

**CHINA'S AFRICAN ENGAGEMENT:
ACTORS, PRACTICES AND
POLICY CHALLENGES**

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Executive Summary

1. In the past decades, China has deepened its relations with African countries in a wide range of areas including diplomacy, trade, investment, aid and energy cooperation. However, China continues to face challenges to its efforts to improve its image in Africa as the relations go deeper and broader.
2. As China's foreign trade relations and investment become more decentralized and diversified, provincial (including municipalities directly under the central government) and local state-owned enterprises (PSOE) began to become active participants in the Sino-African engagement as sub-state actors.
3. Another important actor is China's privately owned enterprises (POE). Although they are still dwarfed by the national state-owned enterprises (NSOE) and PSOE, measured by capital for investment, they are rapidly developing into an important participant in Sino-African economic relations.
4. The larger POEs also do businesses with African countries, sometimes as partners or sub-contractors of NSOEs or PSOE, but most POEs are engaged in trade and agricultural projects in Africa.
5. The more flexible approaches and methods adopted by POEs in their operations have not only expanded markets for Chinese investment and trade in Africa, but also produced some negative impacts on China's image in Africa.
6. This increasingly diversified and multilayered engagement is encouraged by the Chinese government which offers preferential tax policies and financial support, and organizes delegations and forums to keep Chinese actors of African businesses updated on Sino-African relations.

7. But this trend has also created new challenges to China in Africa. The major challenge is the coordination between provincial and private economic interests and China's national goals, both economic and diplomatic, in Africa.
8. Other challenges mainly concern China's image in Africa. They include issues regarding competition, employment, business ethics, environment, social responsibility and cultural understanding of Africa. Many problems actually reflect patterns and behaviors that have existed in China's domestic economic development.
9. Facing these challenges, especially in 2009, the Chinese policy community, in particular the central government, has made noticeable efforts to improve its image in Africa. To safeguard China's interest in Africa, however, more policy changes have to be made at central, provincial and private business levels.