

New actors in the global economy

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VALORIZATION

In accordance to Article 23 of the Regulation governing the attainment for doctoral degree in the Maastricht University, the following section discusses the valorisation opportunities offered by this PhD thesis. Following the corresponding guidelines, these opportunities are analysed in terms of the social and economic relevance of the thesis, the potential target groups to whom the results can be interesting and the degree of innovativeness of the research methods used.

The project originated as an attempt to understand, both theoretically and empirically, how the entry of players from the Global South like China into the foreign aid game affects the current framework of international development cooperation between the traditional Western donors and investors on the one hand and African recipient countries on the other hand.

Regarding the innovativeness of the research methods proposed, the thesis offers an interdisciplinary approach using both quantitative and qualitative research methods due to their complementarity. More specifically, I have created a large comprehensive dataset on both Western and Chinese foreign aid, foreign direct investment and international trade covering more than 50 years (Chapter 2). This database allowed me to systematically compare the magnitude, the geographic destination and the sectoral distribution of Chinese and Western foreign aid, investment and trade in Africa over time.

The study presented in Chapter 3 is among the first to utilize the new and comprehensive V-DEM dataset in the analysis of political systems in Africa. The systematic, historical and disaggregated approach by V-Dem addresses several deficiencies and drawbacks in existing measures of electoral democracy. V-DEM is a new approach to conceptualizing and measuring democracy, as it provides a multidimensional and disaggregated dataset that reflects the complexity of the concept of democracy as a system of rules that goes beyond the simple presence of elections.

In Chapter 4, I use econometric regression techniques to revisit the aid debate between aid optimists and aid pessimists. My findings suggest that the previous

VALORIZATION

empirical literature on the aid-governance link failed to account for more ultimate causes of bureaucratic development. Foreign aid simply appears less important than deeper historical experiences in explaining the recent evolution of bureaucratic quality in Africa.

Furthermore, the qualitative interview data obtained from personal fieldwork in Ethiopia, presented in Chapter 6, helps the author and the reader to better understand to what extent China's entry into the aid game and its policy of non-intervention in domestic political affairs has significantly increased the Ethiopian government's bargaining power in the aid negotiation process vis-à-vis the international donor community.

Last but not least, the thesis also provides an interesting contribution to the theoretical models that are used to study the dynamics of foreign aid (Chapter 7). There remains little or no formal analysis of aid giving in a competitive donor environment. The game theoretic model, in turn, can be a powerful tool to forecast the outcomes of different aid policies. The theory is complemented by a historical narrative for the country of Ethiopia. While the model helps the author and reader to systematically think through the case of Ethiopia and the entry of China into the aid game, the narrative part provides a detailed account of the context and the specific processes.

Overall, the six studies presented in this doctoral dissertation contribute to advance our understanding of the subject matter as they provide interesting insights to national and international policy makers focusing on foreign aid, development cooperation and development policy. The main results, practical findings, and policy recommendations of this dissertation can be relevant for a wide target audience. As the next few paragraphs will show the thesis has social and economic relevance that goes beyond the pure scientific relevance.

The first target audience is the wider academic community as well as the readership of journals and blogs (such as the UNU-MERIT blog). The research conducted in this dissertation has been widely disseminated, in working papers, conferences, seminars, and public events. This has constituted an opportunity not only to disseminate the results of this research, but also to receive important comments and suggestions on how to further improve the research.

VALORIZATION

In particular, the main results of Chapter 2 have been presented at the International UNU-MERIT Conference “Future perspectives on innovation and governance in development”, held in Maastricht on 26-28 November 2014, at the CSAE Conference “Economic Development in Africa”, held in Oxford, United Kingdom, on 22-24 March 2015, the Annual Conference of the Chinese Economic Association (CEA) "China's New Way of Integration with the World: The New Silk Road and the Opportunities for the World Economy", held at the Institute of East Asian Studies at University Duisburg-Essen, Germany, on 1-3 September 2016. A preliminary version of Chapter 3 was presented at the European Centre for Development Policy Management (ECDPM) in Maastricht during a lunch seminar on 19 April 2016.

The main results of Chapter 4 were presented at the 13th GLOBELICS International Conference "Innovation to reduce poverty and inequalities for inclusive and sustainable development", held in Havana, Cuba, on 23-25 September 2015, at the UNU-MERIT/CRES 2nd International Conference on Sustainable Development in Africa, held in Dakar, Senegal, on 26-27 November 2015, at the 6th Euro-African Conference in Finance and Economics, held in Marseille, France, on 31 March-1 April 2016, at the Worldwide Universities Network (WUN) Annual General Meeting, held in Maastricht on 2-7 April 2016, at the Annual International Conference of the German Economic Association “Development Economics and Policy”, held in Heidelberg, Germany, on 3-4 June 2016, the 4th African Studies Conference "African Globalities – Global Africans", held in Pécs, Hungary, on 9-10 June 2016, at the Annual Conference of the Society for Institutional and Organizational Economics (SIOE), held in Paris, France, on 15-17 June 2016, at the Dutch Economist Day, held at the Dutch Central Bank in Amsterdam on Friday 4 November 2016, and at the WINIR Symposium "Interdisciplinary perspectives on institutions, agency and uncertainty", held in Johannesburg, South Africa, on 11-13 April 2017.

The main outcomes of the thesis have already been published in several working papers from UNU-MERIT/MGSoG. The output of Chapter 2 was discussed in a short interview, available on the UNU-MERIT/Graduate School of Governance YouTube channel, as part of the dissemination efforts. All research in this dissertation is to be published in peer-reviewed and internationally acclaimed journals or books. As a first step in this direction, a reduced version of Chapter 2 is currently included in a book proposal called *Africa and the*

VALORIZATION

Sustainable Development Goals to Springer's Sustainable Development Goals series. Chapter 3 has recently been published in the *China Economic Review* (see Broich, 2017), Chapter 4 is currently under review at a journal. The findings in Chapter 6 and Chapter 7 are currently being reshaped in order to be submitted to journals in the field of foreign aid, development economics and political economy.

The second target audience is the research community of development economists who work on emerging and developing countries, and who are interested in how the entry of emerging donors and investors from the “Global South” affect the international aid architecture. At the continent level, my doctoral dissertation has shown that the role of foreign aid in determining current day institutional development is less important than suggested by either aid optimists or aid pessimists. This dissertation highlighted the limited role of aid in preventing and tackling several root causes of extreme poverty if the political and institutional environment within a recipient country is weak and hostile.

The empirical results presented in this dissertation also have implications for Western government officials that are involved in formulating, designing and implementing new aid policies that have an effect on both the economic and social sectors in the economy. Part of China's successful rise in Africa can be attributed partly to its emphasis on win-win situations for all on an equal and reciprocal basis as well as fruitful engagements in mutual consultation with mutual understanding vis-à-vis African recipient governments. Chinese and African government officials frequently point out that dialogue and mutual understanding between recipient countries and donor organizations is necessary for effective and efficient development cooperation.

Several African governments identify the infrastructural deficit as a major obstacle to economic development on the continent. Since the early 1960s however, Western bilateral donors increasingly turned away from building roads, bridges, irrigation, power and the like in both Ethiopia and Africa as a whole. Emerging donors and investors, most notably China have started to address the infrastructure deficit thereby filling the vacuum left by the Western donor community. Western governments, for example, now start to recognize the importance of physical infrastructure for development (again) as they become increasingly responsive to demands from African recipient governments.

VALORIZATION

African recipient governments often regard practices of Western aid workers as imperialistic and describe the Western conditionalities (such as democratic reforms) as paternalistic. Irrespective of whether this claim is well grounded or not, the results presented in this dissertation do not suggest that the Western commitment to political conditionality should be softened as foreign aid would be more effective if it were more systematically conditioned on good policy.

African policymakers, in turn, can also learn valuable policy lessons from this doctoral dissertation as it highlights the critical role of African agency in the international aid architecture (Chapter 5, 6 and 7). How African recipient governments engage with both Western foreign finance providers and those from the Global South is ultimately responsibility of African governments. Consequently, it is crucial for African countries to develop a policy agenda that requires the creation of an ‘African Consensus’. Identifying an appropriate ‘African Consensus’ can optimize the gains in aid, investment and trade negotiation deals with both traditional and non-traditional partners.

The fourth target audience is anyone involved in the analysis, evaluation and implementation of policies, who is not necessarily part of the research community nor the government, for example aid workers, or more broadly the development community. There exists the danger that international aid agencies greatly overestimate the impact of foreign aid on poverty reduction, political and economic development. In this doctoral dissertation, I have argued that development finance can only be considered a secondary driver of national political and economic development. In fact, foreign aid can easily harm development of recipient countries in the long run if it does not abide by the Hippocratic Oath, a major guideline for development policy: “Seek to do good, but do no harm.”

The last but not least target audience is the media and the general public. Despite the rising literature on Sino-African relations, several accusations, prejudices and stereotypes about China’s increasing presence in Africa have been remarkably durable. The great anxiety about China’s rising activities in Africa is often based on prejudice, inaccurate reporting, lack of information and misinterpreting data, primarily – but not always – driven by Eurocentric sentiments. One major objective of this doctoral dissertation was to contribute to the literature aimed at separating myths from facts on the subject matter. Accordingly, this text and

VALORIZATION

its individual chapters aim for a humble goal: to gauge a better understanding of the causes and characteristics of strengthening Sino-African ties and its consequences for the Western donor community, Western governments, African recipient governments and African civil society at large.