

Despite Crisis, China Doubles Aid To Africa

Ernest Harsch



Chinese Premier Wen Jiabao: Over the next three years, China will provide African countries with \$10 bn in low-interest loans, cancel many debts and open China's markets to more African exports.

© UN / Marco Castro

Nearly fifty presidents and ministers traveled from across Africa to the Egyptian city of Sharm el-Sheikh in November for their most recent high-level meeting with China. They found the trip well worth it. Chinese Premier Wen Jiabao pledged that his country would grant \$10 bn in low-interest loans to Africa over the next

three years, double the \$5 bn promised — and delivered — after the previous China-Africa meeting in Beijing three years ago.

China's increasing engagement with the continent, Premier Wen told the African leaders at the opening of the two-day event

on 8 November, comes despite “the impact of the international financial crisis and the many difficulties we face at home.” China's economic growth, like that of the world economy as a whole, has also slowed — although it still registered an impressive 7.7 per cent during the first three quarters of this year.

UN Secretary-General Ban Ki-moon noted that China's offer comes at a time when African countries are feeling the repercussions of the global downturn. "The steadily growing Africa-China partnership can help mitigate the negative consequences of the current situation, while reinforcing long-term investment for development," he said in a message presented by Under-Secretary General Cheick Sidi Diarra, the UN's high representative for least developed countries and special adviser on Africa.

In just a few years, China has emerged as one of Africa's most important trading partners. From about \$10 bn in 2000, total trade between China and Africa soared to \$107 bn in 2008. Nearly 1,600 Chinese enterprises have a stock of \$7.8 bn in direct investment in Africa. According to estimates by China's Commerce Ministry, flows of new Chinese investment to Africa increased by 81 per cent during the first half of this year, to \$552 mn, compared with the same period in 2008.

Because of the pressures of the global downturn, many of Africa's other trading partners and sources of financing have reduced their involvement with the continent. But China has held fast, noted Zambian President Rupiah Banda. "At the height of the economic

recession, when some investors reduced operations and others pull out, Chinese companies continued operating normally," he told the meeting.

Besides providing \$10 bn in concessional lending, Premier Wen said that his government would help Chinese financial institutions establish a special \$1 bn fund to extend loans to small and medium-sized African businesses. He announced as well that China will cancel 168 debts owed by 33 African countries. That move, in part, counters concerns by the International Monetary Fund that Chinese financing for Africa may end up increasing the continent's foreign debt.

Mr. Wen also took up criticisms that Chinese economic deals ignore serious human rights violations by some African governments. "China has never attached any political strings to its support and assistance to Africa," he said. Nor does it insist on particular policy reforms, he added. "The Chinese government and people respect the right of African countries to independently choose their social systems and support the African people in exploring development paths that suit their national conditions."

Some critics within Africa have raised concerns about the labor, safety and

environmental standards followed by Chinese companies. Premier Wen vowed that his government would encourage Chinese enterprises "to shoulder more social responsibilities and live in amity with the local people."

In addition, China is pledging to open its markets to more African exports. According to Minister of Commerce Chen Deming, who also participated in the meeting, China will move in phases to eliminate all tariffs on 95 per cent of imports from Africa's least developed countries. Within the next year, he said, some 4,700 products would be exempted from tariffs, 10 times the current number.

For its part, Africa also has a responsibility to ensure that its relations with China work more to the continent's benefit, Rwandan President Paul Kagame said at the meeting. African countries must better integrate their economies regionally so as to create bigger markets and enhance their bargaining power, he said. African leaders, governments and the private sector should also clearly define and promote their interests in any discussions with China. "The onus is on us," President Kagame said, "to fully engage at every stage and clearly articulate our development priorities in this partnership."

*Provided by: "Africa Renewal,
United Nations"*

Design by: The Princess Group, L.L.C.