“Will China Influence Africa’s Development?”

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OECD Global Development Outlook 2010 – Shifting Wealth

Development Centre, OECD, Paris, France
10th May 2010
An Economic Shift to the East

The global shift is having major implications for Africa’s economic and political relations:

“...the Chinese model for stimulating rapid economic development has much to teach Africa”

President Abdoulaye Wade, Senegal
China & Africa New Growth Coupling

Beginnings of a growth correlation

Almost an absolute correlation after 1999 – Coincided with China’s New Africa Policy

1999-2008: Growth correlation of 0.919972!

Source: IMF, EIU, Frontier Advisory analysis

Africa’s growth is tracking the V-shaped recovery of China

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Three questions were evaluated:

1) What contribution will China have on industrialization efforts in Africa?

2) Does China’s (concessional) finance model offer a new mode of developmental finance for Africa’s extractive industries?

3) Will China’s investment in infrastructure on the continent assist regional integration of African economies?
1. Trends toward Industrialization
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• The state-inspired policy of MOFCOM includes the encouragement of Chinese enterprises to establish offshore operations in designated Chinese SEZs. This strategy forms an integral part of the PRC’s Eleventh Five Year Plan (2006-2010)

• According to MOFCOM, manufacturing accounts for just 8% or $9.52 billion of its total outbound FDI stock of $118 billion by the end of 2007. This figure is likely to rise as Chinese firms seek to offset protectionist sentiment that is rising during the global economic crisis.

• Seven PRC Government designated zones in Africa currently

• Whilst these zones may begin to serve as catalysts for broader industrial activity in their host economies, the broader impact of China’s rapidly rising exports of manufactured products to African economies may be to undermine African states already weak manufacturing sectors.
Sino-Africa Trade Growth

Since 2003 annual growth of total trade has averaged more than 40%.


Sino-African trade contracts by 15.69% by the end of 2009.
China’s SEZ Clusters in Africa

**SEZ: Ogun Guangdong Free Trade Zone**
- **Investment:** US$500m
- **Type:** Light industrial manufacturing

**SEZ: Lekki Free Trade Zone**
- **Investment:** US$600m-US$5bn
- **Size:** 30km²
- **Type:** Light industrial manufacturing

**SEZ: Suez Economic and Trade Cooperation Zone**
- **Investment:** Initial US$300m; total US$2.8bn
- **Completion:** First phase in 2011; full in 2018
- **Size:** 6km²
- **Type:** Light industrial manufacturing

**SEZ: Dukem Industrial Park**
- **Investment:** US$700m
- **Completion:** 2013
- **Size:** 5km²
- **Type:** Light industrial manufacturing

**SEZ: Lake Victoria Free Trade Zone: Sseasmirembe Eco-City**
- **Investment:** US$1.5bn
- **Size:** 300km²
- **Type:** Light industrial manufacturing

**SEZ: Jinfeng Economic Trade and Cooperation Zone**
- **Investment:** US$820m
- **Completion:** 2012
- **Size:** 1.7km²
- **Type:** Light industrial manufacturing

**SEZ: Chambishi Multi-Facility Economic Zone: Zambia-China Economic and Trade Cooperation Zone (ZCCZ)**
- **Investment:** US$800m-US$1bn
- **Size:** 41km²
- **Type:** Mineral beneficiation

- **Colors:**
  - Red: Currently under construction
  - Orange: Potential Chinese funded SEZs

**University of Pretoria**

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2. Financing for Development
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• Politically enabled capital allocation model
• Policy bank driven, assumption of risk of contracting enterprises
• Completed infrastructure contract value of over $20bn in 2010
• Almost $40bn in infrastructure contracts signed in 2010
• The so-called “Angola model” is being applied in resource-endowed African economies
• Capital is deployed in a manner that is arguably more suited to the long term development needs of developing economies and does not chase a short term return on investment.
3. China and Regional Integration in Africa
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• A recent report by the Infrastructure Consortium for Africa (ICA) states that “in most African countries, particularly the lower-income countries, infrastructure emerges as a major constraint on doing business, depressing firm productivity by about 40 percent”

• Africa’s intra-regional trade is also a lowly 9.5% of overall African trade – the lowest of any region

• Multilateral vs. bilateral engagement by Beijing

• Collaboration within regions is often weak and often little /no interaction with Chinese policy-makers or financial actors has taken place

• Despite the fact that Chinese infrastructure spend is significant, it should not be regarded as a “silver bullet” for integration
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