

**Centre for Chinese Studies**  
**China Forum Event**

**CCS Panel Discussion:**

***“China & Resource Governance in Africa”***

**Speakers:**

***Andre Standing, ISS***

***Prof Willie Breytenbach, SUN***

***Prof Zhang Yongpeng, CASS***

**26<sup>th</sup> April 2007**

**Stellenbosch University**



**CENTRE FOR  
CHINESE STUDIES**

## Summary of Panel Discussion

The Centre for Chinese Studies at Stellenbosch University held a public seminar on the 26<sup>th</sup> of April 2007. The topic for discussion was “China & Resource Governance in Africa”. Speakers were Mr Andre Standing from the Institute for Security Studies in Cape Town, Professor Willie Breytenbach from the University of Stellenbosch and Professor Zhang Yongpeng from The Chinese Academy of Social Sciences, who is currently active as a Visiting Academic at the Centre for Chinese Studies.



*From left: Prof Willie Breytenbach, US, Mr Andre Standing, ISS, Hannah Edinger, CCS and Prof Zhang Yongpeng, CASS*

### **Andre Standing: The General Legacy of Resource Extraction**

Mr Standing opened the session with a presentation on the general legacy of resource extraction in Africa. He noted that since 2002 there has been a boom in the mining industry worldwide, partly caused by economic growth in China and India. As an effect the number of mining companies worldwide has increased along with the profits and the competition within the industry. The main issue of concern for Mr Standing's presentation was whether or not resource extraction in Africa can be positive for human development.

Mr Standing noted that countries that are heavily reliant on the export of primary commodities have a slower economic growth. This is due partly to what can be termed as the “Dutch Disease”, where an increase in revenues from natural resources risks to de-industrialise a nation's economy by raising the exchange rate, rendering the manufacturing sector less competitive. Another factor is that the leaders of resource-rich countries often focus solely on the primary commodity market instead of also developing other sectors such as agriculture in order to build sustainable economic growth. Lastly, corruption in relation to the extraction of primary commodities is an important challenge to economic growth.

Mr Standing further evolved on how extractive industries in general represent an important menace to the environment since it threatens pristine forests and consumes important quantities of water, causing strain on drinking supplies and agriculture. Moreover, human rights abuses are common in

relation to resource exploitation, not only in the context of so-called resource wars, but also in local communities and indigenous groups where mining companies for example promise the community work, housing and schools if they move to make way for a new extraction site - promises that are not always fulfilled, with devastating consequences for the communities.

Finally Mr Standing raised the question whether the extractive industry can be regulated successfully – do African states and civil society have the will and the ability to police foreign companies? Will the overseas companies meet with requirements from governments and civil society concerning their activities in Africa? A crucial difference between Chinese companies and companies from the OECD is not their behaviour as such, but that the latter have powerful watchdogs from civil society that can guard their behaviour and report it to the home audience, which is not the case for Chinese companies.

### **Professor Willie Breytenbach: An Overview of China's Involvement in Africa**

Professor Breytenbach provided the panel discussion with an overview of the development and the present state of the Chinese economy that since 1978 has grown to become the 3rd biggest economy of the world and the 3rd largest importer and exporter of goods. What started with agricultural reforms developed into a booming economy to which only the U.S. and German economies are major, a development that came about with the help of factors such as high rate of savings, flexible labour force and an undervalued currency. Professor Breytenbach further reviewed the nature of South African FDI (Foreign Direct Investment) in China, where companies such as SAB and Anglo-American have become important role players.

Regarding Chinese FDI in Africa it was concluded that China generally is active in the resource extraction industry rather than in manufacturing or services, with the exception of the Chinese presence in South Africa where manufactured goods play a more important role. Sudan, Angola, Nigeria and South Africa were mentioned as examples of important trading partners for China in Africa.

Furthermore Professor Breytenbach mentioned the main problems that can be identified with the Chinese engagement in Africa. Firstly, the resource bias of the Chinese economic engagement could possibly be interpreted as a neo-colonial pattern of action since little knowledge transfer into the local African economies takes place. Furthermore the absence of an active civil society in China was identified as a problematic factor in terms of “watchdogging” Chinese companies, and lastly the Chinese relations with undemocratic regimes could be seen as a problematic.

Finally Professor Breytenbach raised a few questions and noted that it is unclear what Beijing's long-term ambitions might be, whether China and FOCAC see themselves as an alternative to NEPAD and the West, and what social repercussions can be expected in the long run as a result of Chinese settlements in Africa (there are presently an estimated 40,000 Chinese citizens in Namibia and 100,000 in South Africa).

### **Professor Zhang Yongpeng: Discussing China's actual impact in Africa**

Professor Zhang Yongpeng's presentation consisted mostly of a critical examination of the notion that the Chinese engagement in Africa is motivated merely by a need for resources. An important additional motivator for the Chinese presence on the continent, Professor Zhang mentioned, is to develop the strong Africa that is vital for China since its relation with developing nations is an important base for its foreign policy.

China does not conceal its interests in Africa in terms of resources, Professor Zhang said, but similarly it is important to stress that the relations are based on mutual interest and not on one-sided exploitation. In addition, African resource governance must not primarily be a Chinese responsibility but the interest and task of the African leaders themselves.

Mr Zhang provided with statistics to highlight the fact that Western countries, notably Great Britain, the U.S., Germany and France, are equally important importers of African natural resources (mainly crude oil, metals, gems, coal and cocoa beans). Manufactured goods only constitute a small part of not only China's but also of the developed countries' imports from Africa. Mr Zhang stressed that China should therefore not be pointed out as the main wrongdoer of the resource governance game.

Lastly, Professor Zhang drew attention to the fact that China is not a totally dominant player when it comes to investment in Africa. He provided with statistics as to show that India, Malaysia and Singapore are examples of equally or more important Asian investors in Africa. In conclusion Professor Zhang noticed that Africa needs to diversify its exports in order to obtain sustainable economic development and that this is the main responsibility of the African leaders themselves.

***Compiled by:***

**Johanna Jansson & Hannah Edinger**