies for sustained economic grow. For the past decade the PRC has managed the risks associated with greater involvement in the international system and reaped significant economic benefits from doing so. The United States should seek to further anchor the PRC into the current system by inviting it to join the OECD or increasing its votes in the International Monetary Fund.[52] Simultaneously, the United States should increase the diplomatic pressure for China to allow the free

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49 Obama, *National Security Strategy*, 19.

50 Ibid., 21.

51 Randall L. Schweller and Xiaoyu Pu, "After Unipolarity: China's Visions of International Order in an Era of U.S. Decline," *International Security* 36, no. 1 (Summer 2011): 53-57.

52 The OECD maintains a working relationship with China since 1995 when the OECD Council agreed to dialogue and cooperation with China. In 2007 the OECD Council adopted a resolution to strengthen cooperation with China, Brazil, India, Indonesia, and South Africa, with enhanced engagement and the potential in the future to lead to membership. "China and the OECD," *OECD Better Policies for Better Lives*, http://www.oecd.org/china/chinaandtheoecd.htm;. for more about joining the OECD see "OECD enlargement," http://www.oecd.org/general/oecdenlargement.htm. On December 15, 2010, the IMF approved a reform package which includes realigning quota shares (i.e., votes) making China the 3rd largest member country in the IMF. This package requires acceptance by three-fifths of the members having 85 percent of the total voting power. "IMF Quotas," October 1, 2013 http://www.imf.org/external/np/exr/facts/quotas.htm. The United States has not yet accepted these reforms. The Obama Administration has not requested additional funding or authorization from the Congress in order to accept the reforms. Rebecca M. Nelson and Martin A. Weiss, *IMF Reforms: Issues for Congress* (Washington, DC: U.S. Library of Congress, Congressional Research Service, February 1, 2013), Summary.

fluctuation of the renminbi (the official currency of the PRC). Success in preserving the system will require discernment to distinguish those changes that can accommodate Chinese desires from those that would erode the system's purpose and effectiveness.

Simultaneously the United States must reinvigorate the credibility and efficacy of the current system which many African nations view as contributing to their stagnation. Many of them have implemented changes to their domestic governments and economies as prerequisites for receiving OECD aid, with the assurance that once implemented the changes would yield benefits; their persistent poverty and inability to compete globally threatens the legitimacy of the current international economic system. America must strengthen and improve its development programs, not because it needs trade with or resources from Africa, but rather because it needs those nations to reap the benefits of global commerce so they have a vested interest in sustaining the system that enables it.

Supporting African development means charting a path to sustainable growth by moving production from solely extractive industries to manufacturing. The Power Africa initiative to "double access to power in sub-Saharan Africa" can be an important tool in achieving this goal. The United States should expand the Trade Africa program to facilitate the development of African manufacturing for exports.[53] The United States should also push China to modify its investment and developmental assistance approach by hiring more African workers, improving infrastructure quality, and shifting investment from raw material extraction and towards sustainable manufacturing.

Conclusion

During the last decade, China's economic statecraft in Africa has been a critical component of its *going out* strategy to sustain economic growth and achieve the power and prestige necessary to influence the international system. This economic statecraft included increases in trade, investment, and developmental assistance as a means of facilitating the growth of its domestic economy and its international power. China and Africa view this new economic statecraft as mutually beneficial despite critiques of Beijing's exploitative approach. China has benefited substantially from its economic statecraft in Africa with increased access to resources, increased exports, and increased support in international organizations.

Because this success does not directly threaten vital interests, the United States should leverage China's new influence to help secure US objectives pertaining to the prevention and termination of conflicts and denying al Qaeda a safe haven on the continent. This focus on core interests can yield more cooperation than competition with China. A

53 "FACT SHEET: Power Africa," *The White House, Office of the Press Secretary,* June 30, 2013, http://www.whitehouse.gov/the-press-office/2013/06/30/fact-sheet-power-africa; "FACT SHEET: Trade Africa," *The White House, Office of the Press Secretary,* July 1, 2013, http://www.whitehouse.gov/the-press-office/2013/07/01/fact-sheet-trade-africa. Possible expansions of Trade Africa could include (1) allowing developing nations in Africa to temporarily trade with protectionist measures (i.e., subsidies and tariffs on imports), (2) allowing developing nations in Africa to incrementally adopt global labor and environmental standards; (3) eliminating protectionism of developed economies' (including the United States) agriculture markets; and (4) providing technical assistance to African manufacturing to accelerate its development.

direct challenge to China's economic statecraft would unnecessarily antagonize China and African nations. Instead, America must reinforce its efforts to preserve the international system by accommodating the PRC as a stakeholder and implementing programs that allow African countries to benefit from its existing norms and values. While the United States continues its efforts to build good governance, reduce poverty, and improve living standards in Africa, it should also encourage China to adjust its engagement in Africa to facilitate long-term African development. Such an approach is the best strategy for responding to Beijing's economic statecraft in Africa in a manner that secures and advances American interests.