BUSINESS REPORT

China charms the critics of its Africa business strategy
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By Tom Robbins and Quentin Wray

Cape Town - Stung by criticism that it was out to exploit Africa, China mounted a public relations offensive at this year's World Economic Forum (WEF) Africa summit.

Martyn Davies, the executive director of the Centre for Chinese Studies, says the Asian giant has been shocked by criticism of its role in Africa, especially at last year's WEF summit where the country and its African strategy were key items on the agenda but its participation was limited to a handful of Chinese journalists.

WEF leaders said at the time that they had invited China but Beijing had declined the offer.

This year was a completely different story as Chinese business and political heavyweights took centre stage. Li Ruogu, president of the Export-Import Bank of China, was one of four co-chairs and Li Zhaoxing, China's foreign minister until recently, was a panellist.

At last year's WEF, some African leaders expressed concerns that Chinese investment in the continent was simply replicating European colonialism.

Davies says the Chinese have realised their biggest challenges in Africa are not the usual suspects of corruption and weak capital markets but public relations.

"Some African leaders welcome European investment, but when the Chinese invest, they are sceptical."

Davies says there are elements of xenophobia about Asian capital, "but it is not as simplistic as either being good or bad".

At a session on whether Chinese companies were simply in Africa to extract resources, ignoring development, Li Ruogu pointed out that Europe, and not China, had a colonial history with the continent.

In addition to having a voracious appetite for African resources such as oil and metals to feed its fast industrialising economy, China is a major exporter of finished goods such as clothing and electronic products.

Trade between Africa and China amounted to $55 billion (R397 billion) last year, from less than $20 million five years ago.

Li Zhaoxing said that more than 800 Chinese companies had now set up operations on the continent. Africa was a priority for China, he said, and the relationship was mutually beneficial.

But China's public relations drive is more about coming out of the closet and engaging than it is about packaging sound bites that African audiences want to hear..

Davies says it is good to hear China's views, which were expressed in a "very direct" manner.

Li Ruogu made it clear that the Chinese believed that only economic development led to human rights and greater transparency. This put him at odds with Anglo American chief executive Cynthia Carroll, who said democratic reforms attracted investment and led to growth of about 6 percent on the continent last year, twice the rate of four years ago.

Mvelaphanda executive chairman Tokyo Sexwale said businesses in African and China could only benefit from growing economic ties, but warned that foreign businesses needed to adhere to good corporate governance to ensure that ordinary Africans benefit.

China's much more public engagement with the Africa's business and political leaders is the most important development to emerge from the WEF, but for South Africa the prominent role that Sexwale played on this world stage was equally noteworthy.

The potential presidential candidate was one of the four co-chairs, and he emphasised what may become one of his key themes were he to become president: African economic integration.

Africa, China and India each had a population of about 1 billion, Sexwale said, but the similarities ended there. Africa had 53 governments, with markedly different policies and levels of economic growth, in stark contrast to the centrally governed Chinese state.

Sexwale said the challenge was for Africa to integrate its diverse markets to leverage investment and trade opportunities with China and India.

Many of Africa's diverse markets are seen as too small to create the economies of scale that would encourage investment by manufacturers and service providers.

Chinese and Indian leaders have made much of the opportunities in their vast local markets, which have allowed them to eventually leap-frog into global markets.

The Africa competitiveness report, released by the WEF on the opening day of the conference, emphasises that there are only four major economies on the continent.

South Africa, Algeria, Nigeria and Egypt - perhaps ironically dubbed the Sane group - represent about a fifth of Africa's land mass, a third of its population and more than half its economic output.

The report says they could benefit from growing world trade and become nodes of development in their neighbourhoods.

During one session Absa chief executive Steve Booysen highlighted six imperatives for growth - a stable macroeconomic environment, new technologies, improved competitiveness, creditworthiness, regional efforts to reducing barriers and prioritising achievable projects.

At the final plenary session, Ranbaxy chief executive Malvinder Singh said many countries were too small to be viable markets on their own. A major barrier to doing business on the continent was that each country had a separate medicines regime, he added.

In what could be seen as a more business friendly approach by African politicians, President Thabo Mbeki said he was not an investor and needed to be told about problems that he was unaware of.

"Write a letter," he told delegates, and he would then discuss it with other political leaders.

Whether that promise to take business's gripes more seriously or finance minister Trevor Manuel's call for greater regional integration will be heeded remains to be seen.

But whatever the outcome of the summit, there can be little doubt that next June, when many of the same delegates return to the same venue to discuss the state of Africa and its role in the world, many of the same issues will be on the table again.

The problems are just too large for it to be any other way.

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