Geo Factsheet

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China and the New 'Scramble for Africa'

Introduction

48 African countries were represented at the first Sino-African summit in November 2006 held in Beijing. More than 2000 deals between China and individual African countries were under discussion. China also promised to double its aid to Africa from its 2006 level by 2009. This would comprise $3 billion in preferential loans and $2 billion in export credits. China would also double the number of goods imported from Africa which do not attract tax. The meeting clearly illustrated the huge influence that China now has in Africa. According to the Independent newspaper (1/1/07), "The forum marks an astonishing publicity coup for China, and is proof that in this modern-day **'scramble for Africa'** China is streets ahead when it comes to winning influence in the mineral-rich but often politically unstable continent".

In 2006 **China's African Policy** was released. This was an official Chinese government paper aimed at promoting economic and political cooperation as well as energy development without interfering in each other's internal affairs.

China has taken advantage of the fact that Africa does not seem to have been a diplomatic and economic priority with the USA, Europe and Japan. However, the recent surge of Chinese influence has set alarm bells ringing in a number of Western countries. It is likely that the new 'scramble for Africa' will become more competitive in the future as the West tries to counter growing Chinese influence.

The first era of significant Chinese interest in Africa was in the 1950-60s when China was trying to gain influence in various parts of the world as a counter to both Western capitalism and to the Soviet Union, its ideological rival in communism. China supported African liberation movements and later helped a number of African countries in such fields as building railways, education and health.

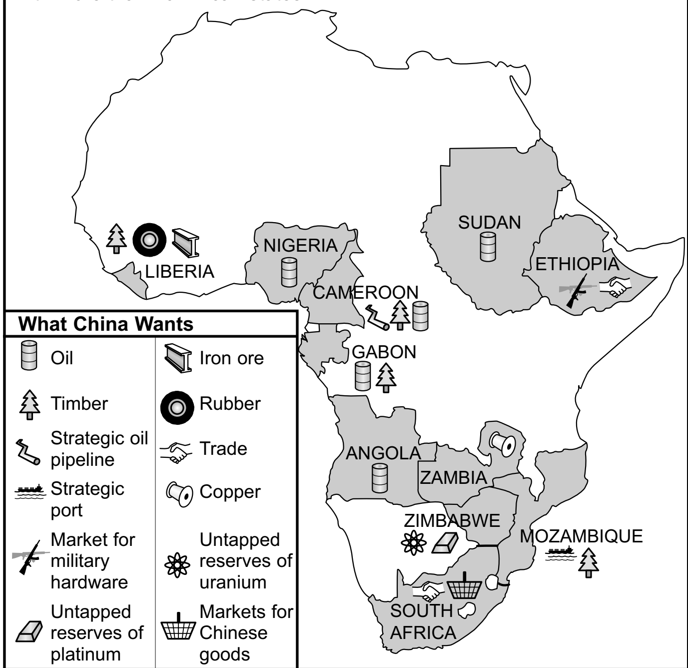
The Second Wave of Chinese Expansion in Africa

The second era of Chinese interest in Africa which dates broadly from the mid-1990s has been based on international trade and on securing considerable quantities of a wide array of raw materials to feed its phenomenal industrial development. China's economy has grown by an average of 9% a year for the last decade and between 2000 and 2004 China accounted for 40% of the increase in global oil demand. Africa has also been identified as a growing market for Chinese goods. *Fig. 1* shows China's major trade and aid relationships with Africa as well as identifying the raw materials of most interest to China.

Rapidly rising Chinese investment has been an important factor in recent economic growth in Africa. Real GDP in Sub-Saharan Africa increased by an average of 4.4% between 2001 and 2004. The rate of growth was 5.5% in 2005 with promising projections for the next few years.

Fig. 1 China's investment in Africa.

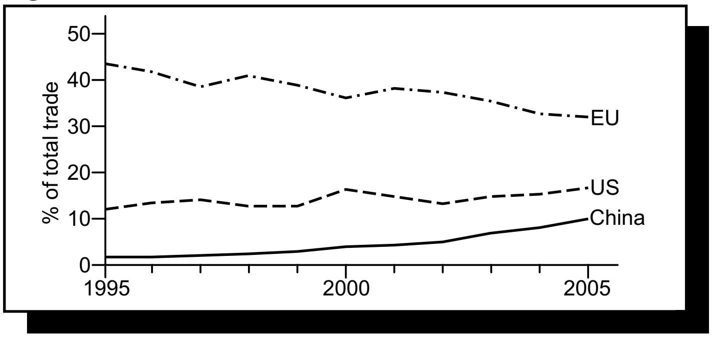
China's total investment in Africa in 2006 is estimated at $6.3 billion. It has become Africa's third biggest trade partner after the US and France, 30% of China's oil imports come from Africa and it has signed trade initiatives with more than 40 African states.



	What China Gives
Cameroon	China cancelled $100 million debt owed to it by Cameroon.
Gabon	Agricultural experts to help small scale farmers.
South Africa	Deal to supply South African citrus fruits to China.
Sudan	Huge sales of military hardware. China buys two thirds of Sudan's oil and has been criticised for not using its economic leverage to pressurise the Sudanese government into resolving civil war in Darfur.
Ethiopia	The China-Ethiopia Friendship Road which rings the capital, Addis Ababa, and a road building programme around the country.
Angola	$5.8 billion no-strings-attached loans package to repair war-torn national infrastructure.
Zambia	Investment in copper mines and smelts, loan of $39 million to improve roads.
Zimbabwe	Economic aid and investment, allowing Robert Mugabe's regime to avoid Western pressure for political reform.
Mozambique	Aid and debt relief, road building programme. Purchases prawns and cashew nuts.
Nigeria	$2.3 billion for a 45% share of an offshore oil block. Grants for anti-malarial medicine.
Liberia	$5 million in aid, building 100 secondary schools and 30 hospitals destroyed during civil war. 275 scholarships for Liberians to study in China.

Trade between Africa and China has increased from $3 billion in 1995 to over $32 billion in 2005 *(Fig. 2)*. The latter figure amounts to 10% of Africa's total trade but only 2.3% of China's. Economists predict that trade between the two with double by 2010. Trade between the USA and Africa has also risen significantly, from $26.9 billion in 1999 to $58.9 billion in 2004. However, this is at a slower rate than Chinese-African trade. It is important not to over-estimate Chinese-African trade links. As *Table 1* shows, China's (and India's) trade with Sub-Saharan African is still well below Africa's trade with the industrialised countries (MEDCs).

Fig. 2 Sub-Saharan Africa's trade with China, EU and USA.



Source: The Economist 28/10/06

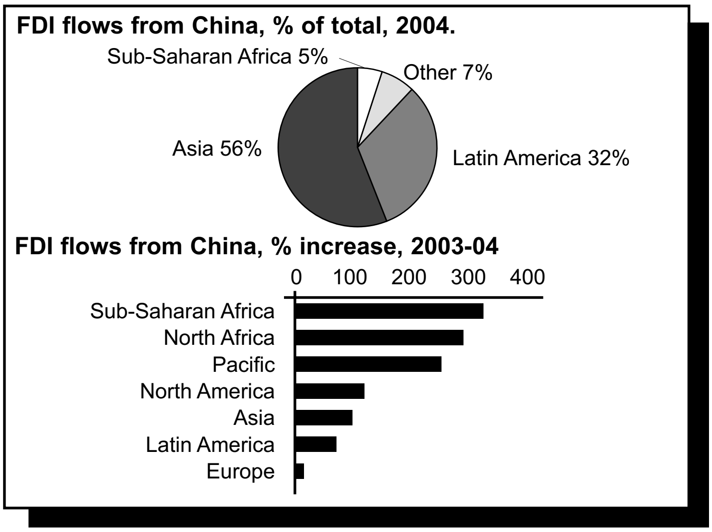
Table 1 Trade with China and India as a proportion of trade with industrialised countries.

	1990 %	1997 %	2001 %	2004 %
SSA Exports to China	0.43	2.31	4.10	8.96
SSA Exports to India	1.37	3.49	4.38	1.58
Total	**1.81**	**5.80**	**8.48**	**10.54**
SSA Imports from China	1.76	3.84	6.04	12.26
SSA Imports from India	0.83	2.65	2.76	4.20
Total	**2.60**	**6.49**	**8.80**	**16.45**

Source: *Kaplinksky, R. et al (2006) The Impact of China on Sub-Saharan Africa. DFID Funded paper,*

In 2004 Chinese direct investment in Africa *(Fig. 3)* totalled $135 million with 77 additional Chinese companies operating in the continent. This is very important to Africa as the continent has struggled to attract **foreign direct investment**. This factor has been identified as one of the main reasons why Africa has the lowest overall level of economic development of any world region.

Fig. 3 China's investment in Africa, 2004.



Source: The Economist 28/10/06

However, the flow of FDI between China and Africa is not all one-way, although most African investment in China comes from South Africa. For example, SAB Miller (the world's second largest brewing company) has invested more than $400 million since 1994.

Neo-colonialism or South-South Development?

China's strongest critics see it as the new imperial power in Africa and its major involvement in Africa as an example of **neo-colonialism**. They are particularly critical of China's dealings with repressive regimes. Chinese support for countries such as Zimbabwe and Sudan is seen in the West as legitimising brutal dictatorships which seem to admire **China's unique development model** – considerable economic growth governed by a one-party totalitarian state with control over all aspects of economic activity.

However, China's supporters are adamant that China has played a different role in Africa from the colonial powers, being much more aware of Africa's needs and establishing a much fairer cost/benefit relationship. They see it as a major example of **'South-South international trade'** that may eventually be the engine that drives African development. Other significant economies in the South such as India and Brazil are also looking to expand their interests in Africa too. In October 2006, 300 business delegates from 35 African countries visited India to discuss potential business opportunities.

A recent World Bank article looked at Africa as China and India's **'New Economic Frontier'**. It argued that Africa could be for China and India what China and India had been for the West.

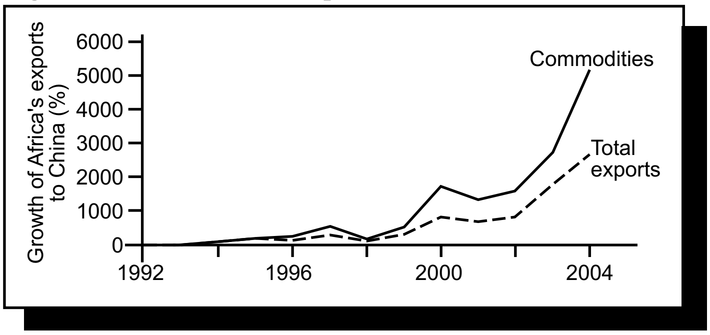
Neo-colonialism: the acquisition or retention of influence over other countries particularly former colonies, often by economic or political measures.

A focus on raw materials

African exports of commodities (raw materials) to China have grown at a far faster rate than exports in general (Fig. 4). China's most important raw material relationships in Africa include:

- ***Iron and platinum:*** South Africa, Zimbabwe, Democratic Republic of Congo
- ***Timber:*** South Africa, Gabon, Congo-Brazzaville and Cameroon
- ***Oil:*** Angola, Nigeria, Sudan, Equatorial Guinea, Gabon and Congo-Brazzaville.
- ***Cotton:*** several countries in west and central Africa. A third of Burkina Faso's exports, almost all cotton, go to China.

Fig. 4 Growth of Africa's exports to China since 1992.



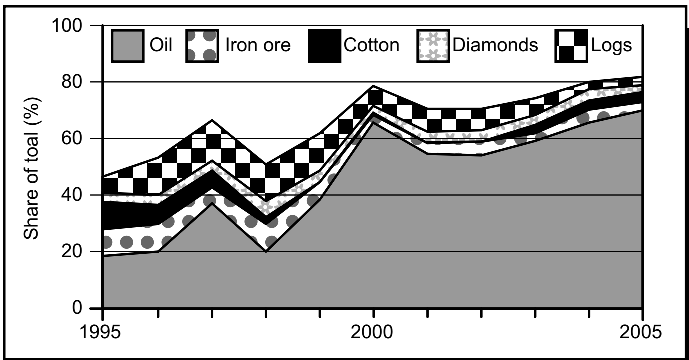
Source: OECD

China is now the world's second largest energy consumer after the USA. However, while domestic demand in China has risen rapidly, oil production in the country is in decline and although China has substantial coal resources, production is now unable to meet demand. Chinese oil consumption is estimated to increase by an average of 10% a year while China's oil and gas imports are likely to rise from the current 33% of domestic demand to 60% by 2020. Production of oil and gas in Asia is not increasing fast enough to satisfy Chinese demand while a very significant percentage of oil and gas from the Middle East is usually allotted to European and US markets. Thus, Africa has become a major focal point of Chinese attention.

30% of China's energy imports now come from Africa. Angola is China's largest supplier of oil, ahead of Saudi Arabia. China is now second only to the USA in terms of Angolan exports. A Chinese company is a partner in several production/exploration blocks in the country. In 2004, China gave a $2 billion loan to Angola in exchange for a contract to supply 10,000 barrels of oil a day. The terms of the agreement state that most of the money will be invested in new infrastructure with 70% of the loan funds going to Chinese companies with the rest allocated to local sub-contractors. This is an example of **tied aid**. In recent years tied aid has been criticised by non-governmental organisations (NGOs) such as Oxfam and CAFOD because it reduces the overall benefits to the receiving countries and, in the worst examples, it can provide more benefit to the donor country than the receiving country.

Nigeria, Africa's largest oil producer is also attracting considerable attention from China. China currently has a financial interest in five Nigerian oilfields. Gabon's declining oil industry has benefited from a high level of investment from the China National Petroleum Corporation (SINOPEC) which plans to explore both onshore and offshore reserves. A third of the output of Congo-Brazzaville is exported to China. *Fig. 5* shows how oil dominates Chinese imports from Sub-Saharan Africa while *Table 2* shows how closely tied particular raw material producing countries are to China.

Fig. 5 Chinese imports from Sub-Saharan Africa.



Source: *Kaplinksky, R. et al (2006) The Impact of China on Sub-Saharan Africa. DFID Funded paper,*

Table 2 Share of particular commodities in exports to China

	Crude oil	Metals	Wood	Cotton
Angola	100			
Sudan	98.8			
Nigeria	88.9			
Congo	85.9			
Gabon	54.8		42.3	
DRC		99.6		
Ghana		59.8		
S Africa		45.6		
Cameroon			39.7	
Tanzania			23.4	53.8

Source: *Chen et al. 2005*

China's most controversial energy relationship is with the Sudan. While most other major countries sought to impose United Nations sanctions on Sudan because of the government's 'support' for the genocide in Darfur, China strongly opposed Security Council actions. China has invested $3 billion in Sudan's oil and gas industry. There are claims that 4,000 Chinese troops are guarding Sudanese oil pipelines. Sudan now supplies 7% of China's oil imports. The China National Petroleum Corporation (CNPC) is the largest shareholder (40%) in the Greater Nile Petroleum Operating Company which controls Sudan's oil fields. The Heritage Foundation has estimated that nearly 80% of Sudan's $500 million annual oil revenue is used to purchase weapons to subdue the rebels in the south of the country. Overall, 70% of Sudan's exports are now destined for China, up from 10% in 1995.

China and Foreign TNCs

Major **mining transnational corporations** (TNCs) are becoming increasingly concerned that China is "freezing them out" of many African countries as China is negotiating more and more comprehensive agreements with African countries. The international mining companies are finding it difficult to compete with the huge incentives China is offering, such as building roads and railways in return for mineral rights. China spent more than $10 billion on infrastructure projects in Africa in 2006 according to the World Bank. Some of the big TNCs complain that Chinese projects do not meet the environmental standards expected of Western companies, although the latter were often not very good in this respect in the past. This is viewed by the TNCs as unfair competition. However, at least one big mining company is seeking joint ventures with the Chinese in Africa.

Technology Transfer

Technology transfer is another important aspect of economic development. Africa also lags behind every other world region in this respect. A number of African countries feel that China has a better attitude to technology transfer than the West. This is vitally important if African countries are to increase their share of global trade and foreign direct investment for all economic sectors, e.g. China is helping Nigeria to launch a second space satellite. With Chinese assistance Sudan has recently built three weapons factories near the capital city, Khartoum.

Case Study: The Chambishi Copper Mine, Zambia

Copper is a mineral China needs in abundance in its expanding manufacturing industries. Seeking out new sources of copper, China reopened the Chambishi mine in Zambia's 'copperbelt' after it had been closed for more than a decade. The mine is in the middle of the copperbelt, 360km from the capital, Lusaka. It is one of the largest Chinese-invested mining projects in Africa.

Although the mine has provided many jobs in an area of very high unemployment, workers at the mine have been critical of Chinese ownership for a number of reasons. Their concerns relate to:

- ***A poor safety record:*** *51 miners died in an explosion at a subsidiary plant in 2005.*
- ***Reductions in workers' benefits:*** *Miners are no longer eligible for the relatively generous benefits that were available when the mine was in state hands. Previous social programmes such as mine-sponsored football teams are also lacking.*
- ***The hostile attitude to trade unions*** *with workers being threatened with dismissal when they pushed for better conditions.*
- ***Low wages*** *with workers paid as little as £53 a month, despite rising copper prices.*

The poor conditions at the Chambishi mine were highlighted in a Christian Aid report published in early 2007. In particular the report pointed to the lack of social programmes and the hardline attitude of mine managers. The report described how two miners were shot and injured (either by Chinese security guards or Zambian police) when they were protesting about wages outside the Chinese managers compound. The report said that the shooting "confirmed in the popular imagination the idea that Chinese bosses were uniquely brutal and exploitative, and that the Zambian states relationship to them was too close."

Aid

The different types of Chinese aid have been:

- Financial help for key investments, e.g. in 2006 China gave Kenya £20 million to modernise its state-run utilities. Chinese-sponsored roads and railways are being built in Kenya, Rwanda and Nigeria while a mobile telephone network is being built in Tunisia.
- A programme of limited debt-relief. China has cancelled African debt amounting to several billions of dollars.
- A growing training programme – China's African Human Resources Development Fund had provided training in China for 9,400 Africans by the end of 2004. A further 3,800 places were planned for each of 2005 and 2006.
- Technical assistance, particularly in the fields of health and education. Where China has funded important programmes in a number of countries. More than 15,000 Chinese doctors and over 600 teachers have worked in over 50 African countries.
- A programme of tariff exemption which took effect at the beginning of 2005. This covers 25 Sub-Saharan African countries across 190 products including food, textiles, minerals and machinery.
- Providing peace-keeping forces: over 1500 troops are currently deployed in Sub-Saharan Africa.

China argues that it has a good record in Africa with regard to aid. However, there are often strings attached as mentioned above. In Nigeria, China expected to be granted oil rights as part of an investment of $4 billion in refineries, power stations and agriculture. The allocation of $4 billion of low-interest credit to Angola so that Chinese companies could rebuild infrastructure was dependent on the debt being repaid in oil.

China's long-standing 'mutual non-interference policy' whereby aid and investment comes on a no-strings-attached basis is attractive to many governments, particularly those which are undemocratic and corrupt.

Conclusion

Assessing the Costs and Benefits of Chinese Investment

Potential Costs:

- Life has become considerable more difficult for countries which are raw material-poor as commodity prices rise.
- As more and more Chinese traders move into the African market they are frequently undercutting local producers because of the huge economies of scale achieved by Chinese manufacturers. Clothing, textiles, plastics and electronics are being imported into Africa in very large and increasing quantities. Textile factories in a number of countries including South Africa, Nigeria and Lesotho have been badly affected by Chinese imports *(Table 3)*. South Africa has negotiated quotas on Chinese clothing imports. There is growing anti-Chinese sentiment in Zambia, for example. President Levy Mwanawasa has called the Chinese "profiteers, not investors".
- China has been increasing its tariffs on a number of African exports.
- An OECD report that China's huge demand for commodities may stifle producers efforts to diversify their economies.

Table 3 Employment decline in clothing sector, 2004-05.

	2004	2005	% decline
Kenya	34,614	31,745	9.3
Lesotho	50,217	35,678	28.9
S Africa	98,000	86,000	12.2
Swaziland	32,000	14,000	56.2

Source: *Kaplinsky and Morris, 2006a*

- Trade unions have been concerned about the working conditions in some Chinese owned mines and factories. Allegations about ill-treatment in a Chinese-owned mine in July 2006 led to violent protests.
- Various national and international groups have complained about the poor environmental standards of Chinese mining projects. There are growing fears about China's **environmental footprint** in Africa.
- Chinese firms often source significant amounts of labour from China rather than locally.

Amnesty International has claimed that China's secret arms exports to Sudan are fuelling human rights violations and helping to sustain conflict there. The World Bank and other organisations have accused China and its banks of ignoring human rights and environmental standards when lending to a number of African countries.

Potential Benefits

- Chinese aid and assistance in the form of grants, preferential loans, cancellation of debts and other initiatives has helped a significant number of African countries. Since the 1960s, over 15,000 Chinese doctors have worked in 47 African countries treating 180 million patients.
- The increasing competition between the West and China for influence and resources provides African countries with a greater element of decision-making choice than before.
- A World Bank report argued that Africa's rising trade with China (and other countries) would provide an opportunity for it to diversify into the manufacture of its raw materials.
- African consumers benefit directly from the relatively low price of Chinese goods.

Some Recent Sino-African Developments – are they benefits?

- State-run China Radio International launched its first overseas radio station in Kenya in January 2006.
- In 2006 the first Chinese-owned casino was opened in Lusaka, Zambia while a Chinese-built five-star hotel is being built in Livingstone (for access to Victoria Falls).
- In late 2006 China's first direct air link with Africa, from Beijing to Lagos by Chinese Southern Airlines, was established.
- In January 2007 China announced the opening of the country's first institute for African farming.

There is growing concern that China has the clout to influence domestic and foreign politics in a number of African countries in a significant way. Chad recently cut off diplomatic relations with Taiwan and recognised Beijing as the sole legitimate government of China. Senegal made the same switch a year before. Only five African countries still recognise Taiwan. Isolating Taiwan diplomatically is an important part of Chinese policy. China views Taiwan as a renegade province which must return to full Chinese rule in time. China of course also wants African support on a range of other issues.

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