


Thornhill Capital Global Newsletter - November 2015

China's Growing Influence in Other Parts of the World
Part II - Why is Africa Important to China?

Africa and China have conducted trade for centuries. This trade was initiated around the middle of the eighth century and reached its peak between the ninth and tenth centuries. But only recently, beginning in the 1990s, has this trade accelerated and evolved to the point where China and Africa have created a mutual codependence on one another. China cannot grow without Africa, and Africa cannot prosper without China. Africa is China's third largest trading partner.

China's growth is fueled by its access to natural resources and having a stable long-term supply of raw materials. In this regard, Africa is essential to its national interests. Conversely, China's purchase of its raw materials has enabled Africa to invest these funds in the long-term development of its resources.

In addition, China has further assisted many African countries by helping to establish their infrastructure so that it can take advantage of their resources. Examples of such assistance can be found in the construction funding of railways, roads, and utilities.

Prior to the 1990s, China relied on its domestic coal and oil resources to provide the energy necessary to fuel its growth. By 1993, that changed, and the country no longer had the ability to provide the natural resources necessary to fuel its expansion. As a result, for the first time, China became a net importer of oil. By 2003, its continued growth made it the world's second largest consumer of oil behind the United States, accounting for 13 percent of the world's demand for petroleum. One of the reasons for this colossal increase in the demand for energy was the double-digit growth China was experiencing. Another reason was that ten of the eleven biggest oil fields in China had already passed their peak production, and China needed to find a steady, long-term supply of oil to satisfy its future energy needs. Currently Africa, primarily the countries of Angola, Nigeria, and the Sudan, provides 25 percent of China's petroleum imports.

In addition to oil, according to Robert I. Rotberg, president of the World Peace Foundation, other African natural resources imported by China include:

- timber from Gabon, the Democratic Republic of the Congo (DRC), Equatorial Guinea, Cameroon, and Liberia;

- cotton from Benin, Burkina, Faso, Mali, Cote d'Ivoire, and Cameroon;
- copper from Zambia and the DRC;
- ferrochrome and platinum from Zimbabwe;
- diamonds from South Africa; and
- tin and Tantalum from the DRC.

Dot Keet, a fellow at the Transnational Institute, reports that China also conducts a number of other activities within Africa designed to enhance its access to natural resources. These include:

- extractive mining, focused on fuel supplies, uranium, and industrial minerals;
- construction of infrastructural projects, such as roads, railways, dams, power lines, public housing, hospitals, clinics, schools, and sports stadiums;
- supplying capital equipment, such as heavy construction machinery, transport equipment, and telecommunications equipment; and
- large-scale interest-free grants to governments and *soft* loans attached to specified projects. A soft loan is a loan that's made on terms that's very favorable to the borrower.

China's influence has become dominant in continents such as Africa because of its ability to provide capital. It acts as a banker to a large number of African countries by providing low-interest loans, many times at zero or near-zero interest rates. Loan repayments are usually made through the escrow of oil or other natural resources. This is one of the primary reasons that China has fared so well in securing natural resources in Africa. For example, according to Dot Keet, in Angola China offered $2 billion in aid for infrastructure projects, and in turn, secured a former Shell oil block that was also being sought by India. In Nigeria China promised $7 billion in investments and the rehabilitation of power stations. In return, it received oil rights to areas sought by a number of multinational companies. In Gabon China pledged to build a rail line, dam, and deep-water port. In return, it received the rights to a $3 billion iron ore project that was also sought by Brazilian and French firms. And the list goes on.

This is referred to in Africa as the *Chinese model,* in which trade and investment play prominent and interlocking roles. In fact, the United Nations Development Program feels this model eases China's dependency on the West. The director for the UK Centre for Foreign Policy Analysis adds that, "The phenomenal growth rates in China and the fact that hundreds of millions have been lifted out of poverty is an attractive model for Africans, and not just the elderly leadership. Young, intelligent, well-educated Africans are attracted to the Chinese model, even though Beijing is not trying to spread democracy."

Many Africans actually prefer the Chinese model to political-economic models employed by the West. A Nigerian official noted that the West is never prepared to transfer technology, while the Chinese seem to have no problem with technology transfers. And although Chinese technology may not be as sophisticated as that in the West, it's better to have Chinese technology than none at all. A Nigerian journalist also illustrates this differentiation in saying that China's strategy "is not informed by the Washington Consensus … They have not branded subsidy a dirty word."

Chinese loans have enabled African countries to obtain the funds necessary for the construction of hospitals, utilities, low-income housing, roads, railways, and other facilities necessary to promote internal stability and growth. The only country in Africa that has not received Chinese aid is Swaziland, which still has allegiance with Taiwan.

In addition to purchasing raw materials, China also exports consumer products to its African trading partners. It supplies them with electronic goods, machinery, motorcycles, clothing, footwear, and other low-value consumer items.

Things have not always gone smoothly for China in Africa. On the contrary, Chinese goods are perceived by some African countries, such as Zimbabwe, to be of inferior quality. They feel that China is taking advantage of them by supplying cheaply made products, yet charging them for higher-quality goods. Also, several Chinese companies operating in countries such as the Democratic Republic of the Congo and Gabon have been shut down for alleged environmental abuses. Since many Chinese companies are frequently able to get away with environmental abuses in China, many feel that they can employ the same environmentally insensitive manufacturing and construction techniques in Africa. And in some African countries, they can. However, many African nations are sensitive to environmental abuses and hold foreign companies accountable.

China's sourcing of its manufacturing supplies from domestic Chinese companies, for products that are sold in Africa, has caused a great deal of anger in many African companies, which feel that China should be buying from African vendors instead. They’ve also complained about the Chinese practice of importing Chinese labor for its infrastructure and factory projects, rather than employing African workers. These practices have angered many African countries, such as Zambia and Lesotho, which feel that this lack of in-country sourcing, coupled with the flood of cheap Chinese goods, has contributed to the bankruptcy of local industries and the subsequent unemployment of many Africans.

In spite of these issues, China’s relationship with Africa continues to flourish. According to the International Monetary Fund (IMF), between 2001 and 2006, Africa’s exports to China rose 40 percent, and its imports from China rose 35 percent. During this same period of time, the average growth rate for world trade was 14 percent. In 2012, trade between Africa and the BRICS countries (Brazil, Russia, India, China, and South Africa) amounted to $310 billion, an eleven-fold increase from 2002. It’s anticipated that this number will increase to $500 million by 2015, with 60 percent of that amount consisting of China-Africa trade. Although South Africa is part of these numbers, it only became a BRICS member in 2010 (forming the “S” in the acronym) and comprises only 2.8 percent of BRICS trade.

In our last installment of this three-part series, we’ll examine Latin America’s role in China’s growth. Again, it involves natural resources, but also other components that might not be as obvious. I look forward to posting that article in my March 2015 newsletter.

References for the data and information contained within the above material can be found in *Conducting Business in the Land of the Dragon* by Alan Refkin and Scott Cray.

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