

Gigaba's warning over China's investment in Africa

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Public Enterprises Minister Malusi Gigaba has called for greater scrutiny of funding that comes from Brics countries such as China when it comes to infrastructure investment in Africa.



Malusi Gigaba (Image: GQIS)

He warned Africa not to "sell our souls" to secure funding in a world where finance available for infrastructure was shrinking.

China's emergence as an economic giant and its "pragmatic" approach to trade and investment on the continent had positioned it as Africa's largest trading partner.

Gigaba's warning echoes that from other African leaders such as Nigeria's central banker, Lamido Sanusi, who voiced his concern about China's rising prominence on the continent, calling it a new form of "imperialism".

Gigaba said China's willingness to invest in Africa, along with other Brics (Brazil, Russia, India, China, SA) countries, should be embraced especially since infrastructure funding was becoming scarcer with the introduction of stricter banking regulations under Basel 3, and the US Federal Reserve planning to bring an end to its bond-buying programme.

But, Gigaba warns, Chinese investment should not take place at the expense of the development of skills and the manufacturing potential in the targeted countries on the continent.

"Chinese pragmatism has certainly enabled infrastructure and broader investment in a range of African countries," Gigaba said.

"(But) in many cases the lack of institutional preconditions for such projects has often resulted in negligible local skills,

technology and business development," he said.

'Armies' of Chinese skills

There were examples "where armies of Chinese skills and workers have been shipped in to construct the infrastructure", he said.

"There is a tension between contributing to an African development process and getting the infrastructure built as rapidly as possible," he added.

This was particularly the case in countries that were unable to negotiate national development requirements, he said,.

"We need to scrutinise the value of trade, how it is changing the character of our economies and contributing to our socioeconomic development challenges," Gigaba said.

It was important for governments on the continent to learn to leverage their procurement to get benefits beyond physical infrastructure. According to the African Development Bank, to meet the continent's development goals, US\$93bn would have to be invested in infrastructure every year for the next 10 years.

In March, Sanusi said African countries needed to be aware of the predatory practices of Chinese firms investing in Africa. While China had built infrastructure along with mining operations, it was a common practice for its corporations to use labour and equipment "imported from home, without transferring skills to local communities".

Find solutions that work

Gigaba said Africa had to find solutions to its problem of low intraregional trade through long-term planning and greater co-operation on programmes that would boost connectivity. Infrastructure required to lift economic growth such as transport and power investments would need to be developed.

One funding solution that had not been adequately leveraged over the past decade was the pooling of Africa's pension funds. Investment tools were required to harness this money and direct it towards resolving development funding challenges. "On the African continent we are not as poor as we always think we are," Gigaba said.

Africa was still too dependent on its mineral wealth and for it to meet its development potential, action had to be taken to bolster other productive sectors. These included manufacturing, agriculture, transport, retail and telecommunications sectors.

Gigaba said infrastructure - including electricity, ports, roads and rail - would create conditions allowing for diverse economic activity to flourish on the continent. In addition, intra-African trade and investments had to grow.

"We must trust in our own capabilities and by encouraging them and welcoming their investments, we help them to grow in order to participate in the complex supply chains," Gigaba said.

"African governments must be cautious about shifting from an over-reliance on western nations to over-reliance on eastern ones in terms of both trade and investments," he added.

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