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COMPETITOR, COLNIZER OR DEVELOPER? THE MANY FACES OF CHINA IN AFRICA

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Competitor, Colonizer or Developer? The Many Faces of China in Africa

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It seems fitting, in retrospect, that the first Forum on China–Africa Cooperation (FOCAC) was held during the first year of the new millennium. The Summit in Beijing in October 2000 brought together leaders and officials of the world’s fastest growing economy, the People’s Republic of China, with their counterparts from more than forty countries in Africa – soon to be the fastest growing continent. According to the hosts, the aim was to create a framework for a new, stable and long-term partnership between China and African countries predicated on equality and mutual benefit. The last century had been kind to neither Chinese nor Africans. FOCAC would illustrate how working together, the future could be theirs.

Rich in official ceremony and mutual blandishments, the now tri-annual FOCAC summits are a key barometer and guide for the evolving China–Africa relationship. The most recent summit – FOCAC V – was held in July 2012, also in Beijing. China’s President stole most of the headlines with his pledge of \$20 billion in loans to Africa, doubling the amount Beijing agreed to give Africa three years ago at the same forum. In making the announcement, Hu Jintao stressed that China and ‘Africa should increase coordination and cooperation in international affairs... we should oppose the practices of the big bullying the small, the strong domineering over the weak and the rich oppressing the poor’. Furthermore, in contrast to Western countries’ condescending, prescriptive approach to Africa’s development, China would ‘give genuine support to African countries’ independent choice of development path and genuinely help African countries strengthen capacity for self-development’.¹ In welcoming Hu’s remarks, Jacob Zuma, the President of South Africa, sub-Saharan Africa’s dominant economy, comprising one-third of its GDP, remarked that ‘in our relationship with China, *we are equals* and agreements entered into are for mutual gain. We certainly are convinced China’s intention is different to that of Europe, which continues to attempt to influence African countries for their sole benefit.’

This spirit of mutual interest is reflected in the astounding rise in China–Africa trade. From just \$10 billion in 2000, bilateral trade reached \$166 billion in 2011 and is expected to top \$200 billion in 2012. Overall Africa enjoys a trade surplus due to exports of raw materials, though China is a major exporter of cheap manufactured goods to Africa, such as electronics and clothes. In 2009 the US and China were still vying to be Africa’s largest bilateral trade partner, yet today Africa’s trade with the US is 30 per cent less than with China.² China’s foreign direct investment (FDI) in Africa has risen 100-fold over the past decade. During this period, the Export-Import Bank of China surpassed the World Bank to become the largest provider of loans to sub-Saharan African countries.³

There is no more potent symbol of the deepening ties between China and Africa than the new African Union (AU) headquarters opened in early 2012. Standing a 100 metres high above Ethiopia’s capital, Addis Ababa – the unofficial ‘capital’ of Africa – the entire \$200m project was funded by China as a gift to the African Union. The shimmering tower overlooks a large conference centre where Africa’s leaders will convene for summits and important debates. Most of the materials used in the construction were imported from China and even the furnishings were paid for by Beijing.⁴ The AU complex speaks to a level of engagement and apparent friendship between China and Africa that would have been scarcely believable in the 1990s. Beijing hopes it will stand as ‘the face’ of China in Africa for decades to come.

¹ Leslie Hook, *Financial Times*, 19 July 2012

² Jeremy Stevens and Simon Freemantle, Standard Bank, 16 July 2012 – *Africa Macro: Insight & Strategy*

³ According to Fitch Ratings credit agency, as reported in the *Mail & Guardian*, ‘The Rise of ChinAfrica’, 17 July 2012

⁴ *BBC online*, see <http://www.bbc.co.uk/news/world-africa-16770932>

There is, however, another face to the Chinese presence in Africa and it also takes the form of a building – or more accurately, buildings. On a 5,000 hectare site on the outskirts of Angola’s capital, Luanda, the state-owned China International Trust and Investment Corporation (CITIC) has built a mixed residential development of 750 eight-story apartment buildings, a dozen schools and more than 100 retail units. Meant to house up to half a million people, Kilamba was billed as the answer to Luanda’s expanding slums, where millions live in wretched conditions. But a year after the first tranche of nearly 3000 apartments went on sale, officials figures reported that less than ten per cent had been sold. Even then, the actual number of Angolans living in Kilamba was next to nil.⁵ None of the shops had been occupied, and during a recent visit by the author only a handful of people were visible on the site – all Chinese labourers.

At the time of writing, Kilamba remains a ghost town. That it is already technically ‘paid for’ – it was financed by a credit line from Beijing, which Angola is repaying with oil – is beside the point. ‘If the houses go unsold’, writes the BBC’s Louise Redvers, ‘then the Angolan government will be left with stock on their hands and a potentially wasted investment.’⁶

Resource-rich Angola is China’s largest trading partner in Africa and one of its largest suppliers of oil (along with Iran and Saudi Arabia). It is also one of the most unequal societies in the world. Kilamba’s apartments are far beyond the means of the vast majority of Angola’s population who live in crushing poverty. Critics charge that its empty shells are emblematic of the way China has pandered to the whims of Africa’s aged kleptocrats, who are less interested in development and poverty alleviation than prestige projects, self-enrichment and staying in power.

So, the AU headquarters or Kilamba – which is the more *authentic* face of China in Africa? In fact, it is neither. The Chinese presence in Africa today defies easy characterisation. For every case of rapacious Chinese behaviour on the continent there are counter examples of the benefits of Chinese investment for Africa’s development.

This paper analyses the evolving China-Africa relationship with particular reference to the competing perspectives on the impact of Chinese investment on the continent’s development. In doing so, it draws on two recent studies by the Brenthurst Foundation, one on China’s natural resource demand and the other on Chinese traders and small businesses in southern Africa. The paper also highlights potential flashpoints in future Chinese-African relations and the dangers inherent in Africa’s heavy reliance on Chinese resource demand. Ultimately, the paper concludes that China’s investment in Africa has for too long been assessed in binary terms, good or bad. Notwithstanding some troubling aspects to China’s role in Africa, that the continent has not derived a more substantial development ‘dividend’ from its burgeoning ties with China is largely down to its own failings, especially its leaders’ short-sightedness and lack of vision. In order to better exploit the growth of Chinese demand for its commodities, Africa needs to be more proactive in defining its own interests.

Soaring Trade

Over the past three decades, China’s economic growth has averaged about 10 per cent. To power its booming economy, China needs energy and natural resources. In the past five years alone, mining exports to China have risen by 140 per cent. This seemingly insatiable demand for resources has underpinned the growth of resource-based economies in many parts of the world, but nowhere more so than Africa. The continent holds 95 per cent of the world’s reserves of platinum group metals, 90 per cent of its chromite ore reserves, and 85 per cent of its phosphate rock reserves, as well as more than half of its cobalt and one-third of its bauxite.⁷ The continent also possesses about 1/10 of the world’s oil supply.⁸

⁵ *BBC online*, see <http://www.bbc.co.uk/news/world-africa-18646243>

⁶ *Ibid.*

⁷ J Peter Pham, ‘Assessing China’s Role and Influence in Africa’, Prepared Statement to the US House of Representatives Committee on Foreign Affairs, Sub-committee on Africa, Global Health and Human Rights, 29 March 2012. See <http://foreignaffairs.house.gov/112/HHRG-112-FA16-WState-PhamP-20120329.pdf>, accessed on 7 April.

⁸ See Council on Foreign Relations, ‘Expanding China-Africa Oil Ties’, <http://www.cfr.org/china/expanding-china-africa-oil-ties/p9557> accessed on 30 March 2012.

Between 2000-2008 higher revenues from natural resources accounted for about one quarter of Africa's growth. Over the past decade six of the world's ten fastest-growing countries were African; in eight of the past ten years, Africa has grown faster than East Asia.⁹ The World Trade Organization estimates that 66 per cent of Africa's trade comprises fuels and mining products, while the African share of global trade overall remains thin, at just 3 per cent.¹⁰

Currently, the People's Republic imports just under one-third of its oil from Africa, and that figure is expected to rise. Between 2009 and 2010, Chinese crude oil imports rose more than 17 per cent. In 2010, it imported 4.8 million barrels per day (bpd) of crude oil, of which 2.2 million bpd (47 per cent) came from the Middle East and 1.5 million bpd (30 per cent) came from Africa. Angola was the principal African supplier, followed by Sudan and Libya. About 85 per cent of all Chinese imports from Africa are raw materials.¹¹ From 2008-11 China's share of African mineral exports increased from 10 to 15 per cent; iron and steel from 6 per cent to 16 per cent; copper from 16 per cent to an astounding 48 per cent; and more than half its ores, up from 38 per cent.¹²

China is, of course, not the only country importing resources from Africa. In 2010, the US imported 2.3 million bpd of oil from the 54 African countries, or about 800,000 bpd more than China. Raw materials, more than 80 per cent of which are energy products, also dominate American imports from sub-Saharan Africa.¹³ Others, such as India, Turkey, Brazil, Russia, Canada, and Australia, have also recast Africa in their minds as a dynamic place to invest and do business.¹⁴ In 2011, for example, India announced \$5 billion worth of development deals in Africa for a three-year period.¹⁵

Brothers in Development

A consistent theme in Beijing's rhetoric on Africa is that they are 'natural' allies who are 'still developing' – in other words, China is different than Western companies and donors, whose investments in Africa can be saddled with heavy colonial baggage. In the dialogue between China and Africa there is a strong emphasis on mutual benefit and respect, non-aggression and non-interference, which stems in part from their shared experience of subjugation at the hands of European powers.¹⁶ When China forged its first official ties with Africa (Egypt, 1956), self-determination was the main collective reference point for both African and Asian countries. China gave support to several movements against colonial rule in Africa during the 1950s and it is this history of being a 'good brother' that punctuates nearly every major speech by Beijing announcing a new investment in Africa.

Nevertheless, China's official rhetoric of continuity and solidarity belies the long periods when Beijing completely neglected African affairs. Despite intense political activity in the 1960s and early 1970s, China was virtually absent from Africa for the 1980s. Even the major Chinese-funded projects, such as the TanZam railway linking Tanzania with Zambia, completed in 1975 – at the time the largest aid project funded by a single nation – were less commercial than diplomatic in origin. It was only after 1993, the year China changed from an oil exporter to an oil importer, that Beijing awakened to Africa's vast potential as a source of raw materials.¹⁷

⁹ *The Economist*, <http://www.economist.com/node/21541015>

¹⁰ Deputy Director-General Valentine Rugwabiza, cited in the *Business Report*, 18 April 2012.

¹¹ Greg Mills, 'Africa and China: between debunking and disaggregation', forthcoming.

¹² Stevens and Freemantle, *Op cit*.

¹³ Remarks by David H Shinn, Adjunct Professor, Elliott School of International Affairs, George Washington University. Hearing held by House Subcommittee on Africa, Global Health, and Human Rights, 29 March 2012, Room 2172, Rayburn House Office Building, Washington DC. <http://www.scribd.com/doc/87273728/China-Africa-Testimony-before-House-Africa-Subcommittee-29-March-2012>.

¹⁴ These and other Standard Bank statistics are sourced from Simon Freemantle's presentation to the African Economic Forum, Cape Town, 5 March 2012.

¹⁵ Dipanjan Roy Chaudhury, 'India gives \$5 billion aid to Africa', *India Today*, 25 May 2011.

¹⁶ *Mail & Guardian*, *Op cit*.

¹⁷ See Chris Alden, *China in Africa* (London: Zed Books, 2007)

When the Chinese leader, Jiang Zemin, visited Africa in 1996 he set the course for future Chinese-African relations by emphasising that these resources, not ideology or humanitarian assistance, would be at the core of China's Africa policy. The challenge for Beijing then, and now, would be to articulate this new approach in terms that 'would appeal to sceptical African governments.'¹⁸

The New Colonialists?

The rise of 'China in Africa' has spawned countless debates among scholars and policy makers and given rise to numerous books and studies. In examining this expanding literature, Chris Alden has identified three main interpretations of China's role in Africa, which can be broadly summarised as: China as 'development partner', China as 'economic competitor', and China as 'colonizer'. The first holds that China seeks to build effective development partnerships with African countries by transmitting its own experience to Africa and via projects that produce mutual economic gains. The second holds that China is bent on a short-term resource grab at the expense of local interests and development; concerns over human rights, good governance and the environment are largely irrelevant. The third interpretation suggests that China's growing ties to Africa are part of a long-term strategy designed to displace Western powers as the dominant force on the continent and, through various deals with Africa's elite, eventually secure some form of political control over African territories.¹⁹

During the past decade the narrative promulgated in (mostly) Western media was of China as a neo-colonial power relentlessly pursuing its own geo-political agenda in Africa. Executing this agenda were state-owned energy giants who had raced into Africa offering infrastructure in return for commodities, with little or no regard for its negative impact on Africa's development. Most contentiously, China has been accused of encouraging poor governance in Africa through its policy of non-interference in countries' internal affairs and non-judgemental approach to business. During a visit to Zambia in 2011, the US Secretary of State Hilary Clinton urged African governments to subject investments from China to closer scrutiny and warned that reckless misuse of the continent's resources amounted to a 'new colonialism'. For its part, the European Union has rejected what it terms China's toxic 'cheque-book' approach to doing business with Africa, in contrast to its own emphasis on good governance and transparency in its dealings with donor recipients and trading partners.

There can be no doubt that the lack of transparency and local input characteristic of Chinese deals with African leaders has only worsened the pernicious culture of exploitation that has impaired African development for decades, if not centuries. This culture has emboldened a tiny, predatory elite in Africa and enriched countless governments and companies, not least from the West. Yet the renowned Ghanaian economist George Ayittey singles out China as the worst offender, calling its approach 'chopsticks mercantilism'.²⁰ With 'chopsticks dexterity' he argues, China can 'pick platinum in Zimbabwe, bauxite in Guinea, oil in Sudan, timber in Gabon' in return for building infrastructure but the deals are 'barter terms to China's advantage. They are opaque, secured through bribery.' The aim of Chinese aid and investment, he argues, is to strengthen the legitimacy of the government and facilitate access to natural resources, not wider development.

Levels of Chinese 'aid' are notoriously difficult to estimate because Beijing does not expose its various programmes to public scrutiny nor does it share the Western definition of 'aid'. What we do know is that Chinese assistance to Africa is usually in the form of commercial-rate export credits, which, as with other countries, is tied. In that sense, it is not so different to Western practice in that most contracts still go to donor countries' own firms. China-Africa scholar Deborah Brautigam suggests that Chinese firms are involved in approximately 40 billion dollar worth of infrastructure projects in Africa. The China Development Bank provides lines of credit for infrastructure on the back of exports of raw materials. To date the Eximbank 'has funded over 1000 projects in Africa alone, providing 34 billion in concessional loans. Export credits to the tune of some 5 billion dollars (five times more than the US provides to Africa each year) are available at relatively competitive rates.'²¹

¹⁸ *Ibid.*

¹⁹ *Ibid.*, p. 5.

²⁰ See <http://thebrowser.com/interviews/george-ayittey-on-africa-through-african-eyes>

²¹ Stevens and Freemantle, *Op cit.*

The souring of one of the most high profile such infrastructure-for-commodity deals has added to perceptions that ordinary Africans rarely benefit from these arrangements. In September 2007, the Congolese Government and a group of Chinese state-owned enterprises signed a bilateral investment and trade agreement, under which the Chinese committed to constructing a number of roads, railways and hospitals. The work was to be carried out by Chinese companies and financed by loans from the Chinese EXIM bank estimated at \$6.5 billion. In return, to guarantee reimbursement of the loans, a Congolese–Chinese joint venture with Chinese majority participation was to be created to extract and sell Congolese copper, cobalt and gold. Key to the deal was the promise of sorely needed infrastructure which would open up the resource-rich south to further development.²² Yet the IMF and other multilateral agencies succeeded in watering down the deal. Their main objections stemmed from the DRC’s regime’s abysmal record on human rights and acute concerns that the deal would not promote wider development and the public good, but merely enrich those close to President Joseph Kabila who would seek to capture rents from the deal.²³

Ayittey’s concerns about the impact of Chinese investment on governance is widely held in civil society in Africa. Yet there is an equally robust reaction, especially amongst African governments, to any lecturing on China by a hypocritical West that includes their former colonial masters. Indeed, many African leaders have become adept at playing China off against the US and Europe to obtain an advantage. This is best exemplified by President Zuma at FOCAC V, who after praising China fulsomely (as quoted above) added that ‘this trade pattern is unsustainable in the long term. Africa’s past economic experience with Europe dictates a need to be cautious when entering into partnerships with other economies.’ In general, however, this reactive approach to Africa’s growth has probably done the continent no favours, as it undermines any attempt to build self-reliance into countries’ development strategies.

Despite China’s desultory record of engagement with some of the continent’s worst dictators, Chinese leaders are increasingly sensitive to the negative impact such relations can have on the China ‘brand’. After years of backing Sudan’s Omar al Bashir, China changed tack in 2008 and exerted heavy pressure on the regime to halt its devastating war on the western region of Darfur. It has also forged close relations with the South after its secession in 2011. And China has deftly navigated treacherous diplomatic waters in Libya, where it had extensive economic ties with the regime of Muammar Gaddafi but has moved swiftly to establish relations with the new rebel administration and pledged large sums towards the country’s post-war recovery.

Despite the widening scope of China’s diplomacy in Africa, cold business calculations remain at the heart of its approach. ‘China is only interested in economic relationships’, a senior Mozambican official observed, ‘not in playing or friendships’. A Zambian academic quipped recently that the China–Africa relationship is akin to a horse and rider; Africa has always been the horse, while the rider has been the West or more recently China. ‘The Western ride was very brutal, always beating the horse, whereas the Chinese rider is more subtle, is giving carrots, to get the horse to take him to where the resources are.’²⁴

It so happens that resources and minerals in Africa are found in abundance in many corrupt and dangerous environments. Elsewhere in the world China has shown itself to be highly pragmatic in operating according to whatever the rules of the game are in a particular country. In Australia, where

²² See, for example, Stefaan Marysse and Sara Geenen, ‘Win–win or unequal exchange? The case of the Sino–Congolese “cooperation” agreements’, *Journal of Modern African Studies*, 47(3), September 2009.

²³ “After a brief show of defiance’ according to one report,’ the DRC crumbled, agreeing to defer the second \$3 billion infrastructure tranche. In this context, it is interesting to note that the reported scope of the reserves ceded to China under the deal is apparently unchanged: it is still 10 million tonnes of copper and 600,000 tonnes of cobalt. It could be argued that the Chinese obligations have been reduced by 33%, and the infrastructure benefits to the Congo reduced by 50%, while China still gets access to mineral reserves worth over \$50 billion - not exactly a triumph of negotiating by the IMF on behalf of the DRC, if this is the actual state of play of the revised agreement.” See http://www.atimes.com/atimes/China_Business/LC11Cb02.html

²⁴ Mail & Gaurdian, *Op cit.*

there are transparency, rigidly enforced laws and so on, the Chinese adapt and do things by the book. In Africa, where power is concentrated and deals happen under very different circumstances, they're willing—if not happy—to 'do as the Romans do'.

The multi-faceted Chinese Presence

While Beijing's bottom line in Africa remains the search for reliable supplies of resources and minerals to power its booming economy, the Chinese presence on the continent is increasingly complex and multifaceted, with different actors and different aims. One of the more persistent myths is that China moves as one in Africa – a remorseless, undifferentiated monolith. In fact, 'China' in Africa is comprised of consumers, customers and extractors of raw materials; various private investors and hybrid actors that own and operate African mines and other businesses (including banking); workers and labourers; suppliers of basic infrastructure and wholesalers of cheap consumer items; and small-scale traders and entrepreneurs. Nor are they an especially cohesive or homogenous community; rather, they are a melange of different groups and dialects, who often spend more time competing with one another than non-Chinese companies.²⁵

The caricature of China as a single bloc is only one of a number of common assumptions about China's involvement in Africa, touching on everything from the (poor) quality of Chinese-built roads to the (low) employment of African workers by Chinese firms. As research on China in Africa has advanced, some of these caricatures listed below have finally started to ebb away and a more evidenced-based picture of the Chinese presence is emerging.

- *Chinese firms in Africa only hire Chinese workers: false.* Research by Brautigam suggests that overall in Africa Chinese firms employ four Africans for every one Chinese. Notable exceptions include firms in Angola and Libya (prior to 2011), where large numbers of Chinese workers have been employed on major construction and mining projects. A study by the Brenthurst Foundation revealed that more locals than Chinese were hired by small Chinese businesses in all the southern African countries surveyed. Nevertheless, there are capacity and skills issues that make it hard for Chinese (or other) firms to hire local talent in certain key areas.
- *Beijing is encouraging mass migration to Africa and permanent Chinese settlement: false.* Despite the sharp rise in the number of Chinese working in Africa – in 1990 there were just 100,00 today there are at least a million and perhaps hundreds of thousands more (estimates of the number working in Angola alone exceed 300,000)²⁶ – it is still the continent that is the *least settled* by the Chinese diaspora, which numbers around 60 million. Research on recent Chinese migrants to Africa suggest that only a tiny percentage plan to stay long-term or permanently.
- *China ignores environmental considerations, corporate social responsibility and business ethics: partly true.* China, like all countries operating in the resources sector in Africa, can boast both law-abiding firms and unscrupulous companies. Yet sharp questions remain about Chinese business culture and the role of ethics in professional societies—which are still not always accepted by Chinese businesspeople, although the need for codes of practice has generally been respected by Chinese mining companies.
- *Chinese companies mistreat African workers: partly true.* China has attracted the ire of international human rights groups for alleged abuses of African labourers in countries such as Uganda, Zimbabwe and Zambia, notably in its mining operations.²⁷ Although African governments have frequently complained about incidents of mistreatment, they often lack the power or indeed will to do much. The most-broadly held view among Africans is that Chinese firms – large or small –

²⁵ See Solange Guo Chatelard, <http://www.bbc.co.uk/news/world-africa-18143515>

²⁶ <http://povertynewsblog.blogspot.com/2011/02/1-million-chinese-living-and-working-in.html>. Others put this lower; see, for example, Deborah Brautigam's blog on <http://www.chinaafricarealstory.com/p/chinese-workers-in-africa-anecdotes.html>.

²⁷ Human Rights Watch report, "‘You'll be fired if you refuse’: Labor Abuses in Zambia's Chinese state-owned Copper Mines", 3 November 2011.

are harsh employers that generally pay locals the lowest wages possible. The Chinese see things differently: to remain competitive firms, whether in China or Africa, should pay whatever the market will bear. And they are no less frugal with their own overheads and Chinese staff. As Lu Shaye, Director General for China's Department for African Affairs explained, 'China spends on average 95 per cent of the money on the project and on the recipient countries, while the West may spend 80 per cent on their own staff.'²⁸

- *Chinese-built infrastructure and construction projects rarely benefit local development: partly true.* Africa is home to a growing number of Chinese-built white elephants, from large stadia that are almost never used to gaudy presidential palaces and ill-considered mass complexes, such as Kilamba. But it is not the case that Chinese infrastructure is always linked to their own resource-extraction needs. China is building dams, airports, even wind farms that could provide significant development gains. Nigeria recently announced the signing of a \$1.5 billion railroad project to be built by China Civil Engineering Construction Corporation.
- *Cheap Chinese-made goods are killing local manufacturing in Africa: largely false.* In places like West Africa, the profits of local fabric traders have been decimated by Chinese traders using Dutch wax prints to make cheap, low-quality copies.²⁹ Small industries and African merchants have generally tried to rein in Chinese small businesses by lobbying their governments to introduce (or enforce) legislation restricting their activities. The textile sector has lost as many as 750,000 jobs in the past decade. (Yet, in US African Growth and Opportunity Act (AGOA) beneficiaries such as Lesotho, some estimates credit the Chinese-led textile export industry with creating 100,000 jobs for the local population.) Aside from textiles, however, African manufacturing has risen rather than declined as China has expanded its links to Africa. Moreover, increasing numbers of African merchants and traders are travelling to China to source products and improve their trading acumen. Chinese wholesalers also play an increasingly central role in the supply chains of small scale African traders.
- *Relations between Chinese and Africans 'on the street' are getting worse: largely true.* Although by and large, African governments welcome investment and new partnerships with China, there is growing hostility between locals and Chinese migrants and traders. One of the main sources of evidence for this assertion is a recent study by the Brenthurst Foundation, which is summarised below.

A Bleak View from the African Street

Between April 2011 and February 2012, the Brenthurst Foundation conducted nearly 200 in-depth interviews with Chinese traders in five countries in Southern Africa—South Africa, Lesotho, Zambia, Botswana and Angola.³⁰ It was the first study to systematically investigate and compare the perceptions of Chinese traders across several African countries. Prior to the foundation's study, very little was known about the hundreds of thousands of Chinese migrants who are making a living as traders – selling everything from food to clothes to household gadgets – in rural areas and urban marketplaces across the length and breadth of the continent.

Most Chinese traders arrived in Africa in the past ten years after failing to find work in China's hyper-competitive job market. The poorest and least educated of China's diaspora, they have forged their own pathways in the continent through family and village networks rather than formal channels created by the Chinese government. Indeed, they are essentially oblivious to geopolitics or China's wider Africa strategy. All that matters to them is that the barriers to entering Africa's market are low enough for them to compete, even with few skills, little capital and often no experience of trading.

²⁸ Lu Shaye, director general of China's department of African Affairs, interview with *Jeune Afrique*, reprinted in www.howwemadeitinafrica.com, accessed on 29 March 2012.

²⁹ See 'Trading Places', *Africa-Asia Confidential* (Vol. 5, No. 5, March 2012).

³⁰ Terence McNamee, 'Africa in their Words: A Study of Chinese traders in Botswana, Lesotho, South Africa, Zambia and Angola', The Brenthurst Foundation, *Discussion Paper 3, 2012*,

When Chinese traders first set up shop in Africa's urban marketplaces and rural outposts, they were seen as a boon to the many poor Africans who were previously unable to buy almost any manufactured product. But today as the most visible Chinese presence traders have become an easy scapegoat across African societies, but particularly amongst merchants, manufacturers and labour unions, who are generally the fiercest opponents to China's growing influence. For their part, Chinese traders feel besieged by charges that they're using illicit means to rob and cheat Africans, rather than simply out-compete them. In some countries, ill-will is clearly growing among their customers over the poor quality of some Chinese goods and shopkeepers' business practices, particularly their failure to implement or understand consumer rights. As the clamour for action against Chinese traders intensifies, they'll be less able to sidestep the contentious issues that surround their businesses, especially matters related to tax, imports and their failure to establish links with local firms and supply chains. Botswana and Ghana have recently enforced legislation restricting their activities in sectors reserved for locals; other countries are likely to follow.

Despite widespread scaremongering to the contrary, nearly all Chinese traders plan to return to China eventually or resettle somewhere other than Africa, once they have earned enough money. The education is too poor for their children, the medical care too meagre. And they find African ways and values simply too alien. So they seal themselves off from the societies around them as best they can.

This has done nothing to stem the rise of crime, corruption and xenophobic violence which their presence has fuelled in many parts of Africa. Traders are increasingly fearful of the growing resentment among locals, doubtless prompted by the perceived dominance of China in many sectors of their economies. This was especially pronounced in Lesotho, Angola and Zambia, and less so but increasingly in Botswana. Only in South Africa did traders express any sense of belonging or attachment to the country. Their experience suggests that, at least for now, it's pointless to even speculate on the prospects for deeper integration of Chinese migrants into African society. In some countries, just halting the rise of mutual suspicion and tension could prove a colossal task.

Revealingly, traders often reserved their harshest comments for their putative guardians in African countries—Chinese diplomatic and consular officials. Ninety-five per cent of the traders interviewed in our study claimed that they'd never received assistance of any kind from their Chinese embassies. With rare exceptions, their perception of 'Beijing' was extremely negative.

Should tensions over traders' activities continue to escalate in Africa's towns and cities, it will become harder for China to remain indifferent to their plight. Sooner or later, Beijing will have to define its relationship with Chinese traders in Africa. The large numbers of Chinese migrants living in volatile countries across the world, not least in Africa, could become China's Achilles heel. Unlike Chinese workers and labourers, they do not live in secure compounds and their legal status is often unclear. Since traders are not employed by a state-owned firm Chinese embassies will not intervene on their behalf or pressure African governments to do more to protect them.

This may have to change. The most important drama in the China-Africa relationship may be playing out on the African street, rather than, say, the oil fields of South Sudan or the cobalt mines of the DRC. It is here where most Africans encounter the Chinese presence in Africa and decide whether it is good or bad. At the very least, Africans are growing more wary. Rising anti-Chinese sentiments could make life difficult for African governments, whose mining and infrastructure deals with China are central to their future economic growth. And resource-hungry Beijing can ill-afford further damage to the 'China brand' in Africa: for better or worse, Chinese traders are shaping China's reputation in Africa.

Lastly, there is the fear – never too far from Chinese leaders' minds – that violence against Chinese migrants abroad might one day stoke nationalist reactions at home and threaten the country's unity. So the question arises from our study: might China be compelled to involve itself in the internal affairs of unstable or conflict-ridden countries, including in Africa, to a far greater degree than hitherto? If so, then Chinese traders—the most vulnerable of China's migrants—could find themselves on the front line of their country's foreign policy rather than the furthest margins.

Into the Future

While the expansion of China-Africa ties has given rise to one of the most contentious global debates of the 21st century, it is easy to forget that this deepening relationship is merely in line with the general growth trend in China's foreign trade around the world. China is one of the major drivers of Africa's economic transformation from a slow-growth to high-growth region, but the same could be said for many parts of the world. What is more, China has long-term ambitions in Africa – just like India, Brazil and others – but it is not *the* central focus of China's long-term geo-strategy, as the stager China-Africa analysts regularly aver. China seeks to supplant the traditional heavyweights, the US and Europe, still reeling from recession, but mostly through peaceful competitive means. They are – and will remain for some time – more important to China's future calculus than Africa, for all the growing Chinese investment and engagement the continent has witnessed over the past ten years.³¹

There can be no doubt that existing patterns of corruption and misrule in some parts of the continent have been exacerbated by China's policies and practices. Beijing trumpets its growing ties with African countries as shining examples of South-South cooperation, but the official rhetoric conceals a number of problems, some of which may prove impossible to resolve entirely, such as the formal integration of Chinese traders in local economies. There is also a criminal element to some Chinese investments that may be difficult to eradicate.³² And lastly, as with any resource boom, Africa has had to contend with the unintended consequences: namely overvalued currencies, which can make diversification into other exports and even the beneficiation of primary products more difficult.

Nevertheless, the crude metric of Africa's economic growth rates illustrates, at the very least, that China has revealed the potential of many African economies and spawned a new spirit of dynamism and confidence amongst its political and business class. For all the concerns expressed by Africans themselves around infrastructure, manufacturing and local employment, on balance Chinese investment has delivered a net benefit in each area.

The key question for Africa is how to get the best value for money or, more accurately, *development benefit* out of its growing political and economic relationships with China. For too long the debate has laboured over whether China is 'good' or 'bad' for Africa – a false dichotomy if there ever was one. As Chatelard rightly emphasises, 'it is ultimately down to Africans, both the people in power and the man on the street, to negotiate on their own terms, identify priorities and leverage opportunities to further their own interests.'³³

Suffice to say, all African leaders yearn to replicate China's remarkable record of poverty alleviation and many seek to emulate their success in building effective state-owned enterprises, if not their autocratic political system. And Africa has much on its side besides abundant natural resources, not least its vast underutilised agricultural lands. Sub-Saharan Africa is the world's 'last frontier' in agriculture, with over 60 per cent of the world's available and unexploited cropland, and is increasingly important because of projected global population increases (demanding a projected increase in food production by 70 per cent by 2050) and the simultaneous decline in China, which has 20 per cent of the world's population and less than 8 per cent of its arable land and where total cropland is expected to shrink from 135 million hectares in 2011 to 129 million hectares in 2020. Africa also has abundant cheap labour and a burgeoning youth population. By 2025, one in four of the world's people under the age of 24 will be from sub-Saharan Africa, which is urbanising rapidly. Increasing population—and especially urban population—offers an unprecedented demographic dividend and economies of scale for development.

Notwithstanding these advantages, realistically the Chinese model of development is not replicable by individual African countries in the near term, not least due to massive differences in population. So what,

³¹ See Stephen Chan, on the Intelligence Squared Debate, <http://www.youtube.com/watch?v=9Dpp6n2QGsQ>

³² See for example research on the Queensway Syndicate in *The Economist*, 13 August 2011, see http://www.google.co.za/search?sourceid=navclient&aq=2&oq=queensway+syni&hl=en-GB&ie=UTF-8&rlz=1T4GGHP_en-GBZA425ZA426&q=queensway+syndicate+economist+&gs_upl=0I0I0I3681392IIIIIIII0&aqi=g4&pbx=1

³³ Chatelard, *Op cit.*

then, are the mechanisms that Africa has in mind to spread the benefits of its Chinese relationships much wider than hitherto?

In fact, very little is known about what strategies African governments and businesses have for leveraging their prime assets to extract maximum return from their relationships with China, if indeed they have formulated a strategy. The African business and government delegations at FOCAC V seemed inadequately prepared and lacked a coherent agenda. Indeed, since the first FOCAC summit in 2000 it is China that has made all the pledges, whereas Africa has formulated almost no benchmarks upon which they could be assessed. At the 2012 meeting the Chinese premier announced new measures to enhance cooperation in areas of investment, finance, training and skills, African integration and trade, including zero tariffs for an expanded range of African products (up to 97 per cent of African exports to China are to be duty-free by 2015).³⁴ Beijing also pledged to hold more trade expos to display African merchandise. Yet reports suggest that Chinese officials have grown frustrated by African business's inability to forge a consensus with governments on issues of multilateral assistance.³⁵ This frustration is amplified by the sense that African countries are grossly unprepared for the major structural changes underway in China, which are likely to have a significant impact on their own economies.

In absolute terms Chinese demand for commodities is still vast and estimates suggest that it will continue to consume the most coal, copper, nickel, steel and tin in the world, and the second most oil and lead.³⁶ And while Chinese growth is predicted to fall off its average of 10 per cent in the 2000s, many predict that it will remain high – around 7 per cent – for some time yet. But others are far less sanguine, arguing that its growth is unbalanced, vulnerable and unsustainable. Recently, Michael Pettis, a notably bearish Peking University professor, suggested that China's growth rate over the next decade will max out at 3.5 per cent annually, with consequent impacts on commodity prices, including the prices of food and minerals.

How China's future industrialisation—and thus its requirement for energy and other resources—will be affected by the current domestic restructuring, the global financial crisis and the turmoil over sovereign debt in the Eurozone is an open question. However, several factors are likely to boost Chinese demand, including a further rise in per capita incomes, widening urbanisation, increased Chinese trade and greater market penetration by automobiles. Conversely, some developments are likely to reduce demand, such as political instability, a sharp change in trade orientation, a global economic imbalance, a shift from a capital-intensive, export-oriented economy to an increasingly domestically focused, consumptive one, or a transition towards low-carbon growth in a move to reduce the high pollution and energy intensity characteristic of China's economic growth to date.³⁷

Needless to say, there is considerable uncertainty over which way things will go. Added to the fact that a leadership transition in China is expected to take place in late 2012, involving an unprecedentedly large turnover in positions covering numerous important bodies, countries heavily reliant on commodity exports, and thus highly vulnerable to a slowdown in China's economy, need to prepare accordingly.

In preparing for a shift in Chinese demand, resource-based economies first need to ask themselves some hard questions about the nature of their relationships with Beijing. In Africa, political and economic relations with China have clearly strengthened over the past decade. At the same time, many African countries share a sense of unease over Beijing's motives and intentions, mindful that China's policy objectives aren't always consistent with their own aspirations. Such uncertainty has bred some suspicion and distrust even as economic relations have grown massively. This is not unique to Chinese investment. Historically Africa has tended to view any outsider as a threat, as a force coming into the continent to illegally or illegitimately take what rightfully belongs to Africans. This largely explains why the continent remains locked in many of the same debates that have defined African political economy since

³⁴ Summar of Africa Frontier Forum: 'China-Africa: New Policy Direction in China's Investment Strategy in Africa'.

³⁵ Stevens and Freemantle, *Op cit*.

³⁶ *Ibid*

³⁷ See Brenthurst Foundation and Australian Strategic Policy Institute special report, 'Fuelling the Dragon', 2012 forthcoming.

independence: regional integration, import substitution, beneficiation, and the role of the state versus the market.

To escape this fruitless cycle and catalyse wider development on the back of Chinese investment, African countries require above all a clear development strategy and approach, as much to China as to others. This approach must reflect its own distinct set of relationships with China. More specifically, all African countries need to better align themselves to China's next phase of development and vigorously exploit their own inherent advantages:

- African exports to China are far too reliant on price-sensitive commodities. To make other African exports more competitive, it needs to develop specific products to take advantage of preferential trade agreements and leverage the global supply chain. To do this it needs better policies and improved management of programmes.
- There needs to be much greater emphasis on skills and training.
- African economies must seize on China's pledge to promote African regional integration through new cross-border infrastructure by committing itself to increasing competitiveness and intra-African trade.
- In 2011 agriculture goods traded between China and Africa was just \$6billion – less than 4 per cent of bilateral trade – but there is tremendous scope for boosting agricultural exports, described as Africa's 'new oil'. This requires addressing some major shortcomings which have blighted the sector since independence: lack of clarity on land title, limited collateralisation value, poor extension services, political resistance to foreign ownership of land and to genetically modified seeds, and limited technology inroads and impact. A critical focus on agriculture could rapidly accelerate diversification and job creation in Africa.³⁸
- Government and business need to work together to improve accountability and transparency, eradicate rent-seeking and corruption, and devise policies for long-term benefit rather than short-term gain. African countries also need to develop the institutions and rules that will enable them to conduct their relationships with the Chinese as effectively as countries like Australia, Canada and others have, always retaining control over the conditions of those engagements.
- As rising labour costs shift lower-end manufacturing away from China, Africa will be competing against the likes of Vietnam and Bangladesh to absorb the newly-created opportunities. Aside from building the right infrastructure and creating the right regulatory conditions, much will depend on whether African countries are willing, while still weak economically, to grow in the kind of industries (light, low tech and so on) that tend to be strong in poor environments. Only by getting wealthier – that is, by doing well in those industries – will African economies be able to graduate to the next stage of industrial development and develop 'better' industries. To date, there has been a tendency within some African governments, which gaze starry-eyed at the likes of Taiwan and Singapore, to think that they can or should skip stages of development (as if the earlier stages of the process were undignified).³⁹

It is inevitable that the world's major powers, stressed by the prolonged global economic crisis and growing uncertainty over the future, will look more towards Africa's unexplored mineral and energy resources, as China did so presciently in the 1990s. From the recent huge finds of oil and gas along the East African coast to the rumours of colossal iron ore deposits in Sierra Leone, talk has emerged recently of a renewed 'scramble for Africa'. This increase in great-power competition, as the US, China, India and middle powers ranging from the Europeans to Australia, Canada and Brazil seek to establish or broaden

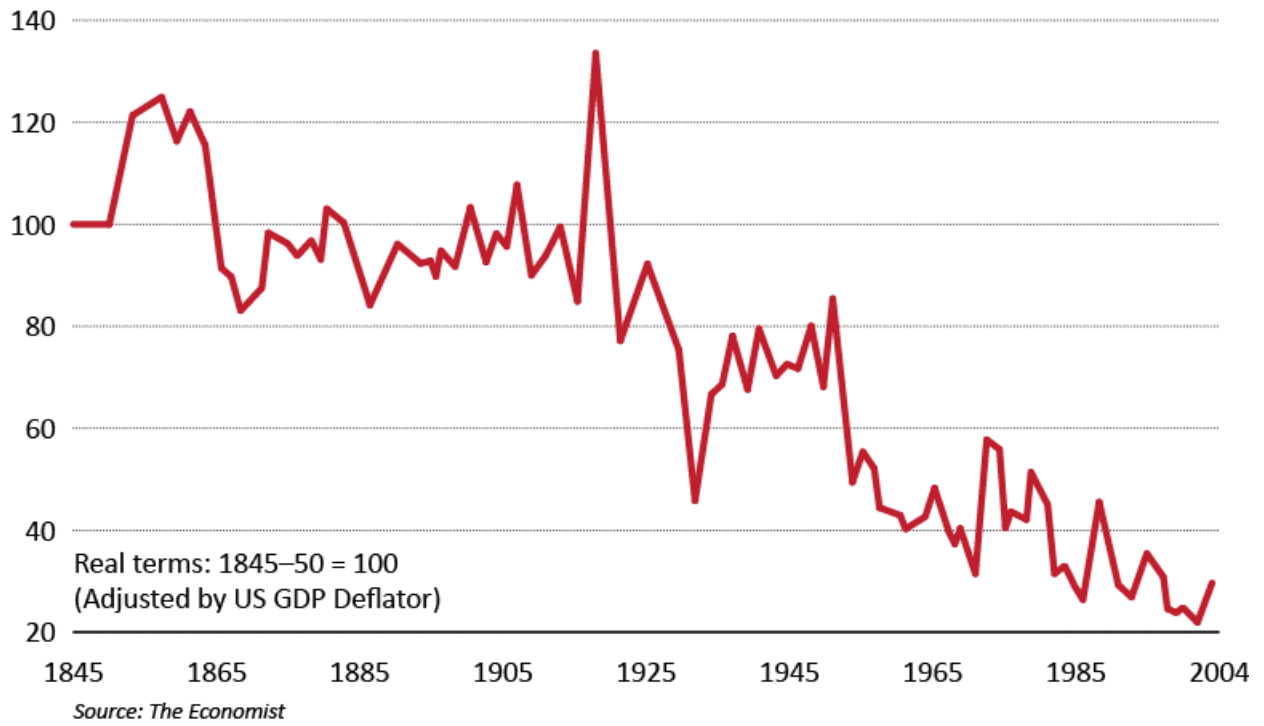
³⁸ Mills, *Op cit.*

³⁹ Alberto Trejos, Peter Jennings and Greg Mills, 'Conclusion' to 'Fueling the Dragon' special report.

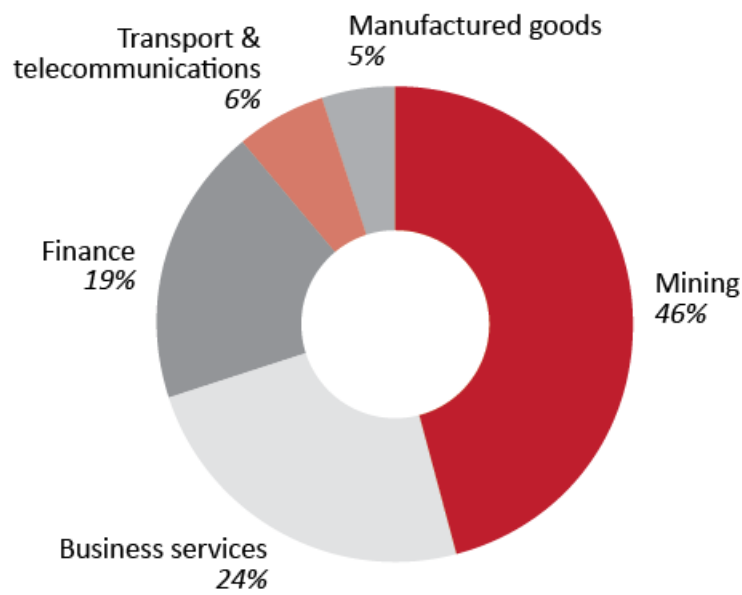
existing commercial interests, will put many African countries in very strong bargaining positions and create massive development opportunities.

At the same time, since decolonisation African countries have been pulled between multiple vested interests -- their own local elites', external donors', foreign business' and so on -- invariably to the detriment of ordinary Africans. This is part and parcel of the historic problem of Africans not owning their own problems and thus the solutions, too.

So it may be fitting to return to one of the faces of China in Africa described at the beginning of the paper -- the great, gleaming building built by China as a gift to the African Union -- and reconsider what it might represent. Not a sign of brotherhood and cooperation, perhaps, but a symbol of Africa's continuing reliance on non-Africans to project itself and its interests to the rest of the world.

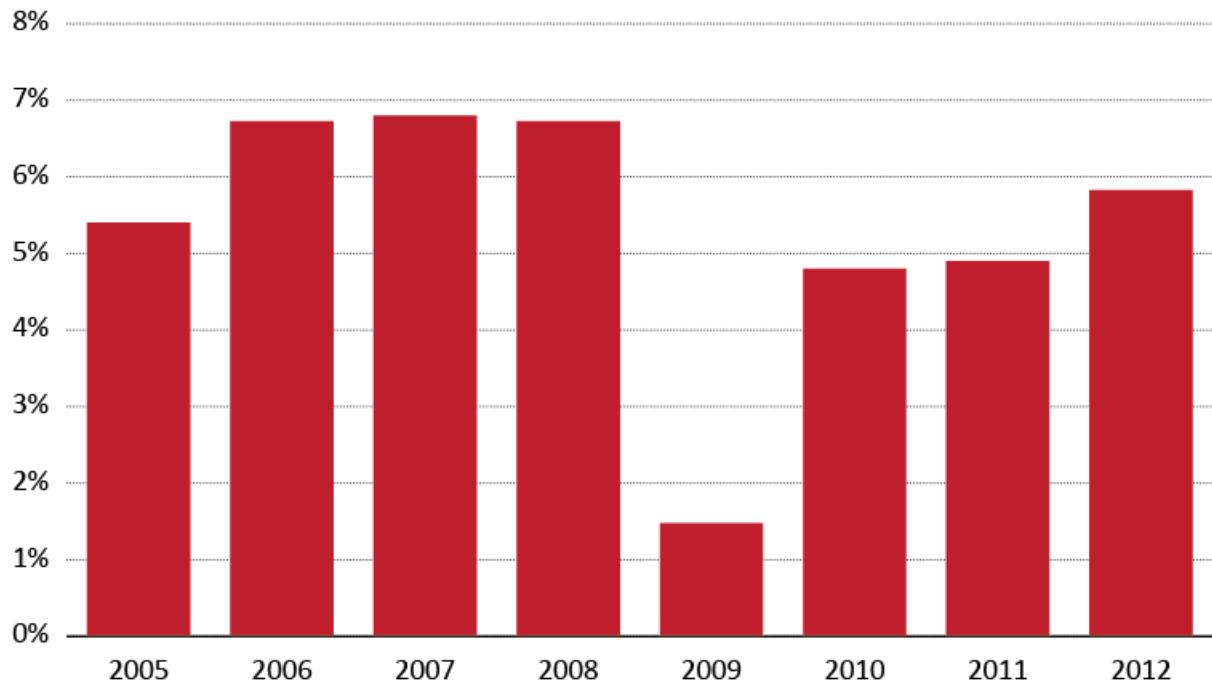


China's FDI in Africa by sector – 2006

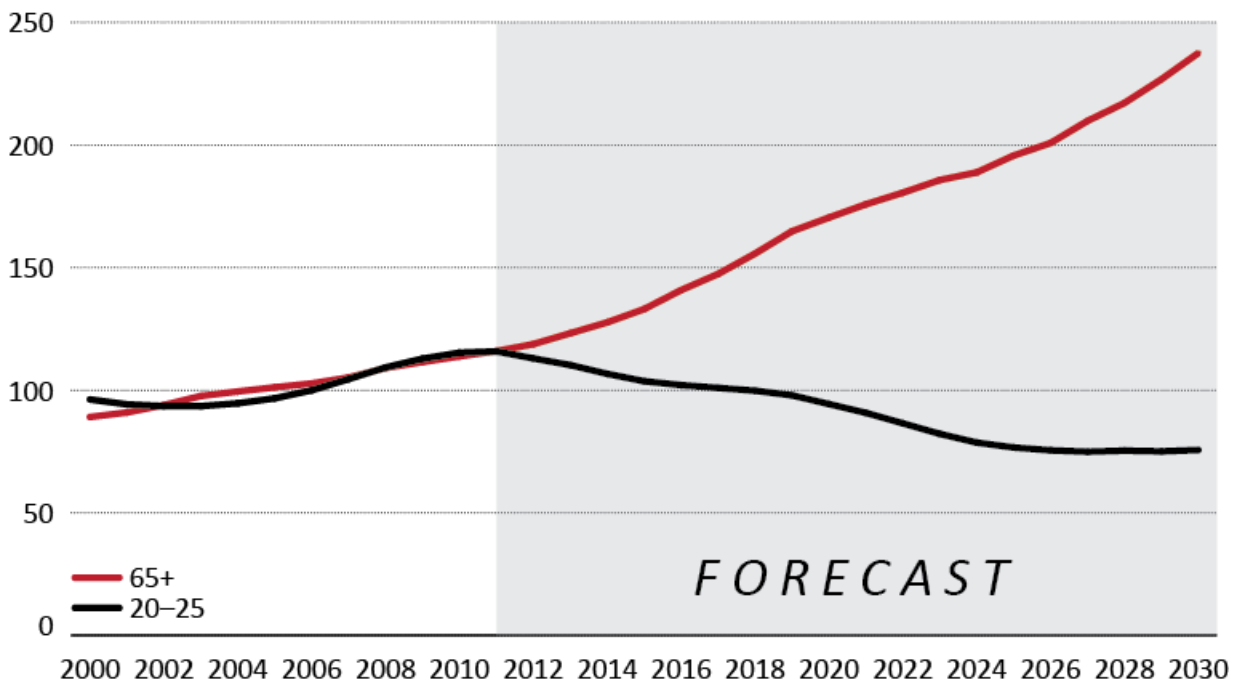


Source: *China's Trade and FDI in Africa*, Mary-Françoise Renard

Real GDP growth, sub-Saharan Africa, 2005–12 (% change, year on year)

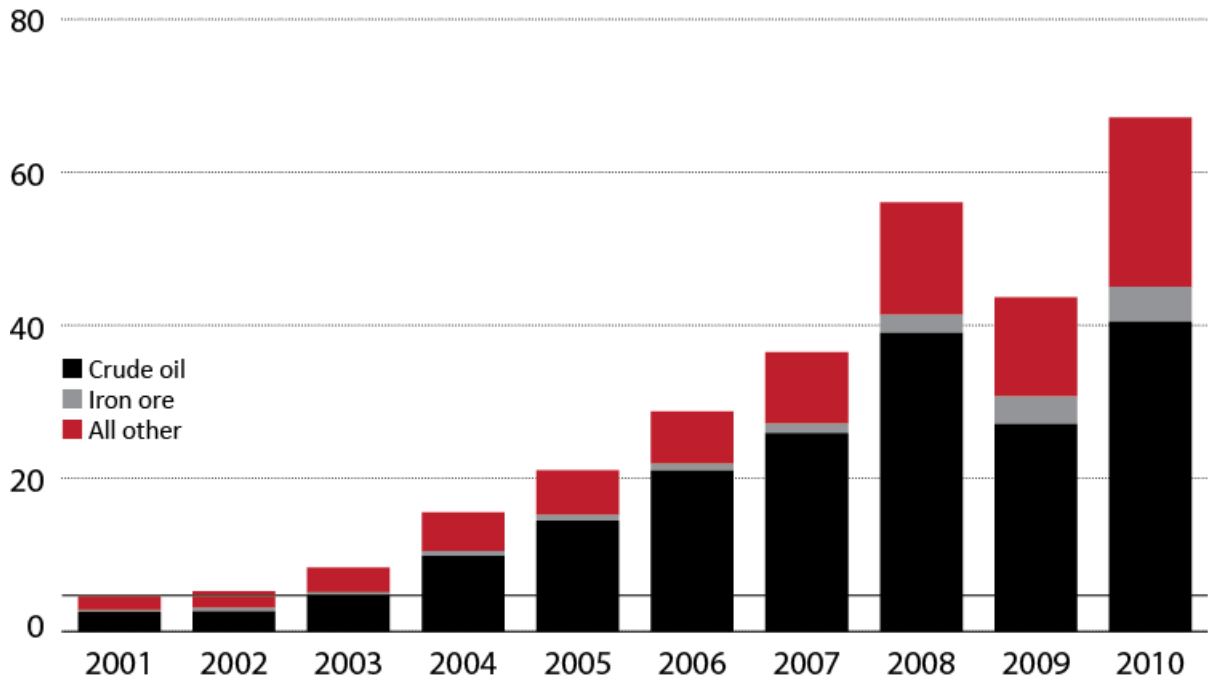


Source: Economist Intelligence Unit



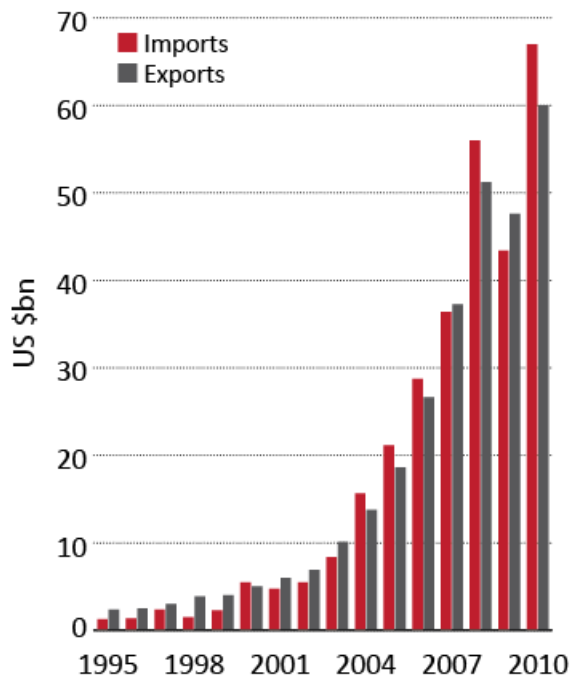
Source: The Brookings Institution

African exports to China, commodity heavy



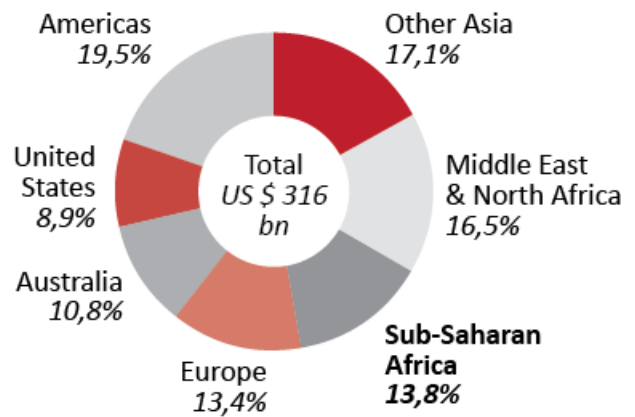
Sources: IMF, ITC, Standard Bank Research

China's trade with Africa, US \$bn



Sources: National Statistics; Heritage Foundation

China's outward investment, * 2005-10, %



*Non-bond transactions over \$100m

