

## *China in Africa*

# Getting to know the super-power with many different faces

*by James Keeley*

THE CHINA AFRICA SUMMIT in Beijing in November 2006, attended by 48 African heads of state, heralded a new era of strategic cooperation between China and the African continent. In addition to launching an Africa policy, China promised US\$5 billion of loans and credits, and announced plans to increase trade to US\$100 billion by 2010. Alongside this, a substantially expanded aid programme promises technical exchange and technology transfer, the creation of 10 agricultural development centres in Africa, and the training of new cadres of African experts. In these pages we look at a few of the different dimensions of China's deepening engagement with Africa.

Even apart from Europeans and Americans with geopolitical or economic axes to grind, many commentators inside and outside Africa express concern at China's rapidly evolving relationships with the African continent. To some they can seem like a tidal wave.

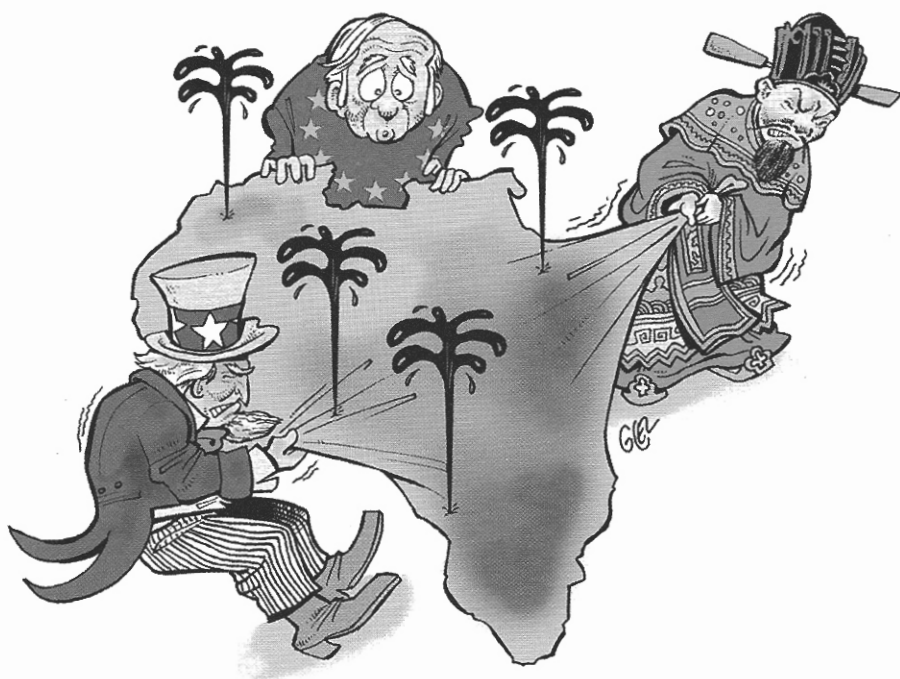
China's great demand for raw materials and energy are driving massive programmes of investment in Africa. One quarter of China's oil imports come from Africa. China has invested more than US\$ 8 billion in oil exploration in the Sudan. Chinese oil giant Sinopec is constructing

a 1500 kilometre pipeline to Port Sudan on the Red Sea. Deals worth US\$ 9 billion have also been struck with Angola (Rocha, 2007)\*.

In some quarters there are fears that African nations are becoming locked into a new form of one-sided development based on commodity exports and the import of manufactures. Textile manufacturing, for example, has been badly affected by Chinese imports in several southern African countries.

### **Governance and migration**

In terms of Chinese investments in Africa, particularly in forestry and minerals, there are worries that Chinese entrepreneurs are taking advantage of poor governance arrangements to effectively strip assets (see the article on forestry in Mozambique in this issue). At the same time, questions are posed about present and future patterns of migration, including a plan to settle three million Chinese in Angola (see Alden, 2007, reviewed in this issue on page 34). Finally, many worry that China's policy of non-interference in other countries' internal affairs will translate into the kind of uncritical support for repressive regimes that caused so much damage by other foreign powers in the past.



Damien Clez

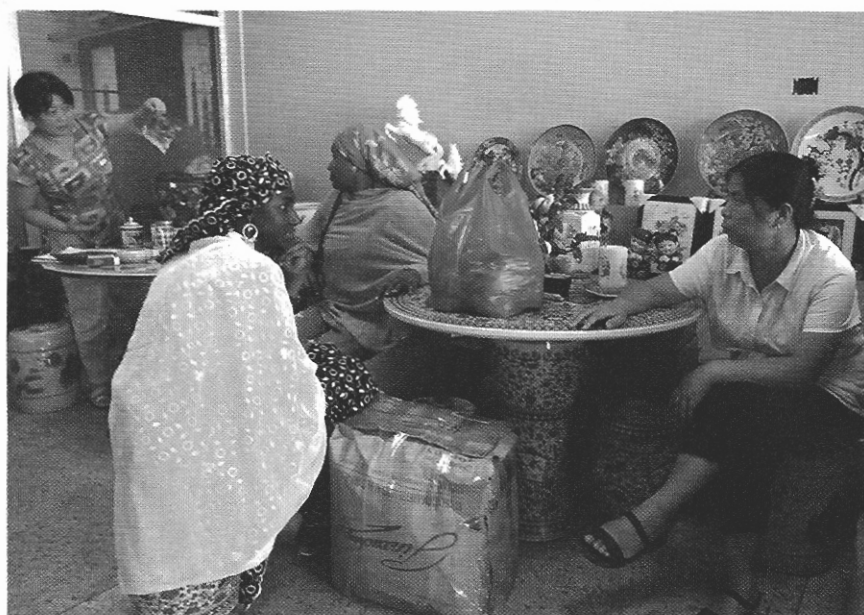
More optimistically, China offers African governments a welcome alternative to existing relationships with G8 nations. China is clearly making an important contribution to the building of much-needed infrastructure. New sources of finance are also giving more options to African states, while investment is creating jobs and new economic vibrancy in many places. Low-cost consumer goods are also appreciated, with mobile phone technologies helping to create new business opportunities in areas where limited access to market information has been a problem. Nevertheless, in countries such as Senegal there are both costs and benefits associated with the arrival of Chinese small traders, as the following article by Awa Faly Ba makes clear. Opportunities are being created for some local entrepreneurs, and more goods are available, but the imports migrants make

available can also challenge local industry and the livelihoods of local craftspeople.

China's engagement in Africa defies any simple assessment. There are many different relationships and they play out in many ways. So what does this mean in practice?

### Many actors

Firstly, it is important to recognise the diversity of Chinese institutions engaging with Africa. China is not a single actor. Small-scale businesses and entrepreneurs – not the government – are responsible for some of the most undesirable practices, such as unsustainable logging. Sometimes these are Chinese who have stayed on in Africa after the end of a government contract – and it is not clear that the Chinese government can easily influence their behaviour. Chinese multinationals are more susceptible to government influence, but even where firms



Sunday Alambay/AP Photo

Chinese women talk business with local women at a shop in Lagos, Nigeria

have links to the Chinese state they are often provincial-level companies, making it difficult for Beijing to control their actions. For the time being, understandings by Africans and others of intra-Chinese relationships are poor; this is partly because of a lack of transparency (China's aid figures, for example, are not published).

Secondly, within many African states the new engagement with China is changing political dynamics. In the recent Zambian election, for example, conflicting perceptions of Chinese investments in the mining sector was a key issue. Policy makers, practitioners and others need to develop sensitive understandings of the interests of different African stakeholders in relation to Chinese investment, trade and migration.

Thirdly, Chinese politicians are more aware of the limitations of the official policy of non-interference in domestic politics overseas. China in the past has used this to justify engagement with the governments of Sudan and Zimbabwe. African citizens now demand good governance, not only western donors. This fact, combined

with external pressure, is gradually modifying Chinese behaviour.

Events show that Chinese institutions and actors are increasingly waking up to the complexities of their involvement in Africa. There is scope for donors, aid recipient governments and others to encourage relationships to evolve in ways that contribute to sustainable development objectives. However, supporting positive trends will require informed, imaginative and robust engagement by all parties.

\* John Rocha, 2007. 'A New Frontier in the Exploitation of Africa's Natural Resources: the emergence of China', *African Perspectives on China in Africa*. Firoze Manji and Stephen Marks (eds). Fafamu: Cape Town, Oxford, Nairobi.



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# 'Made in China' – it's a fact of life!

by Awa Faly Ba

THE ANNUAL CELEBRATIONS marking Senegal's independence are traditionally held on the widest avenue through the centre of the capital, the imposing Boulevard du Général de Gaulle. Despite the whiff of grandeur conjured by its name, this two-kilometre stretch of highway through the heart of Dakar is today, in reality, a buzzing market powered by Chinese vendors selling all kinds of cheap goods.

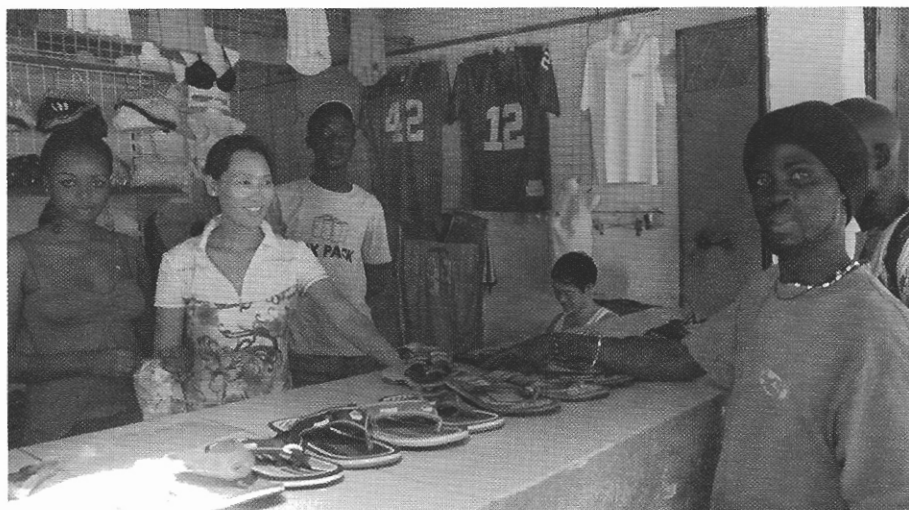
Once a tiny minority, the numbers of Chinese swelled after the two countries re-established diplomatic relations in 2004. One year later Yan Jun, president of the Chinese traders' association in Senegal, noted that "There are over 150 of us here now, compared with just six in 2000". An official count at that time put the number of Chinese nationals in Senegal at around 300, and while it is extremely difficult to obtain precise figures, doubtless there are many more now. Some 95 per cent of the shops on the boulevard are Chinese-owned.

The fact that the arrival of the Chinese might threaten local businesses and affect the national economy has done little to dampen shoppers' enthusiasm for their wares. Given their lack of purchasing power, it's not hard to see why the vast majority of Dakar's inhabitants are keen to take advantage of the knock-down prices asked by the Chinese,

who seem able to cater to their every need. From life-size portraits of *marabouts* to skimpy thongs and every kind of textile product in between, the latest items of clothing, shoes and household goods can be found on their stalls. Faced with this winning combination of unbeatably low prices and sensitivity to local demand, consumers are unlikely to heed any calls to "Buy Senegalese".

And so it is that a once respectable residential area has been transformed into the country's main marketplace. The neighbourhood's middle-class but economically vulnerable families have been saved by the arrival of these traders, and its once peaceful streets are now home to a new breed of middlemen doing a brisk trade reselling the latest container-load of goods.

Because very few Chinese traders speak French, let alone any local languages, lucrative new opportunities have opened up for intermediaries who can bargain with clients on behalf of the Chinese stallholders, and for young entrepreneurs who buy in bulk and resell their wares in the hurly-burly outside. This arrangement may be bad news for local industries and craftsmen, but it works well for both the Chinese traders (who are starting to diversify into their own fast-food outlets) and the young jobseekers and poorer households in the locality.



Awa Faly Ba

A stall in Dakar's Chinatown selling Chinese goods

This Senegalese Chinatown is only the tip of the iceberg, the most visible aspect of an influence that has gradually percolated through the entire national economy, from fishing and crafts to industry and public works. The first industrial fishing agreements were drawn up in 1989 – facilitating construction of the Léopold Sedar Senghor Olympic stadium for the 1992 Africa World Cup, but also, according to some ecologists, triggering over-fishing due to the powers ascribed to shark fins and certain shellfish. Since then, various major companies like the Henan China Group and Jean Lefebvre (Talix Group) have been awarded contracts to construct the toll motorway between Dakar and Diamniadio (34km).

The Chinese presence in Senegal and every major capital in the sub-region is a sign of the times, an inescapable fact of life that has both positive and negative aspects. The Chinese have found a niche and are constantly expanding it by adapting to local demand. The question is, what can economic actors and national enterprise do to respond to this challenge? What can be done in the short- and medium-term to help our already weak

trade sector deal with such fierce competition, and to prevent the Chinese presence from snuffing out the spirit of enterprise among our young? Will the Senegalese economy be able to get the best out of these new actors without jeopardising its modest achievements? And will the Chinese have the same (or an even greater) effect on the Senegalese economy as the inequitable trade with America and Europe had in the past and continues to have even now?

One positive aspect of these issues is that it forces us to focus on concrete, local responses that will enable us to engage with and survive in today's globalised world.

*Thanks to Yathénara Ndoye for collecting the data for this article.*



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# Corruption skims profits from China-Mozambique timber trade

*Mozambican authorities swooped on the northern port of Nacala in October to seize over 500 containers of logs awaiting illegal export to China. More often, as the following report shows, the illegal trade goes ahead unhindered – in large measure because the export price for raw logs is 60 per cent higher than for sawn timber. China's timber imports have grown massively since 1998, when 2,500 people died in floods along the Yangtze River, which were blamed on deforestation and led to a logging ban*

*by Simon Norfolk*

A REPORT IN Mozambique's *Noticias* newspaper in July described the illegal shipment of 1,248 ironwood and leadwood timber logs from the northern port of Nacala. By the time the report appeared, however, the logs were already loaded and the ship had sailed for China.

For many observers in Mozambique, this report was just the latest in a prolonged history of violations of the national forestry laws. It was also further proof that illegality in the forestry trade is being driven by the rising demand for timber exports to China and is mostly being committed by Chinese-owned companies.

The forestry industry has grown rapidly during the past 10 years. Improvements to the rural road network and the fact that the country possesses several ports on the Indian Ocean have fuelled the rapidly increasing

exploitation of tropical hardwoods throughout the north of the country. Lorries loaded with logs travel day and night from the forest areas to the coast, where the timber is loaded onto ships bound for the Chinese market.

The dominance of the export market to China is undeniable. According to recent research, China and Hong Kong absorbed more than 85 percent of the estimated 430,000 m<sup>3</sup> of logs officially exported from Mozambique during 2000-2005. Estimates from an FAO report in 2003, however, suggest the clandestine production and export of timber in Mozambique may represent an additional 50 to 70 per cent of the total licensed production. In volume, this would mean between 90,000 and 140,000 m<sup>3</sup> of unauthorised production per year, with a gross value in the region of US\$15-24 million.

The timber industry represents therefore

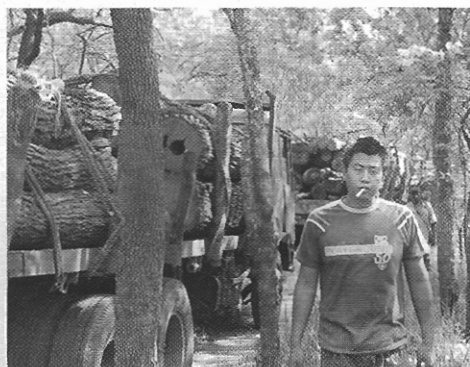
an important contributor to the Mozambican economy at the same time as being the source of significant losses to government revenue. A large part of the problem relates to the nature of the export trade to China. Since 2002, China has cut its import tariffs, contributing to a dramatic increase in its raw log imports. This conflicts with the Mozambican government's attempt to promote domestic value-added production.

**The value of a log exported in round form is now approximately 60% more than the value of the exported sawn timber that can be obtained from that log. Such a disparity means that legislation prohibiting log exports of certain species is regularly violated and that the fiscal incentives for domestic processing are ineffective.**

The Mozambican government, however, must also share responsibility for this state of affairs. After four years on the statute books, the right of local community groups to receive a percentage of forest industry royalties has not been implemented. Members of these communities, faced with few alternatives, are easily co-opted by unscrupulous operators and have every incentive to encourage rather than prevent the illegal logging of the forests around them.

The Mozambican government is not merely guilty of inaction. Its response to criticism has consistently been to downplay the severity of the problem. Even in the face of contrary evidence from its own institutions, the government maintains that exploitation rates are within sustainable levels. More worryingly, the government-aligned media has published several articles labelling the calls for reform as part of an 'anti-Chinese conspiracy' orchestrated by 'foreign hands'.

This reaction reveals the unholy alliance that arises between corrupt operators and corrupt civil servants and politicians in the context of a weak and inequitable society. If laws were



A Chinese logging truck taking timber out of the Quirimbas National Park in Cabo Delgado, Mozambique

properly enforced, if poverty were not so harsh and if wealth and power were more equitably distributed in Mozambican society, the impact of the Chinese forest operators would not be so debilitating to the economy and would not so effectively undermine its institutions. Unfortunately, political influence and power in Mozambique are regularly used to override legislation.

It would appear that only the intervention of China itself, as a true development partner of Mozambique, could potentially play a role in improving the impact of the relationship. However, given that Mozambique provides an infinitesimal share (0.12%) of China's total timber imports, it is doubtful that the Chinese government has much strategic interest in ensuring the sustainability of this supply.



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