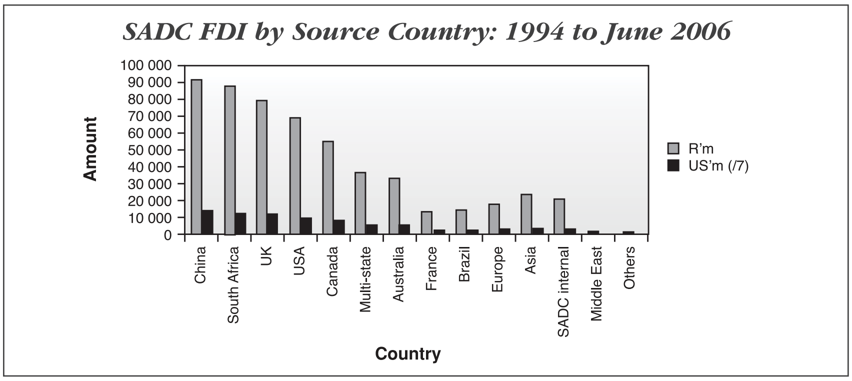
Chinese vs African renaissance

A match made in heaven or what?

China has emerged as the new economic power house both globally and in Africa. **Darlene Miller** explores what this means for Africa.



Source: The Businessmap Foundation, Ref. No. 2006/006/INV/JK: 4

Writing in 1994, Sociology professor at John Hopkins University, Giovanni Arrighi, observed that the crisis of overaccumulation – too much money chasing too few investment possibilities – in the United States has had important global consequences. He argued that each new stage of capitalist development involves a change of leadership at a global level. A change of guard in the commanding heights of the capitalist world-economy has occurred where an 'old region' (the US and the West) has been superseded by a 'new region', China which has emerged as the ascending world power – a new 'East Asian Renaissance'.

China's increasingly dominant global influence is reflected in the volume of trade and investment it is responsible for; the fact that its economy has been growing at 10% per annum over the last decade and that China has half of the world's ten most valuable companies. These are China Mobile, Industrial and Commercial Bank of China, China Life Insurance, Sinopec and PetroChina (*Mail&Guardian*, November 9–15 2007).

China's rise to power is different from previous hegemonic powers in terms of it's financial integration with the very power that it is overtaking – the US. The 'new region' is interdependent with the 'old region', with US markets being a critical destination for Chinese goods. But the new power is also independent from the old in many ways. What has been termed 'Beijing oil diplomacy' has entailed China initiating bilateral economic negotiations with important oil providers independently of the US.

What is significant in all of this is that control over surplus capital ('power of money') and military power ('power of the gun'), are two of the 'most important ingredients' of world power, as Arrighi argues, and the first ingredient has moved away from the West.

CHINA IN AFRICA

China's influence in Africa has also grown in recent years. While many investors have bypassed Africa, China is deepening Africa's global integration through investment in it's infrastructure and energy resources. Chinese investments reached US$11.7billion in Africa in 2006, including the manufacturing, trade, transport and agriculture sectors. Two-way trade between China and Africa has increased four-fold since 2000. In terms of source countries for FDI in Southern Africa (where capital is coming from) during the period 1994 to June 2006, China ranks first, South Africa second followed respectively by the UK, USA and Canada. China is also the top recipient of FDI from emerging countries. China's investments have privileged those countries with critical resource assets.

China's primary investment interest is in Africa's resources such as telecommunications, energy and construction. In telecommunications, Zhong Xing Telecommunication Equipments Company Limited (ZTE), a state-owned enterprise (SOE) and Huawei, a private multinational, have been key investors. China National Offshore Oil Corporation (CNOOC) and SOE Sinopec have been active in oil acquisitions in Nigeria and Angola and China National Petroleum Oil

Corporation in Sudan. Like imperialists of old, China's biggest investments in Africa have focused on securing the networks that make business possible: functioning roads, railways and infrastructure.

As reported by Corkin (2007), there are more than 800 Chinese companies active in Africa. So 'Asian Renaissance' meets 'African Renaissance': a match made in heaven or the pragmatic spaces of the region's boardrooms, is the question?

COMPARING SA AND CHINESE BUSINESS PRACTICES

A study by the Centre of Chinese Studies on Chinese construction companies operating in Angola, Tanzania, Zambia and Sierra Leone revealed the following:

- provided competitive bids for projects;
- employed large numbers of local labour;
- generated skill and technology transfers;
- used other foreign companies for joint ventures;
- building standards were high when good regulatory frameworks were in place in an African country but weak when not (in place).

Their bids were competitive because they had access to cheap loans through Chinese state-owned banks that provide flexible rates to these companies; secured cheap inputs through Chinese supply chains; political support through Chinese embassies. Once established in a hub country such as Nigeria or South Africa, Chinese firms adopt a regional strategy of spreading out to other countries. Most South African companies have been narrower in their African investment strategies, following a specific investment opportunity in mining or retail rather than a coordinated regional strategy. Some of the newer sectors like telecommunications, however, may demonstrate some of these 'hub-led' strategies, where Nigeria, for example, would be used as a platform into the West African cell phone market.

While there has not been much official evidence of collaboration between different South African firms in their African expansion, Chinese companies show much higher levels of collaboration in the source country. The leading firm will put together a group of related Chinese enterprises and contractors before leaving China. Both Chinese and South African companies make an attempt to understand their local environments. South African companies such as Shoprite have utilised local managers extensively. Chinese management will often stay in compounds where they are immersed in local culture, buying and eating food in places shared with local people. This hands-on and live-on-site modus operandi includes all levels of the Chinese workforce, even company executives in some cases. In the South African retail sector expansion, low labour costs, hands-on management, hard work and high levels of organisation are comparable characteristics to the workplace practices of Chinese construction and infrastructure enterprises.

CHINA IN AFRICA: DEVELOPMENTALISM OR OPPORTUNISM

The criticism of a lack of corporate social responsibility has been levelled at foreign investors who take profits and fail to 'plough back' into the host country, as has been the charge from some African communities against South African investors in Africa. China's problem is the reverse: having put money into infrastructure investment, they are accused of business opportunism!

China's infrastructure investments, however, have followed transport corridors such as the Tazara railway corridor where the goals of primary resource extraction necessitate export of these commodities through the continent's ports. The railways and roads that they have helped to build, therefore, will be the conduits for exporting the region's wealth. Villagers, too, may find themselves using the same roads to carry local produce to market, but ultimately the imperial patterns of road and rail for the extraction and export of Africa's surplus value are continued through these partial and uneven infrastructure developments.

In some countries such as Zambia and South Africa, there has been evidence of anti-Chinese sentiment where fears of displacement of local workers and products have been voiced. Where institutional regulatory frameworks are weak such as the Zambian mining sector, evidence of exploitative work practices led to union and worker resistance as well.

If China's corporate expansion takes place in a genuinely developmentalist framework – what has been termed a 'New Bandung' – then Chinese investment may provide an alternative to the raiding strategies of many foreign investors. It is critical that African-led responses to these shifting global scenarios should be advanced and advocated. These include the will to protect the region's working classes (including local producer communities and wage workers) from forms of accumulation that perpetuate exploitation and extraction of the region's surpluses.

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