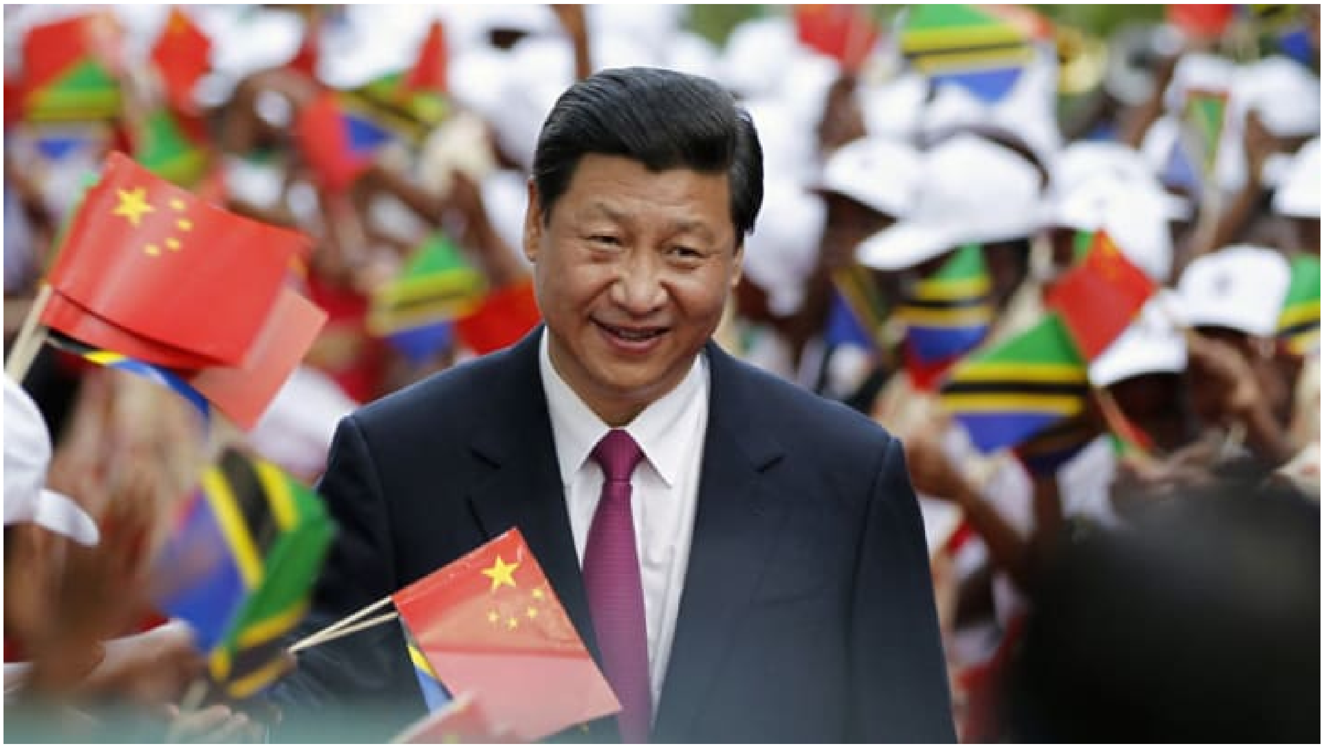
Opinion: Does China really control Africa's destiny?

devex.com/news/opinion-does-china-really-control-africa-s-destiny-94657

Magda Theodate

April 30, 2019



China's President Xi Jinping is welcomed in Tanzania at the State House in Dar es Salaam. Photo by: REUTERS / Thomas Mukoya

For decades, development partners from industrialized nations have relied on aid and foreign direct investment to finance infrastructure developments, stimulate economic growth, and build technical capacity. Countries such as the United States, United Kingdom, Canada, and Germany have, for many years, led the way in providing international support to developing economies.

However, in recent years, China has dominated foreign direct investment outflows, planting its "investment roots" in many countries around the world, including across Africa. To this extent, China-Africa relations are of particular interest to observers, not for the gains to Africa, but because of concerns over China's growing influence on the continent, and on the world economic stage.

Strangely, industrialized lending countries seemed much less vocal about African debt sustainability; potential environmental and social harms from infrastructure-laden investments; and downside risks to African countries accepting training and technology transfers, when those countries were in the driver's seat, with African leaders as passengers.

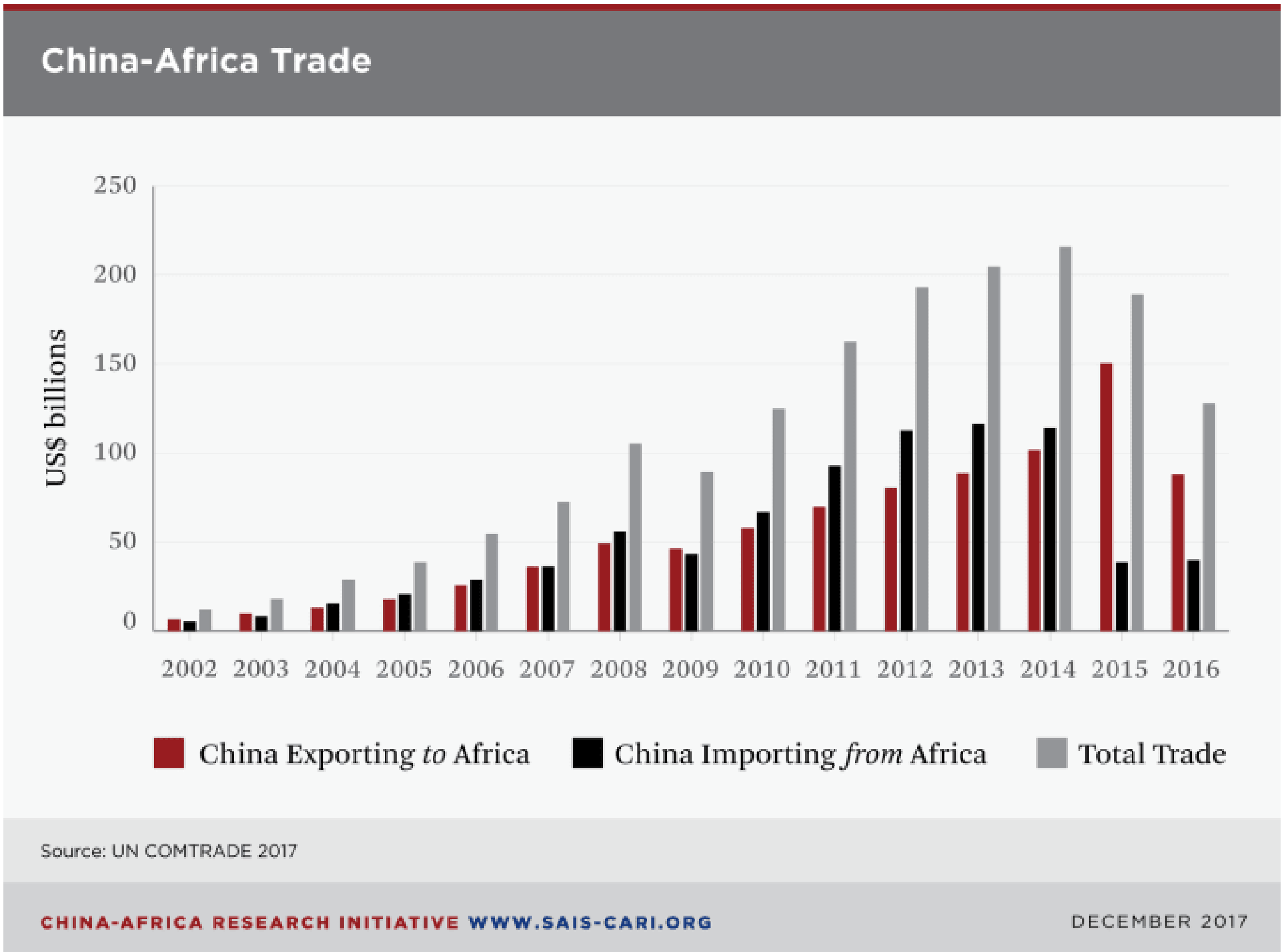
China's active and deep engagement in Africa over the past decade seems to have changed the rules of the game, and African countries don't seem to be complaining.

A new dynamic

Prior to the beginning of this century, international trade relations between China and African countries were governed by just over a dozen bilateral trade agreements with mostly northern African countries.

But, around the year 2000, a stronger alliance began to form, largely around the issues of gaining African support for China's position with regard to Taiwan's independence; creating new markets for Chinese goods and workers; and finding new sources of natural resources to meet Chinese domestic demand from the country's booming middle class.

With renewed cooperation on these matters, several African countries began receiving Chinese aid, concessional loans, and direct investments for their infrastructure development projects. By 2009, the African bloc had become increasingly important for Chinese goods and investment, and China had positioned itself to become the region's largest trading partner, overtaking the U.S. by 2012. Today, China provides aid to more than 20 African countries and more than $130 million in exports to Africa.



Infrastructure everywhere

Anyone who travels to Africa can see for themselves: new airports, railways, ports, and bridges built from east to west and north to south. As part of China's Belt and Road Initiative, introduced in 2013 to promote interregional cooperation and connectivity, Chinese infrastructure investment commitments in Africa have gone from $21 billion in 2015 to more than $100 billion in 2016.

The value of these commitments was greater than the combined value of commitments made by the Infrastructure Consortium for Africa, which comprises the European Commission, the European Investment Bank, the African Development Bank, the International Finance Corporation, the World Bank, and the G-7 industrialized nations.

Despite China's huge investments, according to AfDB, the infrastructure financing gap in Africa is estimated at somewhere between $68 billion and $108 billion. Expectations are that the Belt and Road Initiative will be instrumental in helping to bridge this gap and stimulate more investments.

Get development's most important headlines in your inbox every day.

Thanks for subscribing!

Trade-offs

Africa and China's cooperation and increased Chinese private sector investment have notably seen millions of Africans employed; investment in skills development and training; and added efficiencies to local markets through introducing technologies and new products.

However, alarm over what some see as the exploitative manner in which China acquires African state-owned assets, the growing debt African nations owe China, and growing goods and services trade imbalance in favor of China is reaching fever pitch as private Chinese investments grow exponentially on the continent.

According to a report by McKinsey, "the sheer number of private Chinese firms working toward their own profit motives suggests that Chinese investment in Africa is a more market-driven phenomenon than is commonly understood." The dominance of Chinese businesses across the continent is having a negative impact on local firms struggling to compete, but also forcing them to match up to the competition. Such is the case of the South Africa steel industry that was on the verge of shutting down in 2016.

African continental interests

Although the China-Africa alliance continues to fuel economic growth in Africa, it is clear that African governments need to strongly advocate for their national interest and ensure that their long-term economic and social development objectives are aligned.

In this regard, perhaps national or regional economic development strategies that provide a roadmap and a guide for foreign investments, with policies for local employment and local investment cooperation, are necessary. African governments must also stand their ground in retaining those assets that are of strategic value and in determining how infrastructure finances will be administered.

Already, according to AfDB, more and more African countries are using public-private partnership models to attract private sector investments in capital projects. To this end, governments must examine the extent to which private sector investments can be mobilized to finance infrastructure projects.

Under this model, the debt burden would be lessened, allowing for more budgetary support to social and other programs.

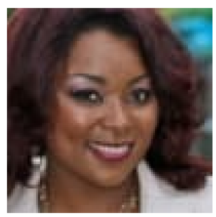
Forward together

Despite the challenges confronting the Sino-African relationship, there is solid hope on the horizon for an even more fortified partnership. The African Continental Free Trade Agreement, for example, is set to bring Africa fully into its economic powerhouse potential through a single, over 50-member country market for the movement of goods and services.

Further, leaders in both Africa and Asia, at the September 2018 Beijing Summit of the Forum on China-Africa Cooperation, committed to greater collaboration, efforts to reduce trade deficits, social cohesion, and the harmonization of development strategies.

Africa appears to know what it wants, and it's forging ahead at its own risk.

About the author



Magda Theodate

Magda Theodate is a senior international lawyer and development professional with over 10 years of experience advising on international trade, procurement, and governance. She has successfully facilitated dozens of projects in low- and middle-income countries, working with agencies such as the Inter-American Development Bank, the World Bank, and UNDP. She is a strong advocate for the effective use of international development investments to promote trade, and support local economic development and governance.