

China's engagement in Africa: what are the potential impacts on Africa's regional integration?

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Outline

Infrastructure needs in Africa

China's engagement in infrastructure projects in Africa

What are the implications of such engagement on Africa's regional integration?

Infrastructure needs in Africa

- Africa needs more than US\$ 80 billion to close the infrastructure gap. Investments include new projects, operations and maintenance.
- The AFDB, AU, NEPAD and RECs have therefore encouraged and developed regional policies to finance infrastructure projects.

Infrastructure needs in Africa

- The AFDB has shown strong commitment to supporting infrastructure development for regional integration in order to connect about 40 per cent of Africa's population in landlocked countries to the rest of the continent and deals with the continental challenges in transport and energy, the poor state of physical infrastructure, weak market integration and so on.

Infrastructure needs in Africa

- To this end, new ties between African regional organisations and financial and construction partners have been developed.
- Regional integration is supported by Africa's economic partners, not least China.
- In recent years, several emerging economies have begun to play a growing role in financing infrastructure in Sub-Saharan Africa. China is the largest financier for infrastructure projects in Africa.

China's engagement in infrastructure projects in Africa

- Africa's lack of infrastructure is met by China's engagement on the continent through FDI and development assistance
- China's engagement in infrastructure projects in Africa enables Chinese construction companies to put their expertise to test and gain access to new markets.

China's engagement in infrastructure projects in Africa

- Chinese companies are involved in various infrastructure sectors (road, railway, hydropower, telecommunications and so on).
- The willingness of the RECs to foster regional infrastructure development plans has driven China to promote and support regional integration in Africa by financing and building ports, road and railway networks, hydroelectric power plants and ICT infrastructure.

China's engagement in infrastructure projects in Africa

- For instance, in South Africa, China Development Bank has granted US\$ 5 billion to Transnet to improve and support the country's infrastructure development.
- Similarly, the ICBC and Standard Bank signed a US\$ 2 billion agreement to support the South African government's renewable energy programme.

Implications on regional integration in Africa

- While China has built, rehabilitated and renovated road and railway networks in many African countries (Angola, Nigeria, Sudan, DRC, Zambia, Tanzania and so on), today Chinese financial and construction companies invest in regional projects supported by the RECs, regional organisations and financial institutions.

Implications on regional integration in Africa

- China's engagement in Africa's regional infrastructure projects remains strategic, specifically in relation to its resource exploitation and search for new markets for its construction companies in Africa.
- Most of the projects aim to link landlocked countries with the coast.

Implications on regional integration in Africa

- Examples include railway renovation between Zambia and Tanzania, railway construction between Zambia and Angola and road construction between Djibouti and Ethiopia.
- Besides, recent gas and oil discoveries in Kenya and Uganda and China's interests in the Indian Ocean trade and investment corridor have driven China in financing and building infrastructure projects in East Africa (roads, railways, ports and so on).

Conclusion

- China's role as a financier for regional infrastructure development in Africa could be seen as positive. The infrastructure projects could enhance the mobility of people and goods between African countries and foster intra-regional trade.
- However, China's engagement in building regional infrastructure networks is in many cases linked to resource exploitation and should be carefully managed to avoid security problems between African countries.

Conclusion

- African and Chinese financial institutions supporting regional infrastructure development in Africa should aim for more transparency in order to avoid financial burdens arising from unsustainable projects.
- African governments should be strategic in their engagement with China and in fostering regional integration.
- Obviously African countries can integrate through infrastructure networks for regional and international trade and investments, but infrastructure projects across the continent are only one aspect of the problem.

Thank you for your attention

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