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China's Economic Engagement in Africa: Changing approach in Mozambique

By Loro Horta

Synopsis

China has changed its approach to local governments and societies while increasing its investments in Africa. As the West is mired in economic crises, Africa looks to Asian countries for alternatives.

Commentary

CHINA'S ECONOMIC engagement with Africa has undergone a significant change in recent years, following criticism of its policies and protests against its projects in some countries. For instance, in Mozambique, both domestic and international criticism contributed in positive ways to change both the local government's attitude and Beijing's approach towards their relationship.

China's US\$2 billion loan to the Mozambique government to build a mega dam on the Zambezi River was met by protests from local and international organisations while Chinese businessmen were accused of illegally buying up thousands of tonnes of timber, leading to the destruction of large forest areas. Chinese companies were accused of not hiring local people or of ill-treatment of workers, in violation of labour laws, for which several had their licences suspended.

Greater sensitivity

However in the past three years the Mozambique government has become more insistent that Chinese companies employ more locals while fines and suspensions of licences for timber companies have significantly curtailed abuses and reduced serious environmental damage. The Chinese government has begun to change its policy of not engaging locals and dealing only with the government. China has taken steps to address the main bone of contention – jobs. Mozambique government data confirm that in 2010 Chinese companies had increased the hiring of local workers significantly.

To stimulate trade China has exempted over 400 Mozambican agricultural and other products from export tariffs to China, thus helping the mainly agriculture-based economy. In an investment seminar hosted by the Mozambican government in Shanghai in 2010, Chinese business interests were reported to have pledged up to \$13 billion in investments for the next 10 years in areas ranging from industry, infrastructure, tourism and agriculture. If these investments materialise China will become the country's main economic partner.

Indeed the potential for Chinese investment and job generation is great. In an interview with Macau Magazine last August, this author argued that China was likely to invest heavily in industry and other sectors in Africa as a

result of increasing labour costs in China. This could see thousands of jobs created in Mozambique and other African countries. Mozambican government data confirmed that most Chinese investment in Mozambique was now going to the industrial sector. Perhaps in this century Chinese and Asian investment, taking advantage of a huge and cheap labour force, will bring billions to Africa to generate an African economic boom.

Changing mindsets

Despite significant improvements, some controversial issues still persist in Sino-Mozambican relations and China's relations with Africa in general. For instance according to the Financial Times, China's largest investment in Mozambique is a \$1 billion project in the mining sector by Wuhan Iron and Steel. However, several observers have noted that not much information about this and many other deals were made available. Transparency remains an issue.

Years of imposed policies by Western international monetary institutions have brought little result to Mozambique and Africa in general. African leaders including those of democracies have grown tired of Western patronising and sometimes hypocritical sermons on transparency. China's and Asia's economic prosperity and the resilience of their economies despite the current economic crisis in the West have made African leaders look to Asia for alternatives.

In a time of recession in the West, trade between China and several African states grew at an average of over 30 percent a year. It is not only China that is investing heavily in Mozambique; India and Vietnam have also increased their presence. Several Vietnamese agricultural and defence advisors are currently in Mozambique assisting the country, while a Singaporean has been an economic advisor to the Mozambican government for several years. Former senior officials from several Asian countries are now advisors to governments in Africa and Latin America.

The case of Mozambique demonstrates that China is able to adapt to new realities and address some of most controversial aspects of its presence in Africa. Chinese and Asian investment in Mozambique and Africa in general has the potential to create thousands of jobs and lay the foundation for prosperity just as decades ago Western investment planted the seeds of the Asian miracle. As noted by the Cape Verdian National Security advisor: "The rise of Asia provides us above all with more strategic choices. The Western powers who had dominated the continent are now forced to be more sensitive to our interests."

Whether Africa will be able to take advantage of this new strategic landscape remains to be seen.

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