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China's Investments in Africa: Need for Governance

By Joel Ng

Synopsis

The relationship between Africa and Asia has quietly strengthened in the past decade and is largely viewed as positive by both sides. Nevertheless, good governance will be a deciding factor in ensuring sustained growth.

Commentary

MUCH HAS BEEN made of China's massive investments into Africa, driven by its hunger for resources and energy. China has made no secret of its investments in areas of interest: Over 70% of African trade with China is in energy. Over 30% of Chinese oil imports come from Africa. Following the end of the Cold War, and China's role switch in 1993 from net oil exporter to importer, President Jiang Zemin's visit in 1996 paved the way for this rapid growth in the 2000s.

Its style of assistance -- with few conditionalities and major infrastructural investments -- was greeted with much approval across the continent. China, for its part, was seeking a non-ideological relationship based on equality and non-interference, according to Premier Wen Jiabao in his 2006 tour of Africa. Nevertheless critics have seized on aspects of the relationship to label China as a new "coloniser", unironically alluding to centuries of Western colonial domination of the continent.

The new forays into Africa

There is also hunger for mineral resources, both in the West and Asia. The mineral columbite-tantalite, commonly known as "coltan", is an essential mineral used in all kinds of electronics from iPhones to Playstations. One of the largest sources of coltan is in the conflict-ridden Democratic Republic of Congo (DRC).

The interest in Africa is also becoming increasingly diversified. Following in China's footsteps, India's investments are rapidly catching up. Besides energy, Indian enterprises have focused on areas of traditional strength such as services, like telecommunications and retail business. Prime Minister Manmohan Singh this year promised US\$5 billion in loans to Africa. Like China's, these loans for trading partners come with few conditionalities.

Reactions with global effects

Though untied to structural conditions, the increased investment and entry of Africa into global markets can create beneficial effects. Because of global trade, local legislation in major economies can have worldwide effect. The US Dodd-Frank Act requires companies to eliminate conflict minerals from their supply chains. This effectively banned coltan originating from the DRC and neighbouring countries from being used in

manufacturing. The legislation derived from an earlier international initiative, the Kimberley Process, which banned the sale of “blood diamonds”. Rwanda also blocked the sale of DRC-originated coltan as smugglers attempted to distance their sales from their point of origin in the Congo.

China, for its part, despite an in-principle stance of non-interference, publicly chastised a major energy trading partner, Sudan, for its intransigence over Darfur in 2007. It followed up this rebuke by supporting UN Security Council Resolution 1769 that authorised a peacekeeping force into Sudan. If China is becoming the world’s “workshop”, then it too has an interest in national legislation and attitudes of its markets, such as in the US and Europe. As Rwanda’s President Paul Kagame has argued, the presence of Chinese foreign aid need not erode human rights in Africa any more than Chinese investments in Europe or the US.

Shared stakes in global governance

The key difference with Chinese assistance in infrastructural investments is that in securing business contracts in relation to aid – many of these agreements spanning decades – their companies and governments now have an important stake in the economic outcomes of their partner countries. Western aid of the past, conditionally given and easily withdrawn, did little to tie the fates of Western interests with those in Africa.

The real effects of the shared stakes in business ventures were most clearly seen in Libya, where international corporations were forced to evacuate, faced significant security risks, and relied on the use of foreign troops and ships to evacuate their staff. Non-interference, it was being seen, did not sit well with non-indifference. New investors, whatever their nationalities, must not be overly eager to support unstable regimes because of the opportunities afforded by contracts, or they may face losses and closed doors in the aftermath of the collapse of unpopular autocratic governments.

These shared stakes in the future are cause for optimism because it is leading to a recalibration in foreign policies, even in China. The implication is that the new forays must do more to build up African governance and accountability. Africa’s porous borders have meant minor conflicts and disputes can rapidly scale up and spill over into neighbouring countries. Human rights abuses in the DRC or Sierra Leone over “conflict minerals” have led to global campaigns with impacts as significant in Paris and London as in Kinshasa or Freetown.

Indices such as the Ibrahim Index of African Governance comprehensively monitor even minute changes in the public service delivery of African economies. Dr Mo Ibrahim, Chairman of the Mo Ibrahim Foundation that funds the index and whose secretariat is based in London, once said: “Africa as a continent is rich, but Africans as a people are poor. The answer is governance.”

The opportunities afforded by global demand may have spurred these new forays, but global consumers and citizens are increasingly aware and discerning in their consumption choices. China may be venturing into Africa in a large way, but it does so in the name of serving global markets. Towards this end, good governance is everybody’s business.

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