



Construction site of Chinese financed infrastructure, Maputo, Mozambique.



BRIEFING

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Africa-China

Seizing the opportunity for sustainable development

A strong strategic partnership emerges

China is an important economic and development partner to Africa. In the past 10 years relations between China and Africa have moved from a focus on aid and technical co-operation towards mutual opportunities for economic growth. In 2008, trade between China and Africa reached \$106.84 billion¹, while China's investments in Africa have gone up from \$50 million in 2001 to \$1 billion in 2009². This strategic partnership brings a unique opportunity for long-term sustainable development in Africa, so long as economic growth goes hand in hand with environmental protection and social prosperity.

Why Africa and China need one another

China is one of the most rapidly changing countries in today's global economy. It is the third largest economy in the world³, after the EU and the US, and in 2009 it became the world's largest exporter. A large part of its growth has been driven by exports although in recent years internal consumption has also significantly grown.

With insufficient natural resources (forests, minerals, oil, gas, agricultural land etc.) to support this growth, and a huge manufacturing sector, China is highly linked to the global economy through the import of basic commodities and the export of



Above: Reduced heating costs for China's poor through the use of solar panels in social housing schemes.

goods and services. Africa is rich in natural resources and is becoming an important global supplier to international investors such as China.

1. Xinhua News Agency, http://news.xinhuanet.com/english/2009-02/11/content_10803769.html
2. Chen Deming, Minister of Commerce: <http://chendeming.mofcom.gov.cn/aarticle/speeches/201001/20100106752181.html>
3. CIA the World Factbook

FORUM ON CHINA-AFRICA CO-OPERATION (FOCAC)

Promoted by China and launched in 2000, FOCAC is the official multilateral platform for consultation and dialogue between China and African countries. A summit is held every three years which sets out China's key policies and commitments to Africa.

China's 8 key commitments to Africa – 2009 - 2012

The commitments were made by Premier Wen Jiabao at the forum on China-Africa Cooperation in Sharm El-Sheikh, November 8, 2009.

1. **Climate Change:** 100 clean energy projects for Africa covering solar power, bio-gas and small hydro-power.
2. **Science and technology:** 100 joint demonstration projects on scientific and technological research to be carried out. 100 African postdoctoral fellows to conduct scientific research in China.
3. **Financing capacity:** US\$10 billion in concessional loans to African countries to be provided. A US\$1 billion special loan for small and medium sized African businesses to be set up.
4. **Trade:** Zero tariff for 95% of the products from the least developed African countries that have diplomatic relations with China.
5. **Agriculture:** 20 agricultural technology demonstration centres to be built, 50 agricultural technology teams to be sent to Africa and 2,000 agricultural technology personnel to be trained.
6. **Medical care and health:** medical equipment and anti-malarials worth RMB 500 million to be provided, 300 doctors and nurses to be trained.
7. **Human resources development and education:** 50 China Africa "friendship" schools to be built.
8. **Cultural exchanges:** A China-Africa joint research and exchange programme to be launched.

China and Africa New Growth Coupling



GORDON INSTITUTE OF BUSINESS SCIENCE, UNIVERSITY OF PRETORIA.

'Africa's growth is underpinned by Chinese demand, and China's growth will be more dependant on Africa's resources'

Jacob Zuma, President of South Africa, 2009.



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Linked growth

The supply of commodities from Africa has supported China's booming economy and stimulated development in Africa, as shown by the direct correlation of Gross Domestic Product (GDP) performance in the last ten years.

China's investments have also brought much needed investment in infrastructure, an area previously underfunded by Africa's traditional development partners. In 2007, China provided an estimated \$4 billion worth of infrastructure in Africa, as much as all the G8 countries added together⁴.

Africa not only supplies China with natural resources but also provides a potential new market

4. <http://www.dfid.gov.uk/Where-we-work/Asia-East--Pacific/China/China-and-Africa/>



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Chinese workers at Great Wall Motor, Baoding, China.

for Chinese goods and services and investment opportunities across a range of sectors including telecommunications, textiles, pharmaceuticals and banking.

Equally, opportunities have arisen for African businesses to gain access to Chinese markets and manufacturing technology. African entrepreneurs have also seized the opportunity and are importing Chinese goods, providing consumers with affordable products.

Sustainability concerns

However, with these opportunities have come concerns about environmental and social sustainability. The sectors in which China's investment and trade is most concentrated - hydropower, mining, oil and gas exploration, transport infrastructure, agriculture, fisheries, and timber - are environmentally sensitive. Equally, there is weak governance of natural resources and limited capacity within African governments to enforce good

environmental and social standards of such investments.

China recognises that as it becomes a global power, it too needs to be more responsible. Over the past couple of years, the Chinese Government has put in place domestic policies to improve sustainability of its development as well as of its overseas trade and investment.

CHINA'S COMMITMENTS TO SUSTAINABLE DEVELOPMENT



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Windmill blades being made ready for transport, in Baoding, Hebei province, China.

Domestic

- A carbon emissions intensity⁵ reduction target of 40 - 45% by 2020 from 2005 levels
- 15% of energy generated from non fossil fuels by 2020
- China to be the first developing nation to adopt a national climate change programme
- 10% reduction of major pollutants emissions by 2010 compared to 2005 levels
- 20% forest coverage of the whole territory by 2010
- Policies and practices for environmental and social screening of investments put in place by China's financial actors such as the Export-Import bank.
- Overseas investment guidelines for Chinese companies developed by the Ministry of Commerce and the Ministry of Environmental Protection
- Sectoral environmental lending policy guidelines to be prepared by the Ministry of Environmental Protection, as the basis for Chinese banks to develop their own sectoral lending policies.

International

- Guidelines on sustainable forest management and plantation forestry for overseas Chinese operators developed by the State Forestry Administration.



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China will “pursue sustainable development at home while accepting our share of international responsibilities”

Wen Jiabao, Chinese Premier

5. Carbon emissions intensity is the amount of carbon emissions produced per unit of Gross Domestic Product (GDP)

China in eastern Africa

China is an important partner of eastern Africa. Tanzania is the largest recipient of Chinese aid, while in Mozambique China is now the second largest investor (US\$76.8 million in 2008⁶).

The key sectors that China has engaged in are minerals, construction, infrastructure, agriculture, oil and gas, forestry and fisheries.

Mozambique

- Exploration rights for oil, gas and minerals
- Improvement of agricultural production with a focus on rice
- Construction of national buildings
- Infrastructure projects including the re-habilitation of Maputo's water system
- Interest in financing hydro-power projects

Tanzania

- Co-operation agreements amounting to US\$ 22million
- Improvement of agricultural productivity with a focus on rice and livestock
- Support for aquaculture projects and technological exchange
- Rehabilitation of the Tanzania Zambia Railway authority (TAZARA), the largest aid project from China to an African country
- Numerous infrastructure projects ranging from roads, to water supplies, to national stadiums
- Investment in the revival of the Kiwira coal mine, Mbeya region

China is particularly important to the forestry sector in both Tanzania and Mozambique. In 2007 over 80% of timber exports from these countries went to China. Much of that timber was illegally harvested and at an unsustainable rate which was due in part to the limited capability of governments (local



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Chinese sawmill in the Udzungwa mountains Tanzania.

and national) to implement and enforce forest law. However, export restrictions in Tanzania have meant that many Chinese operators shifted their operations to northern Mozambique. Exports of timber to China from Mozambique continue to be important and have no doubt contributed to the increase in Mozambican exports to China between 2006 and 2008.

A shared responsibility

China presents an enormous economic opportunity for east Africa, given its potential large purchasing power, its links to export markets, its commitment to increase investment and trade, and a growing interest to do this in a way that is supportive of sustainable development.

In eastern African countries, where economic growth is heavily dependent on agriculture and trade of natural resources, a strategic approach to access, control and management of these natural

resources is important. It is in the region's interest to define how to seize China's opportunity and ensure that the use of natural resources occurs in a way that causes minimal harm to the environment and leads to long-term prosperity for the people. East African governments need to build a strategy for sustainable development that includes a mutually beneficial partnership with China. From this perspective, there is a case for east Africa to learn from recent Chinese successes.

LEARNING FROM CHINA



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Chinese-produced photovoltaic panel powering school in Tanzania.

1. Poverty focus

China has placed the issue of domestic poverty at the centre of national policies. Thanks to this approach, in the last 30 years 600 million people (15 times Tanzanian population) have been lifted out of poverty in China and the country's Human Development Index has increased from 0.530 in 1975 to 0.781 in 2006 (maximum level is 1).

2. Environmental protection

China has included targets to protect its own environment in top economic development decisions, such as the five-year plan - China's most powerful tool which guides economic and social progress. In the 11th five-year plan (2006-2010) China committed to reduce major pollutants emissions by 10% and to increase forest coverage to 20% of the territory by 2010.

3. Green technologies

China has used green technologies to improve living standards and reduce poverty in rural areas. With the "Brightness" project, for example, China has committed to make renewable energy available for 23 million people (1.7% of total population) in rural areas not connected to the grid by 2010. With more than 60% of the earth's solar water heaters and the largest production of photovoltaic products, China is a leading manufacturer of renewable energy products that can be made available at a price East Africans can afford.



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A man using his mobile phone stands in the crowd on Nanjing Road, Shanghai.

WWF in action

In 2007, WWF set up a global programme to promote development in China which sustains the planet's natural environment. As part of this programme, WWF has been working with key decision-makers in China and eastern Africa to promote sustainable development in China-Africa relations. Key activities have included:

- Improving understanding through research and analysis of trends in trade, aid and investment between China and Africa.
- Contributing to the development, dissemination and implementation of China's environmental guidelines for overseas investors.
- Engaging China's financial sector (China's policy and commercial banks, as well as financial regulators), to integrate environmental principles into their lending practices in key sectors such as mining, forestry and hydro power.
- Bringing senior policy makers from Chinese financial institutions to eastern Africa to develop their knowledge and understanding of the environmental and social impacts of their investments and how to mitigate these.
- Engaging with the Chinese private sector operating in resource intensive industries in Africa to encourage them to implement China's overseas investment guidelines
- Facilitating dialogue between east African and Chinese ministries to identify future areas for collaboration. In Tanzania, for example, WWF has encouraged



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Ms Li Nuyun, Deputy Director General of the State Forestry Administration, China, learning about community forest management from villagers in Kilwa, Tanzania.

the Division of Forestry and Beekeeping to discuss forest trade issues with China's State Forestry Administration.

- Working with east African governments to identify how we can best support them to maximise the opportunities that Chinese investment can bring for sustainable development.

Further information about our work can be found at:

http://www.panda.org/china_shift

http://www.wwf.org.uk/china_africa



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wwwf.org.uk/internationaldevelopment

The mission of WWF is to stop the degradation of the planet's natural environment and to build a future in which humans live in harmony with nature, by:

- conserving the world's biological diversity
- ensuring that the use of renewable natural resources is sustainable
- reducing pollution and wasteful consumption



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