AFRICA-CHINA TRADE

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Drawing contours of a new world order

China's growing stake in Africa has shaken up an old, fraying one, writes **William Wallis**

Chinese delegates observing the recent European Union-Africa summit must have left reassured that their own relations with the continent are the more dynamic. Try as they did, Europe's leaders were unable to quash recriminations from their African counterparts over trade, or smother controversy among their own nationals about the invitation of Robert Mugabe, Zimbabwe's leader.

Ghosts from the colonial past haunted the agenda, even though the Lisbon meeting was billed as the occasion to exorcise them and move on.

By contrast, China's own Africa summit a year earlier seemed more about the future. Forty-three African heads of state turned up, 48 governments were represented and much of Beijing was adorned with billboards welcoming them.

When the Chinese sketched out the terms of their engagement, they were marking for Africa potentially the most significant shift in external relations since the end of the cold war.

The contours of a new order are still being drawn, but China's growing stake in the continent has already shaken up an old and fraying one dominated by cautious western donors and former colonial powers.

Wen Jibao, China's prime minister, forecast last month that trade between China and Africa would reach $100bn before 2010 – a more than 10-fold increase in a decade that should see China overtake the US and Europe as sub-Saharan Africa's foremost trading partner. In the first nine months of 2007, trade flows surged to $50.6bn, up 42 per cent on the same period in 2006, driven by Chinese demand for the natural resources Africa has in abundance and African imports of manufactured goods the Chinese produce at low cost.

Asian demand for African commodities has brought about a revival in the terms on which the continent trades, contributing to stronger growth. This in turn has encouraged investors from elsewhere to look at Africa with different eyes, correcting what Standard Chartered calls the "undervaluation of African assets".

As recently as 2004, nearly half of foreign direct investment (FDI) from China into Africa was concentrated in Sudan, where the Chinese National Offshore Oil Corporation (CNOOC) helped develop the country's oilfields, hampering in the process US efforts to ostracise the Khartoum regime. Today, FDI from China is spreading across dozens of African countries as Chinese companies expand their search for raw materials from cotton to zinc and tens of thousands of entrepreneurs arrive in the slipstream of big state-backed deals.

Terms of engagement: China's Africa summit marked potentially the most significant shift in the continent's external relations since the end of the cold war AFP

China's largest acquisitions abroad have been in Africa, including the $5.5bn that Industrial and Commercial Bank of China paid for a 20.5 per cent share in South Africa's Standard bank last year. At the other end of the scale, it is possible to find Chinese foot massage parlours in Chad, doughnut hawkers in Cameroon and vegetable producers in Khartoum's market.

In total, an estimated 800 Chinese state companies are operating on the continent. They have mining operations in 13 countries and are prospecting in more. From Port Sudan to Luanda, they are building dams, oil refineries, roads and railways. By some estimates, Chinese contractors are winning 50 per cent of all new public works projects in Africa, edging out competitors with higher overheads, although concerns about quality persist.

For Africa's traditional allies in the west, which as recently as the 2005 summit of industrialised nations at Gleneagles were overhauling their own commitments to the continent, the terrain has shifted. In a matter of a few years, Chinese funding of infrastructure, trade and development in Africa has grown to rival theirs, surpassing lending by multilateral agencies such as the World Bank and the International Monetary Fund.

Beijing's willingness to extend credit without conditions – according to a principle of non-interference in the affairs of other states – has put traditional donors on the back foot. It is challenging the bureaucracy around development aid and making it harder for the west to proselytise about democracy and good governance. "China's approach to our needs is simply better adapted than the slow and sometimes patronising post-colonial approach of European investors, donor organisations and non-governmental organisations," argues Abdoulaye Wade, president of Senegal in a guest column for this report.

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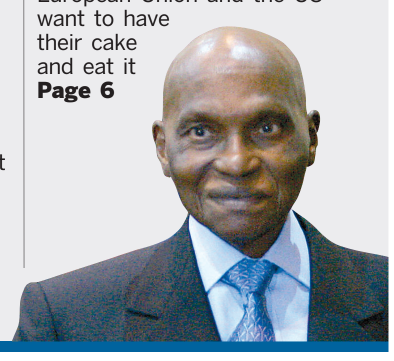

Efforts to redress bad boy perceptions

INTERVIEW

Alec Russell and **William Wallis** talk to China's ambassador to Pretoria

Until recently, Chinese public relations in Africa consisted of little more than bland statements from Beijing, often serving only to reinforce the belief of China's critics in the west that it had something to be ashamed of in the continent. No longer.

Stung by the charge that they are neo-colonialists engaged in a remorseless drive for Africa's commodities, Chinese diplomats are increasingly engaging in the debate over their country's role in Africa. Few are more thoughtful than Zhong Jianhua, the Chinese ambassador to Pretoria.

In the eight months since he arrived from Los Angeles, where he was consul general, he has hosted an average of three or four Chinese delegations a week. His message to them is simple: "The challenge is to understand Africa and we have to make our countrymen understand that. When you come to different cultures, you don't judge them by your own standards."

As part of a drive to break down barriers that have divided Chinese communities from their host countries in Africa, his embassy is promoting a campaign for Chinese businessmen to learn local languages. He is also in the forefront of efforts to counter the widely held impression in the west that China has little interest in human rights.

Traditionally, Chinese diplomats have bristled at – or sidestepped – criticism of Beijing's ties with autocratic African regimes such as President Robert Mugabe's in Zimbabwe.

In recent years as Harare has been disdained by the European Union and the US over its repressive policies, China has remained one of its few allies on the world stage.

Officials are trying to redress that perception. In some of the blunter language used by a Chinese official about Zimbabwe, Mr Zhong makes no attempt to play down the scale of the crisis. "Chinese are human beings. We don't feel happy about what is happening in Zimbabwe. China has never benefited at all from suffering in Zimbabwe.

"The problem is the approach. Britain has taken a very rigid attitude. Some people say pressure is the only way. But if you want to pressure and you cut all dialogue you cannot reason with him. You can't just shout. What do you do? Kill him [Mr Mugabe]? Arrange a coup d'etat?

"At present there is no immediate way to persuade this guy to give up. We have done our best. The outside world can shout, criticise and boycott but in the end it is for the people to decide."

He spoke to the Financial Times in the embassy in Pretoria shortly after returning from a summit in Nairobi of 43 of China's 48 ambassadors in Africa. There he drew on his experience of the US to tell his colleagues not to worry if China was criticised by politicians on the campaign trail.

"I have come from the US. I think I understand more about elections [than many of my colleagues]. You shouldn't take this election language too seriously," he said when asked about an incident in 2006 when Zambia's opposition challenger for the presidency criticised the record of Chinese companies in the country.

"We have to get used to this kind of politics. People tried to use China to attack the other side or benefit their own side. It's not because they hate the Chinese. So I say [to fellow diplomats] 'get used to this kind of politics or you will never get used to your job'.

'Cheap Chinese clothes give confidence to the poor'

Zhong Jianhua
China's ambassador to Pretoria

"China was never a topic before. Now it's more and more popular. Whether you like it or not you are a reluctant participant."

Mr Zhong argues that protectionist concerns about the influx of cheap Chinese goods are misplaced, citing the experience of a village where "five years ago most of the people wore second-hand clothes.

"Now they wear new clothes from China. I can see they are becoming confident. They feel themselves to be the equal of others. Cheap Chinese clothes give confidence to the poor... Chinese goods are a great equaliser."

He also plays down speculation in Angola and other countries that large numbers of Chinese are to settle in the continent's rural hinterland.

"According to Chinese tradition, you are supposed to take good care of the graves of your ancestors," he says.

"All leaves fall to their roots and you'd better come back before you die otherwise you are a failure. Glory is only in your home village."

Such words by themselves will not eliminate the concerns over China's role in Africa. But they are an indication that China is listening.

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Using the continent as a training ground

CHINA POLICY

Beijing is keen to foster political relationships, writes **Geoff Dyer**

Like so much of China's push overseas these days, the rapidly-developing relationship with Africa can look like a carefully co-ordinated and meticulously planned strategy. There are the summits in Beijing and Shanghai, the detailed policy documents and long visits to the region by top Chinese leaders.

Chinese diplomats like to point out that they are not complete newcomers to the continent – the country established relations with a number of African nations in the 1960s and a few state-owned companies have been looking for investments in Africa since the early 1990s. Yet the engagements on all fronts between China and Africa have accelerated rapidly over the past few years because the continent fills so many of China's immediate needs.

Most attention has focused on China's galloping demand for raw materials. The country imports nearly 30 per cent of its oil from Africa, compared with the US which sources 15 per cent of its imports from the continent. China also buys substantial amounts of copper, uranium, gold, silver and platinum from Africa.

However, Beijing has also been keen to foster useful political allies in Africa, which have helped protect it from criticism of its own human rights record. "Over the past decade, human rights proposals against China were defeated 11 times at the United Nations," says Li Anshan, an Africa expert at Peking University. "Without African nations' support, China could not have defeated those proposals."

Africa is also becoming an important training ground for Chinese companies that are trying to learn quickly how to run operations outside their home country. Industrial and Commercial Bank of China's acquisition of a 25 per cent stake in Standard Bank is widely viewed as a precursor to future acquisitions in more developed markets.

Yet as China's relationship with Africa deepens, the government is finding itself facing new challenges that it is not immediately prepared for.

The most obvious issue has been the controversy over support that China has given to regimes considered unsavoury in the west – notably Sudan and Zimbabwe. Chinese officials smart at what they perceive to be the hypocrisy of some western critics of its ties with African dictators. The official line out of Beijing is still one of non-interference in the internal affairs of African countries. "When we provide aid or do deals in Africa or elsewhere, we do not attach political requirements," says Zhang Hongming, an Africa specialist at the Chinese Academy of Social Sciences. "This is the guiding principle of Chinese foreign policy to this day."

However, it is also clear that Beijing has been taken aback by some of the criticism, especially when actress Mia Farrow started to label the 2008 Beijing Olympics as the "Genocide Games", claiming that China

> Regulations have been introduced to try to force Chinese companies to act responsibly

had obstructed UN efforts to reduce the violence in the Darfur region of Sudan, where PetroChina's parent company has invested heavily. Under increasing pressure, Beijing was last year credited with persuading the Sudanese government to accept a stronger UN/African Union peacekeeping force in Darfur.

Chinese officials have also begun to discuss whether the government should recalibrate the support that it gives to its companies in such sensitive countries as Sudan. The idea that acquiring overseas oil assets boosts the country's energy security still has a strong following in Beijing – but some officials and academics have questioned whether it is worth risking such heavy reputational damage when in some months PetroChina sold more oil from Sudan to Japan than to China.

Chinese diplomacy in Africa is also trying to come to terms with the fact that investment is no longer limited to a handful of large state-owned companies. The government estimates that there are now 800 Chinese companies operating in Africa, many of them private, and some analysts believe several hundred thousand Chinese have worked in Africa in recent years. The intense competition between Chinese companies, particularly in construction, has sometimes led to wages being forced down and labour disputes.

Last year, the Ministry of Commerce introduced regulations to try to force Chinese companies to act responsibly in Africa. Cheng Siwei, a leading member of the National People's Congress, China's legislature, warned Chinese companies that a lack of social responsibility would damage their reputation and potentially their viability in African markets.

However, although there has been a number of high-profile disputes over labour practices at Chinese plants in Africa, Joshua Kurlantzick, a scholar at the Carnegie Endowment in Washington who has studied China's overseas expansion, says there is no generalised backlash against Chinese companies in Africa. Although Chinese workers tend to keep to themselves, he says, they also tend to lead much less lavish lifestyles than many western expatriates, which counts in their favour.

Big push to be more assertive

AFRICA'S RESPONSE

A new dynamic is starting to emerge, write **Alec Russell** and **Matthew Green**

If the attitude of the Zambian workers at the giant Chinese-owned Chambishi smelter is anything to go by, Beijing should be rather concerned at the reception it faces in Africa. The smelter is at the heart of the first of five planned tax-free economic zones spread across the continent, which Beijing and the host countries hope will be a hub for Chinese investment in those regions. But this month in the latest Zambian manifestation of unease over the Chinese presence, hundreds of workers blocked the roads to the smelter demanding higher salaries and better ancillary benefits.

The strike, which ended this month, came in the wake of a series of difficult moments in the Chinese-Zambian relationship. Two years ago, more than 40 miners were killed in a blast in a Chinese-owned explosives factory at Chambishi, blamed on lax regulations. A year later, the giant 30-year-old Mulungushi textile mill, originally funded by Beijing in an earlier phase of Chinese interest in Africa, was forced to close after a flood of cheaper Chinese goods in effect strangled its business.

The potential hollowing out of Africa's industry by cheap Chinese competition is undoubtedly one of the prime disincentives for Africa in its expanding relationship with China. Yet, for the time being, most African governments appear to remain keen to welcome the Chinese newcomers. "When the reality is China on your front doorstep with a nice big box with a ribbon on it, it's difficult to say no," says Michael Power, an expert on the relationship at Investec Asset Management.

As the relationship matures, there are two camps emerging among African governments, he says. "The first is the 'let's give it a whirl' camp. Their arguments run, that life has been tough for us, and here comes a new partner who is delivering, and wants our products [largely minerals], so what have we got to lose? The second advocates a more cautious approach: it is all well and good but we need to be aware of all the dynamics."

It is not that all African ministers are racing to Beijing to tug their forelocks, as sceptics of the relationship like to suggest, in the manner of President Robert Mugabe of Zimbabwe, for whom China is a much-needed international friend. Rather, analysts argue, in the past year a new dynamic has started to emerge of countries asserting their interests more strongly even as China appears to be taking a more consultative approach.

In what was widely interpreted as a sign of China's concern over the risks to its reputation President Hu Jintao gave Zambia the signal honour of a two-day visit on his eight-day African tour last year.

The most prominent case of African "push-back" as the phenomenon is known among Africa/China experts is South Africa. While a vocal advocate of a south-south partnership, partly as a counterbalance to the US-dominated global architecture, South Africa's President Thabo Mbeki has delivered the most pointed warning yet of the potential dangers of the new bond.

In late 2006 he told the South African Students Congress that African states ran the risk of getting stuck "in an unequal relationship" with Beijing such as had developed between Africa and the colonial powers.

This warning came as the government put the finishing touches to a deal on quotas for Chinese textiles, aimed at propping up the struggling local garment industry. Analysts do not believe the quotas have had much effect but symbolically the move sent a powerful signal of assertiveness.

In West Africa too a number of governments have taken a canny approach to Beijing, accepting its offer of contracts, while not closing off relations with their traditional investment partners. President Laurent Gbagbo of Ivory Coast has, however, sought to deepen

> 'When the reality is China on your front doorstep with a nice big box with a ribbon on it, it's difficult to say no'

ties with China following a sharp deterioration in relations with France, the former colonial power, after the outbreak of a civil war in 2002.

While Nigeria's government has flirted with large-scale co-operation with China over energy, it has made it clear that the Chinese will have to compete both with western energy companies, and national companies from India, South Korea and Malaysia.

Attempts by Chinese state-owned oil companies to secure exploration blocks in return for investments in infrastructure have collapsed, although the Chinese have managed to invest in a share of a big oilfield simply by paying cash.

"Nigeria has been keen to co-operate with the Chinese in oil and gas, but the government hasn't given them the level of special treatment the Chinese would have wanted," says Dapo Odesanya, a partner with Andaz Global Solutions, a Beijing-based oil and gas consultancy.

"But Chinese companies have been more successful in the telecoms and construction sectors because the Nigerian government is keen to have their investment."

Even in Angola, the recipient of about $7bn loans from China, the government has sent out signals that it does not want to be a puppet of Beijing.

In an interview with the FT last year, Aguinaldo Jaime, the country's deputy prime minister, stressed that China was one of many partners.

"China has an important role to play because it's providing a huge financing for our economy," he said. "But our policy is really to diversify and although the Chinese loan is a jumbo loan, we have other loans being implemented for reconstruction."

In a further sign of the awakening of a more assertive spirit towards China, regional bodies are starting to assess how Africa can adopt a more concerted approach towards Beijing.

Nonetheless, the tide remains clearly in favour of Mr Power's "give-it-a-whirl" camp.

At the same time, Martyn Davies, director of the Centre for Chinese Studies at South Africa's Stellenbosch University, cautions Africans against overdoing the "colonial" comparison.

"There are just over 2,000 Chinese companies based in Singapore. No one in Singapore talks of Chinese colonialism or commercial occupation. Just the opposite, they encourage the investment. There are around 800 Chinese big players in Africa spread across the world's second largest continent and observers start talking of neo-colonialism. It's an African problem, not a Chinese one."

Drawing the contours of a new world order

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Yet, for all the excitement and, in some quarters, alarm, it is unclear how effective China's push will be in fostering development. "The Chinese have been remarkably successful at generating expectations. There's almost a mythical sense that they are walking on water in Africa whereas in reality they are running up against many of the same difficulties," says Daniel Large, director of the Asia Africa centre at London's School of Oriental and African Studies.

They are also facing fresh dilemmas of their own making. The People's Daily, mouthpiece for the Communist party, writing on the post-election crisis in Kenya last week, said democracy was not suited to Africans. This infuriated politicians and opposition groups across the continent, some of whom may one day find themselves in power. The furore underlined the risks China is taking longer term, by tying up its commercial interests so closely with those of some of Africa's most repressive regimes, notably Sudan's.

The Senegalese government meanwhile still relies on its traditional allies, led by France, to finance yawning budget deficits. While Beijing's financial muscle is hard to match, Chinese companies are facing stiffening competition from other emerging nations seeking opportunities in Africa, such as Russia, Brazil and India. Nor have they always come out on top when up against multinationals in their bid to secure control of oil. There is interest in Nigerian acreage from all over the world. Analysts believe China has had to pay above the odds to get its foot in the door.

For African governments the advantage is that they can play these suitors off against each other. Moreover, there is a wariness evolving in some African countries about forming any fresh dependency on a single foreign ally. "China has an important role to play because it's providing a huge financing for our economy. But our policy is really to diversify," says Aguinaldo Jaime, deputy prime minister in Angola, the single largest recipient of Chinese loans.

There is also concern that while the direction of trade is changing, its nature, involving raw material exports and manufactured imports, is not.

"The challenge is that you could then indeed develop a relationship between China and the African continent which in reality isn't different from the relationship that developed between Africa and the former colonising powers," Thabo Mbeki, South Africa's president, told the FT last year.

China's part in infrastructure development could help open up the continent and make business more competitive. As their own labour costs rise, the Chinese, among others, may eventually see advantages in moving some manufacturing to Africa. In a less favourable scenario, China will contribute to reversing recent progress towards more accountable rule, its cheap imports will devastate African industry and its grandiose infrastructure projects will end up more like the white elephants of the past. The ball is largely in Africa's court.

"Of course they [the Chinese] have their mercantile interest. That is normal," says Donald Kaberuka, president of the African Development Bank. "My take on this is that it is Africa and Africans who should try to define and influence the relationship."

Big projects fall behind schedule

INFRASTRUCTURE

China is starting to come up against financing difficulties, writes Alec Russell

As China's ambitions in Africa have expanded in the past few years, a number of analysts have taken to assessing the continent with pins in the map, much as colonial cartographers did more than a century ago.

This time, however, the pins do not represent putative borders. Rather they reflect the progress of grandiose Chinese-backed infrastructure projects, in particular railways and roads, that promise to open up the continent.

For African governments, the investment in infrastructure is arguably the most important spin-off of the intensifying liaison. For years business in Africa has been hampered by poor transport links between countries and regions.

Adding to the allure of the Chinese contractors, they have completed many of their contracts with dizzying speed. Song Jing, an engineer for China National Electronics Import and Export Corporation, a state company, who has worked on a number of prestige projects in Angola, was speaking for Chinese colleagues across Africa when he proudly told the FT earlier this year: "No one can finish work as quickly as we can." Khartoum might be tempted to agree with such a claim after a Chinese state company completed a pipeline from the oilfields to Port Sudan in two years. This was in marked contrast to the progress of most western-backed infrastructure projects in Africa in recent decades, which have frequently taken years even to get started.

In recent months in several countries the "pins" have all but stopped moving across the map as Chinese construction companies have encountered some of the difficulties that have long bedevilled large projects in Africa, in particular that of cost.

In Angola, western diplomats believe progress has ground to a halt on the reconstruction of three railway lines, including the legendary Benguela Railway which in colonial times linked the port of Lobito to mineral-rich areas in what is now the Democratic Republic of Congo and Zambia.

The government had tipped these three projects – the other two are intended to link Luanda, the Angolan capital, and the southern port of Namibe to the interior – to be completed by the end of last year. Now, however, analysts say no one can predict when they will be finished.

Diplomats and aid workers believe the delay may be linked to funding difficulties faced by one of the big participants in the rail projects, the China International Fund, the Hong-Kong construction arm of Beiya International Development, which imports oil from Angola to China.

It secured a range of construction projects in Angola linked to a government programme to rebuild infrastructure devastated in the civil war that ended nearly six years ago. But late last year the Angolan government downgraded by two-thirds its estimates of the line of credit the CIF was thought to have provided.

Other big projects in Angola have also fallen behind schedule, including a planned airport outside Luanda. "Plans have been given to civil aviation authorities to review," says one western diplomat. "But we are not even sure the contract has been awarded."

In possibly the most striking case of a stymied grand project, the Angolan government early last year cancelled plans for an oil refinery to be built by the Chinese outside Lobito.

Similar stories of snags can be heard across the continent. In Nigeria, plans for a number of Chinese-backed infrastructure projects linked have not yet come to fruition. And yet the scale of Chinese ambitions does not appear to be dented. A memorandum of understanding has been signed between the Congolese government and a Chinese consortium, which outlines a vast project of three motorways, a railway, 32 hospitals and two universities.

Martyn Davies, director of the Centre for Chinese Studies, recalls officials from the Shanghai Construction Group telling him that its most profitable projects are in Africa. Chinese construction companies are to get the contracts for the infrastructure around the five planned special economic zones in Africa.

"The Chinese government will create the enabling environment into which Chinese companies can follow," he says.

In Gabon plans are under way for a Chinese state company to build a railway linking the giant Belinga iron ore project to the coast 500km away. "BHP Billiton hummed and hawed about the project and decided it wasn't viable because of the costs," says Michael Power, an analyst at Investec Asset Management. "It's a wonderful example of what they [the Chinese] are prepared to do."

Critics of the Chinese accuse them of shoddy workmanship. In Angola there have been cases of new roads being all but washed away in the rainy season. Aguinaldo Jaime, a senior government minister, hailed the Chinese work ethic. But he gave only a measured endorsement of the quality of their work.

"They concentrate on their work and their main concern is to get the job done," he told the FT last year.

"Although we hear a lot of criticisms here and there [about workmanship] I would say the quality is satisfactory."

Many western businesspeople like to rush to criticise Chinese standards. But analysts argue that the quality often depends on the rigour of the inspection system of the host countries. Also, while there are many cases of low standards of Chinese work, equally there are cases of world-class building, such as the basketball stadium that Mr Song and his colleagues built last year in the central Angolan town of Huambo.

"On March 12 we dug the first foundations. By May Day we had put in the first steel structure. At the end of July we were more than 90 per cent finished."

It is stories such as this that encourage African governments to ignore the sceptics and instead expand ties with Beijing.

Derailed? A range of construction projects aimed at rebuilding infrastructure in war-torn Angola have run into trouble Sean Sutton/ Panos

The attractions of Guanzhou's Tianxiu Mansions

AFRICANS IN CHINA

Geoff Dyer on a neighbourhood that has become a beacon for traders

It is commonplace for hotels in Chinese provincial cities to put up clocks on the reception wall with the time in major capitals. But at the Tianxiu Hotel in Guangzhou, there are some less familiar names alongside the time in Beijing and New York – Cairo, Brazzaville and Bamako.

Guangzhou, the biggest city in southern China, has been one of the centres of the manufacturing boom in China over the past two decades. Yet in the past few years it has also become a magnet for traders from Africa looking to tap the seemingly endless supply of cheap products made in the region.

One small neighbourhood in the city has gradually come to be dominated by African migrants and many now operate businesses in a 27-storey tower block called the Tianxiu Mansions, where the hotel is located. The Africans, many from Francophone countries, work as either middlemen for visiting traders from the region or operate their own export businesses.

Everything imaginable is for sale in bulk at the Tianxiu Mansions, from motorbikes and building materials to fake Armani suits and iPhones.

Sherif Cisse, a 22-year-old from Guinea, came to Guangzhou two years ago and now helps run a small shop that sells jeans and T-shirts. He says he was delighted when he got the visa to come to China and managed to raise enough money for the flight ticket.

However, while China has gradually come to be seen as a beacon of potential wealth for some Africans of his generation, the reality of business in Guangzhou has been much harder than he expected.

> 'Factories can make pretty much anything you ask them to make. All they need is a sample'

"I do not have contacts direct with the factories," he says, "so I have to go through Chinese middlemen in order to get hold of goods. That makes it much harder to actually make any money." In the first few months, he paid upfront for goods that were not exactly what he had asked for. "You have to check everything, over and over again," he says.

There are also plenty of Chinese suppliers looking to sell directly to African traders with products specifically designed for their markets. Bett Hair Fashion, a company based in the central Chinese province of Henan, has an outlet in the Tianxiu building selling wigs and hairpieces with names such as Afro Curl and Jumbo Braid.

"The factories around here can make pretty much anything you ask them to make, all they need is a sample," says He Yongjie, one of the company's salesmen.

Some of the African businessmen have only recently left their home countries. Others, however, are itinerant travellers who have decided that Guangzhou is the place to be at the moment. Diarra Monzon from Mali spent 10 years in Thailand before moving to China two years ago. He now has a small shop that sells textiles with African patterns and cosmetic products, especially skin whitening creams. "The quality is not always as good here as it is in other parts of Asia," he says, "but prices are a lot, lot cheaper in China." He broke off the conversation to order some evening food from a company called 'Rotisserie Africaine'. "It is run by people from my country and they deliver to my home," he says.

"We can get lots of home comforts here now."

New arrivals thrive, even in the toughest conditions

CHINESE IN AFRICA

Matthew Green meets a shoe salesman determined to make his fortune in Freetown

When Mo Haipeng set out to make his fortune in Africa, he staked everything on a pair of plastic sandals. Judging by the frenetic activity at his shoe shop in Freetown, Sierra Leone's capital, he made a wise choice.

Women traders rifle with manic abandon through boxes of China-made footwear before sauntering outside to sell their prizes in the city's chaotic streets. Presiding over the frenzy, Mr Haipeng haggles by holding up fingers to make up for his almost total lack of English, pausing only to light his latest cigarette.

While spending six days a week flogging slippers in the sweltering din of Freetown's Regent Road may not be everybody's idea of heaven, Mr Haipeng, 40, says it certainly beats his old job in a bean curd factory in Shanghai. "I didn't go to college, I didn't go to high school, I used to work for other people," he says, as his wife bustles around with armfuls of yet more shoes. "Now I'm the boss."

Mr Haipeng could be speaking for thousands of Chinese entrepreneurs who have abandoned the crushing competition in China's big cities to carve niches in Africa's untapped markets. But while many have tried their luck in more advanced economies in countries such as Kenya, Nigeria or Ghana, Mr Haipeng's venture into Sierra Leone shows the new arrivals are succeeding even in the toughest conditions.

Emerging from a decade of civil war that ended in 2002, Sierra Leone ranks on United Nations indicators as the world's second-poorest country, plagued by power shortages, unemployment and a risk of unrest that would be enough to send most retailers packing. But, armed with containers of extremely cheap footwear churned out by China's factories, Mr Haipeng has turned the poverty to his advantage. He sells brand new products to hawkers who used to rely on imports of second-hand shoes from the US – known locally as "junk" – winning friends into the bargain. "The Chinese have helped me to build up my business," says Ibrahim Bashiru, a young hawker who came in to replenish his stock. "I give thanks and praise to God for that."

If the shoe fits: Mo Haipeng's first consignment was the wrong size Matthew Green

Sierra Leone's Chinese community, which once consisted largely of workers sent to labour on aid projects such as a sports stadium and government offices in the 1980s, dwindled to almost nothing during the war. But their numbers have since recovered to perhaps 400 to 500 people, many of whom work for Chinese state companies that have taken over hotels, a sugar plantation, and are repairing a hydroelectric dam.

The Henan Guoji Industry and Development Corporation has set up a factory at an old railway yard in Freetown to make foam, tiles and paints. Slogans such as "Punctuality is the soul of business" and "Put Your Shoulder to the Wheel" adorn the walls in foot-high letters, creating a more austere atmosphere than Mr Haipeng's boutique. While individual entrepreneurs are still a minority in Freetown, their numbers are growing. Several other Chinese shoe shops have opened up since Mr Haipeng took over Shun Da shoes in 2004, while restaurants and hotels are expanding.

But business has not always been easy. Mr Haipeng's first consignment from China was the wrong size for the average Sierra Leonean foot, and no one liked the designs.

"This year I know much more about the market, and I know which kind of shoes the local people like." However, unlike Lebanese traders who have settled in Sierra Leone for generations, Mr Haipeng does not plan to stick around. "I don't like it here, but I want to make money," he says. "I'll do business for maybe five or 10 years, then I'll go back to China."

Feeding an insatiable appetite

COMMODITIES

China's ambitions are driving competitors away, write **Javier Blas** and **Matthew Green**

When China started importing cotton from Egypt in 1956, few imagined that just half a century later China's widening grasp of a huge range of different commodities in Africa, from iron ore in Gabon to cocoa in Ivory Coast and crude oil in Angola, would reshape the continent's economies.

At the recent first African Commodities Exposition in Beijing, Wen Jiabao, China's prime minister, predicted that China and Africa would multiply that initial $12m trade in cotton half a century ago to $100bn by 2010.

China is already halfway there. Trade between Africa and China surged in the first three quarters of last year to $50.6bn, up 42 per cent from the same period in 2006, according to the Chinese commerce ministry.

Tamara Trinh, a senior economist at Deutsche Bank, says: "China's fast-rising demand for commodities, spurred by industrialisation and higher living standards, is having an increasingly significant impact on world commodity markets and prices as well as the resource-rich regions of the world – particularly Africa and Latin America"

China has become Africa's third largest trading partner after the US and France. Analysts forecast that Chinese demand for African commodities will continue to rise. That demand will also boost raw material prices.

In Africa, China's huge appetite for commodities goes beyond crude oil – although three African countries, Angola, Sudan and the Republic of Congo, are among the country's top 10 oil sources. And it is also buying crude oil from Chad. But China is also importing cobalt from the Democratic Republic of Congo, iron ore from South Africa – China fourth's largest supplier of the ore – and manganese.

In agriculture, Burkina Faso, Benin and Mali supply China with 20 per cent of its cotton imports, while Ivory Coast is an important source of cocoa and Kenya sells significant amounts of coffee beans and tea.

Even Namibia has moved higher up the league of Africa's China suppliers with large shipments of fish and fishmeal.

To secure its supplies, Beijing has embarked on a strategy of "going global" in two stages. The government has both cultivated political links and encouraged companies to pursue investments in commodities on the continent.

The unmatched firing power of Chinese state companies and their willingness to secure supplies at all cost are, at the same time, driving western competitors away.

In Ivory Coast, the world's biggest cocoa producer, President Laurent Gbagbo, for example, has welcomed increasing Chinese investment in Yamoussoukro, the capital, after relations with France, the former colonial power, deteriorated sharply with the outbreak of civil war in 2002.

China's financing of developments such as a new city market, and offices for lawmakers, have helped open the door to Chinese companies seeking a share of the country's cocoa, manganese and oil.

In the cocoa sector, Wuxi Huadong Cocoa Food, based at Wuxi near Shanghai, has increased its imports from Ivory Coast, and neighbouring Ghana, to feed its expanded grinding capacity in China.

In the minerals sector, a Chinese company has been working at a manganese mine at Lozoua, about 200km west of the commercial capital Abidjan, for the past two years, exporting the manganese to the Chinese market.

In Gabon, China has used offers of big infrastructure projects to help win access to natural resources. The state-owned China National Machinery & Equipment Import & Export Corporation has started work on a $3bn investment to mine iron ore from Belinga.

Vale, the Brazilian mining company, and Eramet, the French nickel company, had originally been part of the consortium looking at Belinga, but they could not match Chinese offers to build basic infrastructure, backed by loans from the state-owned Export-Import Bank of China, at the remote jungle location east of the capital Libreville. The project has raised concerns among environmental groups that say it will destroy swathes of pristine tropical forest.

Similarly, in Mauritania, China's Transtech Engineering, a subsidiary of China Railway Engineering, signed a deal last year with a Sudanese company to invest more than $600m in building a railway line to link Mauritania's capital Nouakchott to an estimated 165m tonnes of phosphate, commonly used in fertiliser, at Bofal in the south.

The Mauritanian government hopes the railway will stimulate wider economic development in the desert region, perhaps by bringing livestock to market.

> Political support has opened doors as relations between African countries and their former colonial masters have soured

Coffee or tea: Kenya sells both but oil, cobalt and manganese are much higher on the shopping list Reuters

Pros and cons of importing

CONSUMER GOODS

Will MacNamara and **Matthew Green** on the two-edged sword of cheap goods

When businessmen talk about trade between China and Zambia, it is usually shorthand for copper mining: billions of yuan are earmarked for the development of a Zambian copper sector that could one day rival Chile's. But on the streets of Lusaka, a more paltry and far-reaching trade is evident in many market stalls. T-shirts, suitcases, microwave ovens, and other basic consumer goods are sold at rock-bottom prices.

The ambivalent effect of cheap Chinese imports has been observed in many countries, especially in the Walmart-centred US, where the advantage of low prices is offset by the loss of local manufacturing. In Africa, the pros and cons of this trend are exacerbated. Chinese imports might allow poor consumers to buy their first refrigerator but they have also hurt nascent industries in countries trying to step up from reliance on commodities.

Chinese textile imports have caused more than 80 per cent of Nigeria's textile factories to shut down, according to Chris Alden, a senior lecturer at the London School of Economics. An estimated 250,000 Nigerian workers have been laid off as a result.

The attractions of Chinese textiles and other goods can be seen in Abidjan, Ivory Coast's commercial capital, where Chinese traders are doing a roaring business at two large stores they opened last year.

"It's true that the products sold here don't last as long as European products, but the price is much more affordable for those of us who don't have much money, but who want to have nice things at home," says Chantale Kouakou, a secretary who regularly shops at the stores.

A Chinese-made television in Abidjan costs between 60,000 CFA ($136) and 120,000 CFA, compared with 150,000 CFA to 1,100,000 CFA for European brands. If consumer goods manufacturers in Africa were more efficient, to compete they might use China's recipe of low labour costs, high productivity and middling quality levels.

For the time being, however, many Chinese imports are beating African competitors' in both price and quality. In Aba, a shoe-making centre in Nigeria, local people see Chinese shoes as a premium imported product and are willing to pay the price. "If our price is 200 Naira they will buy a Chinese pair for N1,200," says Mike George, who runs a workshop of six shoemakers in Ariaria, the market in Aba that acts as a factory for much of West Africa. "If we drop our prices to N180 or N160, [Chinese competitors] drop theirs to N600."

Dipak Patel, a former Zambian trade minister, says the influx of Chinese products came too quickly for industries to cope. Zambia, like many African countries, liberalised its trade policies in the early 1990s as a condition of winning loans from the International Monetary Fund and others, who were touting the "trade not aid" ethos.

Twelve to 18 months after Zambia's tariff walls came down, Mr Patel says, Zambian industries started shutting down. Accustomed to protectionism, they could not compete with the wave of goods from China. "We are simply not competitive in the way we produce our goods," he says, "so technically it is hard to say that Chinese imports are hurting us."

Zambia has developed thriving new industries in horticulture and floriculture, but consumer goods manufacturing has never recovered from the first Chinese onslaught. The key, says Mr Patel, is to extract more value out of the country's natural resources, forcing copper buyers from China to manufacture more products in Zambia.

A big advantage for Chinese traders is their grasp of supply chains. A Cantonese shoe retailer in Tanzania, for example, can keep import costs down by directly contracting a factory in the Pearl River Delta to deliver a shipment to a Chinese trading company in Dar Es Salaam.

> 'We are simply not competitive enough ... so, technically, it is hard to say that Chinese imports are hurting us'

African traders, however, are also taking advantage of Chinese sourcing. African traders are re-selling low-cost Chinese goods in areas where there are no Chinese traders, and some are e-mailing Chinese agents directly. In the Chinese manufacturing city of Wenzhou, Huang Weijun, a local sourcing agent, complained in 2006 that he could not respond to his Nigerian business partner fast enough.

The Nigerian, Mr Huang says, wanted a large shipment of yellow rubber gloves, and he kept sending Mr Huang e-mails about the order. They were written in broken English, and even Mr Huang's English-speaking niece could not understand them. When the gist of the e-mails was finally explained, however, he started beaming. The Nigerian was asking him to source a special type of fertiliser and stuff it inside the fingers of the gloves. The profits for everyone concerned would be much higher, the Nigerian emphasised. "You see," Mr Huang says, "that is a top way to make money."

Lending rattles the traditional donors

FINANCING

William Wallis and **Geoff Dyer** find practises hard to interpret

When the Democratic Republic of Congo announced an agreement with China last year worth up to $8bn, it caught western donors and multilateral lending agencies off guard.

The announcement came at a delicate stage in Congo's negotiations towards forgiveness oF external debt accumulated under the late dictator Mobutu Sese Seko and also worth about $8bn. To qualify under the Highly Indebted Poor Countries (HIPC) initiative, the government is not supposed to contract fresh debt on anything but concessional terms.

The deal with China, which could be finalised as early as next month, involves the construction of three motorways, a railway, clinics and universities. In return, Chinese companies would acquire a 68 per cent stake in Gecamines, the state copper mining company, and costs would be repaid in minerals over 30 years.

As much as any of the big state-backed projects, this one puts China up against the bureaucracy of western development assistance, playing as it does on some of the traditional donors' main concerns.

Among these is the risk of a fresh debt crisis down the line. There is also a broader perception that China's disregard for human rights and accountability could reverse progress towards more democratic rule and strengthen some of Africa's most corrupt and oppressive regimes.

Meles Zenawi, Ethiopia's prime minister, whose own rights record has been under fire, refutes this strongly.

"I think it would be wrong for people in the west to assume that they can buy good governance in Africa. Good governance can only come from inside," he told the Financial Times last year. "What the Chinese have done is explode that illusion. It doesn't in any way weaken the need for democracy and good governance," he said.

For the Kinshasa government, the attractions of the Chinese offer are obvious. Amid concerns about corruption, traditional donors have been dragging their feet before disbursing funds. The Chinese offer a potentially faster way to deliver the infrastructure the country needs to get back on its feet after years of conflict.

"What the Chinese are doing is taking a long-term perspective of the ability to repay debts," Donald Kaberuka, president of the African Development Bank said in Shanghai last year about Beijing's broader approach to Africa.

"Take a country with a rich sub-soil that is emerging from war. In terms of its static numbers it doesn't look good. It would be a HIPC case or grant case from the traditional donors," he said. "The Chinese are looking at it and saying: what is the capacity of this country, which is unexploited? So they exploit that capacity, build infrastructure. It is a different analysis."

Overall, Chinese financial assistance to Africa is accelerating. But it is not always easy to interpret. According to a recent paper written by an economist at the International Monetary Fund, China had extended loans and credit lines to Africa worth $19bn by the end of 2006.

At the China-Africa summit in Beijing in 2006, China announced it would provide a further $5bn of low-cost loans and set up a $5bn fund to finance investments by Chinese companies in Africa.

The Chinese Export Import Bank, which is the country's biggest Africa-related lender, said that by the end of the first half of 2007, it had authorised loans worth Rmb100bn ($13.3bn) for African projects and had disbursed Rmb50bn of that money. However, the bulk of this has been to assist the trade activities of Chinese companies.

The China Development Bank, which is a huge institution with outstanding loans of $289bn, had only $1bn of loans in Africa by the end of the first half of last year.

A recent analysis of Chinese lending in Africa by economists at the Organisation for Economic Co-operation and Development says there is "an opaqueness about China's lending operations" which is damaging confidence in the country. However, it says there is little evidence that China is encouraging African countries to take on unsustainable debt.

Many donor officials believe there is nevertheless a risk that fluctuating commodity markets will render some deals unfavourable, or eventually affect countries' ability to repay.

The response of the World Bank and other donors has been to engage the Chinese authorities and encourage them to be more open about their African plans. So far, Beijing, which has its own record at home at combating poverty, appears less than enthusiastic.

"The World Bank always wants countries to join them and to follow their process. But is the record of the World Bank in African countries so good? To work together is good. But you do not expect others to follow instructions," says Zhong Jianhua, China's ambassador to Pretoria.

A marriage of convenience

BANKING

Stanbic/ICBC deal is full of promise, writes **William MacNamara**

Less than a month after announcing the deal of their careers in October, executives from Johannesburg-based Standard Bank found themselves back on a convention centre stage justifying why it was such a good idea. Some shareholders had voiced concerns about Industrial and Commercial Bank of China's plan to buy a 20 per cent stake in Standard Bank in a $5.5bn deal that both banks called a "strategic partnership".

Would ICBC's minority stake, shareholders had asked, give it a blocking position or foreshadow a takeover? Was the deal price not too low, others questioned, when the buyer was by some measures the biggest bank in the world?

Shareholder concerns seemed rooted in general apprehensions of China domination, but they also reflected the fact that no deal of the kind had ever been attempted before. ICBC's tie-in with Standard Bank would combine the resources of the largest bank in Africa and the largest bank in China to establish a "financial services gateway" linking those regions' economies, said Jacko Maree, Standard Bank's chief executive, at a presentation for shareholders.

ICBC, in addition to returns on its equity stake, would gain access to Standard Bank's experience across Africa, where it operates in 18 countries (often under the name Stanbic). For ICBC's blue-chip corporate customers eyeing investments in countries such as the Democratic Republic of Congo, the presence of a friendly facilitator could be invaluable. Additionally, these clients could tap into Standard Bank's expertise in resource banking to import and export metals, structure large mining ventures, or hedge against commodity price movements. To that end, the banks agreed to set up a $1bn global resources fund to identify opportunities in the mining sector.

Standard Bank stands to gain investment banking income from the hundreds of top-tier corporations, such as PetroChina and Baosteel, on ICBC's client list. The $2.4bn in cash that it will receive from the transaction, moreover, will accelerate its ambitions in emerging markets inside and outside Africa. Standard Bank has earmarked $450m of the cash from share proceeds to bolster its existing Africa operations. The fillip, some analysts say, coincides with souring returns from its acquisitions in Nigeria, where it most recently bought IBTC Bank for $400m. The bank will hold an additional $900m from the proceeds for "unspecified future opportunities".

Three months after the "strategic partnership" was announced, unspecified promises of the future still top the list of deal rationales. Standard Bank, displaying a traditionally Chinese faith in the importance of long-term relationships over short-term programmes, is content to let the details of its international backscratching exercise unfold over the years.

"When we look at China, we are the minnow looking at the whale," says Mr Maree says. "But we see that there are huge opportunities for both of us. What both banks have in common is how we are trying to tap in to – to make money out of – this huge Chinese initiative in Africa." ICBC, he says, is not so much interested in Standard's South African operations, where it generates the vast majority of its revenues, as in its branch operations in "difficult" African countries where Chinese financing is in higher demand.

As part of its "Go Out" policy, Beijing has encouraged state-owned banks to look for overseas acquisitions so that they can gain expertise and improve China's relatively unsophisticated banking system. Whether Chinese banks keep their appetite for African lenders may depend on the success of ICBC's alliance.

Standard Bank will present the proposed acquisition to shareholders in March for final approval.

ENERGY

China's energy giants are more image-conscious – and less successful – than many people think, writes **Matthew Green**

Sudan success: CNPC's development of Sudanese oilfields has underscored the gulf between Chinese oil companies and their competitors AP

Beijing learns to tread warily

Conventional wisdom suggests that China's energy companies are marching across Africa, shoving aside established majors and grabbing huge oil reserves with the help of bottomless funding from Beijing.

A closer look reveals a more nuanced picture: China's giants have won only a fraction of the continent's crude, state backing has shown its limits, and they are perhaps more image-conscious than many people think.

China, projected to become the world's biggest oil importer soon after 2010, is likely to seek ever greater supplies from Africa to keep the engines of its economic boom revving. But experts say its state-owned companies are likely to face a challenge finding the kind of low-profile, high-yielding fields that western majors may have overlooked.

"Chinese oil companies are looking for already-producing, or near-producing, low-visibility kinds of oil fields," says Dapo Odesanya, a partner with Andaz Global Solutions, a Beijing-based oil and gas consultancy. "That is a very difficult combination of characteristics to get but that's the kind of thing they're looking for."

In recent years, Chinese companies have made some inroads into the giant oilfields off West Africa, one of the world's hottest exploration zones. In its most expensive acquisition, China National Offshore Oil Corporation (CNOOC) has finalised a payment of $2.7bn for a share of a lucrative oil block off Nigeria, Africa's biggest crude exporter, that is due to start pumping this year. In Angola, Africa's next biggest producer, China Petrochemical Corporation (Sinopec) has gained a 50 per cent stake in the BP-operated Greater Plutonio project. Such deals have fuelled concerns that China's government is gobbling up vast reserves at the expense of the west.

But the numbers tell a different story. Chinese national oil companies produced about 267,000 barrels of oil equivalent a day in Africa in 2005 – only one-third of the amount produced by ExxonMobil, the largest foreign producer on the continent. Wood Mackenzie, the energy consultancy, reckons Chinese groups hold less than 2 per cent of Africa's discovered oil and gas reserves.

"Contrary to public opinion, China's national oil companies are not 'locking up' the lion's share of African oil as part of a centralised quest for energy," wrote Erica Downs, a China specialist with the Brookings Institution, in a recent paper. "With the exception of a handful of projects in Sudan, Nigeria and Angola, most of the African assets held by China's national oil companies are of a size and quality of little interest to international oil companies."

China's biggest success with African oil – in Sudan – has only underscored the gulf between Chinese oil companies and their biggest US and European competitors. The China National Petroleum Corporation (CNPC) developed Sudanese oilfields during the 1990s when civil war barred most western companies. China now receives 60 per cent of Sudan's oil output.

Allegations that Beijing has shielded the government in Khartoum from international pressure over a separate conflict in Darfur to protect its oil interests have tarnished China's image.

But Beijing, seeking to forge a broader commercial partnership with Africa, appears keen to ensure its energy companies do not attract further negative publicity. Analysts point to moves by Chinese oil companies to establish themselves in countries that generally draw scant media attention, such as Gabon or Congo-Brazzaville, as evidence of a more softly-softly approach. Some analysts say China is also wary of the potential negative publicity that its companies may encounter if they ventured into the oil-rich but restive Niger Delta, where human rights activists have long accused western companies such as Royal Dutch Shell of exploiting local communities.

China's search for prospects overlooked by the majors has nonetheless put its workers in harm's way. Ethiopian rebels killed nine Chinese oil workers in the Ogaden region in April last year. And CNOOC has signed a production-sharing deal with the transitional government in Somalia, one of the world's most volatile countries.

Part of China's problem is that its companies are latecomers to Nigeria and Angola, which have some of the most attractive prospects, and where western rivals have spent decades building relationships and staking claims.

China 's attempts to win friends by offering huge infrastructure investments in return for exploration rights, an option unavailable to the majors, has worried some policymakers. But the strategy has not always worked. China's offer of a $2bn loan to rebuild infrastructure destroyed by years of civil war in Angola helped Sinopec gain entry into one of Africa's most fiercely contested oil zones. But in Nigeria, CNPC's offer to invest $2bn in a refinery to help secure oil blocks has fallen through. Exploration blocks granted by Kenya when China signed infrastructure deals during President Hu Jintao's visit in April 2006 have proved disappointing – CNOOC gave four out of six of them back.

Ultimately, technology may also play a big part in determining China's fortunes in African oil. China has considerable onshore experience but lacks the kind of expertise needed to exploit the most alluring deepwater exploration zones in the Gulf of Guinea. But governments may be reluctant to strike deals with Chinese companies which they fear may lack the big project management skills to get the best from their resources, or share cutting-edge technology with their indigenous energy companies.

With oil prices at record highs, governments can afford to be selective when choosing from the queues of western majors, as well as companies from India and South Korea, knocking on their doors. China's oil industry is learning fast, however. Coupling strong state backing with better technology could provide international companies with formidable competition in future.

For now, though, China's state giants are playing catch-up. "Chinese oil companies have reached a turning point in Africa," says Stewart Williams, senior analyst at Wood Mackenzie, the energy consultancy. "They'll need to move up the learning curve to produce oil and gas efficiently enough to compete with the majors."

COMING SOON!

A six-page Special Report on Africa's Oil and Gas is to be published in the Financial Times on Monday, January 28

Time for the west to practise what it preaches

Guest Column
ABDOULAYE WADE

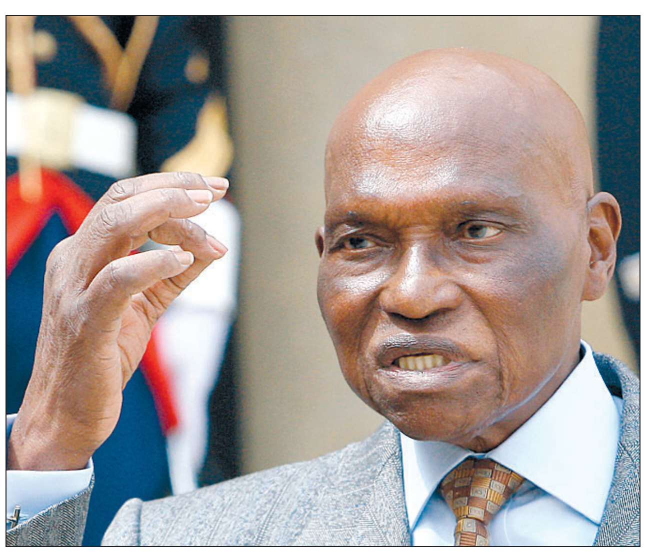
When it comes to China and Africa, the European Union and the US want to have their cake and eat it. In an echo of its past colonial rivalries, European leaders and donor organisations have expressed concerns that African nations are throwing their doors open too wide to Chinese investors and to exploitation by their Asian partners.

But if opening up more free markets is a goal that the west prizes – and extols as a path to progress – why is Europe fretting about China's growing economic role in Africa? The expansion of free markets has indeed been a boon to Africa. But as I tell my friends in the west, China is doing a much better job than western capitalists of responding to market demands in Africa.

The battle for influence in the world between the west and China is not Africa's problem. Our continent is in a hurry to build infrastructure, ensure affordable energy and educate our people. In many African nations, African leaders are striving to reinforce robust economic growth in a sustainable manner and reduce "brain-drain" incentives that have led to an exodus of well-educated Africans to Europe.

China's approach to our needs is simply better adapted than the slow and sometimes patronising post-colonial approach of European investors, donor organisations and non-governmental organisations. In fact, the Chinese model for stimulating rapid economic development has much to teach Africa.

With direct aid, credit lines and reasonable contracts, China has helped African nations build infrastructure projects in record time – bridges, roads, schools, hospitals, dams,



Abdoulaye Wade: 'Why is Europe fretting so much' AFP

legislative buildings, stadiums and airports. In many African nations, including Senegal, improvements in infrastructure have played important roles in stimulating economic growth.

These are improvements, moreover, that stay in Africa and raise the standards of living for millions of Africans, not just an elite few. In Senegal, a Chinese company cannot be awarded an infrastructure-related contract unless it has partnered with a Senegalese company. In practice, Chinese companies are not only investing in Senegal but transferring technology, training, and know-how to Senegal at the same time.

It is a telling sign of the post-colonial mindset that some donor organisations in the west dismiss the trade agreements between Chinese banks and African states that produce these vital improvements – as though Africa was naïve enough to just offload its precious natural resources at bargain prices to obtain a commitment for another stadium or state house.

In the past, the political power-play between Taiwan and China often spurred Asian investment on the African continent. Today, however, economic relations are based more on mutual need – and the economic reality that the EU and the US cannot compete with China. A number of big projects in Senegal had initially been funded by the Taiwanese, but in 2005, Senegal abandoned the politicisation of development and opted for decisions based on a free market.

I have found that a contract that would take five years to discuss, negotiate and sign with the World Bank takes three months when we have dealt with Chinese authorities. I am a firm believer in good governance and the rule of law. But when bureaucracy and senseless red tape impede our ability to act – and when poverty persists while international functionaries drag their feet – African leaders have an obligation to opt for swifter solutions. I achieved more in my one hour meeting with President Hu Jintao in an executive suite at my hotel in Berlin during the recent G8 meeting in Heiligendamm than I did during the entire, orchestrated meeting of world leaders at the summit – where African leaders were told little more than that G8 nations would respect existing commitments.

At the same time that China has been especially nimble, the prices and quality of goods coming from Asia give African governments no choice other than to buy Chinese, Indian and Malaysian goods. For the price of one European vehicle, a Senegalese can purchase two Chinese cars. The proof is in the parking lot at the presidential palace in Dakar. Low-cost Chinese Chery and Great Wall models are giving Senegal's middle and working classes access to a new car, a sign of our emerging consumer class. We are even using these affordable Chinese cars in a pilot project to reinsert unemployed women into the workforce by creating a fleet of taxis called Sister Taxis. When products are affordable, innovative programmes become realistic.

China, which has fought its own battles to modernise, has a much greater sense of the personal urgency of development in Africa than many western nations. Last year, the Chinese Eximbank pledged $20bn in development funds for African infrastructure and trade financing over the next three years, funds that outstripped all western donor pledges combined. News of the Exim commitment caused a fuss in some quarters of Europe. But western complaints about China's slow pace in adopting democratic reform cannot obscure the fact that the Chinese are more competitive, less bureaucratic and more adept at business in Africa than their critics.

Today I find myself at the heart of an economic struggle with the EU. If Europe does not want to provide funding for African infrastructure – it pledged $15bn under the Cotonou Agreement eight years ago – the Chinese are ready to take up the task, more rapidly and at less cost. Not just Africa but the west itself has much to learn from China. It is time for the west to practice what it preaches about the value of market incentives.

Abdoulaye Wade is President of Senegal