

# AMERICAN COMPETITIVENESS IN AFRICA: CHALLENGES FROM CHINA AND OTHERS CALL FOR REBRANDING EFFORTS

< By Arthur Gerstenfeld, Ph.D. and Raphael J. Njoroge, Ph.D. >

*China and India's increasing economic presence in Africa, Europe's deep roots in African economies, as well as Japanese business acumen constitute formidable challenges to American competitiveness in Africa. This article examines China's role as an economic play in Africa.*

## CHINA: MAJOR SUPPLIER

Chinese have become powerful players and, in some places, the dominant ones in economies across the continent. China's appetite for raw materials is helping push sub-Saharan economies to their fastest growth in three decades, and inexpensive Chinese-made products are available across the continent. Many roads in Africa are filled with Chinese buses, the markets with Chinese goods, and Chinese-made planes are in the skies. Chinese companies are major investors in mining and telecommunications which have hitherto been dominated by Europe.

In 2004 China continued to be a major supplier to sub-Saharan Africa with exports of \$9.9 billion, growing 32.4% from 2003. China maintained its share of the African market at 6.8%. China's exports to Sub-Saharan Africa were larger than most industrial countries, except Germany. Increased shipments of electrical and other machinery, motorcycles, woven fabrics, and low-end footwear comprised the largest share of China's growth in shipment to Sub-Saharan Africa.

The British Broadcasting Corporation (BBC) reports that trade between China and African nations jumped 39% to \$32.17 billion in the first ten months of 2005. Representing a record high,

analysts said the surge was fuelled by China's increased imports of African oil, most notably from Sudan. Africa is also buying more Chinese-made goods.

This follows rises of 59% in 2004 and 50% in 2003. The rate of increase in Sino-African trade could see China threatening the United States' predominant position in the next period. U.S.-Africa trade was \$44.5 billion in 2004.

## CHINESE TRADE IN AFRICA'S OIL

Energy is China's main concern and over the last few years it has struck or expanded on existing oil deals with Angola, Algeria, Chad, Equatorial Guinea, Gabon, Nigeria, and Sudan. Africa now supplies around one quarter of China's energy imports. China's export bank has recently given a soft loan to Angola, which has given it a stake in oil exploration in shallow waters off the coast.

China is investing heavily in African oil exploration to help meet its rapidly-growing consumption. In 2003 China overtook Japan to become the world's second-biggest consumer of petroleum products after the U.S. The U.S. Energy Information Administration (EIA) adds that China accounted for 40% of the total growth in global oil demand over the past four years. According to the figures for the first ten months of 2005, China's exports to Africa totaled \$15.25

billion, while the country's imports from Africa were \$16.92 billion. China-Africa trade had increased since the start of a new era of cooperation that began with 2000's *China-Africa Forum*.

Africa contains about 8% of the world's proven oil reserves. China first established a presence in Sudan's oilfields ten years ago, and filled the vacuum when the U.S. broke diplomatic ties with Sudan in 1997. Currently between 50% to 60% of Sudan's oil exports go to China, amounting to around 7% of China's imported oil.

China has invested more than \$8 billion in joint exploration contracts in Sudan, including the construction of a pipeline from the southern oilfields to the Red Sea and a tanker terminal at Port Sudan. About 10,000 Chinese people work in the country. The British Broadcasting Corporation (BBC) reports that China is well ahead of Western nations regarding Sudanese oil contracts.

## CHINESE INVESTMENT IN NON-OIL SECTORS

China has greatly increased its investments throughout the Continent in booming sectors such as mining, fishing, precious woods, and telecoms, but also in less profitable sectors neglected or abandoned by the West, e.g., Zambia's Chambezi copper mines and the supposedly exhausted oil reserves in

Gabon. Chinese textiles and clothing firms were also investing heavily in Africa as a way to get around U.S. and European Union limits on Chinese exports in this sector.

There are currently around 700 Chinese firms operating in 49 African countries. According to the International Monetary Fund (IMF) Africa should experience growth of 5.8% this year, the highest in 30 years, fuelled in large part by China's trade with the Continent.

China also exports manpower and technical expertise, sends doctors and nurses to the continent, establishes scholarships for African students at Chinese universities, trains African businessmen and trade officials, and encourages Chinese businessmen to invest in Africa. China has invested heavily in privatizations and infrastructure projects intended to aid trade and the movement of goods, including: trains, roads, buildings, electricity and phone lines, mining prospects, and oil refineries. It has also invested in tourism and has launched Nigeria's first satellite.

Since the China-Africa Forum of 2000, China has scrapped tariffs on 190 kinds of imported goods from 28 of the least developed African countries and cancelled \$1.2 billion in debt. Furthermore, China gave a soft loan to Angola to be used for infrastructure projects, many of which facilitate the development of the petroleum industry and wider trade. Projects under way include railways, roads, a fiber-optic network, schools, hospitals, offices, and housing developments of up to 5,000 units. The loan guarantees Angola just 30% of the construction contracts, with Chinese companies expected to win the remainder. A new airport with direct flights from Luanda to Beijing is also planned.

China has become more forthright in its arms sales in line with its growing economic influence. It sold an estimated \$1 billion worth of arms to Ethiopia and Eritrea during their border conflict between 1998 and 2000. The country

has also sold arms to Namibia and Sierra Leone, arms to Zimbabwe and Sudan while they have been under Western arms embargoes, helicopters to Mali and Angola, and uniforms to Mozambique.

## CHINESE AND INDIAN FOREIGN DIRECT INVESTMENT

According to a new World Bank study entitled *Africa's Silk Road: China and India's New Economic Frontier*, Chinese and Indian firms are increasingly doing business in sub-Saharan Africa, and their interest in the Continent extends well beyond a hunt for natural resources. Exports from Africa to Asia tripled in the last five years, making Asia Africa's third largest trading partner (27%) after the European Union (32%) and the United States (29%).

Indian and Chinese foreign direct investment also grew, with China's amounting to \$1.18 billion by mid-2006, notes the World Bank study. *Africa's Silk Road* offers original firm-level data on the African continent of Chinese and Indian firms operating there. The study surveyed 450 Chinese and Indian companies operating in four African countries - South Africa, Tanzania, Ghana, and Senegal - and developed first-time business case studies in the field of 16 other Chinese and Indian firms in Africa.

The World Bank study argues that "Skyrocketing" Asian trade and investment in Africa represents the beginning of a change in trade patterns. It also states that today most trade is still North-South, between Africa and developed nations in Europe, Japan, or North America. Africa's exports to Asia grew at a 20% annual rate in the last five years, and has accelerated to 30% since 2003. But what's going on in China, India, and Africa is part of the broader trend in the world of rapidly growing South-South investment and trade among developing countries.

Trade with Asia is producing goods affordable to Africans, Indians, and Chinese, that are either being sold in Africa or exported to China, India, or a

third country. At the same time, more and more Chinese and Indian firms are seeking to manufacture and export sophisticated components to the global market.

## ALARMED U.S. POLICYMAKERS, AND THE WESTERN PRESS

The multinationals who have traditionally and historically exploited the Continent's resources are alarmed at China's rapid incursions into African trade, as are U.S. policymakers and the Western press.

The U.S. Council on Foreign Relations has issued a bipartisan report accusing the Bush administration of lacking a comprehensive, long-term strategy for dealing with Africa and urging policymakers to give it greater attention. It calls for an upgrade in diplomatic and intelligence capabilities by appointing an ambassador to the African Union and opening more missions in key African cities, particularly in energy-producing countries. The report maintains that the U.S. must recognize and act on its rising national interests on the continent through a far higher mobilization of leadership and focused resources that target Africa's new realities.

## CONCLUSION

The foregoing considerations point to the need for the U.S. to take steps to confront the challenge posed by Asia, especially China, India, and Japan as well as the European Union in the scramble for African trade, and thus enhance American competitiveness in Africa. ●

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*Arthur Gerstenfeld is a professor at the Worcester Polytechnic Institute (WPI) in New England. [www.wpi.edu](http://www.wpi.edu) His most recent book entitled *Africa: The Next Decade (2005)* is co-authored with Prof. Raphael Njoroge. Njoroge is a professor in the Worcester Consortium of Colleges and Research Associate at WPI. He has been Dean of the Faculty of Education and Director of the Bureau of Educational Research at the University of Nairobi and Kenyatta University in Kenya. Gerstenfeld can be contacted through [ag@WPI.EDU](mailto:ag@WPI.EDU) and Njoroge at [rjnjoroge@yahoo.com](mailto:rjnjoroge@yahoo.com)*