Africa's game to lose

Western nations and their institutions continue to caution African countries to be wary of the 'fire', the Dragon from the East, China, carries in its 'belly of promises' but is that really the case or it is their fear of competition from China? asks ***Cornelius Adedze**.

FOCAC Summit

At the end of the recent FOCAC (Forum for China- Africa Cooperation) in Beijin attended by a record 52 African countries except eSwatini (which still has relations with Taiwan), China once more pledged $60bn to Africa made up of both aid and loans and aimed at eight initiatives over three years with more room for infrastructure and scholarships to African students. The amount is divided into $5 billion of free aid and interest-free loans, $35 billion of preferential loans and export credit and $5 billion dollars of additional capital for the China-Africa Development Fund and the Special Loan for the Development of African SMEs, and $10 billion of funding for a China-Africa production capacity cooperation.

Faced with various infrastructural deficits needing attention, from transportation (roads, railway etc), health facilities, schools, among others African leaders signed many MoUs with the Chinese after the FOCAC. For China this is a show of its "commitment to the economic and social development of the rest of the world".

According to the Programme for Infrastructure Development in Africa (PIDA), Africa needs $40 billion to fix its energy sector, $25 billion for the transport sector and $1.6 billion for the water sector. These are all critical infrastructure needed to transform the economy of the continent and meet the social needs of its teeming population. Traditional Western donors for big infrastructure projects like the World Bank and other international financial institutions have become reticent at financing such projects for all kinds of reasons, some say. The global financial meltdown of 2007-2008 also meant financing such projects was a challenge for the traditional financiers.

China with its great foreign reserves had the advantage to quickly step in. Even with this advantage, China still faces stiff competition from Africa's traditional partners.

Africa's need for transportation infrastructure was a perfect fit for China's 'Belt and Road Initiative' with its emphasis on roads, ports, bridges, railway among others to open up Africa and link its major towns. China has also proved more appealing to African countries, due to the fact that the conditionalities for the loans are not as stringent as those by the IFIs even as contracting of Chinese companies, and procurement of their technology, equipment and services are a pre-condition. China is now said to be the single largest bilateral financier of infrastructure in Africa unrivalled by the ADB, the European Commission, the European Investment Bank, the International Finance Corporation, the World Bank and the Group of eight (G8) countries.

Many have raised their concerns about Africa's indebtedness to China and warn of the dangers ahead. Standard Bank's China Economist, Jeremy Stevens is noted to have cautioned that:

"However, despite a sizeable remaining infrastructure deficit on the continent, there is a concern that African countries' debt-service ability will soon dissolve," noting that, "In 2017 alone, the newly signed value of Chinese contracted projects in Africa registered $76.5bn."

The ballooning debt that some African countries are beginning to find themselves in in their dealings with China seem to give some credence to this fear. Zambia is one such country caught in the Chinese debt 'web' as reports of the takeover of its national electricity company and international airport by the Chinese to make up for recovery of monies owed China have surfaced. Others point to the Chinese takeover of Sri Lanka's port as a pointer to the ruthlessness of the Chinese when it comes to debt recovery and should be red flags that guide Africa in its dealings with the Chinese.

But the head of the African Development Bank (ADB) Akinwumi Adesina, is of a different view.

"According to the Financial Times, the new game of competition among the big powers is Africa's to lose. Unlike previously where they were limited to former colonial powers, the US and few other Western countries. In the current configuration one can find India, Brazil, Turkey, the UAE, Saudi Arabia among others. The UAE recently gave Ethiopia $3billion in aid and investment whilst Saudi Arabia has also pledged $10billion to South Africa for its power sector."

"A lot of people get nervous about China but I am not. I think China is Africa's friend," he told the BBC in a recent interview.

Others have welcomed China's grand entry into Africa, as good competition that gives Africa more options as to who to deal with for what.

"It gives Africans much more room to manoeuvre,". "The level of ambition from leaders has gone up very much in response to these incentives to do more with infrastructure and financing and to dare defy Western pressure. They are finding it very exciting.", former Executive Secretary of the UN Economic Commission for Africa, Carlos Lopes added.

His successor, Vera Songwe agrees: "I would like to think that we on the continent know what we want and how we want it," "This has allowed for competition in a way we never had it before,", she added

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The British, the French, the Americans, the Germans, and the other Western traditional are still the major players in Africa. British Premier Theresa May and German Chancellor Angela Merkel visited Africa just weeks prior to FOCAC 2018 in Beijin to shore up their trade links with the continent. The UK's direct investment in Africa was £42.7bn in 2016, compared with £44.3bn from the US, £38bn from France and £31bn from China, according to data from the United Nations Conference on Trade and Development. Mrs. May said she wanted the UK to overtake the US to become the G7's biggest investor in Africa by 2022.

Turkey's President, Recep Tayyip Erdogan, has visited 23 African nations. Africa's imports from Turkey between 2006 and 2016 rose to 192 percent according to Brookings Institution. China's top leaders made 79 visits to 43 African countries between 2007 and 2017. President Emmanuel Macron of France also visited 13 African countries in 15 months. Africa-India trade increased more than 10-fold from $7.2bn in 2001 to $78bn in 2014 — making India Africa's fourth biggest trading partner, according to the UN Economic Commission for Africa. Also in the fray is Russia with a 142 percent increase in its exports to Africa between 2006 and 2016.

During the fifth EU-Africa Summit held in Abidjan in 2017, probably to match China's 2015 $60 billion investment fund pledge for Africa, the EU also "pledged to mobilize more than $54 billion in "sustainable" investment for Africa by 2020". EU President Jean-Claude Junker recently during his 'State of the EU' address talked of a new 'Alliance for Sustainable Investment and Jobs between Africa and Europe' because by '2050 Africa's population will be 2.5 billion', a big market that cannot be ignored. As he

British PM May and South African President Ramaphosa

emphasised, 'One in four people on earth will be African' hence the need to 'invest more in our relationship with the nations of this great and noble continent'. UNCTAD's World Investment Report 2015 puts the flow of Chinese FDI to Africa during 2013-2014 at 4.4 percent of the total to the continent. The European Union countries, led by France and the United Kingdom, are overwhelmingly the largest investors in Africa. According to some estimates the U.S. with a $54 billion of FDI stock is the single largest investor in Africa.

Between 2005 and 2017, the U.S. Millennium Challenge Corporation (MCC) invested more than $6.5 billion in 14 sub-Saharan African countries through completed or ongoing compacts in infrastructure, health, education, and other sectors.

USAID's Power Africa initiative, has been involved in 80 projects valued at $14.5 billion designed to bring electricity to some 4.5 million households. Furthermore, the US Congress, as if in response to the Chinese increased showing in Africa, has introduced the BUILD Act, leading to the creation of the U.S. International Development Finance Corporation (IDFC) that will include parts of USAID into the U.S. Overseas Private Investment Corporation (OPIC) with a $60 billion lending cap. Africa is the largest beneficiary of OPIC's investment portfolio (27 percent), or $6.2 billion, so an increase in the lending cap could mean a corresponding increase of funds available to be invested in Africa. In addition to AGOA, and the Millenium Challenge Account among others, the US continues to be a major player in Africa. It has, however, not lost sight of the increasing Sino-Africa deals as put more starkly by Jim Richardson, coordinator of USAID's Transformation Task Team, "If you decide to work with China, it is bad," he is reported to have stated recently, a clear warning to Africa. Truth is, he was really expressing US fears about the strength of the Chinese competition.

The US-China competition in Africa is on the upbeat as a hitherto monopoly of US tech companies has also been broken with the influx of Chinese tech companies like Huawei, ZTE and Techno among others.

On balance trade between China and Africa is heavily tilted in favour of China. According to the statistics by China Customs, in January-December 2017, the import and export value of China-Africa trade amounted to US$170 billion, up 14.1% year on year, 2.7 percentage points higher than the general increase of foreign trade in the same period. China's exports to Africa was US$94.74 billion, up by 2.7% and China's imports from Africa reached US$75.26 billion, up 32.8%; the trade surplus was US$19.48 billion, although down by 45.2% year on year. Africa's trade with Europe is 36 percent, with China 16 percent and 6 percent with the US.

A worrying dimension of the China-Africa trade is that it is not much of a departure from Africa's earlier notorious commodity dependent trade so to China goes "raw, unprocessed materials from a few countries, and in the other come manufactured" goods to Africa. The structural transformation that Africa needs is thus not likely to take place any time soon as the continent has only 'replaced' one commodity buyer, mostly former colonial powers of the West with another, China.

It is clear China, the EU, Britain post-Brexit and the US are all in the battle for the African market with each using various means to achieve that. China with its ambitious approach to redress Africa's infrastructure deficit, EU through its Economic Partnership Agreement and post-Cotonou initiatives, the US through AGOA, Millenium Challenge Account and the new initiative, International Development Finance Corporation (IDFC) anchored on OPIC. Japan's TICAD (Tokyo International Conference for Africa's Development), the India-Africa Summit and Turkey-Africa are some of the initiatives by other countries targeted at Africa.

China, like many foreign direct investors are not in Africa "with bags full of free goodies and free of conditionalities and preferences". Just like the EU, the US, the UK and others, Africa's interest if any is secondary to theirs in their search for business opportunities and markets. Some have likened the relationship to a 'new colonialization' of Africa.

South Africa's President Cyril Ramaphosa disagrees that "new colonialism is taking hold in Africa as our detractors would have us believe".

China's Xi Jiping chips in, '"China's cooperation with Africa is clearly targeted at the major bottlenecks to development," and "comes with no political strings attached" he added.

As the dust settles on the seventh FOCAC, with many African countries scuttling to strike deals with China, they must not lose sight of their earlier dealings with foreign partners, China's dealings with other countries in Asia and Africa in recent times and their own development agenda. More importantly, where do all these sit with the Africa Union's Agenda 2063, what about the Continental Free Trade Area? Will dealings with China prove to be another capitulation of Africa before foreign investment and another nail in the coffin of Africa's striving for the structural transformation of its economy?

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