

CCS Seminar on the sidelines of the African Development Bank AGM
Sofitel Hotel, Shanghai, 12 May 2007, 09:00-12:00

Seminar Notes by Andrew Grieve and Thomas Orr

The People's Republic of China is increasingly recognised as a role-player of growing importance on the African continent. China is engaged in a number of large-scale infrastructure projects across the continent, providing Africa with infrastructure essential for economic development. On the 12th of May 2007 the Centre for Chinese Studies hosted a seminar on the sidelines of the African Development Bank meeting in Shanghai:

Topic: China's involvement in Africa's infrastructure development.

Ms Lucy Corkin, Projects Director of the Centre for Chinese Studies, was the main presenter on the topic. Her presentation was based on a recent CCS report that was funded by DFID (Beijing) and completed in December 2006. The report is entitled "China's Interest and Activity in Africa's Construction and Infrastructure Sectors" (for full report and summary, please see the CCS website, www.ccs.org.za).

Ms Corkin's presentation was followed by comments from four respondents.

Dave Malcomson (First Respondent)

Response to presentation:

1. "You say that there is little political will in Africa to force China into being a responsible player? I can assure you, having sat in every AU summit and NEPAD session since inception, the political will in Africa is there. Sudan not getting the AU Chair is a reflection of this will. The trends in Africa have been reversed since 1999. OAU has a policy of non-interference; the AU has a policy of non-indifference, where we will get involved in problem areas in Africa based on AU consensus. President Hu did discuss the hard issues on his visit to the Sudan earlier this year. However, this is not played out in media."
2. "You say that NEPAD is an exclusive club? Not true, it is a program of the AU, and therefore means all member states are members of NEPAD. As signatories to the AU they then are responsible to NEPAD. To that end we have the peer review mechanism. Only at the APRM does exclusivity come in, because you have to opt in."
3. "You say that there are different goals between AU and NEPAD? AU is the mother body and NEPAD is its program. There is no difference in goals. The say one thing. However, the issue of who the Chinese speak to is correct. Initially Chinese negotiated with NEPAD, but the AU commission said they should be talking to them. In the next 6 months that issue will be dealt with, and it has to be dealt with on the African side."

Other Comments:

- I find your report so interesting since often, up until now, our understanding (of



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Sino-African relations) has been based on anecdotal evidence and based on fears represented in Western media. Your report gives us information based on empirical research, success stories and how to replicate success in Africa, as well as identifying pitfalls. On an institutional level we should ensure that this investment promotes African interests.

- China identifies issues such as trade imbalances and understands that these issues need to be addressed.
- The South African Government views Chinese engagement as an opportunity, as a win-win situation rather than a threat or a zero sum relationship.
- The Chinese experience of development can be an important lesson for Africa. Through socioeconomic development of the AU, infrastructure and agricultural development have been identified as important strategies for poverty reduction.
- It can be noted that the Chinese involvement assists the NEPAD key aim of regional integration through developing regional infrastructure. Since African countries are too weak on their own, it is only through integration and economics of scale that can they compete in order to build comparative advantage. South Africa is also still learning infrastructure development lessons.
- South Africa is seeking a 6% sustainable growth rate but is finding limits in terms of logistic infrastructure, powers needs and problems with steel and cement supply. South Africa can work with China to compensate for these constraints on input supply.
- Previously infrastructure was losing out to social efforts in the development debate. The recently increased Chinese involvement has lifted the debate on infrastructure to a practical level, and we are already starting to see downstream impact. Within a month after the FOCAC meeting in 2006, the EU approached NEPAD to talk about infrastructure, which can be seen as a direct result of Chinese engagement.
- The Chinese are moving quickly – one week doesn't go by without a new deal coming up. Africa has to make sure it is not a one-sided development. We cannot, with regards to the danger of re-emerging colonial patterns, continue to be a mere provider of materials but should instead work towards a true partnership.
- The Chinese engagement requires a more unified response from the African side and we are working with AU and NEPAD to achieve this. The Chinese are however not yet convinced that regional and continental projects are worthy of support.
- On the issue of responsiveness, when we started negotiating FOCAC, China didn't want to recognize AU or NEPAD due to the fact that five African countries do not recognize China. Through engagement with SADC Nigeria and with South Africa, China managed to get the AU included in the negotiations.

Guillaume Moumouni

Responses to Presentation:

1. “You say that there are perceptions of a lower quality of work by Chinese contractors. I agree with you that the lack of control over the Chinese contractors can be blamed for



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the poor quality. Sometimes the (African) supervisor will be asked by the Government Commissioner, the one who is supposed to enjoy the benefits of the work, to reduce his standards of quality. You can't expect the Chinese to criticize the Commissioner here. Not only Chinese contractors are guilty of this, all contractors try to do the same. When they realize that there is lax control, they always try to reduce their quality of the work."

2. "I am noting a lack of methodology in your research work. In some parts you refer to respondents. How did you consider the relevance of the respondents? In terms of statistics, how do these respondents represent the outcome of your study? It would be good to know your sampling. I think it would be good to extend your research to Chinese non-state construction companies. You say that you have focused your work on the Chinese SOEs, but how did you qualify them as SOEs? The structure of the shareholding in these companies is difficult to trace and reconstruct.
3. I wonder how correct your assessment of the profit margins of Chinese companies operating abroad can be – it is difficult to know the exact value since most inputs comes from China. Local tax payments can also reduce margins to maximize profit. In terms of payment of workers, according to my own investigations, the average salary is \$600, part paid to the families and part to the worker in local currency, which contrasts with your assessment of their wages. You should research deeper in the profit margins; it is often more than is acknowledged.

Other Comments

- This study provides great input into our way to approach the Chinese presence in infrastructure and construction in Africa. The Chinese basically have moved on from the previous non-profit infrastructure to profit bound infrastructures. They were previously engaged in non-productive infrastructure that was linked to ideological motivations. After the reform they are now trying to re-centre the intervention on profit oriented infrastructure.
- On the role of civil society role I would like to remark that NGOs in Africa are locally constituted and would like China to focus on environment and social issues. However the Chinese view them as Western puppets and don't attach much importance to their claims.
- China must deal with issues such as environmental damage from extraction and the fact that the local people are not benefiting. Anti-Chinese protests may take violent forms, as has been the case for example in Nigeria. Chinese companies are not doing anything different from traditional MNCs, and their attitude is that they only deal with their partner, be it the government or other SOEs.
- The recent case in Ethiopia is telling. The Chinese have been idealizing their cooperation, thinking that they will not be targeted; the case of friendship is not enough to protect their investment. If there is any discontent, that is against traditional MNCs but trends show that the Chinese are not to be excluded from local discontent and the consequences of MNC activities.
- Impact of Chinese investment depends on the political system. Theoretically I



do not see a direct connection between Chinese investment and the political situation on the continent. Chinese are not respecting human rights in their own country, although we admire the achievements of the Chinese, economic and social, that are part of the non-respect of human rights. Paradox. Westernized as we are, we notice that they cannot afford to keep their human rights standards, rights that are an important part of Africa's needs linked to economic development.

- The fact that the Chinese are investing without or with fewer strings or preconditions attached give our governments more leverage to negotiate. African governments can thus afford to resist claims and it also gives them more room to organize autonomously. Does it mean that the political setting may be marked because of the investment and the securing of the local autonomy? It does not depend on Government's will to shift that political setting; the domestic forces are working in such ways that the government is receiving the most benefit.
- In conclusion, Chinese involvement, as Mr. Malcomson said, is more about opportunity than threat. It won't be so naïve as to think that the Chinese are the 'good guys' for the Africans, the so called friendship or brotherhood. They are there to protect and defend their own interests. This may force the Chinese to revise slightly the non-interference. When you put billions of dollars in the hands of a Government that is dealing with domestic rebel groups, you have to protect the Government. You have to make sure what is happening. The pipeline in Sudan to the Red Sea, if you assume that the pipeline may be targeted by rebels, it is expected that China will be more proactive to deal with issues that a while ago may have been labeled domestic issues. More economic engagement will lead to more political engagement. That, in my view, is unavoidable.

Dr. Jean Marie Cishahayo (Third Respondent)

1. When I arrived in China in 1987 it was the same as African countries now, everything was imported. Now they export everything. Africa has been in the strategic planning of China for the past 50 years. The GDP of Shanghai depends on the State-Owned Enterprises. If you look at what is happening in China and in Africa, there are common areas. The internal market is saturated, global expansion is a recent phenomenon based on two things:
2. The US invasion of Iraq – which was the wake-up call where China understood that energy security is vital. They realized that energy is a driving force of the economy, and that they should move quickly to the oil rich countries in Africa.
3. Foreign currency reserves is a heavy burden. China will face difficulties keeping the money within the country. The World Bank suggests that this money should instead be invested in places like Africa. Previous investment in Africa was limited by infrastructure and governance (accountability and transparency). With the winds of democracy however, we are now dealing with regionalism where small fragile



- countries such as Burundi can become a part of a bigger group like SADC or the COMESA. This creates a vast market and helps investment.
4. Looking at the last 2 years, strategic thinking can be concluded to be in national interest. China has its own interest and they are clear with what they want. In the last 20 years of working with the West in all sorts of sectors they know what they are doing. Africa doesn't. What is Africa's strategic view vis-a-vis China?
 5. 5 years ago I was pushing the UNDP to think about how to help the African private sector and Small and Medium Sized Enterprises (SMEs) to develop. All over the world sustainability depends on how SMEs are growing. China can do much to help Africa in this area. Over 1500 companies from North East China were asked in a survey where they wanted to expand. 40% wanted to expand to Africa, 25% to SE Asia (for cultural reasons), 15% to Middle East and 20% to South America. Through this report the UNDP created the China Africa Business Council (CABC). However, there was no African representation and the CABC became more of a tourist agency of Chinese officials and businessman instead of getting the African private sector going.
 6. In most of our interviews, Chinese companies say that there is no website in Chinese language where updated information on Africa can be found. They get information that is 15 years old. It was only last year that FOCAC and the media started to talk about this.
 7. I took Chinese investors to hi-tech development zones in Africa. Local government welcomed them but most of the zones are merely empty pieces of land with little infrastructure.
 8. In conclusion I mean that we in Africa have to see that we have this opportunity with China now. It might be the last chance for Africa, if we don't catch up with this opportunity I don't know how the next generation will deal with Africa's problems.

Eugene Lee (Fourth Respondent):

1. I was previously working for the Chase Manhattan Bank with loans that financed infrastructure projects in Africa. Our Stanford project is looking at similar areas as this study. Our methodology has been to bring together the World Bank, OECD and Stanford and Qinghua Universities to comment on the development of Chinese construction companies in Africa.
2. China and Africa are seeking to create a sense of political support. In the pattern of financing the largest projects are where China has helped to develop resource extraction and stake in exports. For example the three biggest aid recipients are Sudan, Angola and Nigeria. Our study looks at the big picture and pattern of financing. The amount of financing year to year in excess of \$2billion has grown substantially over past 2 years and are currently at a number of 150 throughout Africa, not only in resource rich countries, although the focus is on areas with more commercial benefit. From point of view of construction, Chinese companies are becoming entrenched and competitive in large projects funded by the Exim bank. The majority of projects are where Chinese companies have won bids in open tendering, projects funded by World Bank and other international institutions. In the 50% of projects have been won in



- open bids. Principle competitors have been other Chinese contractors. Chinese companies have particular expertise in civil engineering, roads, bridges and dams.
3. The most important Chinese strength lays in civil engineering and construction, in first level management, technological capability and management resources. The Chinese ability to carry out hands on work is great advantage and it is cost-efficient; a middle level engineer capable of managing earns \$7000-10,000 a year where conditions are similar to Rural China. Western expatriates would most probably want a much larger package.
 4. Another aspect is the use of Chinese labors and shipped-in containers of Chinese supplies, machinery and products. Interviews with 25 Chinese companies active all over sub-Saharan Africa revealed that labor was local because of cost competitiveness. However in North Africa most laborers were Chinese because local labour was not considered cost effective. Generally both the choice of labor and equipment imports is commercial decision.
 5. From the point of view of companies and political relationships, the beginning of the relationship is important. Chinese companies in Africa continue to keep a presence and commitment to places and communities where they have been working – they maintain offices and are present to look for more projects. They are thus not just looking at a single project basis.. In early projects losses were accepted as part of a learning curve, but now projects generally make profits.

Ms Corkin's response to Guillaume's comments above:

1. In terms of methodologies; a discussion of the methodology is covered at the end of the study. Our methodology is generally qualitative and we sought out key people. We prepared a survey but we found early on that due to the sensitive nature of the subject and to the domestic environments, statistics are hard to come by. We did use available statistics but rather than to use unreliable data, we preferred to used qualitative methodology. The term 'general respondent' is used because of conditions of anonymity.
2. We concentrated on SOEs because they are biggest players. By default to SOE, if there is doubt, then they are at least at some part state-owned. Even if a company is only 15% state-owned, it will still be influenced by government.
3. Regarding the impact on Africa's political systems: we didn't touch on this, but what seems to occur is that Chinese investments help to maintain status quo. If there is a situation where a government or an elite control the economy, the relationship with the Chinese government seem to entrench the position of these elites.

Open Discussion:

Prof Yang Dehua:

1. The resource-based Chinese strategy identified in the presentation is not the major driver in the Sino-Africa relationship. China's Africa policy is based on South-South cooperation. China relationship with developing countries is pillar of china foreign policy.



2. I do not agree with the notion of neo-colonialism in Chinese commercial practices. Chinese presence is not a threat, it is beneficial to development. China has written off loans and helps to reduce poverty and the occurrence of HIV.
3. Kidnappings of Chinese engineers should be able to be avoided as local African people generally do have hostile feelings against the Chinese people. Some countries have loose diplomatic relations with Taiwan. African leaders should maybe come to China to gain more understanding of Chinese policies and strategies, that it is not a neo-colonial project. China wants to create a win-win situation.
4. However we still have many things to do, such as how to gain knowledge about each other. 50 African countries now have Confucius Institutes them, which is beneficial for the Chinese presence. The African people always support China in the UN and on human rights issues. We want to do something for them, not only seek out own private interest, and we do that by such as sending medical teams and seeking to help local people with disease prevention.
5. It would be beneficial if your presentation was available for local Chinese comments.
6. Africa is a continent of hope. Someone has said that the 21st century is the century of Asia, but I think it is the century of all continents. Last month I presented a paper on the clash of civilizations and a harmonious world, and I disagree with Huntington. I believe that two civilizations united together can develop together.

Charlene Labuschagne:

I would like to see the 'China threat' syndrome replaced by a spirit where African people can embrace the culture and wonder of China and see the possibility of what China can make in Africa. We need to overcome the resistance at grass root level. One way to do this is to equip people at grass root level with cross-cultural understanding through the Confucius Institutes.

Response from Ms Corkin:

1. Regarding anti-Chinese sentiment firstly: many of the Africans that are afraid of the Chinese taking their jobs do not have access to infrastructure such as water and they are unable to read their own language, let alone Chinese. Anti-China sentiment is being fuelled for example with regards to the Zambian mining incident, where the Chinese took the blame as owners of the mine despite the fact that they were not at fault. However, people now see that infrastructure is being developed by China, and I think that people at grass level will start getting understanding when that infrastructure is developed.
2. On the topic of engaging Chinese culture: China is engaging to promote exchange on a middle level, for example through the scholarships for South African students. Students are being offered amazing opportunities to study in China, to experience Chinese culture, to speak Mandarin and to serve as a general cultural bridge. Despite all this, we struggle to find candidates that want to take this opportunity. People in South Africa are culturally close minded.

Guillaume Moumouni:

It is in the interest of China to work more closely with African NGOs. Although they are



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skeptical of being controlled by West, the NGO represents major domestic player when you deal with government that is not powerful enough to control their own territories. China should engage more with civil society; more than it is doing now, and this also comes back to why China is skeptical of NEPAD. Apart from other reasons, NEPAD stresses human rights and democracy, which China is skeptical of; China needs to be more proactive in this regard.

Liao Ran:

Curious, why there or so few Chinese participating? Are you only targeting foreigners. Did they decline?

Thomas Orr:

Only a handful of Chinese academics focus on Africa. These academics were all invited to the CCS Seminar. Many are currently at other conferences around the world. Most are based in Beijing. A Shanghai Institute International Studies delegation is visiting Stellenbosch University as we speak. No students from Shanghai showed interest in the seminar.

Liao Ran:

1. Chinese government should by now be aware of the issue of NGOs and civil society. TI organized a workshop in Beijing last December for the top five Chinese construction projects that all have projects in Africa. We brought the message that China's external image is under question to them, and they are taking this very seriously.
2. In terms of Chinese investment in Africa, private sector is very important. The Chinese construction companies all say that because they are top they implement the bilateral aid program projects, so they don't need to pay bribes. Western media reflects bribery by Chinese in Africa, which mostly takes place in the private sector. The private investment mainly comes from Zhejiang province.

Response from Ms Corkin:

1. NGOs are important: We are trying to develop capacity for exchanges between African and Chinese NGOs. Save The Children, for instance, wants to take a delegation of Chinese officials to selected projects in Africa and explain what is working and what is not, and show what the people are thinking. They seek to establish a relationship between the outcomes and challenges with the project.
2. Regarding private Chinese companies: We focus on SOEs because of their central role. In smaller markets like Sierra Leone there are not enough big projects. Therefore there are mostly small private companies active there. 11 out of 14 registered Chinese companies in Zambia are private – it varies enormously. Stanley Ho (Macao gambling magnate) is about to move into Angola.
3. On perceptions in Africa: There is a problem of information and a lack of knowledge on China in Africa. There are huge misleading perceptions that need to be clarified in order for Africans to understand the real situation. It is difficult for people on the ground to distinguish between SOEs and private enterprises – they think that all Chinese companies are government owned. Chinese government has no control over private companies, but if locals blame Chinese, they then blame Chinese government.



Furthermore, Africans cannot distinguish between Asian races. This type of information needs to be disseminated.

End of CCS Seminar

Informal discussion over lunch



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