Notes

SAIIA and Chinese Embassy Joint Seminar on

Future-Proofing Africa – China Infrastructure Cooperation

31 August 2022

Online

08:30am – 15:00pm SAST

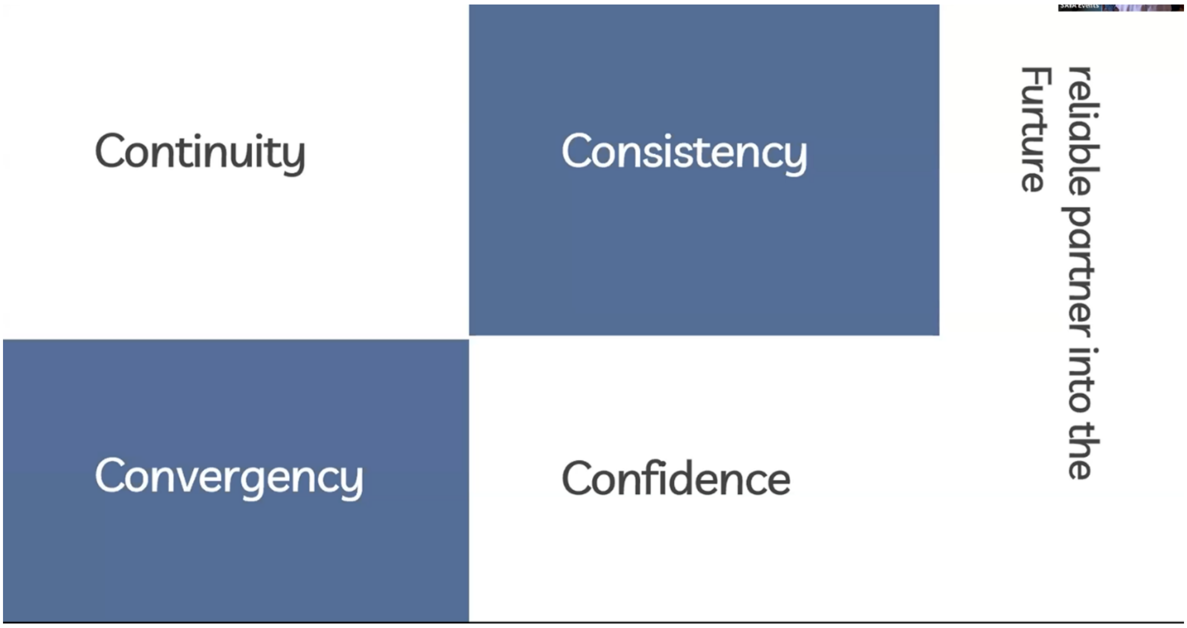
Wednesday, 31 August 202

Welcoming remarks

Li Zhigang, Chargé d'affaires of the Embassy of the People's Republic of China in the Republic of South Africa opens the session by thanking the participants and speakers. He states that infrastructure is a challenge faced by everyone everywhere in the world. At the same time Africa's working age population is expected to exceed one billion, therefore the demand for infrastructures, such as icts and Information networks will increase dramatically. Mr Zhigang highlighted that China has put forward high quality Belt and Road cooperation, in the face of severe infrastructure deficits. By 2021, 52 of the 53 Africa countries have signed the cooperation documents on the BRI, based on mutual benefit and cooperation. China has also integrated the new development philosophy into its doubt and road cooperation with Africa and other continents, this philosophy focuses on addressing the issues of development and balanced developments between humans and nature. Mr Zhigang highlighted that China is committed to sharing the fruits of developments with our African brothers and our African sisters. Mr Zhigang asserted that China-Africa cooperation projects are aligned with Africa development policies, these projects generate more than $50 Billion of revenue for Africa per annum. Mr Zhigang notes that China-Africa Cooperation has been honest and fruitful.

Mr Zhigang raises the concern that as China and Africa strengthen their relationship towards higher quality, broader scope, and deeper level, there also comes concocted notions and the false accusations of debt trap, strategic asset plunging neo-colonialism in their attempts to drive a wedge between China and Africa and the forced Africa to take sides. This is not only a discourse trap, but also a divisive trap.

Mr Zhigang asserted that China welcomes other international partners in the common in February, in the fights against poverty and under development on this continent, instead of fights against each other at the cost of Africa. Mr Zhigang notes Africa and China's common history, comparing it to the emerging relationship of a common fight against poverty and for development. Mr Zhigang asserts that China is a reliable partner into the future, terming the "four C's" – Continuity, Consistency, Convergency and Confidence.



Looking into the future, Mr. Zhigang presents four areas of future cooperation. Firstly, China willl focus on public health and help Africa to help themselves to recover from the pandemic as soon as possible. Secondly, China is ready to work with Africa to pursue green. No-carbon, circular and sustainable development. Thirdly, China will optimize the layout protection, capacity and speed up the industrialization process. In Africa. Fourthly, China will strengthen cooperation in scientific innovation to help Africa achieve leapfrog developments. China is ready to work with Africa to speed up the building of a digital silk road.

Elizabeth Sidiropoulos, SAIIA Chief Executive, began by thanking Mr. Li. Ms. Sidiropoulos thanks the Chinese embassy and the China-Africa joint research programme. This programme has allowed for the building of greater African research capacity among Chinese. Ms Sidiropoulos noted that it's not just about collaboration through the China Africa joint research and exchange initiative, but that it acts as ah as a launch pad for us to to really work together on research on the ground. Ms Sidiropoulos notes that development is not always linear, leapfrogging is possible, and critical. Ms Sidiropoulos highlights the ambitious plan of the AfCFTA. Ms Sidiropoulos, highlights that debt is key to the conversation. Restructuring of sovereign debt is becoming more important. Ms Sidiropoulos noted the opportunity that the conference provides to bring both researchers and policymakers together.

Session 1: The evolution of ESG implementation in a Chinese domestic context and how that evolution shaped transnational implementation over time

Cobus Van Staden introduced the first session that would look at the evolution of ESG implementation in a Chinese domestic context and how that evolution shaped transnational implementation over time. Mr Van Staden introduced the project which started in 2019 upon the realisation that discussions about Africa and Africa infrastructure needs and the role of China had very little comparative perspectives, especially in the ESG aspects. One of the key findings was that Africa is not always behind yet some of the problems are very similar across the global South. Another key issue is the complexity of the interaction between the different local actors and Chinese contractors and the kind of assumptions of levels of control, level of responsibility etc. these issues need a lot more attention.

Professor Yu Zheng, introduces the ESG regulations in the Chinese context and the evolution of these policies. China has geared up its regulatory efforts to establish ESG ratings and the EASG market has been flourishing in China, both in the rising number of players, and the expansion of finance. Prof Zheng notes that the Fundamental framework of ESG in China was set up in 2016. Prof Zheng highlights the carbon emission bill announced by President Xi in 2020 in addition to the establishment of the Ministry of ecology, which play a central role in ESG regulation. Mr Zheng discusses the four components of China's ESG integration, namely ESG disclosure, ESG, rating system, ESG, finance and fourth is the ESG development corporation. Prof Zheng highlights three principles of the ESG rating systems, firstly is to promote the quality demands, secondly, compatibility is key and thirdly, differences need to be acknowledged. Prof Zheng highlighted that China's investment in renewable energy in the BRI countries has surpassed those in fossil fuels. Lastly, Prof Zheng notes the three key drivers of ESG. Firstly: top-down driver, secondly: bottom-up driver, thirdly: global driver.

Professor Ana Alves begins by providing a broad picture, noting that South East Asia and Africa display similar trends regarding infrastructure (very fast rates of industrialization, but lack the funding to construct the needed infrastructure to support that growth) and China is being the one providing the lion's share of this funding. Prof Alves notes that most of the projects are part of pre-existing national or regional development plans. Prof Alves introduced the perceptions of Chinese led infrastructure standards overseas. Prof Alves notes that the literature focuses on the negative aspects. Yet Chinese investment has had positive impacts, the industries have become more competitive, prices have been reduces and the regions have gained greater negotiation leverage with traditional donors. Additionally, areas that have been neglected by Western donors have been given new life. Prof Alves highlights that ESG standards are a product of the dynamic interaction between the financers and contactors from the Chinese side and the political leadership and civil society in the host country. Prof Alves highlights that one of the reasons for the negative perceptions could be because the Chinese companies, SOE's in particular are given ease and quickness of access to credit from policy Banks gives them an important competitive edge over Western counterparts therefore they have become so dominant in both of markets yet, at the same time this model creates many problems for China's image. Furthermore, Chinese policy banks are more likely to fund riskier projects than, for instance, Western counterparts, and because some of these projects turn out to be not so commercially viable, in the long term, this may have a negative impact, not only on the balance sheets of the policy banks, but also the affects negatively Beijing's reputation. Thus leading to the rise of the narrative of debt trap and debt trap diplomacy. Prof Alves highlighted that the literature emphasises the agency of the ruling elites in the host countries in shaping standards of implementation. Prof Alves emphasised that civil society has had an impact on shaping the projects. Prof Alves ends by noting that the relationship between Chinese contractors and host countries ruling elites have been characterised by a lack of transparency of loan agreements, irregularities, and corruption allegations. Chinese contractors either adapt to host countries ESG policies, or take advantage of loopholes, therefore stronger institutional capacity and rule of law are more likely to experience higher standards of Chinese-led infrastructure.

Professor Chris Alden begins by noting that Chinese lending in infrastructure projects has changed over time and in response to the global economy and its conditions and reflected changes in China's domestic economy and policies. Prof Alden notes that as firms which are had only become globalized became exposed to the risks of operating in a given setting of local conditions, the changes in policy domestically within these recipient countries they had to adjust their own thinking and business plans. Due to the neglect of financing of development infrastructure by traditional donors, China has played a particular role in the question of sustainability of the lending to these countries. Prof Alden notes that since 2017, China has been much more conscious of the risk and difficulty of recipient countries to repay, this has led to a recalibration of the type of projects that are funded, ie. Self-regulation. China as a lender has learnt by doing.

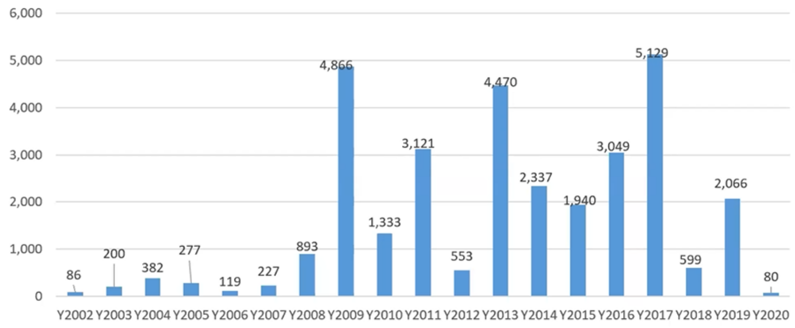
Dr Zhou Yuyuan begins by alluding to China's shifting role from a responsible participant to a responsible leader in global green development. Dr Yuyuan notes that since President Xi's speech in 2020, announcing China's commitment to carbon neutrality by 2060 has resulted in the shift in China's foreign investment cooperation. This shift has resulted in the move away from the 'host country principle'. Therefore, where host country laws/standards are low, companies should be encouraged to adopt international standards and best practices. Furthermore, Dr Yuyuan highlights the transition from CSR to ESG. It is expected that the scale of China's equity green investment is expected to increase. Dr Yuyuan notes that there is opportunities for developing the China-Africa cooperation. From the China side, the government's regulation capability is essential. From the African side, strehnghening ESG laws and regulation is necessary. ESG management and economic development needs to be balanced.

Dr Lauren Johnston replies as a respondent, highlighting the need to discuss or research further how the Chinese enterprises and SOE's make their decisions, what is the factor that drives the undercut of ESG standards. What can be done to make ESG standards much more congruent? Is there inertia, are they following an old school model?

Session 2: Electrification - Coal and Hydropower

Dr Gong Xue begins by highlighting that China's energy financing in South East Asia from 2013-2020 increased significantly in comparison to the period between 2002-2012 (please see graph below).

Figure 1. China's Energy Financing in Southeast Asia, 2002–2020 (Million USD)



Source: China's Global Energy Finance by Boston University

Furthermore, Dr Gong notes that coal, gas and hydro are key Chinese investment areas. Dr Gong notes that most of China's energy financing goes to resource abandoned countries such as Indonesia and Myanmar. Dr Gong highlights the commitment by China's top leadership to its role as an environmentally responsible state, noting President Xi's commitment not to fund the building of any new coal-power plants abroad. Dr Gong emphasises that Chinese investment in green energy is arguably featured most dominantly in it's hydroelectric projects in Southeast Asia, due to the abundant water resources along the Mecca River, which is also connected with Chinese landsong River and in Chinese hydroelectric presence in Southeast Asia, in this regard has played a significant but also tricky role due to historical. Ah, geopolitical and environmental political reasons. Dr Gong emphasises the ASEAN-China fund, which is under researched and largely unknown. Dr Gong emphasises the lack of policy incentives. Furthermore, geopolitics has become a barrier to ESG prioritisation. Dr Gong notes that the ideational and discourse competition around the most popular model has risen resulting in instability. Dr Gong notes that there has been a lack of coordination and structuring of ESG policies and implementation in overseas projects.

Cobus Van Staden begins by noting the challenge faced during the research which was the statements of various reforms by President Xi on China's investment in Coal power plants. These announcements provided a glimpse into the interactions between the global Souht governments and Chinese entities. Dr Van Staden introduced the two projects that the relevant study investigated being the Hwange Expansion Project in Zimbabwe and the Jawa-7 project in Indonesia. Dr. Van Staden notes that the latter has been projected as having some of the cleanest coal technology, whereas in Zimbabwe, there has been a lack of information in a weak regulatory environment. However, in both projects, there has been a strong regulation bias towards coal. Therefore the Chinese firms had no choice but to respond to the internal contexts. Dr. Van Staden notes that Zimbabwe performed better in the job creation aspect of the project. Dr Van Staden emphasised the complications between local stakeholders and Chinese contractors and the significant impact of coal power bias and entrenched coal culture.

Professor Xiaoyang began by noting that China's loans to developing countries has decreased since 2018 due to the increased debt burden, the pandemic, and the ESG standards. Prof Xiaoyang notes that this shift towards ESG prioritisation follows China's domestic policy reprioritisation. Prof Xiaoyang asserts that he believes China's financing in energy infrastructure in developing countries will recover because of the significant demand. China furthermore has a competitive advantage, China acknowledged the need for traditional energy due to its affordability and effectiveness. Yet ESG standards could become a barrier in the future. Prof Xiaoyang closes by emphasising that large hydropower plants provide key opportunities for collaboration between Africa and other developing countries and China.

Session 3: Ports

Prof Chris Alden begins by emphasising that the significance of ports to the achievement of the maritime component of the Belt and Road initiative is self-evident. As the world's largest trading nation and host to fourteen of the world's top four ports, ports feature as a critical part of the integrated approach to China's infrastructure rollout, including both the physical construction of harbors, docking facilities, terminal concessions, as well as the development and installation of for logistics, including supply, chain management and onward distribution. Prof Alden noted that the focus of the Chinese government's trillion dollar stimulus package in the wake of the 2008 financial crisis was on infrastructure, and extended financing to cross-border infrastructure projects in terms of port development. Prof Alden highlighted that the evidence shows that in some cases of port cities and their respective SEO's effectively reaching out prospective African and Southeast Asian clients indicating they'd be able to raise the finance from the policy banks to underwrite projects. Prof Alden notes that there is a marketplace of actors with different reach, access to resources and different skills which allows them to compete with one another. Finally, Prof Alden notes that ESG features in the port planning and construction yet the degree of follow through on the part of host governments is crucial and there seems to be a gap between what is signed off at a national planning level and what is implemented. Prof Alden also notes the degree of transparency, or the lack thereof is a key concern.

Dr Cobus Van Staden introduced the case studies from the research, those being the Lamu port in Kenya and the Kuantan Port in Malaysia. Dr Van Staden notes that the study revealed the complicated interaction between Chinese stakeholders and local stakeholders on the project decision level. Fitting within regional corridors, both of these projects resulted in limited control of the Chinese contractors. Noting that in the Malaysian Kuantan port project caused significant environmental degradation, yet the Chinese contractors had very little control over these impacts. Dr Van Staden emphasises the importance of African agency both upwards and downwards.

Ambassador Gert Grobler began by noting that China has had a huge impact on infrastructural development in Southeast Asia and in Africa through the BRI initiative and FOCAC Forum on China, Africa, cooperation mechanism. Africa is the continent of the future. To realize its potential. Africa needs to reduce its massive infrastructure deficit to both, achieve structural transformation market integration and an economic growth. The latest estimates by the

African Development Bank suggests the continent's infrastructure needs amount to anything between 130 Billion -170 Billion year. Africa, therefore, must increasingly interact with its international partners, like the Us. Eu, China, India, Japan, and many others. China strongly supports Africa in making infrastructure development a priority for economic revitalization. It encourages and supports Chinese enterprises to adopt various models to participate in construction, investment, operation, and management of infrastructure project. Amb Grobler notes that seaports play a crucial role in all economies reliant on exporting imports, especially in African states. Africa, despite its enormous size, still represents only a small portion of world trade. Yet Africa is growing, and many of its larger economies are beginning to diversify away from traditional commodities focus. Ports represent the gateways for these commodity exports. Amb Grobler notes that there are 46 existing or planned port projects with Africa. It's all based on the principles of the principle of extensive consultation and coordination. Amb Grobler argued that Africa needs to speak with one voice, to establish clear principles an priorities to maximise the benefits for Africa. Amb Grobler noted in conclusion that collaboration is increasingly characterised by ongoing dialogue and consultation at both intergovernmental and non-governmental levels, involving a broad range of actors at various levels. China accepts Africa as an equal partner and is prepared to constantly adjust and improve its policies and approach in Africa. Amb Grobler strongly disputed the debt trap discourse of China-Africa relations.

Session 4: Rail

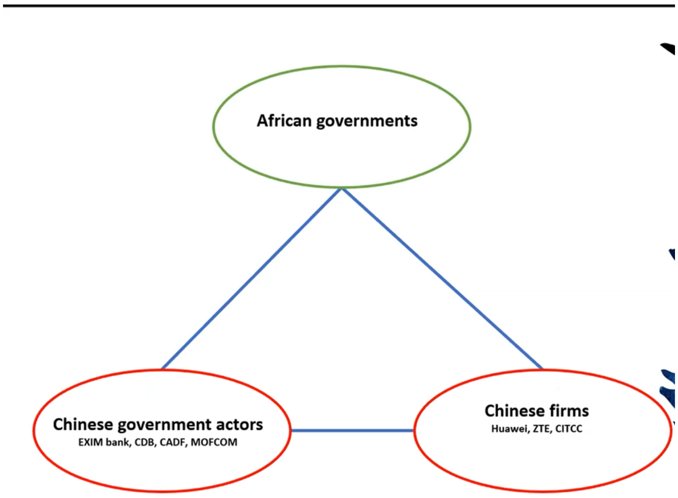
Dr Guanie Lim began by introducing the two projects that were compared in the research, these were the Standard Guage Railway in Kenya and the Jakarta-Bandung High-Speed Rail Project in Indonesia. Dr Lim noted there are significant ESG concerns in rail projects such as flooding, pollution, and deforestation. Dr Lim notes that the project in Indonesia was won by China who was bidding against Japan, although the decision making is unclear, China was willing to forego the Sovereign guarantee which Tokyo was not willing to give. The Chinese also promised to complete the project in a less than expected time, which Japan did not provide.

Dr Oscar Otele began his presentation by noting that the Kenyan Standard Gauge Railway (SGR) was controversial. The project has been divided up into three phases. The environmental issues has elicited significant concern in relation to the SGR, this is because the project route passed through the Nairobi National Park. Dr Otele notes that China Road and Bridge (CRBC) was flexible in adapting and innovating the route to be more animal friendly. On socioeconomic issues, local actors such as the Chinese embassy reported frequently on the implementation of the project. Dr Otele raised the issue of land compensation, which soiled the reputation of the contractors, yet the contractors control was constrained. Dr Otele noted that an Italian company was previously in the bidding, and it has been noted that the awarding to CRBC was a violation of the Kenyan Constitution which requires competitive bidding for public projects. Dr Otele appreciated the role played by President Guru Kenyatta who had a very strong interest in the implementation of the project, and personally took charge in that negotiation.

Dr Liu Haifang posed the question of the TAZARA spirit, what is the symbolic spirit? Dr Haifang noted the origin of the TAZARA from the Bandung conference which first embedded the Sino-African solidarity in the era of Tazara's construction. Dr Haifang likened the TAZARA spirit to Adam Smith's vision of "the superiority of force happened to be so great on the side of the Europeans, that they were enabled to commit with impunity every sort of injustice in those remote countries". Therefore the TAZARA railway originated from the dire need of an alternative route (Kennith Kaunda). Dr Haifang emphasised the spiritual origin, to alleviate the fear of losing independence. This allowed for China-Africa's common understanding. This spiritual value needs to be appreciated in addition to economic value. Dr Haifang also highlighted the importance of the railway to the community as a means of agency and independence. Dr Haifang highlighted that much of Chinese construction companies have gained their global reputation directly or indirectly from working on the TAZARA construction project. Dr Haifang closed by stating that the spirit is still very relevant, the idea of equality, join consultation and self-identity are imperative.

Session 5: ICT

Dr Motolani Peltola (formerly Agbebi) began by outlining the origin of Chinese presence in Africa's telecom sector noting that back to the late 1990's when a number of African countries were liberalised their telecom sectors, and essentially opened up to private sector involvement global telecom giants played a significant role in infrastructure development whereas Chinese financing and companies played a significant role in Africa by creating competitive pricing, lowering production costs, providing cost-effective equipment and solutions and providing access to Chinese state-subsidised funding and support. Dr Peltola introduced a triangular relationship of the key actors involved (below):



Dr Peltola notes the mutual benefit of the ICT collaborations. Dr Peltola introduced the Tanzania's National ICT Broadband Back bone (NICTIBB) project which her research focused on. The NICTIBB proposal was given to several prospective financiers including the world bank, however, China was the only willing financier at the time. Dr Peltola summarised the ESG impacts to include increased broadband connectivity, increased adoption of ICT and e-services, fostering e-education and wider adoption of e-government. Further impacts include job creation, creating over 9000 local jobs, with a 60% workforce localisation rate. Dr Peltola emphasised that there was limited focus on capacity building which led to inadequate local operation sustainability. Dr Peltola closed by emphasising the importance of ICT development on the African continent considering the significant digital divide, yet more can be done by both Chinese and African actors to create conditions to properly leverage the infrastructure development. Dr Peltola noted that human resource development should be prioritised.

Dr Gong Xue began by noting a key difference in Chinese investment in ICT in Africa compared to South East Asia, the latter is largely through joint venture or capital investment in Southeast Asian telecom companies. Dr Gong notes that Huawei has played a significant role in ICT development in South East Asia, especially in the creation of the Smart Cities. Dr Gong introduced the Submarine Fiber Optic Cable Projects that formed the focus of her research. Dr Gong notes that ESG concerns in the ICT sector are much less controversial and more acceptable to civil society, therefore research into these aspects in the ICT sector are scarce. The company, High Road has made efforts to localise itself in its context, Cambodia in this case. Dr Gong notes that her research demonstrates that the Chinese firms respect and adhere well to the local laws and regulations, yet they do not do much to go further and to promote better standards. Dr Gong emphasises the issue of transparency.

Desre Nieuwoudt began by providing a background to Huawei, noting that it was founded in 1987, is a leading global provider of ICT with approx. 190 000 employees, operating in more than 100 countries, serving more than 3 billion people worldwide. Ms Nieuwoudt notes the importance of modern-day technology in harnessing Africa's range of natural resources. Ms Nieuwoudt emphasises the issue of resilience. Ms Nieuwoudt notes that Africa's internet economy is one of the largest overlooked investment opportunities with the potential to add US$180 billion to Africa's GDP by 2025. Ms Nieuwoudt introduced the concept of meaningful connectivity which remains a significant issue in Africa. Ms Nieuwoudt notes the issue of affordability of connecting rural areas which impacts investment will.

Closing remarks

Dr Chris Alden summarises the key takeaways from the day's session into three things, firstly, the significance of context. These were comparative studies across very different regions across sectors and experiences. Secondly, the issue of complexity has been prominent across the studies. Finally the issue of compliance is key, although Chinese actors do respond to ESG incentives, the remaining question is who should provide these incentives?

Dr Cobus Van Staden adds the significance of the climate crisis and the increasing role it will that ESG issues will play in the coming future.