

China in Africa: engagement and consolidation

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China and Africa

- I. Drivers of Chinese Engagement
- II. Methods of Engagement: Economic Co-operation
- III. Experience in Africa
- IV. Challenges of Consolidation

I China's Engagement w/ Africa

I Motivations

- Resource security rationale dominates
- Development of market a modest priority
- Movement into financial services indicative of long term commitment
- Politics of recognition and multilateralism

Chinese Demand for Commodities and Africa Resources

China sources 1/4 of its oil imports from Africa

- 9% of Africa's total exports, with US taking up 33% of Africa's total exports
- Angola, Rep of Congo, Equatorial Guinea & Sudan provide 85% of China's imports
- International Energy Agency projects China's net oil imports to rise from 3.5mn barrels/day in 2006 to 13.1mn barrels/day by 2030

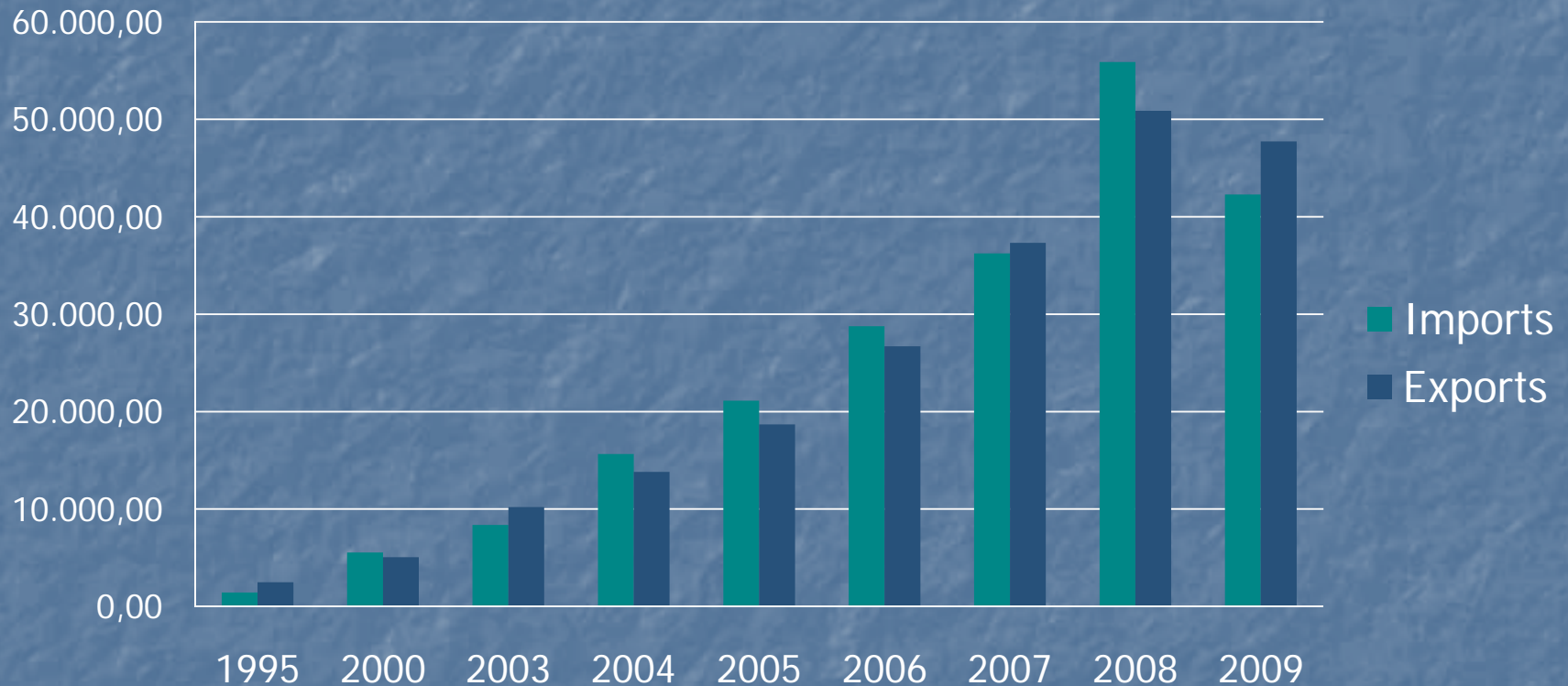
Chinese Demand for Commodities and Africa Resources

- China sources key minerals from Africa
 - 5% of total iron ore needs sourced from Africa
 - 14% of its total unfinished timber needs sourced from Africa
- But its reliance on Africa for some commodities is significant
 - DRC, South Africa & Rep of Congo supply 85% of its cobalt imports
 - Gabon, South Africa & Ghana supplies nearly 40% of its manganese imports (Deutsche Bank 2006)

Projections for China's commodity-import demand

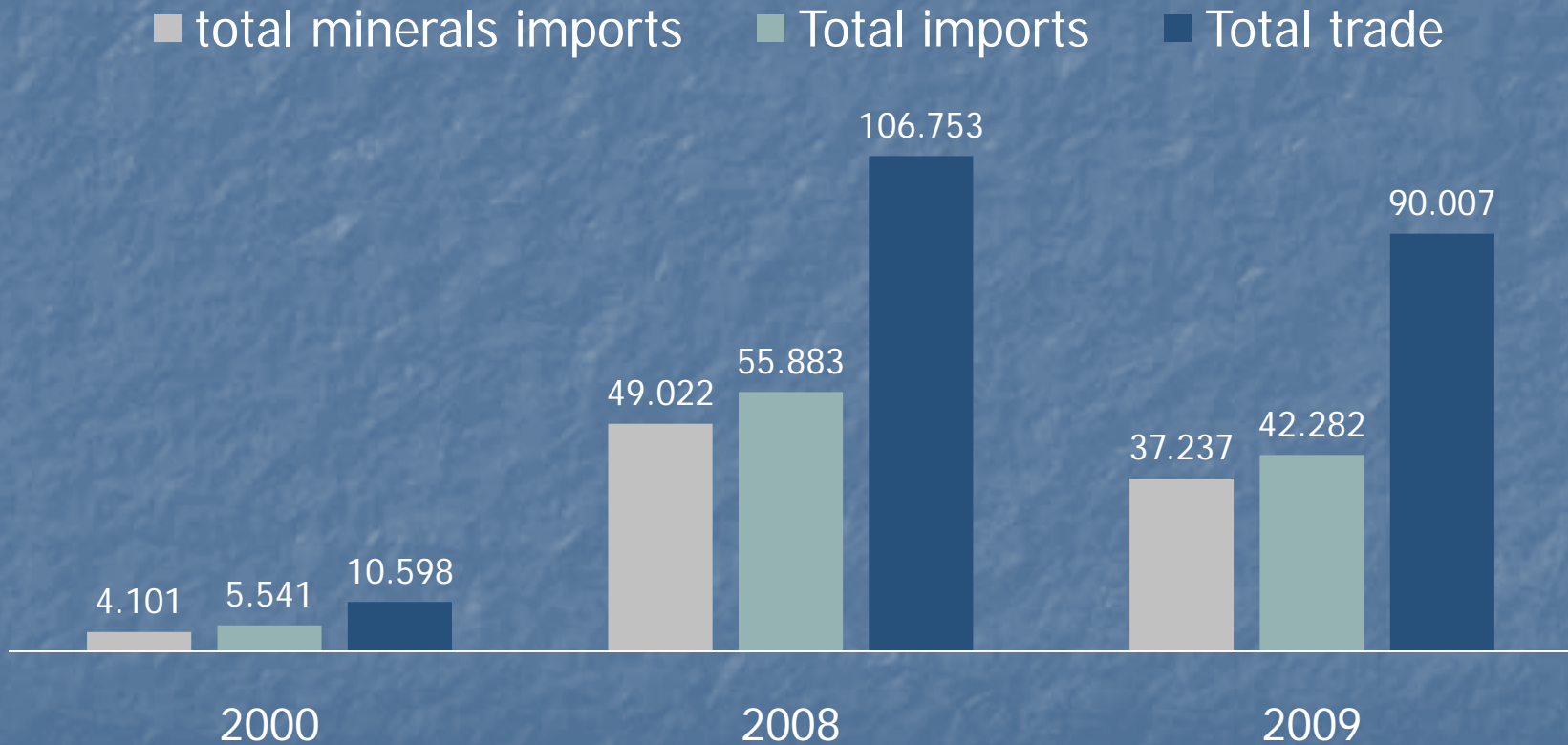
(m tonnes)	Annual demand		2006-20, change (%)	
	Latest	2020	Total	Average per annum
Iron ore	148	710	380	10
Oil	91	1,860	1,940	20
Soy	26	50	80	4
Coal	11	810	7,400	20
Copper	3	20	600	10
Manganese	3	13	360	10
Wood (m ³)	34	150	330	10

Chinese resource hungry driving rise in two way trade



Million US\$
China trade with
Africa
Source: TRALAC 2010

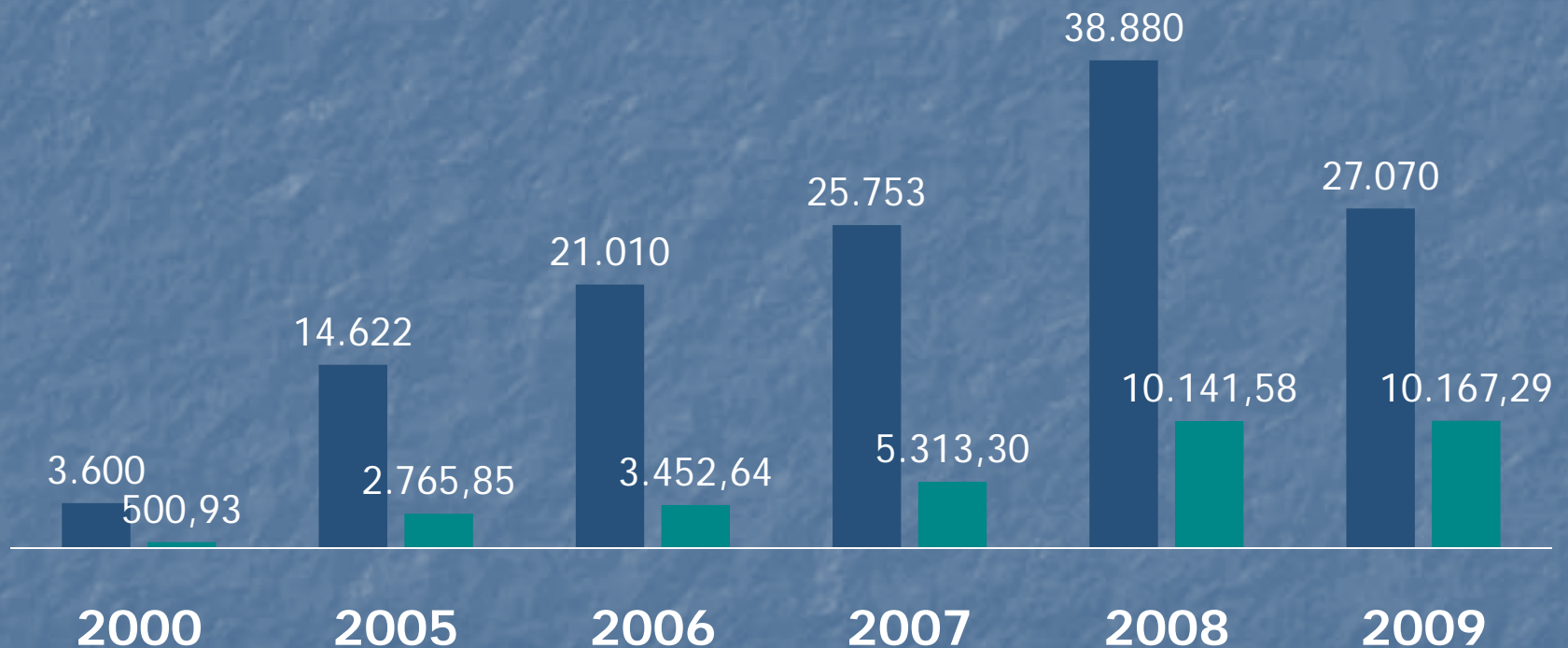
Mineral imports in total China-Africa Trade (US\$ millions)



Source: TRALAC, 2010

China oil and mining imports from Africa (US\$ millions)

■ Crude oil ■ Mining products



Source: TRALAC 2010

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China's impact on African economies: a catalyst for growth

- Chinese FDI crucial to capital-starved African economies
 - China is reinvigorating, through new investments in infrastructure, Africa's resource & transport sectors
 - Numerous pro-poor 'social' investments (health, education, transport, energy (hydro))
- Asia's commodity demand generates 2% to African GDP (OECD 2006) & responsible for recovery in commodity prices 2009
- Trade diversion away from traditional partners

China's engagement w/ Africa

II Methods

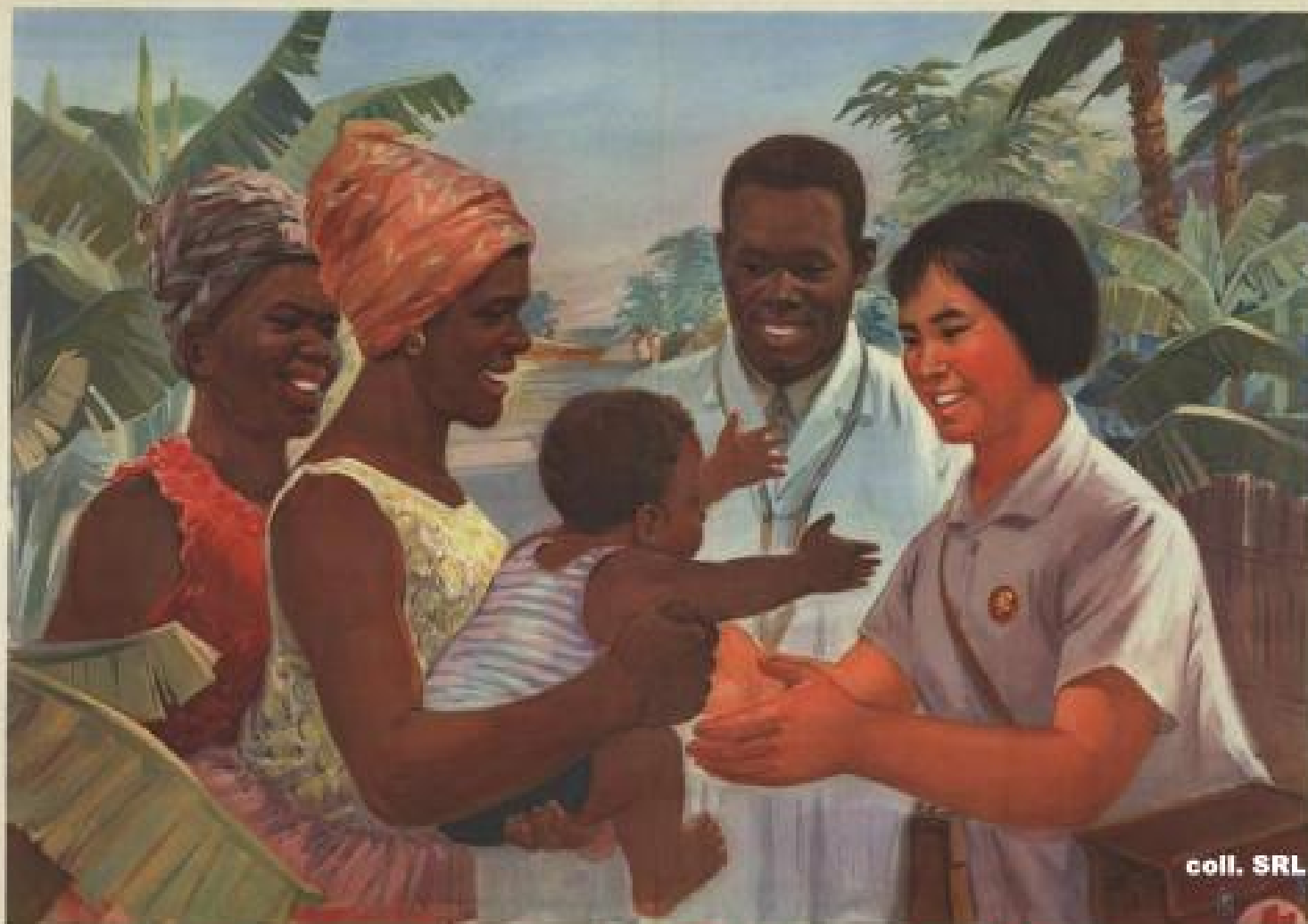
- Comprehensive Chinese 'package' of investment, trade, financing and diplomatic incentives to capture African resources thru:
 - Long term supply agreements in exchange for infrastructure (financing, construction)
 - M&A, partnering w/ local firms (esp. NOCs in energy)
 - Economic co-operation, not 'aid'
- Dominated by elite ties and SOEs in lead
- Private businesses increasingly feature

An Overview of China's Economic Co-operation Policies toward Africa

- Major ways of China's Co-operation
 - Provision of Grants
 - Technical assistance
 - Provision of loans without interest or with concessional interest rate
 - Exchange of lessons for development
- Focus
 - Infrastructure, agriculture, social services, mainly in education & health care

An Overview of China's Co-operation Policies toward Africa

- Characteristics of China's Co-operation Policies to Africa
 - No strings/non-interference for aid provision
 - Needs oriented within its own capacity
 - Doesn't impose projects, negotiates w/ host
 - Focus on project output, not on process, and on mutual interests/benefit
 - Emphasis on tied aid (use of Chinese factor inputs)
 - Linked to post 1982 supporting commercial interests



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Overview of China's aid/co-operation programme

- Solidarity period, 1956-1982
 - Tazara RR
 - Assistance to liberation movements
 - Sino-Soviet competition in Africa & gaining diplomatic recognition
- 'Mutual benefit' period, 1983-present
 - Linked to changes in Chinese domestic economic policy – reform & opening
 - Tied aid aimed at fostering Chinese commercial activities in Africa
 - Instruments for political aims & competition with Taiwan

Impact of China's Aid/Co-operation Policy

- Media attention due to amount & no political strings policy
- Traditional donors concerned about impact on their aid programmes, esp. governance & transparency
- China loans more to Africa than WB/IMF, ex. Chinese Ex-Im Bank loaned btw US\$12-15 bn in 2006
- Non disclosure of data so derived from episodic public statements
 - 'Aid' US\$44 mn in 2005 set to double by 2009
- Western business unable to compete w/China's package of diplomacy, loans & investment
- African civil society concerned about HR & Chinese labour
- African business of 'deindustrialisation'

Africa as a destination for Chinese "FDI"

- Site of some of China's largest investment packages
 - Sudan oil industry (\$3 bn) 1996-99
 - Angola oil & infrastructure (\$7-9 bn) 2004-06
 - DRC mining and infrastructure (\$9 bn) 2008
 - Industrial & Commercial Bank of China purchase of 20% Standard Bank (\$5.6 bn) 2007
- But only 3% of China total FDI aimed at Africa in 2007



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- Trade diversion away from traditional partners
- Negative impact in some areas of African manufacturing/employment

II. Chinese Experience in Africa

Three African views of China

- 'The US will talk to you about governance, about efficiency, about security, about the environment. The Chinese just ask: "How do we procure this license?"' Nigerian Investment Promotion Centre
- 'China is both a tantalizing opportunity and a terrifying threat.' Moeletsi Mbeki, SA businessman
- 'China provides a new alternative direction...the foundation of a new global paradigm.' Robert Mugabe, Zimbabwean president

Africa's interests in China

- New trade, development assistance and investment opportunities
- Regime stability
- Forging strategic partnerships

Post Financial Crisis

- China's role as leading source of capital
- Recognition of China as an alternative model of development – anti-neoliberal position on state
- Appeal of CCP's ability to prosper while modernising/liberalising economy
- China's position as a P5 member on UN Security Council & its support given to African states

Trouble in African Paradise

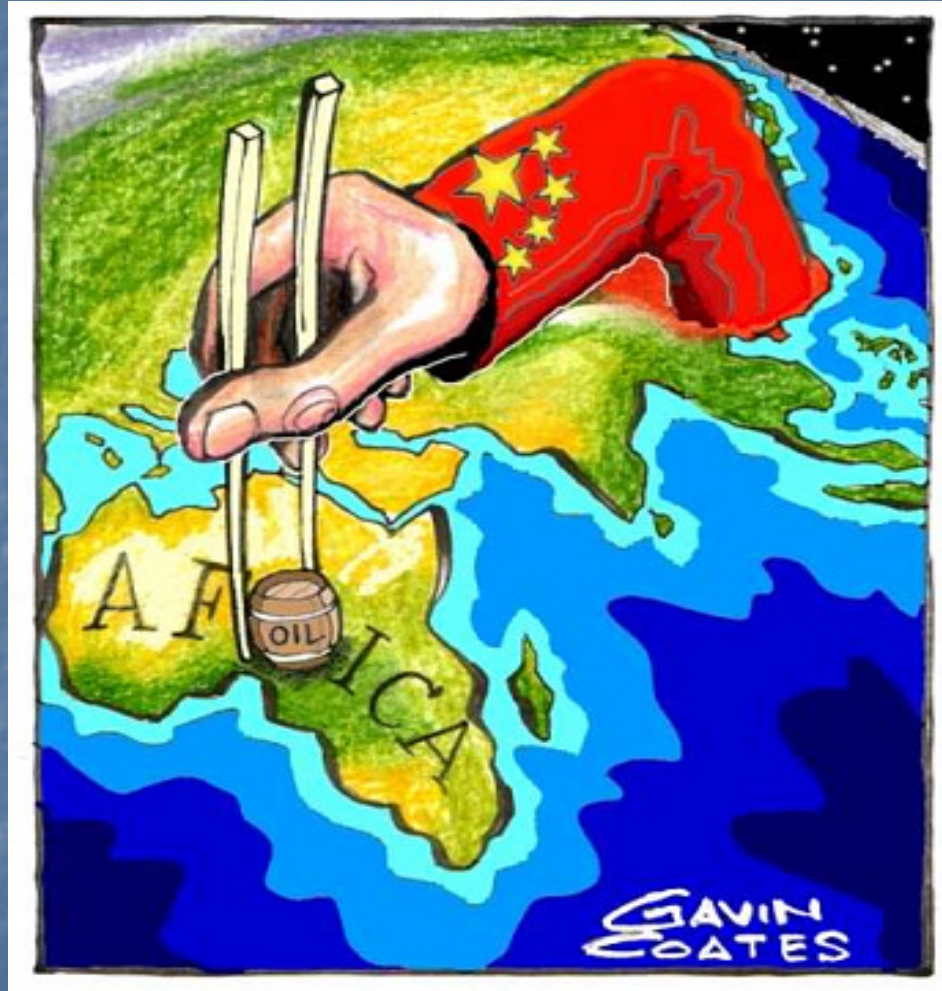
Elite ties and the changing politics of non-interference

- Domestic backlash
 - Balance of trade and de-industrialisation
 - Some African business, trade unions, civil society critical
 - Migration and xenophobia
 - Opposition politics using anti-Chinese platform



Trouble in African Paradise

- International backlash
 - Competition for resources with China
 - Loss of leases and markets to China
 - Western govt/NGO/MNC pressure on social and environmental costs of Chinese business
 - Conformity with established practices (EITI, etc)
 - Western govt/NGO pressure on non-interference policy and foreign aid
 - Seeking conformity with OECD-DAC practices
 - Sudan, Zimbabwe and Guinea



Launching Consolidation: the China Africa Summit



Delivering mutual benefit

- 'China is not the largest importer of Africa's oil...why should China be singled out for criticism?' Premier Wen Jiabao Nov 2009 FOCAC IV
- Highlights growing challenges of African expectations, Western criticism pose to consolidating China's position in Africa

Consolidating China Africa Ties (FOCAC III and IV)

- Greater trade: China set to become Africa's largest trade partner by 2010
 - China is already SA's top trading partner
- Diversification in resources
 - Agriculture 20 centres, role for commercial farming?
- Diversification into manufacturing
 - Export Trade & Cooperation Zones & \$1 bn for African SMEs
 - Zero tariff for 95% African products from LDCs
- Greater involvement of Chinese financial services
 - China Africa Development Fund \$5bn + \$10bn for Chinese investment

A Hundred Actors

- Diversification of Chinese actors
- SOEs
- Financial institutions
- Provincial and private actors as implementing agents
- Individual Chinese migrants

Consolidating Ties: Chinese Way

- Part of an evolving Chinese approach to managing Africa relations based on notion of China's 'Exceptionalism'
 - Moral basis of Chinese power in Africa
 - Commits China to develop a relationship that, while asymmetrical in economic terms, is symmetrical in political terms (political equality)
 - Deliberately defies African empirical experience of ties with external powers

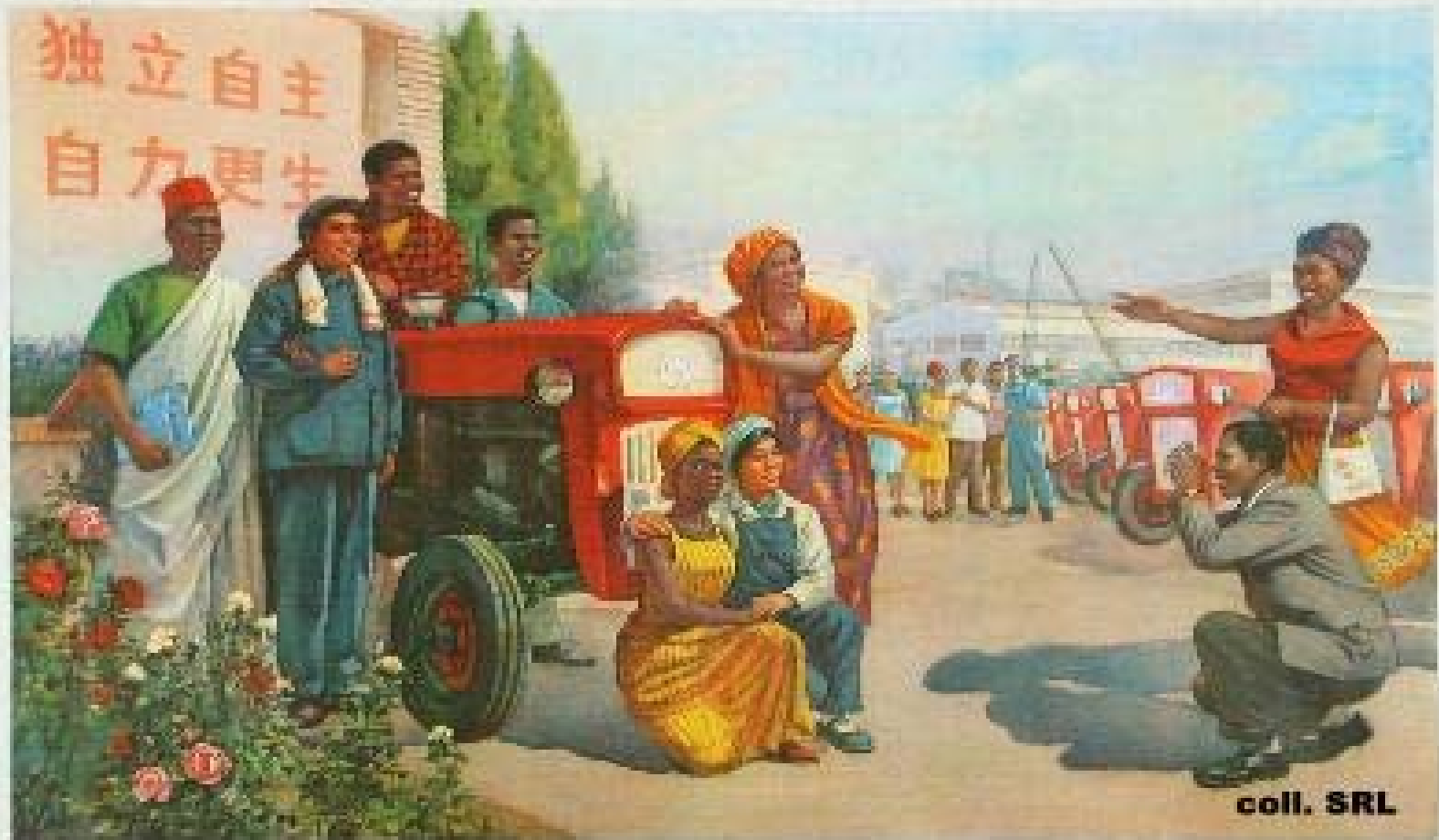
A Chinese Way: externalities

- What role does Chinese migration to Africa play – source of support for China's Africa policy? Or a negative factor?
 - Only major external partner w/ migration to Africa
- In this scenario, isn't China's Africa policy unduly hostage to African perceptions?
 - Will African communities recognise 'win-win' when they see it?
 - Role of media

Meeting the Challenges and Seizing the Opportunities

- Chinese FP and Africa policy pragmatic
 - Methodology strong and flexible
 - Willing to listen to Africans
 - Developing country experience remains influential
- Africans are pragmatic and open to China
 - Rise of Asia and desire to link to global future
 - Admiration of Chinese achievements widespread
 - Recognise Western failings & limited interest in Africa
 - Nonetheless worried about Chinese dominance & interest-driven approach affect on African development aims

China and Africa



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