China’s economic ascendancy in Africa threatens US imperialism

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China’s economic ascendancy and the ensuing rivalry between Beijing and Washington, representing the world’s two largest economies, is being played out across the resource-rich African continent.

China has supplanted the United States and the European Union as Africa’s main trading and investment partner. Earlier this month, top officials from almost all of Africa’s 54 countries went to Beijing for the triennial Forum on China-Africa Co-operation (FOCAC), where China’s President Xi Jinping pledged $51 billion in investment through credit lines and Chinese business investments in Africa over a three-year period. He offered backing for more infrastructure projects and the creation of at least one million jobs. Xi said that China was ready to step up cooperation with Africa in industry, agriculture, infrastructure, trade and investment.

The Beijing meeting follows the expansion of the BRICS bloc (Brazil, Russia, India, China and South Africa) to include two African countries, Egypt and Ethiopia, as well as several other new members.

Xi promised a three-fold increase on the number of infrastructure projects across the continent compared with those pledged at the last Forum in 2021, with an emphasis on “small and beautiful” schemes based on China’s advanced and green technologies. China would launch 30 clean energy projects, as well as 30 infrastructure connectivity projects. Also on offer was cooperation on nuclear technology and help with the power generation and transmission vital in helping the continent to industrialise. Xi called for a China-Africa network of land and sea links.

He gave assurances that China would expand its non-resource imports from Africa, reiterating a pledge to expand market access for African goods, particularly agricultural goods, that currently face very tight inspection and quarantine restrictions.

While the pledge to invest $51 billion represents a 27.5 percent increase from the last 2021 summit, it was less than the peak $60 billion pledged in 2015 and 2018. Much of that reduction was the result of the fall in infrastructure borrowing as Ethiopia, Zambia and Kenya struggled to repay the loans for major infrastructure projects taken out over the preceding decade.

The Forum was held amid rising competition from the US and Europe, as well as from the so-called “middle powers,” Russia, India, Japan, Turkey, Saudia Arabia and the United Arab Emirates, for influence in Africa.

At stake is China’s access to Africa’s vast mineral resources, including large oil reserves, diamonds, gold, silver, uranium, copper, cobalt, nickel and lithium, which it currently mines in the Democratic Republic of the Congo (DRC), Zimbabwe, Botswana, and elsewhere, as well as the establishment of local refining facilities for raw materials and markets for its renewable energy and high-tech products.

As the US and the European Union impose high tariff walls on Chinese goods, Beijing is focusing on Africa not only as a market for its high-value exports—electric vehicle sales to Africa rose by 291 percent in 2023—but also as a manufacturing location, taking advantage of the continent’s low wages, in a bid to circumvent the prohibitive tariff barriers it faces in the advanced countries.

China views Africa, with its rapidly rising population expected to reach 1.7 billion by 2030—an increase of around 400 million from 2024—as an important export market, while its 54 votes at the United Nations could provide it with a counterweight to the domination of US imperialism.

China’s trade with Africa

China’s trade with Africa has grown exponentially since the early 1990s, particularly after China joined the World Trade Organization (WTO) in December 2001 and encouraged the free movement of capital, people and products in both directions, to the extent that China is now by far the continent’s largest bilateral trade partner, surpassing the US in 2009.

About 25 percent of Africa’s exports, primarily minerals, fuels and metals that are critical for defence, renewable power and electric vehicles, go to China, while about 16 percent of its imports come from the country. In 2023, its trade with China was more than double that with India, the continent’s second-biggest single trade partner.

In 2023, total trade with China reached a record $282 billion, or 9.9 percent of Africa’s GDP—up from less than $200 billion, or 7.8 percent of Africa’s GDP in 2019, largely due to the surging demand for minerals, especially those critical for the transition to green energy. China expects the annual trade volume to reach $300 billion by 2035. Nevertheless, Africa’s trade with China is very one-sided, accounting for less than 5 percent of China’s global trade.

The first seven months of 2024 have seen a 5.5 percent increase in trade, driven primarily by Africa’s export of raw materials. Chinese exports to Africa totaled $97 billion in the same period, while Africa exported goods worth $69 billion, mostly raw materials, reflecting Africa’s longstanding pattern of trade imbalance.

While these figures relate to the entire continent, most of China’s trade is with just six to eight of Africa’s 54 countries, including South Africa, Nigeria, Egypt, Algeria, DRC and Angola.

Nevertheless, the composition of China’s imports from Africa is changing, disrupting its relations with the countries concerned. Beijing is buying less oil from Africa, switching instead to the Gulf, Russia and elsewhere in Asia. Angola saw its ranking as China’s second most important supplier of oil fall to eighth in 2023. South Sudan, Sudan and Nigeria have all seen their hydrocarbon exports to China fall by more than 60 percent.

In its place, China is importing minerals and increasingly starting to refine and process them locally. Chinese companies have opened processing plants in Zimbabwe, Nigeria and Morocco, among others. In the case of agricultural products, typically raw commodities, China has started importing flash-frozen avocados from Kenya, beef from Namibia, and coffee from Ethiopia and Rwanda.

Also of growing importance are China's ecommerce platforms, Kilimall, Tmall, JD.com and Kikuu, that provide a virtual—and crucial—entry point, or digital marketplace, for African suppliers into world markets and participation in the global manufacturing supply chains from which African manufacturers have hitherto largely been excluded. It is this lack of access to global markets that has in part caused manufacturing in sub-Saharan Africa to fall from 18 percent of GDP in 1981 to 11 percent last year, as most African countries remain locked in colonial-style trading relationships in which they export raw materials and import finished goods

China's investment in Africa

Beijing has also become the continent's biggest investor, pledging $191 billion between 2006 and 2021, often in the form of grants, credit, and loans to finance major infrastructure projects, typically under its Belt and Road Initiative (BRI).

It has invested in 53 out of Africa's 54 countries, mostly in port areas along the coast of Africa —16 in the West, eight each in the North and the East, and two in the South. These include Djibouti Port (Djibouti) where it has built its first overseas military base, Port Sudan (Sudan), Port Said-Port Tewfik (Egypt), Port Ain Sokhna (Egypt), Zarzis Port (Tunisia) and El Hamdania Port (Algeria).

China has used its connectivity projects in Africa (including rail and road lines) to link its industrial (including minerals processing) and energy projects in the hinterland to transportation infrastructure including ports along the African coastline.

Many BRI infrastructure projects, such as the $3.8 billion railway between Nairobi and Kenya's port city of Mombasa, increased the indebtedness of countries already deep in the hole, forcing China to cut back on its BRI investment after several countries either defaulted or struggled to keep up with debt repayments. According to Boston University's Global Development Institute, the value of new loans to African countries fell to about 0.15 percent of African GDP in 2021 from its peak of 1.2 percent in 2016.

Last year, China approved loans worth $10.8 billion to Africa, in the first annual increase since 2016, signing an agreement in February with Zambia and Tanzania to upgrade the TAZARA railway line, built decades ago by the Chinese, that transports copper and other critical minerals to Dar-es-Salaam on the Indian Ocean. It follows pledges in January to invest up to $7 billion in the Sicomines copper and cobalt joint venture in the DRC and about $1.3 billion for a railway linking Kano, Nigeria's second largest city after Lagos, and Maradi, the second largest city in Niger.

While Xi announced Beijing's intention to expand its infrastructure investment, this is expected to take the form of numerous smaller projects based on China's advanced and green technologies, such as its $14 million Africa Solar Belt program to supply 50,000 African households, including in Chad and Nigeria, with solar energy, and $50 million for a solar farm in Burkina Faso.

Xi also announced a major shift: investment in industrialization to take advantage of Africa's low wage economy, financed via corporate rather than public investment. Such production facilities are aimed at Africa's growing middle class, as well as global markets and supply chains for products based on exploiting the continent's vast natural resources.

Crucially, finance for industrialisation will come in the form of Chinese yuan, not the US dollar, as part of China's broader push to increase the international use of its currency and curb the dollar's dominance. At present, almost all cross-border transactions—trade settlements, development finance and foreign direct investment—between China and African countries are carried out in dollars.

While this use of the dollar integrates these countries into the global financial system, it exposes them to volatility in financial markets. Since January 2022, when the US Federal Reserve began a series of interest rate hikes, African countries have seen their currencies depreciate by an average of 19 percent relative to the dollar as investors switched to higher paying US Treasury Bonds and the US/NATO-led war against Russia in Ukraine pushed up the cost of grain imports. This has increased their indebtedness and the cost of servicing their debt.

The yuan is not set to replace the dollar as the premier international trading currency, but Xi's announcement indicates that it will play an increasing role in trade invoicing and settlements between China and Africa. This initiative takes place as Africa is rolling out its Pan-African Payment and Settlement System (PAPSS), developed by African Export-Import Bank (Afreximbank), that allows African countries to settle their intra-African trade (currently very low) in local currencies, a development that Beijing is encouraging.

Beijing is also increasing its use of bilateral currency swap agreements whereby China's Central Bank, the People's Bank of China, provides yuan-denominated trade credit to local commercial banks in around 40 countries, with several in Africa including Nigeria, aimed at expanding bilateral trade as well as providing emergency support for key African countries that are close to defaulting on their loans. It has also supported the New Development Bank, a multilateral institution set up by the BRICS group of countries in Shanghai with the intention of using member countries' currencies for lending and international loans.

Concerns about potential Western sanctions, particularly US-led freezing of $300 billion-worth of dollar assets of Russia's central bank, largely held in the European banking system, together with other financial sanctions, are fueling China's efforts to limit US financial domination, via yuan-denominated transactions and its support for the PAPSS and similar systems elsewhere.

China is seeking to restructure its loan portfolio to the 25 African countries that the IMF estimates are in or at risk of debt distress. Chinese creditors, public and private, are believed to hold about 13 percent of this debt. It is engaged in debt renegotiation restructuring and relief with countries including Angola, Ethiopia and Kenya. China and other creditors have agreed to Zambia repaying its debt over a longer period, while writing off $840 million. Beijing is also providing short-term loans to countries in distress, with at least seven African countries receiving bailout loans.

Washington has responded by accusing Beijing of "debt diplomacy" by luring African countries into taking on significant debt that they struggle to pay back, allowing Beijing to then seize lucrative assets.

The US response

Washington's key concern is that the new trade routes being built under the BRI would divert trade away from the US and that China's increasing economic clout would heighten its political influence, with China's access to African ports giving its military greater power projection capability. Nevertheless, despite its bitter opposition to the BRI, citing concerns over debt and environmental sustainability, the US has failed to come up with an appealing alternative.

Last year, after decades of declining influence in Africa and amid mounting concern about China's growing control over vital mineral resources, the US signed hundreds of deals worth $14.2 billion with African countries in a bid to counter China's growing influence. The 547 trade and investment agreements were a 67 percent increase on 2022 in both number and value. In a landmark deal, seen as a win for Washington over China and Russia in Africa, a US company won a bid to help build Ghana's first small nuclear reactor.

The US is seeking to rival China's BRI via the G7's Partnership for Global Infrastructure and Investment (PGII) with "developing" nations that aims to deploy more than $600 billion by 2027. It is participating in a $10 billion project to finance the Lobito Corridor to "dislodge the Chinese."

The project involves the renovation and expansion of a 1,300-kilometre-long railway line—largely destroyed during the US-provoked civil war—that will transport critical minerals from the resource-rich DRC as well as Zambia's Copperbelt province to Angola's Lobito port, on the Atlantic coast. It includes the expansion of Lobito port and construction of solar energy power plants and bridges around rural communities. The US has announced an agreement that would expand the Lobito Corridor to reach nickel deposits in Tanzania, widening US access to Africa's critical minerals, and potentially creating the first east-west rail connection in Africa.

The US International Development Finance Corporation's loan of $1.2 billion for the Lobita project is noteworthy because Angola was once a cold war battleground and later the largest recipient of China's loans in Africa. Luanda still owes about $17 billion of the $45 billion it borrowed from China mostly in the form of loans backed by oil.

Most of DRC and Zambia's minerals are currently transported via the Chinese-financed railway linking Zambia and Tanzania (the TAZARA railway) to Dar-es-Salaam on the Indian Ocean or must be trucked to Angola at a far greater cost. The development of the Lobito Atlantic Railway means there will in the future be a choice between exporting via the Atlantic Ocean or the Indian Ocean or—to put it more bluntly—between the US/Europe and China, although this is questionable since Chinese companies dominate the DRC's mining region and are to carry out $1 billion worth of upgrades to the competing TAZARA railway that has different railway gauges.

As a Biden administration fact sheet put it, the political imperative now is to "outcompete China on the world stage" and this includes Africa, as great-power tensions over critical minerals heat up.