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Emerging actors in Africa:
Impact and opportunities for EU-Africa and global relations

"China in Angola and in Zambia: a brief comparative analysis"

Summary of Ana Alves[1] presentation

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Over the last decade, Chinese oil and mining companies have largely expanded their investments in Africa, prompted by the increasing demand at home for external mining resources that are essential for the rapid economic growth of China. Most of these Chinese companies are state-owned and have benefited from a strong political and financial support from the central government in Beijing.

Given the nationalist nature of the mining sector and the fact that these companies are controlled by the Chinese state, their operations have been carefully observed and scrutinised by the international community. Although the activities and investments of these companies in Africa have had some very positive impacts, their reputation is overshadowed by other less positive aspects of their operation, which to a large extent are due to their lack of experience as foreign investors.

This presentation offers a snapshot of a comparative analysis of the Chinese engagement in the mineral resource sector in Zambia and in Angola, with a particular focus on the positive and negative aspects of their activities in these countries, and on the lessons that African authorities should draw from it.

The 'infrastructure for oil' model the Chinese have adopted in Angola – and replicated in other resource-rich countries in Africa – under which China provides the Angola government with

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large concessional loans at the exchange of a long-term guarantee for the provision of oil and access to oil industry assets, has had positive impacts, but also some challenges. Thanks to China's concessional loans, the government in Angola was able to invest in the reconstruction of the country and in infrastructure works, without much risk of these loans being used for other purposes. This has also given the Angola government more leeway and alternatives to negotiating with traditional partners. More challenging aspects of China's engagement relate to the high percentage of Chinese workers and materials and services contracted in China (about 70%), as well as the questionable quality of the construction and the absence of provisions for maintenance.

Out of the experience with Sinopec and in the negotiations for new loans from China, Angola is now seeking to separate loans for infrastructure from the preferential access for oil assets and to negotiate a higher local participation in future contracts. However, the Angola government still needs to create a more consistent regulation and better control mechanisms for the construction sector as it did for the oil sector (the latter has a much more consolidated regulatory framework and it's a sector under the control of the national oil company Sonangol), and to establish provisions for infrastructure maintenance in those contracts.

In Zambia, China has applied the model of Foreign Direct Investment for the extraction and processing of copper and cobalt. Its investments in the mineral sector in Zambia are credited with having increased investments in the sector and provided 6.000 jobs to local workers. Unlike other investors, it made no cuts on any of these operations despite the financial crisis. It is also credited with boosting Zambia's production and capacity in the sector beyond extraction only. But there have been problems too and lessons to be learned as a result of: (i) the poorer standards of labour work compared to those of western companies operating in the country, which led to frequent workers' strikes; (ii) the limited impact in the local economy as many services and materials are contracted in China; (iii) the little consideration given to the interests of local authorities, communities and businesses (largely as a result of Chinese investors poor knowledge of the local contexts); and (iv) the poor standards of environmental protection. While better policies and regulations for environmental protection are now in place or being developed, other problems deserve more attention from both Chinese investors and Zambian authorities.