

China and Africa: Threats and Opportunities

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7. China: An Emerging Economic Force in Africa

DIDYMUS TAMEN

Introduction

The last thirty years have witnessed fundamental changes of the Chinese economy, which has grown rapidly. China's achievements of accelerated development has brought her modernisation and a period of dramatic economic growth, with the consequences that China which has one of the world's longest continuous history, spanning five millennia, now has one of the largest economies in the world. Within a period of three decades after Deng Xiaoping started liberalising the Chinese economy from the late 1970s, China has evolved from a Third World country to position herself as one of the world's most influential economic powers with huge foreign reserves. For the past 30 years, China's economy has grown at an average annual rate of 9.6 percent, much higher than the world's average annual economic growth rate of 3.3 per cent. And it is this sustained economic growth that has transformed China into a middle-income country (Onunaiju, 2007).

Reform and opening up have brought to China tremendous changes. The Chinese transition from a planned economic system to a dynamic socialist market economic system was the turning point in the Chinese economy. Under a capitalist oriented economic system,

China's total amount of imports increased from \$20.6 billion in 1978 to \$1.8 trillion in 2006, ranking third in the world with Chinese foreign exchange reserves moving from \$167 million to more than \$1,000 billion and ranking first in the world (Onunaiju, 2007). Also, Chinese companies have rapidly climbed up the rankings of the world largest firms, having six companies in a ranking of the top 25 where a few years ago there was none (*The Economist*, 2007).

These developments are traceable to the opening up of the Chinese economy by the close of the 1970s when she moved from a centrally planned economy to a market-oriented economy. The country decentralised trade and slashed tariffs. It also unified the dual exchange rates in 1994, and removed exchange controls on currency transactions in 1996. These actions, together with other reforms, triggered the rapid expansion of China's investment in other countries as well as foreign investments into China. The effect of the economic growth of the Chinese economy meant a search for new markets for its products and raw materials for its industries. Again, beyond the economy, the attraction of being recognised as a strong power in world politics is another major reason for renewed Chinese interest in Africa and other parts of the world. It is, however, Africa's natural resources potential that have made it a geo-political battle ground among countries such as the United States, China, India and other resources hungry countries.

China claims that her activities in Africa are not driven by an ideology of dominance and colonialism but is one of friendship and economic partnership which she hopes will ultimately benefit her less privileged partners. It was in this same spirit that Deng Xiaoping, then Chinese vice premier, who was latter to become the architect of the

country's modernisation drive and economic reforms, had in 1976, at the podium of the United Nations Assembly, proclaimed that "China forever belongs to the South and developing countries," and said firmly that "should one day China seek to exploit others, impose herself on others, the people of the world should identify her as social imperialist and work with the people of China to overthrow her" (Onunaiju, 2006).

Chinese Economic Deals in Africa

With all things considered, it is apparent that China's increased demand for oil and other primary commodities is the main reason why China has upgraded her African policy and reinvigorated her diplomacy on the continent. According to Onunaiju (2006), Beijing needs oil and natural resources which are found in Africa to fuel its expanding economy. China is also keen to find new markets for her products and finished goods. The Chinese activities in Africa are therefore aimed at securing energy and other primary commodity supplies. While economic issues are at the fore of bilateral relations between Africa and China, the latter hopes that their economic success would project China as a great power on the international scene. Trade between China and Africa is also on the increase and the trade relationship is so far fruitful and promises to be even more so in the years to come. To consolidate this, high profile officials from China have toured African countries, entering into agreements and cementing economic deals. The Chinese president and prime minister have visited over a dozen countries in Africa. The visits were aimed at securing trade deals to develop the natural resources that

can feed the increasing needs of China's fast growing and expanding economy. Accordingly, the Chinese leader, President Hu Jintao, remarked when he toured African countries in 2004 that

his country seeks to maintain traditional friendship and push for new development of Sino-African relations, maintain mutual assistance and benefit, promote some prosperity for China and Africa, maintain close co-operation and protect the interests of developing nations (Ikokuwu, 2006).

China's trade with Africa has expanded four fold in the past four years as the former has overtaken the United Kingdom to become Africa's third most important trading partner, after United States and France (Akosile, 2007). Principally, China's targeted investment areas in Africa include diamond, gold and aluminium in Mozambique and South Africa; copper in the Democratic Republic of Congo and Zambia; crude oil in Nigeria, Angola and Sudan; iron-ore in Mauritania and Senegal; and natural gas in Nigeria. Additional investments in uranium, radium, low cost thorium, chromium, titanium, tantalum, germanium and lithium are also expected (Emeje, 2006).

Furthermore, "strategic partnership" agreements are being reached between China and African countries. For example, in South Africa, China reached an agreement on clothing and textiles and signed a pact of peaceful nuclear co-operation. China also agreed to take measures to restrict the export of textile to South Africa in order to ensure the stability of that market. In Angola, China extended a \$2 billion credit to the country to support the reconstruction of its war shattered economy. She hopes to get a stake in

Angola's offshore oil fields in due course and increase her investment in other sectors such as fisheries and construction. In Kenya, China is involved in electricity as part of efforts to build strong ties with the country. In Ghana, she pledged to support in funding development projects, while in Egypt, trade agreements on oil and natural gas were signed between the two countries.

To further cement Sino-African relations, a two day trade exhibition summit took place in China and was attended by 40 African heads of state, more than 2,500 politicians and hundreds of African business men. The summit approved a three year action plan to forge a "new type of strategic partnership". The summit pledged that China will double aid to Africa by 2009; set up a \$5 billion China-Africa Development Fund to encourage Chinese companies to invest in Africa; provide \$3 billion in preferential loans and \$2 billion in preferential buyers' credit to African countries. China also plans to cancel all debts stemming from Chinese interest free government loans, that matured by the end of 2005 for 31 heavily indebted and least developed countries (LDCs) in Africa that have relations with China (an amount estimated at about \$1.4 billion). China also plans to further open its market to exports from African LDCs by increasing from 190 to 440 the number of products receiving free tariff treatment. China also pledged to train 15,000 African professionals; double the number of Chinese government scholarships given yearly to Africans and send 100 senior agricultural experts and establish 300 malaria treatment centres in 100 rural schools. China also vowed to support the African Union by building a new convention centre at the African Union headquarters in Addis-Ababa. She also reaffirmed her commitment to the New Partnership for

Africa's Development (NEPAD) – the African Union's development plan (Emeje, 2006).

The highest number of Chinese bilateral economic agreements in Africa are in Nigeria, with seven co-operative agreements, which include – buying a controlling stake in Nigeria's Kaduna refinery and a \$2 billion deal in which China's offshore oil field company (CNOOC) will take a 45 per cent stake in the Akpo oil field – with expected production of 225,000 barrels of oil per day when it comes on stream. The Chinese government also proposed to invest about 4 billion US dollars in the development of Nigeria's oil infrastructure after securing four oil drilling licenses. Other Chinese investments in Nigeria are in the tele-communication industry, agriculture and minerals sector (Abbah, 2006).

Additional Chinese investments in Nigeria include the Abuja metroline phases 1, 2 and 3; power station plant at Lugbe housing estate and the Tunga Maji automotive village. In agriculture, China hopes to venture into the areas of rice and cassava plantation, agro research centre and aquaculture. In the health sector, China is interested in setting up malaria medicine factory and plantation garden, AIDS medicine research facility, research plantation garden and emergency medical equipment factory. In education, she intends to upgrade facilities; while in commerce, Chinese investments include Lagos international goods wholesale centre and Abuja free trade logistic hub (Emeje, 2006).

China also plans to invest in the Nigeria transport sector, by offering a grant and expertise for the formulation of a 25-year comprehensive railway development plan that includes redesigning of the existing railway tracks and expansion of the lines to new areas across Nigeria. In

October 2006, the Nigerian government signed a 2.5 billion US dollar loan facility with China, a substantial part of which will be used to finance the refurbishment of the railway system. In all, an estimated 7,800 kilometres of standard gauge railway network to connect all 36 state capitals and major cities in the country is to be built by concession-holders who then will be responsible for the infrastructure upgrades, expansion and maintenance. The first phase of the project is estimated at 83 billion naira. The entire railway modernisation and expansion project is estimated to cost over \$30 billion dollars (Emeje, 2006).

The contract for the first phase covering 1,215 kilometres of double track standard gauge line from the commercial centre of Lagos in the southwest to Kano in the north with a branch in Minna and Abuja, was signed on October 30, 2006 in Nigeria with the Chinese. The railway modernisation and expansion project when completed will be able to run 36 trains per day from Lagos to Kano and back, and move about 40 million tons of goods per year.

Summarising Chinese trade relations with Nigeria, the former Nigerian president, Olusegun Obasanjo described China's investment in Nigeria as part of the overall reform of the national economy aimed at giving the nation a fresh economic lease, as well as benefiting from China's experience as an emerging superpower.

Implications of Chinese Economic Relations with Africa

There are mixed reactions from different people regarding Chinese activities in Africa. While some argue that there is no benefit that African countries can derive from China, others are of the opinion that a lot of benefits will come to

African countries. According to Waziri Idris, Nigerian former minister of Commerce, China has the fastest growing economy in the world and any country that ignores China is doing so at her own peril (Emeje, 2006: 33). The consideration being that China's development will not pose a threat to anyone. On the contrary, it will bring more development opportunities to the world. The belief is that Africa will trade her natural resources and market potentials with China, for the latter's effective practices and technical know-how (Ikokuwu, 2006: 56).

Addressing the joint session of Nigeria's National Assembly, President Hu Jintao stated that: "We will work together to forge a new type of China-Africa strategic partnership." He further said that "China firmly shares the desire of Africa to maintain independence and sovereignty and pursue models of development that suit their particular national conditions." He also said that his country is determined to "expand win-win economic cooperation that would feature capacity building, human resources and technology exchanges." On Africa's quest for representation at the United Nations, Mr. Hu said that:

China will continue to work for more progress in UN reforms to make the world body place greater emphasis on the issue of development as a top priority and the under representation of developing countries including Africa (Onunaiju, 2006).

The new economic relations can also benefit Africa since China grants loans without conditions attached to them like those of Western institutions such as the World Bank and International Monetary Fund (IMF). For example, China announced in 2007 that it would lend African nations 1.5

billion dollars in preferential credit over three years and double aid and interest free loans over the same period (Emeje, 2006). This is corroborated by Griffiths (2007: 12) who wrote that:

But there is always China. Beijing is able to deliver answers much faster than Western development financial institutions... Go to the IFC (The World Bank's International Finance Corporation) and there are 240 steps to follow... meanwhile the Chinese come with a 30-year commitment.

In other words, Chinese intervention efforts in Africa seem to be free of the bureaucratic bottlenecks that characterise similar efforts from the West and world bodies.

As a result, more and more African leaders now take China as a model for their own countries even as her diplomatic efforts in Africa and new found clout in the international arena raises concern. Indeed, so immense has been the rise of China that Henry Kissinger, a former American Secretary of State, believes that a substantial reordering of the system is imminent. Impressed by the development in China like in most of Asia, he concluded that "the centre of gravity of world affairs is shifting from the Atlantic to the Pacific" (Al-Ghazali, 2006: 13). In Africa, China is viewed as coming at the right time to fill the vacuum created by European and United States companies who have been skeptical about investing on the continent because of political instability and corruption.

In spite of all these efforts, it is argued that China is on a mission to plunder the continent's resources as Western nations did during the colonial period that had effectively worked against African interests. According to Abbah

(2006), the "Chinese are taking over from the imperialist West who exploit our resources and leave us dry. It is a latter day invasion of our economic landscape. It is merely an expansionist tendency." Some human rights activists too are worried that China's policies could prevent Africa from democratising. They note that increased trade with China which often floods Africa's markets with cheap finished goods is making local manufacturers bankrupt. There are also several complaints about unethical industrial practices by Chinese investors, the impact of which is horrendous on the welfare of their host countries. These complaints range from insincerity in their accounting procedure in order to evade taxes, draining of the host economy especially in the oil sector, and support for and promotion of undemocratic tendencies of most African states. It is also alleged that China saturates African markets with sub-standard products and is reluctant to transfer skills or technology to their host countries.

Western nations have also expressed fears about China's emerging role in Africa. The United States of America is worried that China's communist planners see the African continent as a prize in a new "great game" to secure strategic advantage by striking deals rather than feeding open markets. According to the West, it is obvious that the Chinese pose not only an economic problem but also a geopolitical challenge to the international order. China, in their view, has been encouraging human rights abuses and is also propping up corrupt and repressive regimes in Sudan and Zimbabwe in her quest for cheap energy and ready markets for her exports. For example, China threatened to use her veto powers to stop sanctions against Sudan which the United Nations accused of committing genocide against her own people. She also

resisted punitive measures against President Robert Mugabe of Zimbabwe who is having a difficult time with the United States and United Kingdom (Ikokwu, 2006). The former World Bank president, Paul Wolfowitz, supports claims that Chinese banks ignore human rights as well as environmental and corporate good governance standards in their lending to African countries. He concluded that African countries granted debt relief by the West risked becoming heavily indebted once more; this time to China (Al-Ghazali, 2006).

As in any fast-developing economy, for all its success, China's rapid growth masks a multitude of problems, from corruption and devastating pollution to a frail banking system and the failure to uphold the rule of law. Meanwhile, three decades of "get rich quick" advice from the Party have left the country divided between the richer coastal cities and an impoverished interior; and between upwardly mobile city dwellers and stagnating rural communities. Consequently, the income disparity between China's richest few and poorest many (peasants, migrant workers, pensioners) is a sore point in the unfolding Chinese economic miracle.

Though there is merit in all the issues raised by the West, at the moment, Africa and China seem to have a balanced relationship. With Africa, China finds a ready market and for African countries ravaged by social vices and dwindling incomes, what the Chinese bring to the table are cheaper products with improved quality for the global market. With or without corporate good governance, real economic growth will still elude the developing nations as long as unfair trade practices and inequalities in the international economic system remain hopelessly skewed against them. To that extent, what the Chinese have done

is to prove that there is life after the World Bank and the IMF in their cocktail of capitalism and state control as the appropriate response to their developmental needs.

There is, however, equally no doubt that China's "hands off" approach has helped to win new friends across Africa. Like their Foreign ministry's spokesman Liu Jianchoa disclosed recently, "Our principle when handling our relations with other countries is never to impose our social system, development models, values and ideology upon their countries" (Al-Ghazali, 2006). It is precisely this foreign policy that aided China as she reached out to new economic frontiers. At a time when America continues to dissipate energy meddling in the internal affairs of other nations and is indeed currently stuck in Iraq, the Chinese have no such problems. In a world at the mercy of only one superpower which continues to mock the essence of multilateralism, the Chinese responsible use of the veto power at the United Nations offers an additional attraction to Africa like much of the developing world. It is easy to simply say that the relations between China and Africa are purely on economic grounds, but taken into perspective, it is as much a revolt against the West and the Washington Consensus if critically examined.

Conclusion

From the foregoing, it is apparent that the battle for the control of the world economy is raging between the West and the emerging Asian economies. As Africa opens her economies for the needed foreign investments, it should be circumspect in doing that. The continent should not lose sight of the position of critics that some countries, China

inclusive, have gone global in search of energy and are ready to plant their nation's flag at any cost. Thus, while African leaders fall over themselves in celebration of the success recorded in attracting foreign investments, it is advised that national interest should always be a major determinant in these investments.

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