

China steps up trade and investment in Africa

Barry Mason
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President Hu Jintao has said that China will offer US\$5 billion in loans and credits and double aid to Africa by 2009.

Over the weekend of November 3-5, senior government figures from 48 of the 53 nations that constitute Africa, including many heads of state, met in the Chinese capital Beijing.

The Chinese regime pulled out all the stops to make the summit an impressive event. Billboards were stripped of ads and instead carried pictures of African wild animals. Iconic African symbols such as pyramids and tribesmen adorned the walls of building sites. Models of savannah animals were placed in the main shopping area. Posters declared, “Africa, the Land of Myth and Miracles.”

Heavily polluting industry was shut down to improve the air quality, cars banned from the city and many of the city’s inhabitants organised as neighborhood committees to decorate trees. All police leave was cancelled, and the prestigious Hongqiao market was opened for the exclusive use of the wives of African delegates.

Luxury hotels and fleets of cars were commandeered. Hotel rooms were customised in African décor and special African menus provided. Meanne Dizerent Lau, a representative of the Shangrila hotel, which paid host to delegates from Tanzania, told the British *Guardian* newspaper, “We have hosted big groups of officials before, but never like this. The government has never been so involved.”

The elaborate and momentous forum was aimed at enhancing China’s influence in and penetration of Africa.

China’s turn to Africa is in response to its booming economic growth and its need to access raw materials. Under Mao Zedong, China had established relations with some African countries in the Cold War era, including providing military training to Zimbabwe. But its renewed involvement dates back to the mid-1990s, when economic growth took off. Its growing involvement can be seen from reviewing trade statistics. China’s main interest in Africa has been as an energy source, oil, as access to Middle East oil supplies has been restricted by European

and American interests.

China has been involved in Sudan since the mid-1990s, and the state-owned China National Offshore Oil Corp. (CNOOC) has turned the country from a net importer of oil to one exporting US\$2 billion of oil per year. Half this amount goes to China. In Nigeria, China paid out US\$2.7 billion (its largest overseas expenditure to date) to buy an interest in one oilfield with exploration rights to four others. Angola, which was given access to US\$2 billion worth of credit, is now the biggest supplier of oil to China, overtaking Saudi Arabia. China also has oil interests in Equatorial Guinea, Congo-Brazzaville and Gabon.

Aside from oil, China’s imports include raw cotton from West Africa, copper and cobalt from the Democratic Congo Republic, iron ore and platinum from Zambia and timber from Gabon, Cameroon and Congo-Brazzaville. It has also made investments in infrastructure projects, such as rebuilding railway lines in Angola, including one to the port in Benguela used to carry copper from Zambia. New dam projects are being funded in Zambia, Sudan, Congo-Brazzaville and Ethiopia. And China is also funding development projects such as hospitals and schools.

In addition to importing raw materials, China has been able to penetrate the African market with its goods. The ending of the Multi-Fibre Agreement (MFA) in particular, which had offered some protection to producers in “underdeveloped” countries, hit African textile manufacturing hard. Ethiopian Prime Minister Meles Zenawi made the point that, today, 90 percent of goods on sale in Addis Ababa’s largest market were of Chinese origin.

Chinese businesses and personnel have also been settling in Africa. According to a November 3 *New York Times* article, around 80,000 Chinese are living and working in Africa. A Mandarin language department is to be established at Harare University in Zimbabwe.

China’s trade with Africa, which in 1995 was worth around US\$3 billion, is now in the region of US\$40 billion. It aims to vastly increase its African investment

and trade in the coming period.

The Beijing summit was preceded throughout this year by visits to Africa by various Chinese leaders. At the beginning of the year, Foreign Minister Li Zhaoxing visited Nigeria, Liberia, Mali and Senegal. In April, President Hu Jintao visited Morocco, Nigeria and Kenya. In June, Prime Minister Wen Jiabao visited Egypt, Ghana, Congo-Brazzaville, Angola, South Africa, Tanzania and Uganda.

At the summit, which attracted more than 2,000 delegates and Chinese business people, 16 trade and investment deals worth around US\$2 billion were agreed on. President Hu told the summit that over the next three years, China would give US\$3 billion in preferential loans and US\$2 billion in preferential credit to African countries, pledging that by 2009 its current level of annual aid would be doubled.

Amongst the proposals are the building of a US\$300 million aluminium production plant in Egypt, and US\$200 million for a copper plant in Zambia together with a US\$300 million project to upgrade a Nigerian highway. China expects to double its expected current year trade figure of US\$50 billion to US\$100 billion by 2009. China also agreed to lift tariffs on African goods from the current figure of 190 to 440, but did not give any details of what those goods would be.

China is now Africa's third largest trading partner after the United States and France. Overall African trade with Europe has declined, but has increased with the US. The US has aggressively pursued African countries, mainly in West Africa, to establish secure oil supplies to counter its dependence on the unstable Middle East.

The inroad made by China has sounded warning bells amongst all the major powers. The *Financial Times* ran a series of articles earlier this year on China's growing involvement in Africa. Admitting its tardiness in recognising the role of China, it noted that it was "only just beginning to grapple with the implications."

In an October 25 editorial headed "Wolves in Africa," the *FT* bemoaned the fact that Chinese banks do not follow the "Equator Principles." These are a set of codes that provide a benchmark for determining, assessing and managing social and environmental risk in project financing. It noted that the action of Chinese banks "threatens not just ethical lending but the direction of development policy in Africa. Two of its features are debt forgiveness and the linking of aid to better governance. Debt forgiveness is undermined if Chinese banks simply turn around and lend more money. Corrupt governments,

meanwhile, will not reform if Chinese aid is an easier alternative."

In an *FT* article of November 1, Geoff Lamb, a former vice president of the World Bank, wrote, "China's commercial encroachment on the terrain of traditional aid providers has caused consternation among western policymakers.... [T]here are legitimate concerns that these deals—on mostly opaque terms—will support dubious regimes and produce a new cycle of unsustainable debt."

An article in the *FT*'s French sister paper *Les Echos* reports Paul Wolfowitz, president of the World Bank, as slamming China's bank lending to Africa. He criticised what he called "soft loans." But the World Bank and Western commercial banks as well as governments made just such loans during the Cold War. In doing so, it fed the corrupt elites that are still in power and which it now condemns.

The effect of China's loans is similar. There is a huge disparity between the affluent parts of Khartoum, the Sudanese capital, where new villas are being constructed for the wealthy, and others parts of the country. Even most of the residents of Khartoum do not share in the oil boom.

The same article also indicated that the World Bank had held "very direct" talks with China on this issue, but had not been able to reach agreement. In a subsequent letter to the *FT*, Wolfowitz tried to row back by stating he was not singling out China for condemnation, but it is clear that China's interventions in Africa and other parts of the world are seen by rival imperialist powers as a major threat.



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