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Policy Brief

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Canada and China: Accepting Africa's Rise?

One of the defining characteristics of the 21st century is the unprecedented growth of the global middle class. Such explosive growth is creating extraordinary demand for consumer products and the natural resources, such as oil and minerals, needed to produce them. Africa, one of the last regions where natural resources remain relatively unexploited, is the focus of intensified global attention—and not just from African countries' former colonial masters. Its abundant mineral wealth, vast agricultural land, and increasingly skilled labour force are attractive factor endowments for investors. This attractiveness is reflected in consistently high gross domestic product (GDP) growth rates in the region, which over the past decade have exceeded even those of the so-called Asian Tigers, the fast-growing countries of East Asia. Both Canada and China are directing increasing attention to Africa during this period of global transformation. Driven by distinct strategies and using varied combinations of public and private policy instruments, Canada and China, as trading nations interested in good investment opportunities, have both increased their investments in Africa.

This policy brief is based on a paper published by the China Institute at the University of Alberta in 2014. It identifies and compares Canada and China's strategies and policy instruments in their approaches to Africa's rise. It specifically examines the extent to which Canada's and China's engagements respond to the region's need for more equitable and sustainable forms of economic and social development and concludes with a set of recommendations regarding Canada's financial and policy presence in Africa.

Globalization and natural resource extraction

The second half of 2012 witnessed three significant developments in three parts of the globe, which taken together have had profound implications for Canada's and China's pursuits of distinct strategic foreign policy objectives with respect to Africa and the policy instruments that they deploy to achieve them. These developments were the deaths of South African miners that illustrated the increased global incidence of community unrest over natural resource extraction, a growing push in the United States, Europe, and China to strengthen the regulation of natural resource extraction, which was reflected in legislation to improve transparency and accountability in extractive sectors with extraterritorial application being either implemented or prepared, and the release of Chinese trade data indicating a striking increase in African exports to China that demonstrated burgeoning demand for Africa's natural resources. While the Canadian and Chinese governments are both in part driven by similar strategic objectives associated with their respective mercantilist ambitions, each attempts to achieve them by deploying their soft power instruments—aid, trade, and investment—in distinct ways and with varying outcomes for their countries and development in Africa.

Domestic motives and African development outcomes

It is often difficult to draw conclusions about the precise motives underlying the Canadian and Chinese governments' policy strategies toward Africa from public rhetoric alone, though there is some consensus in the academic literature about why they are present on the continent based largely on their behaviour.

The Canadian government's motives have not yet been systematically articulated, at least not publicly. The brief inclusion of Africa by the Department of Foreign Affairs and International Trade Canada in its policy paper on strategic priorities for 2012–13[1] fell short of the recent rhetoric of Canadian ministers of foreign affairs and international trade, who at the 2012 and the 2013 Africa Day celebrations in Ottawa framed Africa as a foreign policy and commercial priority for Canada. The volume and distribution of Canadian official development assistance, which doubled between 2005 and 2010 to meet commitments made at the Group of Eight Gleneagles Summit in 2005, and foreign direct investment flows, limited as they are to a handful of countries and sectors, do not indicate clear trends. David Black (2009, 41) has sketched out a philosophical framework that suggests Canada's "foreign policy towards the global South has been guided by inertia" and describes it as "a foreign policy of drift." Since the Conservative government of Prime Minister Stephen Harper took office in 2006, Canada's regional priorities have alternately focused on the Commonwealth, the Americas, Asia, and most recently Africa, which appears to demonstrate that domestic strategy changes frequently in reaction to conditions in the global economy rather than according to any overarching principles.

Officials' rhetoric about South-South cooperation sometimes obscures that China's presence in Africa is driven both by economic need—its large and growing middle class has high demand for minerals—and geopolitical ambitions, given that it often needs support from Africa's 54 governments within the United Nations and other multilateral bodies. The country's establishment of the Forum on China-Africa Cooperation (FOCAC) in 2000 signalled its intention to increase its presence in Africa with its mercantilist and geopolitical ambitions prioritized, but it followed through with FOCAC policies "targeted to Africa's practical needs and urgent issues and to resolving problems to the benefit of African development" (Li et al. 2012, 56). This example serves to underline the formal arrangements made to facilitate cooperation since the turn of the century. At the same time, China's deployment of a combination of instruments that "[f]or countries lacking in resources and markets, there will be more assistance, but for countries rich in both, there will be more international trade and investment" (Li et al. 2012, 57). China's emphasis on infrastructure development is tied to its need to import natural resources but also points to its commitment to support African countries over the long term.

Irrespective of each country's motives, the extent to which Canada and China contribute to Africa's development can be contrasted. Relative to China's extensive financial presence in most of Africa, Canada's presence is limited to primarily a few resource-rich African countries. Regarding aid, the list of 20 "countries of focus" that was introduced by the Canadian International Development Agency in 2009 resulted in aid being cut off to eight of 14 previously

[1] See DFAIT (2012–13).

supported African countries. Only seven African countries were on the new list: Ethiopia, Ghana, Mali, Mozambique, Senegal, Sudan, and Tanzania. With the exception of Mali, these countries are resource-rich economies and/or lower-middle-income countries. Black (2009, 43) points out that "the net effect of these shifts was to reduce the concentration of bilateral aid resources in countries experiencing the highest levels of poverty."

Comparisons of the extent to which Canada's and China's respective uses of soft power instruments respond to Africa's most pressing development needs also reveal a striking contrast. China's aid and investment flows to the continent unsurprisingly dwarf those of Canada and China's distribution by country and by sector is much more extensive. Chinese investments have broadened from natural resource extraction to manufacturing and services, with China, as a developing country itself, often giving explicit recognition to job creation as a critical priority for Africa. At the same time, China's aid programs are concentrated on building the infrastructure and human capacities necessary for sustained economic growth and social stability. China is evidently more responsive to the reality of African development—characterized by the process of deindustrialization over the past three decades and the world's highest rates of youth unemployment and widest gaps in income inequality—than to the contemporary narrative about high GDP and export growth in Africa's emerging economies.

In contrast, Canada's latest statements about shifting its support for Africa's development from the provision of official development assistance to more trade and investment through the private sector may not prove to be comforting to African governments, especially in light of empirical evidence accumulated over the past several decades on extractive sectors' contributions to economic growth and job creation. While investments in energy and particularly extractive sectors—Canadian investments in Africa are overwhelmingly concentrated in African extractive sectors—may produce higher GDP growth and improved trade balances in the short term, experience has conclusively shown that such investments do not create the numbers of jobs or the quality jobs that Africa desperately needs today and will need tomorrow as its population continues to grow.[2] South African President Jacob Zuma recently warned Western companies that "they must change their old 'colonial' approach to Africa or risk losing out even more to the accelerating competition from China and other developing powers" (Russell 2013). Unless there is parallel investment in building infrastructure and human capacities, investment in energy and extractive sectors generally has perverse political and economic effects and can cause social destabilization—recall the pervasive "resource curse." In sharp contrast to Chinese policy, Canadian policy seems to have accepted the illusion of broad-based African development based on the GDP growth of Africa's fastest-growing economies. Africa's political and economic elites, as well as its growing and often restive civil society, however, can distinguish between reality and illusion.

Policy recommendations

Failure on the parts of the Canadian and Chinese governments to recognize Africa's

[2] The World Bank's *World Development Report 2013: Jobs* presents compelling evidence on the inadequacy of employment opportunities in extractive sectors. For more information, see World Bank (2012).

real development needs and close the gaps between their respective public rhetoric and actual presence on the continent could prove costly both in terms of their countries' branding and competitive strengths over the long term. Although far from being perfectly responsive to Africa's needs, China has a financial and policy presence that is clearly more responsive than that of Canada, rhetoric notwithstanding. As a developing country, China understands that broad-based development and social stability require more than just high GDP growth and private foreign direct investment in extractive sectors. To produce mutual long-term benefits for itself and Africa, Canada needs to understand that as well. What does this understanding mean in terms of policy? The Canadian government could:

- Use its limited aid budget to target those African countries that, according to models developed by the Organisation for Economic Co-operation and Development's Development Assistance Committee, World Bank, and United Nations Development Programme, are underfunded. These include Burkina Faso, the Gambia, Guinea, Madagascar, Malawi, Niger, and Togo—all countries that have low incomes and low human skills and that are falling well short of their Millennium Development Goals targets.
- Consider support for those African governments whose tax revenues per capita fall short of aid received per capita (for instance, the governments of Burundi, Central African Republic, the Democratic Republic of the Congo, Sierra Leone, Guinea Bissau, Rwanda, Liberia, and São Tomé and Príncipe) through training and technical assistance funded by official development assistance.
- Target official development assistance toward the accelerated transformation of Africa's economies through greater diversification of natural resource investments (not just focusing on mining but equally on agricultural transformation and rural development), infrastructure development, support for secondary and tertiary education (thereby enhancing local skills capacities, especially among women), and encouragement of Canadian investors to partner with local firms to create both upstream and downstream activities.
- Provide support for the enhancement of transparency and accountability in the management of natural resource extraction through training and technical assistance, including the empowerment of local communities through multi-stakeholder initiatives that are responsive to human rights obligations.
- Create a Canadian trade policy framework that contributes to Africa's diversification away from natural resources by establishing a less discriminatory market for its low-income exporters of agricultural commodities.

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