

China's Strategic Infrastructural Investments in Africa



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Africa as a Strategic Partner for China

- US invasion of Iraq
- Russia-Japan energy pipeline
- Blocking Japan's bid for a UN Permanent Security Council Seat
- Political exclusion of Taiwan
- Market space for Chinese exports
- “Going global” strategy i.e. commercial learning
- Attempt to extract the Chinese economy from international commodity markets



Competitive Sectors

- Oil Exploration
- Mining
- Construction
- Banking
- Telecommunications
- Retail – textiles and light consumer electronics



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Determinants of Chinese SOE Competitiveness

- Lesser cost engineering inputs between 40-60% cheaper than traditional MNCs
- Low profit margins of $>5\%$
- Lesser supply chain costs
- Relatively cheap and more productive labour force
- Low capital cost
- Coalition investment strategy



Chinese Engagement in Angola

- In 2004, China Exim Bank extended an oil-backed US\$2-billion credit line to Angolan Gov, later increased to US\$3bn in March 2006
- The loan is payable at 0.25% over 12 years, 5 year grace
- Official loan amount is US\$6bn. But independent estimates put figure at US\$9bn+
- Infrastructure financing 70% allocated to PRC firms
- Sonangol (45%)-Sinopec (55%) joint venture of Sonangol-Sinopec International.
- Development of Blocks 17 & 18 – multi financiers; Sinopec awarded 3/05 in 1990's
- Construction of roads, bridges railways, airport, oil refinery, hospitals, housing, water projects & Gov buildings, telecommunications investments



Chinese Engagement in Zambia

- Increased Chinese engagement in Zambia is a direct result of China's investment in the Chambishi Copper Mine.
- Zambian government view Chinese companies very favourably, despite popular support of Michael Sata's stance in 2006 elections.
- Projects include Football house, Government buildings, and power and cement plants.
- During President Hu's Africa tour in February 2007, the Chambishi Copper mine was declared a "China-Zambia Economic and Trade Co-operation Zone".
- On this tour US\$ 800 million in future investments was promised to Zambia.
- Zambia's economy has soared following rising copper prices due in part to Chinese demand



Chinese Engagement in Tanzania

- Long history of political relations aid-related projects, dating back to 1960's with the construction of the Tanzam (Tazara) Railway in 1968-1970.
- Joint-venture co-operation began in 1981
- It was recently announced that negotiations were underway for a Chinese consortium to rehabilitate the Tazara Railway
- Chinese firms state political stability and a perception of less corruption relative to other African countries as investment incentives
- Projects undertaken by Chinese companies include water infrastructure, national soccer stadium, bridges.
- Dar-es-Salaam has been announced as a second economic and trade co-operation zone.



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China's Emerging Strategy

- China is strategically investing in infrastructure to enable the extraction of previously inaccessible resources in Africa – the case of Belinga in Gabon
- Investment in railways across the continent bisects the traditional north-south routes, shifting control away from entrenched role-players in Africa
- China's emphasis on high public spending on tangible resources appeals to African government elites, facilitating access
- Engagement with economies dependent on natural resources
- Strategically links up natural resource investments
- Prospects for further Economic and Trade Co-operation Zones?





Executive Summary

- A note on FOCAC
- Bilateral vs. multilateral engagement
- Significance of African Development Bank Meeting in Shanghai
- Old Africa vs. New Africa – Which does China support?
- Prospects for an African “China Policy”?
- China’s new risk model for Africa
- Links to China’s ODA strategy for Africa
- China’s “Coalition investment” strategy
- Displacement of traditional corporate players



To download the DFID sponsored study:

China's interest and activity in Africa's infrastructure and construction sectors

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