

# CHINA–AFRICA CO-OPERATION BEYOND EXTRACTIVE INDUSTRIES: THE CASE OF CHINESE AGRICULTURAL ASSISTANCE IN WEST AFRICA

EMANUELE SANTI & MAXIME WEIGERT

## EXECUTIVE SUMMARY

Traditionally focused on extractive industries, China's co-operation with Africa is moving towards greater diversification, as African economies themselves diversify and new needs and opportunities arise across the continent. West Africa is a case in point, with China providing new forms of economic assistance to many countries in the sub-region. This is especially the case with agriculture; a key sector in West Africa that involves both food security and economic growth challenges. As emphasised at the 2006 summit of the Forum on China–Africa Cooperation (FOCAC), Beijing means to offer assistance to Africa that differs from the type of aid provided by Western countries. It seeks to implement a model of South–South co-operation advocating mutual gains and the exchange of best practices. In this regard, West Africa could learn a lot from China, which has built a strong domestic agricultural sector in the last two decades and developed it more rapidly than any other sector. This policy insights paper offers an overview of the main trends in and obstacles to China–West African engagement in the agricultural sector, and places them in the context of West Africa's emerging needs.

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## INTRODUCTION

Traditionally focused on extractive industries, China's co-operation with Africa is expanding to new areas as African economies themselves see greater economic diversification. At the same time, new needs and opportunities are arising across the continent. West Africa<sup>1</sup> illustrates this trend, with China involved in new forms of economic co-operation in many countries in the sub-region. This is especially the case with agriculture, a key sector in West Africa<sup>2</sup> that encompasses both food security and economic growth – two challenges that China has long faced domestically. China is reportedly involved in more than 60 agro-related projects across West Africa.<sup>3</sup>

This policy insights paper aims to highlight the drivers behind China's involvement in the agriculture sector in West Africa. It will examine if and how China implements a more beneficial model of agricultural assistance to West African countries, devising a South–South co-operation model more adapted to Africa's needs.

## CHINA AND AGRICULTURAL ASSISTANCE IN AFRICA: BEYOND PRECONCEPTIONS

Sino-African agricultural co-operation began in the 1950s, but is still in its infancy in terms of scale. Despite this, China's involvement in West Africa has often been controversial among the region's traditional donors, even more so as agriculture increasingly moves to the top of the international agenda. This is the result of its widely recognised contribution to achieving the millennium development goals and its key role in meeting the new sustainable development goals. Critics often focus on the apparent lack of transparency in Chinese government policies, and there are various preconceptions when it comes to China's presence in Africa, including in the continent's agricultural sector.<sup>4</sup> Western observers often view China as a predatory contender, aiming to harness African agricultural resources to supply its own market by grabbing undervalued land and disregarding any standards on workforce management and production process quality. Not being a member of the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD), China is suspected of serving solely its own geopolitical interests, almost acting as a 'new colonial power' in Africa.<sup>5</sup>

Even if partially evidence-based, this controversial image fails to reflect the deeper motivations and objectives that drive China's co-operation with Africa, as well as those of the African countries that accept Chinese assistance. Beyond preconceptions, China and Africa have a much more complex relationship, as can be illustrated through the case of agriculture. China's share in the total agricultural assistance provided to Africa remains marginal when compared with that of traditional Western donors. Chinese aid-related statistics are not entirely transparent, but between 2009 and 2012 it seems China provided about \$130 million in agricultural assistance to African countries, while DAC countries contributed \$3 billion in 2012 alone.<sup>6</sup> Likewise, China has bought 290 000 hectares of land in Africa, which is 15 times smaller than the US' property holdings on the continent and 10 times smaller than that of the United Arab Emirates.<sup>7</sup> From 2009 to 2012, China's agricultural exports to Africa grew by 57.6%, its imports by 146%.<sup>8</sup> This evolution is partially the result of the zero-tariff strategy the Chinese government adopted in 2005, expanding the list of African commodities allowed duty-free entry into China from 190 to 440.<sup>9</sup> Furthermore, the terms of

Sino-African trade in agricultural products do not support the assumption that China intends to use African resources to feed its own domestic market. While it is true that China exports fewer agricultural products to Africa than it imports (\$2.49 billion against \$2.86 billion in 2012), most of these imports are cash crops (cotton, silk, oilseed).<sup>10</sup>

## RECENT TRENDS IN SINO-AFRICAN AGRICULTURAL CO-OPERATION

Similarly, although it is often denigrated as being pragmatic and mercantilist,<sup>11</sup> China's intervention in African agriculture cannot simply be described as merely opportunistic. While the various Chinese players operating in Africa are still badly co-ordinated, they increasingly form part of a broader model of co-operation whose political message is gradually taking shape. As emphasised at the 2006 FOCAC summit, the aid the Chinese government offers to Africa differs substantially from the type of aid provided by Western countries. At the same time, China is seeking to implement a model of South–South co-operation that would see a win-win situation for both parties, advocating mutual gains and the exchange of developmental experiences. In August 2013, the Chinese government reaffirmed its commitment to these principles through the *White Book on China–Africa Economic and Trade Cooperation*, which states that<sup>12</sup>

[a]griculture [being] crucial for stable development and poverty reduction efforts in Africa ... the Chinese government attaches great importance to its mutually beneficial agricultural cooperation with Africa, and works hard to help African countries turn resource advantages into developmental ones and sustainably develop their agricultural capacities.

The Chinese government thus aims at building legitimacy through agriculture, based on its own successful experiences as a developing country. In fact, Chinese agricultural development has been spectacular over the past few decades. Starting from a trade deficit in agricultural products at the end of the 1970s, the country reached a surplus position in the 1990s. Since then, agricultural growth is about four times greater than growth in the services and manufacturing sectors.<sup>13</sup> In 30 years, 95% food self-sufficiency has been ensured, with China feeding 20% of the world's population using only 9% of the world's arable land. It also became a food products exporter, with its exports increasing from \$13.6 billion in 2000 to \$44.2 billion in 2010.<sup>14</sup> These increases are the result of a sector strategy consisting of major investments in rural infrastructure, agricultural research and agribusiness services development, in addition to significant efforts to strengthen institutional capacity.<sup>15</sup> Fortified by its success, China can comfortably claim to offer African countries strong, evidence-based assistance. The Chinese model appeals to a continent that suffers from low agricultural productivity and the urgent need for poverty alleviation in rural areas.

## FOCUS ON WEST AFRICA

The Sino-African agricultural co-operation landscape in West Africa has recently been closely analysed by the Agence Française de Développement and the Centre de coopération internationale en recherche agronomique pour le développement.<sup>16</sup> Their analysis reveal a diversity of actions and intervention forms, as well as the heterogeneity of Chinese players operating in the region.

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Thus far, most Chinese co-operation with West Africa has focussed on technical assistance (infrastructure financing, demonstration centres, inputs and machinery supply, expertise and training) as well as on food crop projects intended for the local market (rice, sugar, cassava). This orientation is the result of China's increasing engagement in food security in regional partner countries.<sup>17</sup> It is also explained by the numerous private projects implemented by Chinese farmers who have migrated to West Africa to establish small businesses (food production, livestock farming, machinery import–export).

A new trend is, however, emerging as China's relationship with West Africa itself evolves in terms of both assistance priorities and forms of intervention. Many recent projects led by state-owned enterprises (SOEs) are focussed on cash crops, as in other regions on the continent, notably Southern Africa.<sup>18</sup> In recent years, projects have been implemented in Ghana (cocoa), Benin (sugar, cotton), Sierra Leone (sugar), Guinea-Bissau (cashews), Burkina Faso (cotton) and Mali (sugar, cotton), mostly within the framework of joint ventures with local partners. More recently, several biofuel projects have been announced in Benin, Sierra Leone and Nigeria. These projects are partially export-oriented: towards China when it comes to cotton, and towards Europe for the other crops. They generally comprise technical assistance from China, including training, input and machinery supplies, with the objective of increasing local productivity and production quality. However, China faces many difficulties in scaling up these projects, particularly when it comes to implementing processing activities. Obstacles such as the low capacity of the local workforce, regulatory issues and social resistance have already seen several projects being abandoned.

## FORMS OF INTERVENTION

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The main form of intervention is bilateral-based financial assistance.<sup>19</sup> Under the supervision of its Ministry of Commerce (MOFCOM), China donates agricultural materials (farm equipment, agricultural inputs) and participates in the funding of agricultural programmes and rural infrastructure projects, such as Bui Dam in Ghana and Poilao Dam in Cape Verde, both dedicated to large-area irrigation. China also provides technical assistance, which often consists of demonstration centres – one of the eight policy measures announced by the Chinese government at the 2006 FOCAC summit. To date, four demonstration centres have been established in West Africa (in Benin, Ghana, Liberia and Guinea-Bissau), where Chinese experts provide local farmers with technical training.

China also intervenes in West Africa through multilateral assistance programmes. It takes part in the Strategic Alliance under the framework of the Food and Agriculture Organization's national and regional programmes for food security, which have a strong focus on Africa. As part of this triangular action plan, 500 Chinese experts and technicians were sent to Nigeria between 2003 and 2007, and contributed to the implementation of the National Programme for Food Security through the provision of technical assistance, training, agricultural

inputs and small equipment.<sup>20</sup> Similarly, China takes part in other multilateral programmes such as the ‘Green Super Rice’ initiative of the Bill & Melinda Gates Foundation, in which the Chinese Academy of Agricultural Science participates alongside other global research centres.<sup>21</sup>

## CO-OPERATION TOOLS

As was predominantly the case until the 1990s, a small part of the assistance provided by China remains zero-interest loans, issued by several large state banks after validation by MOFCOM and the Chinese Ministry of Finance. However, the main instruments of Chinese co-operation are now concessionary loans, which are issued by China’s EXIM Bank and the China Development Bank, two financial institutions under the authority of MOFCOM. The loans are issued at a below-market rate of 2.85% on average. For example, a 5 000ha irrigation project on the Accra plain has been funded through a \$100 million loan issued by the China Development Bank at a rate of 2%.

China’s SOEs predominate in the implementation of assistance projects. Their role falls between two intervention stages. First, they are involved in assistance projects as contractors responsible for carrying out the project. However, they are also multinational companies with the usual market-seeking strategies (finding new outlets, avoiding barriers to entry, and diversifying activities). The lines between these two kinds of intervention are blurred, as China aims to pursue the twofold objective of assisting with Africa’s development and promoting the internationalisation of its SOEs. As a result, Chinese companies often intervene within the framework of a public–private partnership. In Liberia, for instance, the Chinese government made Longping High Tech Corporation the contractor in charge of implementing and managing the Central Agriculture Research Institute Agricultural Technology Demonstration Centre.<sup>22</sup>

In many cases, Chinese companies enter the market by providing assistance, before expanding into commercial projects. For example, the China National Complete Plant Import & Export Corporation (COMPLANT) acted as a co-operation agency in Africa between 1957 and 1993, before becoming a production and investment company leveraging its knowledge of African markets to develop private agro-industry projects. In Benin, COMPLANT has bought the sugar-producing company Société Sucrière de Savé, and since 2013 it has been implementing an agro-fuel project in the Savé region, within the framework of the Zheng-Da Sino-Beninese joint venture.<sup>23</sup>

Besides SOEs, a growing number of private investors and businesses are involved in production and commercial development projects on the continent. However, since these are scattered across Africa and fall outside the official Chinese assistance framework, their impact is difficult to assess.

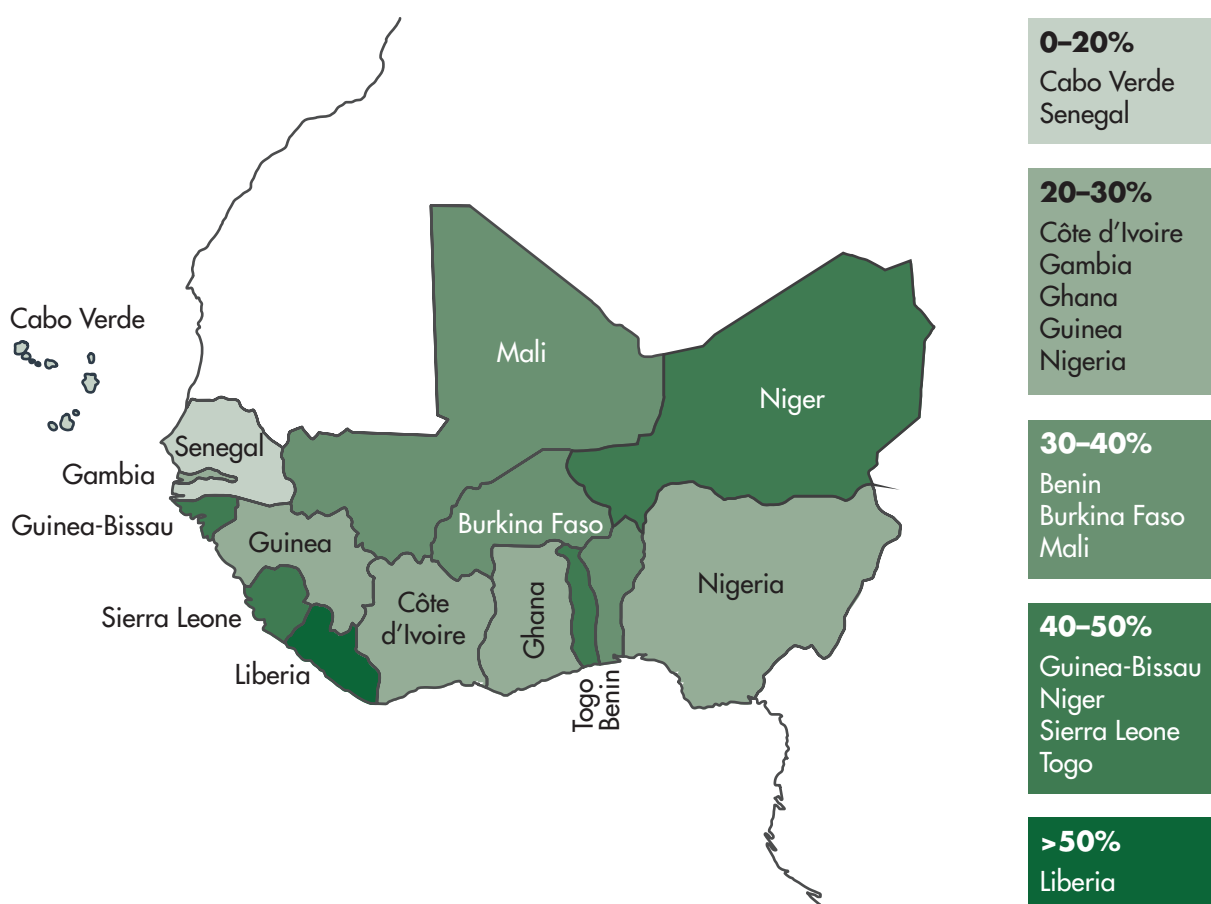
Lastly, China is also an active member of multilateral development banks such as the African Development Bank, the International Fund for Agricultural Development and the World Bank, which all have sizable programmes to support agricultural development in the region.

## LOOKING AHEAD: CHINA’S ADDED VALUE IN THE WEST AFRICAN AGRICULTURAL SECTOR

West Africa is at a critical juncture, recording high growth and increased political stability.<sup>24</sup> Yet despite a decade of high growth, the region still faces serious

inequalities and needs investment, particularly to lift millions of people living in rural areas out of poverty. Against this backdrop, Chinese co-operation-related investments benefit the region, especially as several countries have expressed their willingness to scale up agricultural development and upgrade their agro-business sector. Agriculture is the backbone of the West African economy and accounts for up to 35% of the region's gross domestic product (see Figure 1). More importantly, 65% of West Africans live in rural areas and depend primarily on agriculture. Agricultural products generate nearly \$6 billion, and constitute 16.3% of all products and services exported by the region.<sup>25</sup> In that context, the next step in agricultural development in West Africa is not only increasing production through productivity gains but also improving product quality and expanding local transformation, with the objective of adding value into the agro-business chain.

**FIGURE 1** AGRICULTURE'S SHARE IN GDP (2014)



Source: African Development Bank, Statistics Department, 2015

In view of these challenges, co-operation with China could help West Africa to create greater value in the agricultural sector. To achieve this, China and the countries of the region should implement common strategies focused on their complementarities, based on a win-win model. Increasing food security could

benefit both West Africa and China, which could secure supplies for its raw material needs (minerals, oil, etc.) and increase non-agricultural trade with the region.

## RECOMMENDATIONS

- China should continue to offer West African countries the opportunity to benefit from its experiences in agricultural development as a developing country, within the framework of a South–South partnership. In particular, China should pass on to West Africa those adapted methods and techniques that would enable countries to increase productivity, improve infrastructure and build local labour capacity.
- In order to prevent the recurrent criticism it experiences in other parts of Africa, China should propose equitable investments in West African countries, including job creation and local workforce employment, long-term engagement and profit sharing, with joint ventures as the preferred form of investment.<sup>26</sup> Also, local shareholders' wide participation should ensure that social and cultural norms are taken into consideration.
- West African governments should encourage Chinese projects with an agro-industrial dimension, seeking investment agreements focused on upgrading projects. This includes access to capital facilitation, land rental solutions, regulatory incentives, institutional support and other forms of assistance in the projects' implementation (eg, professional training). China could also provide vital opportunities for greater access to finance, which is traditionally lacking in the region and the sector, and is both a solid alternative and a complement to resources channelled by traditional donors.

## ENDNOTES

- 1 In this paper West Africa is defined as the area corresponding to ECOWAS's member states, namely Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, The Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo.
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- 16 Gabas J-J *et al.*, *op. cit.*
- 17 Chaponnière JR *et al.*, 'Les investissements agricoles de la Chine, Une source d'inquiétudes?', *De Boeck Université | Afrique contemporaine*, 237, 2011, pp. 71–83.
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- 22 Embassy of the People's Republic of China in the Republic of Liberia, 'A brief introduction to the China-aided Agricultural Technology Demonstration Center', <http://lr.china-embassy.org/eng/sghdzhxxx/t720776.htm>
- 23 Gabas J-J. *et al.*, *op. cit.*
- 24 African Development Bank, *West Africa Monitor*, 5, 2015.
- 25 The leading sub-sectors in the region, making the greatest contribution to agricultural growth, are roots and tubers, livestock, rice, cereals, fruit and vegetables, oil seed and bulk export crops (cotton, coffee, cocoa). See African Development Bank, 2014, *op. cit.*
- 26 UNECA, *op. cit.*

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