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...while protecting Africans from its fire
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THIS year, China-Africa relations have been in the spotlight. The relations were cemented with the release of the White Paper on China's Africa Policy in January, and will undoubtedly be strengthened with the third ministerial Forum on China-Africa Co-operation (Focac), which takes place this weekend in Beijing.

It is clear that co-operation in the area of infrastructure — and more broadly, economic assistance — will be a key issue in the discussions and surely form a central part of the "Beijing Action Plan" that will be released following the forum.

The infrastructure sector is a significant area of interest in China's footprint into Africa's markets. Many Chinese enterprises have invested heavily in the continent's road and railway rehabilitation, as well as in several other large infrastructure projects. These projects are usually undertaken by Chinese state-owned enterprises, in line with the "go out" strategy — driven by the Chinese government to promote the internationalisation of Chinese companies.

It also dovetails with the Chinese government's foreign aid programmes to African countries. Hence, these infrastructure projects are often financed by soft loans from the Chinese government.

It is not coincidental that some of the most extensive infrastructure operations are in the more resource-endowed African countries, such as Angola and Zambia. Indeed, critics have commented on China's newfound mercantilist attitude toward Africa, in the global race for energy security and in the procurement of raw materials to fuel China's burgeoning economy. Nevertheless, it is worth noting Africa's eternal irony — it is often the most resource-rich states that are in dire need of infrastructure development and support.

There are concerns that Chinese companies are contributing to the atrophy of local African industry and economic de-industrialisation. Such negative sentiments seem to be arising from other foreign multi- nationals, which are in direct competition with Chinese companies, rather than from local competitors. This is because the products and services that Chinese companies offer, especially in terms of telecommunications and construction, are considerably cheaper than those of European or South African companies.

In the construction industry for instance, Chinese companies have been known to undercut the closest bidder by 25%. This allows Africa cheaper access to infrastructure essential for its economic growth.

Yet the real challenges are those posed by the lack of institutional regulatory frameworks and government capacity to monitor and encourage direct investment in terms of local skills development and technology transfer. Linked to this is also the issue of whether enough is being done to cultivate and harness the development of local companies and/or small and medium enterprises.

While many Chinese companies report extensive training facilities for locals, some Chinese companies reportedly import their labour and equipment needs directly from China, circumventing any kind of technology transfer. This occurs in countries such as Angola where Chinese companies are relatively new arrivals to the market and the local level of skills is inadequate for their immediate use. It is hoped that once they are more firmly established in the market, these multinationals will facilitate the training of local workers for employment in their projects and investments.

A further anxiety is the social impact of the influx of Chinese workers and businessmen into Africa. Michael Sata, the opponent to President Levy Mwanawasa in Zambia's September presidential elections, achieved great popularity for his anti-Chinese rhetoric and campaign promises to expel Chinese nationals living in Zambia. Although unsuccessful in his presidential bid, Sata's popularity is indicative of the rising anti-Chinese sentiment in some African countries, where Chinese workers are perceived to be taking jobs from locals.

Nevertheless, Chinese multinationals' engagement in Africa's infrastructure has the potential to benefit both African countries and Chinese commercial interests. Africa will benefit by receiving more services than it would from traditional market players, as well as the possibility of technology transfer. The advantage for Chinese companies is that they can realise their global aspirations in Africa, having been less successful in the more developed markets of America and Europe.

There are several issues, discussed above, which will need to be resolved in order for this potential to be realised. This is where the Focac min-isterial meeting this weekend can be of significance for Africa's sustainable infrastructure development, with China promising to increase its assistance in training programmes for Africans in various economic sectors.

One can hope that Focac will be a forum where practical solutions can be found to resolve the tensions arising as a result of an increased Chinese presence in Africa. Unless comprehensively addressed, these issues will cause China's multinationals to have their international reputations needlessly tarnished, and African economies will miss out on much needed infrastructure rejuvenation.

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