DISCUSSION PAPER 44

Africa's Business and Development Relationship with China

Seeking Moral and Capital Values of the Last Economic Frontier

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Abstract

Relationships between China and Africa were formally established in the 1950s but trade and cooperation dates back over 100 years. Recently, as China's economy has continued to grow and transform the country into a major global player in all spheres, it has become clear that China increasingly needs to secure reliable sources of resources to support its economic development. Investors have long seen Africa as risky, unsafe and backward. But it has also been attractive to the adventurous and can provide very lucrative returns and profits. Although energy, oil, and other raw materials represent the most attractive business opportunities, manufacturing, infrastructure development, supplies and services are also very important.

Notwithstanding the complexity of doing business in Africa, the impact that China's modernisation and driving need for resources can have on Africa can take the form of trade, FDI, etc. Over the past decades, China has become an influential player in Africa's economy and development. This trend has brought opportunities and challenges. With a history of external exploitation, not quite successful economic experimentation and more recent rapid market-based development, China is in a unique position to understand the challenges and complexities facing Africa. In doing business in Africa and establishing a development framework, one is confronted with many options. These include opting for a country-specific or a regional approach. While the opportunities abound, the challenges are enormous.

In recognition of these challenges, African leaders formed the New Partnership for Africa's Development (NEPAD) as the basis for a renaissance. Intended to rework the relationship between Africa and the developed world based on a partnership with a common vision, the NEPAD framework fits into China's renewed diplomatic drive into Africa that emphasizes mutually beneficial cooperation, friendship, peaceful coexistence, etc. In addition, there is the pledge of coordinated sustainable development in the global economy and both the opening up of markets and help through debt relief to enhance Africa's capacity. It is this new partnership that forms the basis for particularly trade, investment and strategic engagement.

This type of engagement between China and Africa can provide valuable lessons for Africa's development. The paper investigates the historical context of the China-Africa relationship; the framework for engagement – especially the Forum on China-Africa Cooperation (FOCAC); the need for a strategic agenda and the role of NEPAD. Understanding of these issues can help promote business relationships that will enhance the long-term sustainable development of China and Africa as a whole.

Foreword

This discussion paper by Professor Lawal Marafa is one in a series of research reports produced by the China-Africa project at the Nordic Africa Institute. This particular study sets out to investigate China's own regional infrastructure development and the extent of China's involvement in the provision of infrastructure and telecommunications that can have similar effects on regional integration and development in Africa. Given that China itself only opened up to the global economy in the late 1970s, the experience that it has accumulated can be useful to some African countries who are now seeking a development framework that can be adapted to local conditions. The paper argues that China owes much of its spectacular growth over the past 25 years to its reformist leader Deng Xiaoping who, by emphasizing pragmatism over ideology, was able to kick start the transformation of the Chinese economy through increased state investment in infrastructure, technology, and research and development. Chinese state-owned enterprises have, therefore, an enormous amount of experience in supporting China's domestic infrastructure needs, from the Three Gorges Dam to the Tibetan railway, as pipelines, highways and new towns.

As foreign investors descend into Africa, they are confronted firstly with a need for basic infrastructure. Poor infrastructure can hold back economic growth especially in agriculture and rural development. In addition, there are severe inter-regional barriers and administrative bottlenecks which often delay/hinder the development of an integrated infrastructure development across Africa. But many African countries currently lack the financial power to embark on major infrastructure ventures. It is here where Chinese engagement in Africa can make a major difference. Historically, Chinese enterprises have had some experience in Africa's infrastructure market, having been involved in the Tanzania-Zambia (so-called Tazara) railway, the construction of dams and hydropower, and other basic infrastructure projects such as public housing and stadiums. In this sense, China is not a newcomer to Africa. The increasing penetration of China in the African market has very much been spearheaded by the major Chinese state-owned construction, telecommunication and energy exploration companies. Given the commitment of the Chinese government to support Africa's development, companies involved in infrastructure have access to long-term financial support from financial institutions in China. This is an opportune moment for African countries to address the backlog of infrastructure investment that has kept African development at the minimum. Improving infrastructure, as China has been able to do, is therefore crucial if Africa is to record any future growth and sustain it. If managed carefully, China's growing involvement in Africa could turn out to be one of the best examples of successful South-South cooperation in a post-American century.

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Introduction

Historically, China and Africa have been friends. Friendship at the official level dates back to the founding of modern China. At that time, China cultivated friendships with a number of African countries and provided moral, financial and political support to them for their liberation struggles and fights for independence. Formal establishment of diplomatic relationships followed the Bandung conference of 1955 in Indonesia. The result of that conference was the creation of the Non-aligned Movement.

The Bandung conference brought together Asian and African states, most of which were newly independent. The conference's stated aims were to promote Afro-Asian economic and cultural cooperation and to oppose colonialism or neocolonialism. Since then, both bilateral and multilateral relationships between the two continents have blossomed. It was after this conference that Egypt became the first African country to establish formal relations with China in 1956. Today, some 45 African countries have formal diplomatic ties with China. Following the Bandung conference, a number of African countries became independent. In light of this, in 1963 Premier Zhou Enlai undertook an historic African tour for two months from December 1963 to February 1964. This visit further boosted Sino-African relations. Today, one important aspect of China's foreign policy is to "strengthen and develop … long term, stable and … forward looking … ties with African nations in the 21st Century" (He, 2003).

While the diplomatic and political relationship between China and Africa can be readily chronicled, trade and investment contact between the two sides has a longer history. There is anecdotal evidence that China extended its trade via the 'silk road' to Africa, with the pharaoh and Cleopatra ornamenting their wardrobes with silk garments originating in China. There is also evidence of porcelain fragments in a wreckage off the coast of Zanzibar as well as records of voyages undertaken by General Zhang He some 600 years ago. According to Lambard (2007), Beijing's investment in Africa dates back some six centuries, when explorers set off from Asia across the Indian Ocean.

In contemporary times, however, continued strong economic growth, globalisation and, in part, global political dynamics have encouraged China to be more proactive and forge new approaches in its relationships with Africa and indeed the rest of the world. Already by 1983, China had proposed four principles for developing economic cooperation with African countries. These principles included equality and mutual benefit, pursuing practical results, adopting various paths and seeking common development.

In a recent speech at the University of Pretoria in South Africa, Presdient Hu Jintao declared that over the years the Chinese and African peoples have shared "weal and woe" and forged a close bond of empathy and friendship. He further underlined the fact that "the growing trend towards multipolarity and economic globalization presents mankind with both opportunity of development and severe challenges".

According to President Hu, China has pledged to support Africa's development and aims to strengthen Africa's capacity for self development and improve the welfare of the

African people. This objective has continued to underlie and form the basis of China's Africa policy, effectively allowing China to seek the opportunities for development and address the challenges.

China's economic growth and development is fuelled by burgeoning and established industries that require more energy and raw materials (which Africa can provide). A cursory look at China's energy and oil imports shows that it imports between 25 per cent and 30 per cent of its oil from sub-Saharan Africa, mostly Sudan, Angola, Nigeria, Gabon, etc., (Smith, 2006). In addition to sourcing oil supplies from Africa, it has also pursued long-term energy supply agreements with countries such as Iran, Indonesia, Saudi Arabia, Russia, Venezuela, etc.

China has also bought or acquired rights to copper and other mineral resources in Zambia, Democratic Republic of Congo, etc. Although oil, gas and other mineral resources appear to dominate trade between China and Africa, Chinese businessmen are now increasingly looking at Africa as a new export market for other products. As this business and trade relationship has become more prominent, it has generated interest among and commentary from Africa's 'traditional' friends, the colonialists and Western powers. In a recent report to the US congress, the secretary of defence observed that "China has used economic aid, diplomatic favors and in some cases, the sale of military technology to secure energy deals" (*The CQ Researcher,* 2005).

Overall, however, China has established trade relationships with almost 60 African countries and set up more than 150 trading companies and agents on the continent. China's interest and activities in Africa are already resulting in a major development in global politics and giving rise to an evolving new geography of trade and cooperation outside traditional North-South linkages. To understand these developments, pertinent questions will need to be answered. Are China-African trade and investment relations following a path of South-South cooperation? Are they guided by the development needs of both parties? Or are they just replications of the classical North-South model, as a result of which Africa's hope of building a manufacturing sector is set to get another beating? Indeed, is this relationship a replica of what it used to be with the West?

Because of their historical relationship with Africa, many Western countries see China's activities in Africa as negative. However, some African leaders and many African scholars perceive China's activities as a welcome trend. Scholars have observed that in recent years, such activities have added value to hitherto undervalued Africa resources, especially in agriculture (Fan, 2007). According to a United Nations Economic and Social Report of 2006 entitled "Overview of the Economic Report on Africa 2006: Recent Economic Trends in Africa and Prospects for 2006", African economies grew by up to 5.3 per cent. This growth rate has been consistent in recent years and may in part be fuelled by the renewed engagement with China.

In turning to traditional or old friends, China has identified and is vigorously pursuing what is seen as 'resource diplomacy'. China has emphasised beneficial cooperation, friendship, etc. in pursuing this renewed diplomatic drive with Africa in particular, (Chang, 2006). As many countries in Africa are modernising and improving their governance, China is gradually readjusting its policies to ensure that economic and trade cooperation between the two sides flourishes.

As part of China's strategy in Africa, it created the Forum on China-Africa Cooperation (FOCAC) in 2000. This brings together leaders from and serves as the official forum for the People's Republic of China and the states of Africa. The first ministerial conference under the aegis of FOCAC was held in Beijing in October 2000. At this meeting, more than 80 ministers from China and 44 African countries came together. And at this time, the Beijing Declaration of the Forum on China-Africa Cooperation and Programme for China-Africa Cooperation in Economic and Social Development were promulgated and adopted as the basis for future cooperation. Buiding on the foundations laid at the Beijing conference, the second ministerial conference took place in Addis Ababa, Ethiopia, in December 2003. At that time, the forum adopted the Addis Ababa Action Plan (2004-06). In November 2006, the FOCAC summit and the third ministerial conference were held in Beijing. In order to crystallise the formal relationship, the theme of this summit was friendship, peace, development and cooperation. It is worth noting that development and cooperation were highlighted, and not the donor or aid themes that often characterise such meetings where Africa is featured.

Under this new dispensation, in which China has become a major player in the global economic structure and there is increasing modernisation and globalisation, China can be a role model for African communities seeking to establish development frameworks for economic prosperity, growth and overall development. Such cooperation, in addition to opening up markets, can be mutually beneficial. The forum provided a platform for further understanding of the opportunities and challenges, understanding that can in turn help to articulate development frameworks for a coordinated sustainable development of the global economy. The value of this should not be underestimated, given that China and Africa are together home to about a quarter of the world's population.

Although great attention is being paid to China's activities in Africa, its trade links with Africa (particularly with sub-Saharan Africa) are small in relation to those with the rest of the world. However, in reality the trade volume is growing rapidly. If this growth is sustained, the impacts on the economy and for development can be substantial. According to President Kufuor of Ghana, "with rich resources, huge market potential, technological know-how and accessible capital, Africa and China can achieve a win-win cooperation; thus giving impetus to the drive towards a sustainable development of the global economy".

As enthusiasm for the enhanced relationship is exuded on both sides, there is a need to understand and harness the potential opportunities opened for African countries by China's rapid trade expansion and renewed foreign policy strategy. There is also the need for the Africans to understand China, its intentions and modes of operation. At the summit in Beijing, the language of the agreements mostly underlined "the two sides: agreed, welcomed, reaffirmed, recognized, decided, etc." This is clearly different from the donor language that normally forms part of bilateral and multilateral agreements between Africa and its traditional Western allies and development institutions.

In analysing the recent pattern of Chinese involvement in trade, business and manufacturing and production in Africa, four major trends can be highlighted: 1) investment in energy and natural resources; 2) infrastructure projects; 3) diversified global production networks; and 4) small-scale entrepreneurial investments. For the purpose of in-depth understanding, the focus here will be on energy and natural resource issues, infrastructure projects and small-scale investment, all of which will be discussed in the light of China's quest for resources. Thereafter, opportunities for development, the potential of Africa's markets, the roles of aid and foreign direct investment will be considered for their moral and capital values for Africans. It is expected that greater understanding of these issues will help to promote the business relationship that will enhance the long-term sustainable development of China and Africa as a whole.

China's quest for resources and trade

China's interest in resources already represents a major development in global politics, as well as a new geography of trade and cooperation outside traditional North-South linkages. China has consistently implied that this new relationship is as an extension of the South-South cooperation framework first promoted in the 1950s. Recently, the new framework for cooperation expressed through a series of FOCAC meetings is increasingly seen as Beijing's effort to enhance the South-South nexus.

Although, arguably, China has emerged as an economic superpower, it continues to portray itself as a developing nation. Former President of the People's Republic of China Jiang Zemin eloquently and repeatedly indicated that "China is the biggest developing country and Africa, the continent with the largest number of developing countries". In this formulation, China and Africa are placed on par in their quest for economic development.

However, the reality these days is that the world economy is being shaped by China. This is being achieved through the development and improvement in earnest of new technologies, services, business and trading relations and poverty eradication strategies. China has consequently emerged as a significant presence on the international trade scene and this to many people presents a threat to the traditional Western industrial dominance. This notwithstanding, experts say China's share of the manufacturing industry market could reach about 25 per cent in the next two decades.

Although many analysts have viewed China's trade activities with Africa as a one-way benefit, they have shown unprecedented growth and continue to be seen as beneficial to the two parties. In 1995, the volume of this trade was about $ 3 bn and rose exponentially to over $ 55 bn by the end of 2006. As a result of this trend, China has already become the third trading partner with Africa, behind the US and France. It is believed that China's exponentially growing trade with Africa is responsible for about 20 per cent of the country's overall economic growth (Tull, 2006).

In quantifiable terms, about 10 per cent of sub-Saharan Africa's exports went to China in 2005 (Table 1). Oil and mineral resources dominate these exports, as about five countries accounted for over 50 per cent of the imports from Africa into China and ten countries account for almost 90 per cent of total imports. Africa's resource-rich countries are in a position to provide a significant percentage of China's requirements. In terms of China's imports from Africa, nine of its ten most important trading partners are resource-rich countries. These oil and mineral imports from Africa represented 4 per

Table 1. China's top Ten African trading partners by imports

African Countries	Imports (US$ m)	per cent total
Angola*	3,422.63	27.4
South Africa	2,567.96	20.6
Sudan*	1,678.60	13.4
Republic of Congo	1,224.74	9.8
Equatorial Guinea*	787.96	6.3
Gabon*	415.39	3.3
Nigeria*	372.91	3.0
Algeria*	216.11	1.7
Morocco	208.69	1.7
Chad*	148.73	1.2
Total	11,043.72	88.4

Source: International Monetary Fund (May 2005)
* Oil exporting countries

cent of China's total energy needs for 2005. In fact, oil imports from Africa represented about 15 per cent of all oil consumed in China in 2006.

Africa is arguably the most resource-laden continent of all, possessing every primary product required for industrial production. With regard to oil production, Africa accounted for more than 10 million of a global 84 million barrels per day production in 2005. In fact, Africa holds around 8 per cent of the world's oil reserves and has an 11 per cent share of world oil production (van de Looy, 2006). African oil is highly sought after in global markets as most of it is light, sweet, highly profitable crude, mainly offshore. In fact, about 85 per cent of the world's new oil reserves found in 2001-04 were along the west and central coasts of Africa (Sautman, 2007). In comparing China's resource quest with that of traditional Western allies, the US for example imported 60 per cent of its 20 million bpd of oil used in 2005, with 16 per cent coming from Africa, a figure expected to rise to 25 per cent by 2015. China, on the other hand, imported 40 per cent of the 7.2 million bpd of oil it used in 2005, 30 per cent of that from Africa. More than 60 per cent

Table 2. Summary of Oil production (in some African Countries) and export to China

Country	Oil Reserve (Billion Barrels)	Oil Production (bpd)	Export to China	% of Revenue for the country	% of GDP	% of Export
Angola		2mill bpd	25%	90%	>40	NA
Equatorial Guinea	1.28	371,700 bpd	NA	NA	NA	90%
Gabon	2.5	230,000 bpd	NA	60%	>40%	NA
Republic of Congo	1.5	235,000 bpd	NA	80%	NA	90%
Nigeria	35.2	2.5 mill bpd	NA	80%	NA	NA
Sudan	563million	500,000 bpd	NA	NA	NA	NA

of the oil production of Sudan, Africa's third-largest producer, goes to China (Table 2). In fact, according to the multinational British Petroleum (BP), Chinese imports of African oil increased more than 71 per cent between 2003 and 2005 (Eisenman, 2007).

Aid, Trade and Investment

In the 1970s, Africa's share of the world trade was 5 per cent and in 2005 it was only 1.5 per cent. This is in part the result of the instability of African governments, neglect of strategic investments and dependence on aid from traditional Western allies. Consequently, aid and investment has been narrow, mostly in oil and other mineral resources.

While other regions gradually improved in terms of trade, economic growth and development, Africa's situation was appalling. Instead of strategic investments in Africa's economy, it was aid that was channelled into countries and most of it was tied to specific conditions. These conditions did not encourage African governments to venture into strategic trade and investment, neither did they allow nations to follow their own policies for economic growth and development. It was also often not possible to formulate and establish development frameworks. As this trend continued, China gradually opened up its economy and proffered African governments an alternative form of engagement. To some extent, China's aid and loans are devoid of conditionalities when compared to those imposed by other countries and development institutions. Notwithstanding this, China's trade and investment in Africa continue to follow a strategic trajectory.

Table 3. China's investment and FDI flows by sector in Africa

Sector/Industry	Number of projects	Investment value ($ Millions)
Agriculture	22	48
Resource Extraction	44	188
Manufacturing	230	315
• Machinery	20	16
• Home appliances	36	25
• Light industry	82	87
• Textiles	58	102
• Other manufacturing	34	86
Services	200	125
Others	3	6
Total	499	681

Source: Based on information provided by MOFCOM

According to a number of studies, there were already over 800 Chinese enterprises in Africa in 2005. Although Chinese investment is growing and diversifying, it is still targeted at specific sectors (Table 3). In 2004, for instance, companies from China invested about $ 135 m in Africa, while in the first ten months of 2005, $ 175 m went to Africa (Sautman, 2007). Generally, Africa's average annual FDI intake in 2001-04 was $ 15-18 bn, despite Africa's providing the world's highest returns on FDI, averaging 29 per cent in the 1990s and 40 per cent in 2005 (Wang, 2007).

Taking a cue from traditional Africa's business partners, China's African investment is also concentrated in a few sectors. For example, in 2005, $ 316 m was invested in Zambia, primarily in the copper mines, and $ 230 m in South Africa. Based on planned investments, however, China may become one of Africa's top three FDI providers in the coming years. For the moment though, China's trade with Africa reflects only a tiny part of her 2005 $ 1.4 trillion world trade, but this figure is fast growing.

Since 2001, neo-liberal principles have been embodied in the New Partnership for African Development (NEPAD). Based on the idea that there is no alternative to neo-liberalism and that only integration into the world market can promote growth and economic development, African leaders endorsed NEPAD as an initiative created for Africa by Africans.

Prior to the establishment of NEPAD, there were international and regional organisations such as the Economic Community of West African States (ECOWAS), Southern African Development Community (SADC), etc. For the moment though, it is not clear how these regional organisations can be factored into the increasingly important China-Africa relationship. Already, China has displayed a significant interest in NEPAD and declared itself willing to work within the provisions of the NEPAD framework to achieve a win-win situation for Africa and China.

Foreign Direct Investment

It has been more than 25 years since China began to open up and adopt market-oriented economic reforms. Before 1990, only a few Chinese FDI projects exceed $ 5 m and none was undertaken in Africa. Over the the past two decades, China's FDI outflows have grown significantly – from less than $ 100 m in the 1980s to almost $ 12 bn in 2005. With the rapid expansion of the Chinese economy, strong growth in the country's overseas investment, driven by various considerations, is set to continue in the coming years. In fact, the country is forecast to become one of the world's largest FDI sources in the not too distant future. In the current global marketplace, FDI is important and is relevant to most economies, especially in emerging and growing economies like Africa, where China is now a major player.

While market-seeking FDI is the most common form and is driven by knowledge, proximity, etc., Africa could attract more FDI if infrastructure were improved. Other factors that help attract FDI are efficiency, knowledge base, skilled workers etc. For the moment though, Africa attracts mostly natural resource-related FDI and increasingly in manufacturing, as seen in Table 3.

In understanding the sequence of aid, trade, FDI, etc., there are certain pull and push factors that can help identify the potential for FDI into Africa. The pull factors need to be better recognised by foreign investors and in particular by Chinese firms, which are relatively new investors in the African markets. As far as Africa is concerned, these factors include: access to an under-served market, location-specific advantages to access natural resources, cheap and abundant labour; investment opportunities in infrastructure and other government contracts; and the possibility to forge closer relations with African firms so as to better exploit the markets and resources that Africa offers.

In recent years, however, with various changes in government, many African nations have taken a number of steps towards improving their image and offering increased incentives and institutional support to foreign firms investing in their countries. Investment promotion agencies (IPAs) in African countries provide information and initial contacts, as well as other initial support. Some countries provide one-stop shops for business and investment purposes. Others provide tax relief and concessions, while quite a number of IPAs organise investment forums and annual road shows and exhibitions to attract prospective investors to their countries.

National efforts to improve the investment climate of African economies further benefit from regional arrangements, such as the East African Community (EAC), SADC, Economic and Monetary Community of Central Africa (CEMAC), ECOWAS, etc. These have in turn received further impetus from the creation and adoption of the NEPAD framework. NEPAD and the regional organisations provide access to and increase the regional market size as well as the predictability, stability and transparency of the investment environment in Africa.

China started to open its economy to FDI in the late 1970s and has for long been the largest recipient of such investment. Both China's experience in injecting FDI into Africa and in using the FDI it has received to boost national economic development are relevant for African countries seeking to attract and benefit from FDI. With growing cooperation and trade and investment, African nations will benefit from the experience of China. In terms of absolute flows, Africa has become an important FDI destination for Chinese enterprises only in recent years. As of 2005, China's FDI stock in Africa had reached almost $ 1.6 bn, with increasing outflows to the continent in recent years, outflows that are expected to continue.

Opportunities and potential for development of African markets

Although historically Africa has been closely aligned to the West and its financial institutions, these sources have not invested or financed infrastructure and major development projects (Sogge, 2002), at least in the last 30 years, as was succinctly noted by Princeton Lyman, Director of Africa Policy Studies, Council on Foreign Relations, in 2005. Where such financing and investments were made, they were sponsored by private or quasi-public-private entities interested in the oil and mineral trade.

Observing this neglect and seizing the opportunity created by its unceasing economic growth, China continued to venture into Africa and in 2006 provided more than $ 8 bn in loans to sub-Saharan Africa, primarily for infrastructure. Furthermore, in 2007 China, through its China Development Bank and the Export Import Bank, pledged to provide up to $ 20 bn for trade and infrastructure in the form of soft loans over the next few years and created the China-Africa Development Fund. In fact, China pledged to double its assistance to Africa by 2009.To this end, it promised an array of new loans, development projects, debt cancellation, etc. A highlight of the Beijing summit was the pledge by the leaders of China and Africa to establish a strategic partnership featuring "political equality and mutual trust, economic win-win co-operation and cultural exchanges", all of which will entail closer cooperation.

As the Chinese have opened their markets and are increasingly venturing into Africa, competition has become keen in the economic scramble for Africa. While there is growing competition between China and the West, there is also such competition between Chinese companies as they struggle to establish themselves and outcompete one another. Such competition, if healthy, will be beneficial to Africa.

Currently, the benefit to Africa is obvious and the prospects for further improvement are bright. For instance, exports to Africa from China increased 43 per cent to $ 26.7 billion, while imports increased by 37 per cent to $ 28.8 billion by the end of 2006. In recent decades, however, Africa's share in world manufacturing of value-added products has shrunk to a mere 0.75 per cent, and the share of its exports in world trade has dwindled to 2.5 per cent, in sharp contrast to the continent's 13 per cent share of the world's population. Similarly, the continent's share of global aggregate FDI inward flows is just 2.5 per cent, indicating a rough correlation between performance on inward FDI and export flows. However, there is still considerable scope for further growth in all facets of bilateral, multilateral, and private trade and capital flows between Asia and Africa.

As an indicator of economic potential, African economies are gradually providing complementary sources of funding for governments and the private sector to help promote prosperity and competitiveness and overall development. Indeed, African markets have been remarkably strong performers in recent years, driven by improved regulatory regimes, structural reforms, privatisation, export growth, etc. (Siddiqi, 2007). Africa, in addition to providing a vibrant market, is now providing increased opportunities for investment. Further attractive investment environments put in place by many governments include creating a more liberal regulatory regime, incentive structures and increased bilateral investment treaties.

Extension of China's Strategy

Post-colonial Africa is often seen as burdened by civil wars, epidemics and venal regimes that aggravate endemic poverty, a perception that led to post-Cold War Afro-pessimism or even Afrophobia and to Africa's downgrading as a concern for developed world policymakers and investors. On the other hand, China celebrates Africa and sees opportunities for partnership and growth.

According to numerous scholars, leaders of the People's Republic of China would never term Africa a 'hopeless continent'. They (officially at least) celebrate Africa's culture and achievements, while these are implicitly denigrated in the West, where all that is celebrated about Africa are leaders who hearken to Western advice (King, 2006). The extent to which China embraces Africa was shown to the whole world at the FOCAC meeting in November 2006.

The images visible in Beijing at that time were of Africa being celebrated. What was exposed in Beijing was the culture, colour, diversity, resilience of people and the potential of the continent, indicating that the continent will prevail. Furthermore, trade characteristics in terms of energy, dynamism and opportunities for businesses were similarly highlighted. On the contrary, at most summits in the West where Africa is discussed by governments, international development agencies, etc., it is poverty, conflict, war, corruption, poor governance and hopelessness that dominate the deliberations.

In part because of China's increased presence, which began in the 1990s when China-Africa trade grew by an unprecedented 700 per cent, Western leaders are again paying some attention to the continent. Yet even as China's activities increasingly displace traditional British, French and US interests, many Africans still find Africa "remains all but invisible", particularly to the US. This is so even though it is the second largest continent, with the fastest-growing population: it had 900 million people in 2005 and may reach

1.3 billion by 2020. At that time, China and Africa will each have 20 per cent of the world's people. Given this fact and understanding the moral burden arising from the fact that most of the world's population is surviving at or below a generally agreed poverty level of less than one dollar a day, aid, loans, trade and investment can play a significant role if well administered. They can have a positive impact on the economy by creating jobs, developing entrepreneurship and empowering the population.

Although China has increased its aid to Africa, it does so without explicit conditionalities. On the contrary, the West and its financial and development institutions have inundated Africa with aid. Where such aid has been made available, it has mostly been tied. For instance, about 80 per cent of US grants and contracts to developing countries must be used to buy goods and services from US firms and non-governmental organisations (Sogge, 2002). About 90 per cent of Italy's aid benefits its own companies and experts and 60-65 per cent of Canada's aid. Much of the aid from Germany, Japan and France is tied to purchases from those states. A United Nations study found such ties cut the value of aid to Africans by up to 25-40 per cent, since Africans are required to buy non-competitively priced imports from supplies in donor countries.

Currently, Chinese firms do secure contracts on projects in Africa financed by Chinese government soft loans. An analyst speaks of 'indirect conditionality', an understanding that Chinese firms will secure a portion of work financed by loans from China. For example, the $ 2 billion credit line China extended to Angola in 2004 to be used for railway repair, road building, office construction, a fibre-optic network and oil exploration, was guaranteed by a contract for the sale of oil from a field that producees 10, 000 bpd, mostly to China (*Africa Confidential*, 2007). This deal also allows more than 2,500 Chinese citizens to be employed in various capacities in projects across Angola.

In dealing with African countries, Chinese firms, however, can in any case be expected to secure many construction contracts given their ability to bid at low prices and execute contracts without delay. It is said that when the Chinese say they will take on a project, they will certainly do it! In Botswana, for instance, the Chinese now win 80 per cent of the contracts that they bid on. Their winning bids are based on low labour costs and profit margins and a quick project turn-around.

For the future, according to the Ministry of Commerce (MOFCOM) in Beijing, China will sign debt relief agreements with 33 African countries by the end of 2007 to honour the pledges made at the Beijing summit of the China-Africa Cooperation Forum. In addition, preferential loans worth $ 3 bn will be provided in the next three years to help African countries develop infrastructure, purchase technological equipment and establish production enterprises. China has invested in more than 800 aid projects in Africa over the past 50 years, including 137 in agriculture, 133 infrastructure projects, etc.

Understanding Moral Values

Given the plight of Africa as the last business frontier, there is the need for the parties to complement each other and use their resources for sustainable development in the best way possible. "In some African countries, it is possible to talk of China's behavior as a new form of colonialism". The Western press and institutions with traditional linkages to Africa represent China's actions as deleterious to African interests. In many commentaries, China is singled out as being supportive of illiberal regimes and unconcerned about the environment. Furthermore, China has been accused of promoting corruption in Africa and trading in ways that damage African anti-poverty efforts.

The reality these days is that the world economy is being shaped by China as a result of the development in earnest of new technologies, services, businesses and trading relations and poverty eradication strategies. China has since emerged as a significant presence on the international trade scene. To many people, this presents a threat to traditional Western industrial dominance. It is these developments and the neglect of business and investment by traditional allies that is drawing China and Africa closer together.

For over 50 years, China has been involved with the African continent in almost all sectors – agriculture, construction, culture, education, development, etc. Business and trade relationships with China have been increasingly accompanied by friendly gestures that have led to construction of infrastructure and the provision of tangible aid packages, including projects on the African continent. Examples of such undertakings are housing estates in Angola; a stadium and sports facilities in Niger, Sierra Leone, Tanzania, etc.; energy and power transmission networks in Nigeria; office buildings in Uganda; and a donation of $ 500,000 to NEPAD to support the training of midwives. The most prominent of these undertakings is the iconic Tanzania-Zambia Railway project (TAZARA) which stretches almost 1,860 kilometres and cost about US$ 600 m at that time.

These projects and ventures have been in the form of aid, loans, investment, etc. The statistics on these are clear and the tangible impacts are discernible in the form of agricultural projects in Sierra Leone and Ethiopia; infrastructure in Gabon, Liberia, Kenya, etc.; medical doctors in Tanzania and Angola, to cite a few examples. On the other hand, from the period of colonisation till now, the West's relationship with Africa has been in the form of aid, grants, debt, etc., that breed corruption and leave a legacy of incompetence.

With the advent of Chinese inward activities in Africa, questions are being asked as to the actual motive behind this renewed surge in the relationship. Is this scenario an unqualified blessing for sub-Saharan Africa? There is no doubt that a boost to the economy, increased investment, etc. of this magnitude is positive for the continent. Africa, and in particular sub-Saharan Africa, trails the rest of the world in achieving the Millennium Development Goal (MDG) agenda by the year 2015. However, policy responses to what is ostensibly a boon must also be carefully and comprehensively tailored to facilitate sustainable development in a region that is fragile socioeconomically. The growth in Africa's relationship, trade, investment and general partnership with China can help sub-Saharan Africa in achieving the MDG targets that have been set.

In analysing and assessing the business and investment opportunities that China's presence in Africa brings, it should be noted that although national incomes may increase, natural resource exploitation generates precious few job opportunities for the less skilled. In order to gain from this new surge, resource-rich Africa needs to find ways to capitalise on the windfall gains arising from resource-extraction and to promote job-rich sectors.

Conclusion

China is forging deep economic relationships with most African countries with the aim of securing access to their vast natural resources. There already exist political and military ties dating back over 50 years. To date, China is moving ahead with strategies that appear to have worked in its favour as a result of the neglect by traditional Western allies. For instance, when the US evacuated its citizens in the wake of the outbreak of the Ethiopian war with Eritrea in the 1990s, China saw the reduced presence of the US as an opportunity. It strategically moved in with aid, grants, loans and projects. As a result, China now has an enviable investment presence in the Horn of Africa.

> Increasing trade and investment between China and Africa could bring benefits to both. As Africa and China pursue the path of development and will have up to 40 per cent of the world's population, it is crucial that both parties maintain a business and mutual understanding that will facilitate the sustainable development of their peoples. When businesses and frameworks for development are put in place, they can be followed strategically to permit both parties to participate effectively and constructively in Africa's development. The significance of China's relationship with Africa cannot be overemphasised. China has consistently maintained an average of 9 per cent growth over the past 25 years. It has uplifted over 300 million of its people from poverty and significantly increased incomes and is thus on course to achieving MDGs 1 and 2.

Another strategy is to create a level playing field that will help to uplift the people of Africa and China out of poverty and make them effective players in the global environment. There has been neglect and failure to move rapidly on economic and social policies for African people. These policies are indeed important for sustained development. There has also been little emphasis on capacity building in both the public and private sectors. In the African context, this deficiency has hampered the ability of many countries to attract FDI.

Where many countries see these problems as a deterrent to trade and business investment, China sees opportunities. To encourage the exploitation of these opportunities, government subsidised loans are available to Chinese enterprises that have found suitable projects in Africa. This arrangement further warrants the development of the complementary China-Africa trade framework. The first complementary element is resources. The second is manufacture. This complementary framework benefits both sides. Africa has abundant resources that China increasingly needs, and China has an edge in manufacturing goods that Africa requires. The model of China's economic development is relevant for policy design by African governments in many ways. China is indeed a global price setter, a huge market in its own right and a major factor in the global economy. China as the global factory and development power house can be seen as a model for emerging African economies. With the integration of China into the world economy gaining momentum, it is ever more desirable that economy and polity in Africa be positioned to tap into and utilise the experiences that China has accumulated to date. China's phenomenal rate of growth, its hunger for natural resources, its ever growing economic and political power ensure that it will re-shape the world economy and influence the rules of the game for now and in the not too distant future. The onus is on decision makers in African countries, the leaders in the private sector and development partners to establish a framework that can make the best use of the investment friendly terms of the bilateral and multilateral agreements that exist between China and Africa.

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