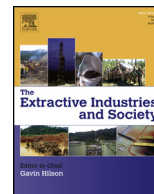




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Original article

Will China redefine development patterns in Africa? Evidence from Cameroon

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ABSTRACT

China's resource-driven foreign policies have led to closer relations with Africa where mineral resources remain the primary draw for Chinese investment. The expanding Chinese presence in Africa's extractive industries has been portrayed as dominated by state-owned enterprises with central government sponsorship, taking the form of 'package-financing' where infrastructure was constructed to access mineral resources. Less attention has been paid to expansion of Chinese private enterprises which have become more significant in response to China's 'going out' strategy in recent years. This study assesses the impacts of Chinese private firms investing in extractive industries particularly their impacts on rural communities in Cameroon. We show that the assumption that China's state-owned enterprises are dominating extractive industries is not always the case and the Chinese private sector is becoming increasingly influential in Africa. In Cameroon, political instability, challenging investment conditions and environmental issues hinder all overseas investment, and terrorism has become a challenge for both recipient governments and foreign investors. Rural communities suffer the consequences of these constraints on investment. The conditions under which Chinese private sector investment could contribute to sustainable livelihoods in rural areas are discussed.

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1. Introduction

In 2015, a new agenda known as the Sustainable Development Goals (SDGs), spanning three dimensions of economic development, social inclusion and environmental sustainability, was adopted by United Nations (UN) to shape the direction of global development over the next 15 years (United Nations, 2014). Among the 17 goals, 12 directly affect natural resources. Recently sustainable use of natural resources appeared on the G20 agenda during Germany's Presidency. Priority was subsequently given to boosting investment in Africa at the Finance Ministers and Central Bank Governors summit in Baden-Baden, Germany. The Baden Baden summit launched an initiative 'Compact with Africa', aimed at fostering private investment to promote sustainable and inclusive growth in line with the SDGs and in support of the African Union's Agenda 2063 (G20, 2017).

Economic wealth and social prosperity in Africa are based to a large extent on the extraction and use of natural resources. Since 2000, China's demand for African minerals grew rapidly (Moyo, 2012). China's extractive industry investments in Africa have focused mainly on oil and iron ore, followed by copper and nickel (Deloitte, 2009; Mergermarket, 2013). The expanding Chinese presence in Africa in extractive industry investments associated with infrastructure projects has been characterized in international media and academic circles as a resource grab or a 'new scramble for Africa' (Carmody, 2009; Moyo, 2012; Taylor, 2006). The extractive industry investment model, the so-called 'resources for infrastructure' strategy, was, until recently, the predominant form of Chinese engagement in many African countries. The political and strategic motivations underpinning Chinese state-owned enterprises (SOEs) investments has been portrayed as limiting Africa's capacity to retain control of its economy (Sun, 2014). Large SOEs did account for a major part of China's investment in Africa, but today 'resources for infrastructure' investments are declining. The evidence presented in this study shows that the architecture of China's extractive industry investments in Africa is changing, and the current picture is far more complex.

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Few studies have documented the extent to which Chinese extractive industry investments contribute to Africa's rural development. Mineral companies claim to be contributing to 'sustainable livelihoods' or to be providing 'alternative livelihoods' in rural areas. These claims are often made by companies which are operating in areas where rural communities are heavily reliant on artisanal mining for survival (Hilson and Banchirigah, 2009). There is a wealth of research on the concept of 'sustainable livelihoods' (Bebbington, 1999; Ashley et al., 1999; Hilson and Banchirigah, 2009; Rakodi, 2002). A livelihood is sustainable when it can cope with and recover from stresses and shocks to maintain or enhance its capabilities and assets, while not undermining the natural resource base (Chambers and Conway, 1992). Scoones further identified five main types of 'capitals' that sustain livelihoods: natural capital, financial capital, human capital and social capital and built capital. Multiple capitals are combined in different strategies, thus generating different types of livelihoods (Scoones, 2009). We use the concept of 'sustainable livelihoods' as a measure of the extent to which Chinese investments contribute to rural development, poverty reduction and environmental management in Cameroon.

Using the conceptual framework of 'sustainable livelihoods', we sought to determine whether China's extractive industry investments were yielding sustainable benefits for rural communities in Cameroon. We collected data from locations with Chinese extractive industry investments in Cameroon in 2013 and 2014, and followed up on the interviews with key informants in 2016. The surveys were conducted in the villages around the exploration and mine sites. The private investments from China that we studied were similar to private sector investments from other countries and in the instance of Cameroon, were often linked to investments from third countries. China's investments were clearly not orchestrated by the central government in Beijing, the private sector was playing an increasing role and was subject to the same political, market and environmental constraints as private firms from other countries. Local livelihoods in areas adjacent to Chinese investments were not deriving significant benefits from mineral activities in Cameroon.

2. 'Resources for infrastructure': Chinese state-owned enterprises in Africa

Until recently Chinese investment in mineral extraction in Africa was mainly dominated by state-owned enterprises (SOEs), which accounted for 80% of Chinese industrial mineral extraction (Liu and McDonald, 2010). SOEs obtain government grants or low interest loans mainly from the Export-Import Bank of China (China Exim Bank), a bank established in 1994 that aims to promote the export of Chinese products and services. China's SOEs adopted a model of 'resources for infrastructure', where roads and railways were constructed in order to access mineral resources. Under the 'resources for infrastructure' model, the recipient nation exchanged commodities, such as oil, minerals and other resources for low-interest loans for infrastructure projects. Angola was the first African country to adopt this model (Kiala, 2010). In 2004, China Exim Bank provided the first US\$2 billion financing package for public investments in Angola. A second financing package agreement for Angola valued at US\$2.5 billion was signed in 2007 (Brautigam, 2009). Under such arrangements, Angola has become China's largest source of oil from Africa. This 'Angola Model', as it has been labeled by the World Bank, has been the predominant model for Chinese engagement with Africa (Foster and Briceño-Garmendia, 2010).

China has provided concessional loans for oil extraction in Africa since the Chinese government reformed its foreign aid policies in 1995. Sudan was the first nation in Africa to be a

recipient of Chinese investments in oil extraction (Downs, 2007). In 1995, China provided a US\$8 million concessional loan to Sudan. The China National Petroleum Corporation (CNPC) signed the first agreement with Sudan to develop Block 6 in the Muglad Basin (Zhang et al., 2011). In 1997, CNPC and its partners formed a joint operating company, the Greater Nile Petroleum Operating Company (GNPOC). Since then, China has linked its expansion of foreign aid to Sudan with investment in the oil industry (Zhang et al., 2011).

The generous conditions within the 'resources for infrastructure' investments placed Chinese investors at a distinct advantage compared to other foreign companies that had to source funds from financial markets (Kinship, 2012). Thus, financial support and concessional loans enabled Chinese national oil companies to expand their investments in Algeria, Angola, Chad, Mauritius, South Sudan and Niger, with Angola alone accounting for 50% of oil imports from Africa (Downs, 2007). National companies seeking strategically important minerals in Africa benefitted from these arrangements. In general, China's mineral industry investments in Africa, particularly in oil and iron ore, were central to its 'going out' strategy. The Chinese government was supportive of firms that expanded overseas and this expansion has until recently been dominated by SOEs (Gu, 2009).

3. Emerging players: Chinese private enterprises

Since 2008 when the global financial crisis affected the world's major economies, Africa became more attractive for overseas investment. China's private sector companies have exploited opportunities for investment in several sectors in Africa. The 'going out' strategy, led the Chinese government to adopt policies to prioritize private sector investment overseas to complement state-owned enterprise investments. Such policy adjustments were associated with China's seventh economic structural reform in 2013 (The Economist, 2015). Conventional wisdom in the West maintains that the Chinese government is a powerful motivating and guiding force behind the rapid expansion of Chinese investment in Africa (Carmody, 2009; Taylor, 2006). However, this is no longer the case. Since 2005, the private sector, rather than government has increasingly become the engine of economic exchange between China and Africa (Shen, 2015). Estimates regarding the number of Chinese enterprises in Africa vary considerably. Official data sources do not accurately track China's private companies in Africa (Gu, 2009). According to the Chinese Ministry of Commerce in 2008, China had more than 2800 enterprises in Africa, of which approximately 85 per cent were privately owned. Some studies have argued that the estimate is still conservative, and the true figure may be an order of magnitude greater (Gu et al., 2016). The African Development Report 2014 stated that as of the end of 2013, 70% of Chinese enterprises investing in Africa were from the private sector (African Development Bank Group, 2014). The World Bank found 1586 Chinese investment projects were active in Sub-Saharan Africa at the end of 2011, of which 923 were from the private sector (Chen et al., 2015). Among Chinese investment projects, 55% were from the private sector at that time, compared to 45% owned or controlled by SOEs (Zhang, 2014). Detailed information on the number of China's private mineral enterprises operating in Africa is still not available.

Most studies on Chinese foreign direct investment do not differentiate between SOEs and the private sector (Gu, 2009). Recent studies suggest that Chinese SOEs are attracted to large markets, and to countries with a combination of abundant natural resources and weak institutions (Zhang, 2013). These are often countries with high levels of political risk (Gamassa Pascal Kany Prud'ome, 2015). Private mineral enterprises, driven by the pursuit of profits, seek to avoid risk and invest in countries with relatively

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