

China and Africa: The Role of CSR in this partnership¹

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1. Introduction

This paper is about the increasing relationship between China and Africa and the role of CSR in this partnership. China has had a long partnership with Africa going back to the early days of independence movements in the 1960s and even earlier when it established a diplomatic relationship with Egypt on 30 May, 1956. At first, the Chinese regarded Africa as a terrain for ideological competition with the Soviet Union and the United States but since then has established links with many African nation-states emerging from colonial rule and supported those who were fighting for liberation. Throughout the next several decades, China was engaged in building infrastructure and provided technical expertise, doctors, scholarships, and various forms of aid. In October 25, 1971 the friendly relations to Africa paid off, as the Peoples Republic of China entered the UN with the crucial help of African countries, thereby replacing the Taiwanese. Among the 76 votes for China, 26 were from African countries, making one third of the total. Chairman Mao had said at that time it was African friends who raised us into the UN³. Over the past decade, human rights proposals

¹ Presented at the China World Fair, UN Pavilion organised by CIBJO and UNITAR, Shanghai, China, Sept 22 2010

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³ Dr. He Wenping: Moving Forward with the Time: the Evolution of China's African Policy, Hong Kong, 12 November 2006.

against China were defeated 11 times at the United Nations, and without African nations' support, "China could not have defeated those proposals."⁴

2. China's business in Africa

In recent years, China's economic investment in Africa has accelerated - but note that trade with the USA is still larger than that between Africa and China. The year 2006 marked a historic year in China-Africa relations when the Beijing Summit of the Forum on China-Africa Cooperation on November 5, 2006 declared⁵ the birth of "the establishment of a new type of strategic partnership between China and Africa, featuring political equality, mutual trust, economic win-win cooperation and cultural exchanges".

China has been welcomed by many African governments as a new investor, a model for development and an ally in a world where there is growing unease over what African governments perceive to be the patronizing attitudes of the Western countries⁶. It is estimated that China has now over 800 Chinese companies who are doing business in 49 African countries with 480 involved in joint ventures with African companies⁷. China is also Africa's second-largest trading partner after the United States. China imports a third of its crude oil from Africa.

3. China and resources

China has spent billions of dollars securing drilling rights in Angola, Nigeria, and Sudan; and has exploration or extraction deals with Chad, Gabon, Mauritania, Kenya, the Democratic Republic of Congo, Equatorial Guinea and Ethiopia. China has invested in the copper industry in Zambia and Congo as well as buying timber in Gabon, Cameroon, Mozambique, Equatorial Guinea and Liberia⁸. Across Africa, Chinese companies are crowding out Western and other foreign companies, winning contracts to pave highways, build hydroelectric dams, upgrade ports, lay railway tracks, building pipelines, hospitals and stadiums. The western countries, therefore, view China both as a threat due to unfair investment practice and as a competitor for access to Africa's natural resources.

⁴ Li Anshan China and Africa: Policy and Challenges, China Security, Vol. 3 No. 3 Summer 2007

⁵ Beijing summit of the Forum on China-Africa Cooperation (FOCAC) Beijing, Nov. 5, 2006

⁶ Drawing contours of a new world order: Financial times 28 Dec. 2008

⁷ AccountAbility, London, Nov 2009

⁸ Interview with George Ayittey, American University and President of the Free Africa Foundation Washington DC,

4. So, what are China's relatively new motives in Africa?

Africa, with its established and new oil fields as well as its openness to foreign investment is an obvious attraction to any country and that includes China. There are several reasons why China needs to do business with Africa:

- China needs oil to fuel its growing economy, natural resources to feed its industries and of course market for its manufactured goods.
- There are also politically motivated drivers that are important for China's foreign policy agenda such as the building of alliances which makes Africa politically crucial to China. For example, the continent's 53 countries represent a big group of votes at the UN General Assembly.

China's involvement in Africa has become increasingly of interest and debate in international diplomacy, academic circles and Western media. There are debates on whether China is good for Africa and, presumably, whether China is doing a better job of helping Africa than the West? A study conducted by students at Oxford University indicated that favorable views of China by Africans outnumber critical judgments by two-to-one⁹. Proponents of the Sino-African relations believe that booming trade with China and the huge export of raw materials help African economies to grow and thus reduce poverty. They argue that China's rising demand for Africa's natural resources helps to re-establish Africa as a source of valuable commodities for the global market.

A number of prominent Africans have spoken warmly about China. Former President Kenneth Kaunda of Zambia was quoted as saying: *“China stood by the people of Africa during our struggle for self determination and independence. The assistance Zambia received from China helped the country overcome the era of colonialism and apartheid in South Africa. I recall, he stated: fond memories my meetings with some of the founding leaders of the People's Republic of China. It was during such meetings that a decision was made to build the Tanzania-Zambia Railway ”*¹⁰.

The President of Rwanda, Paul Kagame said in an interview: *“ Africa was neglected and even exploited for a long time. But now we want to have fair relations with the rest of the world. The odds are in our favour! There are new players, developing countries like China, India and Brazil. The Chinese bring along what Africa needs which is mainly foreign investment”*¹¹

⁹ A 2007 Pew Global Attitudes Survey (entitled *Global Unease with Major World Powers*) cited by Eksandra Gadzala and Marek Hanusch, African Perspectives on China-Africa: Gauging Popular Perceptions and their Economic and Political Determinants, Oxford University, January 2010

¹⁰ Africa needs China, AllAfrica.com, 27 July 2010

¹¹ Interview with President Paul Kagame, 12 October, 2009

The President of Senegal, Abdoulaye Wade added to the debate when he stated: *“China's approach to our needs is simply better adapted than the slow and sometimes patronising post-colonial approach of European investors, donor organisations and non-governmental organisations. In fact, the Chinese model for stimulating rapid economic development has much to teach Africa. Our continent is in a hurry to build infrastructure, ensure affordable energy and educate our people. In many African nations, African leaders are striving to reinforce robust economic growth in a sustainable manner and reduce “brain-drain” incentives that have led to an exodus of well-educated Africans to Europe*¹².

Finally, the Senegalese Ambassador to Beijing, Mr. Sahr Johnny, gave a widely held impression, in 2005, when he summarized a meeting with Chinese investors as follows: *“The Chinese are doing more than the G8 to make poverty history. If a G8 country had wanted to rebuild the stadium, we'd still be holding meetings! The Chinese just come and do it. They don't hold meetings about environmental impact assessment, human rights, bad governance and good governance. I'm not saying it's right, just that Chinese investment is succeeding because they don't set high benchmark”*

Critics and opponents of the Sino-African relationship argue that Chinese manufactured goods, and traders are displacing small local businesses in many countries in Africa. Consequently, workers and poor masses have protested the flooding of Africa with Chinese cheap goods that kill local industry, particularly textile and clothing, and make hundreds of thousands lose jobs in Zambia, Namibia, Nigeria, South Africa and elsewhere in the continent. They criticize China for importing Chinese labourers or giving overwhelming preference to Chinese workers at the expense of locals when hiring for the many infrastructure projects funded by China. They argue that much of Chinese aid comes without any conditions, while Western donors impose conditions on aid and tie trade to better governance and human rights issues. The new Chinese assistance does little or nothing to encourage African countries to improve accountability and transparency- the twin scourges of Africa. Critics further argue that China's increased engagement with Africa has hindered the continent's steps towards democratic accountability and good governance. They also fear that a huge, non-democratic economic power such as China will become influential in the African political process and team up with unpopular and repressive leaders.

However, China's response to such concerns is that the China does not interfere in the domestic affairs of other countries. In fact the guiding principle of Chinese foreign policy in its African Policy of January 2006 stresses that China ‘respects African countries’ independent choice of the road of development’ and will ‘increase assistance to African nations with no political strings attached’.

¹² Abdoulaye Wade, President of Senegal, published on FT 23-Jan-2008

5. No Free lunch

Although China has a policy of no political strings attached they do set conditions on deals they have secured in African countries. For example, in 2004 China granted Angola a \$2bn credit for rebuilding infrastructure destroyed during the civil war, but in return Beijing would receive 10,000 barrels of oil per day. On top of this was a condition that only 30% of the construction project would be subcontracted to Angolan firms. Similarly, after the visit of Premier Hu, China gave Nigeria \$2.5bn loan for infrastructure development, but secured an \$8.3bn contract for modernization of the Nigeria's primitive railway system. The Chinese firm handling what is called a "*design, construct and maintain*" project said 50,000 Nigerians would be employed in the work. Also attached to the loan is a controlling stake in the 110,000 barrel per day refinery in Kaduna, northwest Nigeria.¹³

6. The role of CSR in Africa-China relations

The Chinese government is playing an increasing role in promoting CSR development at home and overseas. A number of laws, regulations, and policies related to CSR have been issued in China. In 2005, China developed its first CSR management standard, "the China Social Compliance 9000 (CSC 9000)," for the textile industry aimed at improving CSR management and practice¹⁴. In 2007, the Chinese Ministry of Commerce introduced regulations to try to encourage Chinese companies to act responsibly in Africa.

There is considerable awareness in China of CSR although definitions vary. The multi-stakeholder definition, used by MHCi, is known in some cases but rarely applied in China's activities in Africa. As Mr. Cheng Siwei, a leading member of the National People's Congress, warned, Chinese companies that lack social responsibility would damage their reputation and potentially their viability in African markets¹⁵.

However despite China's strategic commitment to African development, there is a strong feeling that the current approaches to managing CSR in Africa need major improvement.¹⁶ A study by the US based Rockefeller Foundation with BSR (Business for Social Responsibility) highlighted problems that, they say, still exist in Chinese business operations in Africa, particularly with regards to labor rights and standards. Reports of poor worker

¹³ Peluola Adewale: China: A new partner for Africa's development? Lusaka 03/07/2007-03-
<http://pambazuka.org/en/category/comment/40407>

¹⁴ The China in Africa Project of the SA Institute of International Affairs (SAIIA) April 2008.

¹⁵ Drawing contours of a new world order: Financial times 28 Dec. 2008

¹⁶ Zadek, Simon, Chen Xiaohong, Li Zhaoxi, Jia Tao, ZhouYan, Kelly Yu, Maya Forstater, and Guy Morgan. 2009. Originally published "Responsible Business in Africa: Chinese Business Leaders' Perspectives on Performance and Enhancement Opportunities" by AccountAbility and the Enterprise Research Institute, Development Research Centre of the State Council of P.R. China

treatment and labor strife surround Chinese-operated mining facilities and factories, and first-hand accounts have confirmed cases of irresponsible business conduct.

Although many African leaders are welcoming the Sino-Africa partnership, many poor workers and employees of the Chinese companies are not happy with this relationship. For example, Chinese companies are accused of anti-labour practices and disregard for rights, and improved living and working conditions of workers. Chinese companies are characterized by unsafe working conditions and poor environmental practices. For example, in 2005, 51 workers died in an explosion at the Chinese run mine in Copperbelt, Zambia while 5 workers were shot dead during a protest over working condition at the same mine. The alleged ill-treatment of workers in a Chinese-owned mine in Zambia led to a violent protest in 2007.¹⁷ Similarly, in Lagos Nigeria, 29 workers were roasted alive in an inferno at a Chinese firm in 2002. The workers in the firm were locked inside without an emergency exit. The affected workers died because they could not escape. Chinese firms are also accused of not respecting minimum wage and labour laws of the host country. The workers are usually engaged as casuals on low pay and with no benefits and rights to form or belong to a trade union. In Zambia, Chinese inward investment became an issue in the 2006 general election with the main opposition leader, Michael Sata capitalizing on the growing hostility against the Chinese.¹⁸

The International financial institutions have since the 1990s adopted environmental guidelines and standards to address the environmental impacts of their projects. However, major Chinese investors, financiers and equipment suppliers have so far not adopted such standards, nor have they developed policies that are in line with international standards¹⁹.

Some of the concerns and issues raised, by the Rockefeller report while noting that the Chinese Government can have a say in the operations in SOEs but not wholly owned private companies nor SMEs, include for Chinese businesses operating in Africa:

- Many take short-term approaches to their investments in Africa “are not regulated by the Chinese government, and are therefore much less beholden by CSR standards²⁰
- They lack experience in strategic orientation and capabilities for CSR issues
- They lack experience in stakeholder engagement covering all stakeholders (especially communities, governance, environment, employees, managers, customers, suppliers)

¹⁷ Kelvin Kachingwe ,Controversial Chinese Firm Given Another Copper Mine, IPS, Lusaka, 2 June, 2009

¹⁸ Peluola Adewale: China: A new partner for Africa's development? Lusaka 03/07/2007-03-
<http://pambazuka.org/en/category/comment/40407>

¹⁹ Peter Bosshard South African Institute of International Affairs, China in Africa Policy Briefing paper
3 April 2008

²⁰ Rockefeller Business for Social Responsibility: China's Rising Influence in Africa: Is There Room for CSR? A Report on the 2007 BSR Conference, January 2008

- They lack experience in engaging effectively with civil society and media or of creating active community partnerships
- Few, if any, have neither established a department specialized in CSR management nor developed a clear management system on CSR²¹.

Furthermore, there is a concern that because of China's policy of not "*intervening in the internal affairs of other countries*" Chinese companies may not easily be able to address issues such as corruption, transparency, and human rights. This means that it is hard (but not impossible²²) for Chinese companies to qualify for membership of the UN Global Compact and receive international recognition for social responsibility.

7. Conclusion

China's growing presence in Africa has been strongly welcomed by many African governments and is regarded as a friend, investor and model for development and certainly the role of Chinese business in Africa has captured the imagination of African leaders and youth. These latter have not only expressed appreciation for the economic boost triggered by Chinese investment, but also for the pragmatic and speedy way in which China has delivered aid projects. There is no doubt that China's mixture of aid and investment in the continent will improve the lives of millions of Africans. However given the rising concerns about the negative impacts of Chinese business in Africa, the Chinese government should be more proactive in appealing, promoting and guiding Chinese companies to take social responsibility very seriously when doing business in Africa.

There are strong positive reasons for Chinese companies to take CSR seriously in Africa. Being socially responsible will not only enhance China's image in the continent but will also encourage full stakeholder engagement leading to a mutually acceptable and mutually beneficial framework for Chinese CSR in Africa. Such engagement will, if carried out thoroughly and as has been seen across the world, enhance China's reputation and allow China to obtain even more access to sorely needed natural resources while contributing to China's growth and increased employment. On the other hand, there is a danger that China's perceived lack of CSR in Africa could lead to an unwelcome reaction from the African people themselves thereby rapidly increasing Chinese costs and risks of operations.

²¹ Zadek, Simon, Chen Xiaohong, Li Zhaoxi, Jia Tao, ZhouYan, Kelly Yu, Maya Forstater and Guy Morgan. 2009. Originally published "Responsible Business in Africa: Chinese Business Leaders' Perspectives on Performance and Enhancement Opportunities" by AccountAbility and the Enterprise Research Institute, Development Research Centre of the State Council of P.R. China

²² The chief executive officers of 50 Chinese companies have committed to the ten principles of the Global Compact' cited in http://www.unglobalcompact.org/docs/news_events/9.5/gp_china_art.pdf accessed Sept 11 2010,