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# The economic crisis has increased Africa's economic importance for China

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## The economic crisis has increased Africa's economic importance for China

*Bonn, 15 November 2010.* China has begun taking a greater interest in Africa since the advent of the financial and economic crisis, although the scope of Africa-China trade has been increasingly rapidly for a decade now. With 100 billion dollars in trade with Africa, in 2008 China was the second largest trading partner for the continent, after the US and ahead of France. The volume of direct investments, loans and development financing has also greatly increased.

However, prior to the crisis Africa accounted for only a fraction of total Chinese exports, since the country's main trading partners have traditionally been Europe, Japan and the US. But with the hammering the economies of industrial nations have taken from the crisis, China's trade relations with developing and newly industrialised countries have gained far greater importance, and Chinese companies, banks and the country's trade ministry see tremendous economic potential in a number of African countries.

### Does China have a grand strategy for Africa?

It is often assumed that the Chinese government would have a grand strategy for Africa and that the activities of various stakeholders are being orchestrated with a view to achieving specific economic and political goals. This perception is supported by a number of factors: China's trade, investment, and development policy spheres are closely linked. The Chinese government uses diplomacy as an instrument to create a positive climate for economic relationships with other nations. The number of Chinese state actors in Africa is relatively high, which creates the impression that the government's Africa policy is being orchestrated.

However, in discussions of this issue it is often overlooked that China is far from being a monolithic actor. Different actors are seeking to further their interests in Africa in a variety of ways that in some cases conflict or compete with each other. Chinese companies in both the public and private sectors compete strenuously with each other in

areas such as infrastructure development, and even ministries such as the exterior and trade ministries have competing interests. The foreign ministry, for example, primarily seeks to create a positive image of China abroad, whereas the economic and trade ministry focuses on furthering China's economic interests. The conflicts that can potentially arise from such situations have been reflected for instance by China's foreign policy toward Sudan.

### Varying effects of China's policy for African development

The consequences of Chinese engagement for African development vary depending on the country, policy field, or players involved. In the textile sector for example, consumers benefit from cheap imports, whereas local companies are in some cases being forced out of business by Chinese competition. Elsewhere Chinese investments are creating new jobs. In addition, Chinese investments in dam construction is making available much needed resources, although the environmental impact of such projects is often determined by the conditions that prevail in the country concerned. China's rise to economic prominence has also resulted in competition between Chinese and African companies in third-country markets, while China's currency policy affects the competitiveness of African products.

Little is known about the impact of Chinese engagement with Africa on governance. Although the Chinese government does not appear to be promoting a specific policy or economic model in Africa, Chinese loans and investments (like those of other external players) have an impact on governance by affording African leaders who may be under financial pressure some breathing room.

If the impact of Chinese development policies as a whole is difficult to determine, there is nonetheless little doubt that Chinese investments in Africa have wrought permanent changes in many spheres of life.

## Challenges for Africa, China and Germany

The question arises here as to the extent to which African nations have the capacity and political will to leverage the opportunities afforded by the influx of financing from not only China but also other new players. Chinese engagement also might have consequences for African regional integration efforts, since China's Africa policy is highly bilaterally oriented.

For China, it is likely that ramped up investments will translate into greater pressure to achieve ROI, particularly since many of China's economic efforts in Africa are being realised in fragile states, which in turn increases the security risks involved. For example, there were violent attacks on Chinese business man and workers in Angola last year. Regulating the activities of Chinese public and private enterprises in Africa poses a major challenge for the Chinese government, since for example some private companies do not register with their local Chinese embassy and thus evade controls by Chinese officials. Moreover, growing Chinese investments in Africa will make it necessary for the Chinese government to find an effective way to deal with the likewise growing expectations of African governments and the criticism of Chinese policies that is often levelled at China in the African public debates.

In addition, there is growing pressure on Germany and other European nations to make good on their development aid promises, which has become increasingly difficult owing to the economic crisis. African nations have an increasing range of economic and trading partners available to them in the guise not only of China but also Brazil or India. The question arises from a development policy perspective as to which challenges the economic interventions of China and other new actors will pose for efforts aimed at fostering democracy and good governance in African nations. In any case, the effectiveness of such efforts need to be justified on an ongoing basis, with or without the presence of such actors.

The economic crisis has indubitably promoted an increase in the scope of China-Africa trade relations, which means that Western nations will need to get used to the fact that China is now a key player in Africa and will remain so for the foreseeable future. In order to achieve success in this sphere, European actors need to conduct an ongoing dialogue with African, Chinese and other new players.



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