

Monkey Cage

Should you worry about China's investments in Africa?

By Hilary Matfess September 9 at 3:11 PM

Recently, news broke that [China sold more than \\$20 million worth of arms and ammunition](#) to the government's South Sudan People's Liberation Army (SPLA) last year. The news came just as the two sides in South Sudan's civil war, led by South Sudan's president [Salva Kiir](#) and rebel leader (and former vice president) [Riek Machar](#) signed a peace deal. Some of the news coverage portrayed China as a threat to peace across the continent, in keeping with past news [coverage](#) suggesting that China is surpassing the U.S. in influencing African policy. Further, a U.N. panel expressed concern that its South Sudanese investments are dragging out the conflict there.

Is it true?

Three new studies have systematically examined the ways in which Chinese involvement in Africa does and does not differ from American and European involvement, revealing both some familiar behavior and some troubling patterns.

China's investment in Africa is much like that of the United States and Europe.

First, Chinese companies are no more or less forthcoming than others about their investments, despite accusations that Chinese firms have a "transparency problem." They filed reports about payments to governments of the countries they are investing at roughly the same rate as companies based in other investing nations, according to the Extractive Industries Transparency Institute (EITI), which collects those reports and distributes the information, thereby implementing the [Extractive Industries Transparency Initiative](#), a global reporting standard for natural resource investment transparency and accountability. In order to be considered an "implementing country," governments must regularly publish reports disclosing extractive industry revenues and "[contextual information](#)" that includes the impact of the industry on the economy, the allocation of revenues, and state involvement in the sector.

[Is "China in Africa" something to fear?]

According to EITI, in countries that are implementing the initiative, "Chinese companies disclose information on payments to governments to the same extent as companies from other countries." That's true even in highly sensitive areas like mineral mining and oil production.

In other words, Chinese companies are abiding by global reporting standards; while those standards might be faulty, Chinese investors are still abiding by global norms.

Second, a Brookings study concluded that Chinese firms are [no more likely to invest](#) in natural resources than firms from other countries, despite frequent accusations that the country is hungry for those resources. While Chinese companies have been reluctant to report their payments to a handful of governments, such as Chad, the Democratic Republic of Congo, and São Tome and Principe, other companies have been just as reluctant. Chinese compliance with EITI requirements is all the more impressive when one considers that China is not an [EITI implementing country](#) and has not shown any interest in adopting the EITI's reporting provisions within its own borders.

In other words, both EITI and Brookings suggest that Chinese firms are, despite some accusations otherwise, willing to abide by global global norms of transparency and accountability.

Except that China spends more in corrupt countries, and its aid is more easily diverted for political ends.

At the same time, the Chinese government and private companies appear to favor investment in corrupt countries. The [Brookings Institution](#) undertook a review of the Chinese government's direct investments, and found a negative correlation with the World Bank's Rule of Law index—which means that China is indeed more willing to invest in corrupt countries than are Western governments.

[How “rogue” is China's aid?]

Strathink, a firm focused on analyzing business in East Africa, concluded that the Chinese government tends to aid stable countries — which is [not necessarily the same as those with robust property rights or abide by the rule of law](#).

A review of Chinese official assistance conducted by [AidData](#) last year found that official Chinese aid (comparable to OECD aid) disproportionately goes to the region where that country's political leader was born. That's not a good sign. Apparently Chinese aid is more likely to be deployed to the leader's political advantage than is American or European aid.

Despite media coverage, China is no more “hungry” for natural resources than are other countries. And the country is willing to abide by the EITI's standards. That's a hopeful sign, suggesting that global standards and norms can make a difference and discourage corruption. Developing and implementing international standards is clearly worth the effort.

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