

MY CHINA

China's PR battle in Africa

Martyn Davies

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Political risk, conflict, government corruption, bureaucracy, infrastructure bottle-necks, underdeveloped capital markets, cultural and linguistic differences and the lack of skilled labour are all challenges of operating in Africa. These challenges are faced by local, multinational and Chinese firms alike.

But an unexpected operational challenge that China did not foresee in Africa is now their greatest - public relations. The criticism is growing and China - rather than been regarded as a new and confident investor in Africa - is being characterised as a self-interested power that is out to exploit Africa. But how should China be characterised?

China's initial market entry into Africa has focused on the extractive industries. This will expand into other sectors but at least for the short to medium term, this emphasis will remain. With so many global protocols governing best practises in these sectors — the Extractive Industries Transparency Initiative (EITI), Equator Principles and the ICMM Framework for sustainable development — Chinese enterprises say that these protocols try to "put them in a cage" when operating in Africa.

China's state-owned mining firms present in Africa are in the early formative stages toward becoming multinationals. At this point in their commercial history, Chinese SOE firms are relatively unsophisticated in their strategies when entering African markets. Their entry is most often facilitated by high level politicians in the host state.

Over time, China's initiatives will begin to dovetail with the projects of foreign and donor finance institutions in Africa. We are already seeing joint ventures between Chinese and local outfits in Australia but the model is still in its early stages in Africa.

Good PR = Good CSR

It is an unfortunate statistic but true that resource rich countries in Africa have low investment in education. Mining it appears, does not encourage the development of social capital. The reason lies in the political control of resources whereby a handful of politicians hold a monopoly over the resources in their countries. The result is in a very rapid accumulation of capital for the elite but is non-distributive in nature. This is the space within which mining firms must operate in many African states.

Mining firms present often become substitute governments in local African communities. The business of mining must also include health, welfare and local infrastructure development. The onus of social development is placed on the foreign firm by the Government, sometime unfairly so.

Much of mining firms' efforts is focused on PR. Often good PR equals good corporate social responsibility (CSR). The challenge for many mining firms is not so much engineering on the project, but re-engineering the perception of its social contribution. Perception is often more important than reality when it comes to mining ventures on the continent.

Often what happens is the community immediately surrounding the mine enjoy the social benefits, but other communities outside of a 30km radius do not receive the benefits and local criticism and rivalries come to the fore. These local stories of dissent used to remain in-country but with the internet and an alert NGO community, stories quickly get into the global news.

It's apparent that the NGO community in Africa inclines toward the negative when reporting on Chinese projects in Africa. Beijing regularly dispatches a large number of medical and agricultural teams to African countries, particularly to rural areas, but these receive little publicity when compared to its corporate investments. Perhaps a better strategy from Beijing would be to deploy its aid workers to around mining investment projects. China's projects are criticised by foreign observers for being state directed, but even more state involvement may be desirable for better Chinese CSR in Africa. More positive publicity is needed too.

Mounting pressure

Chinese firms are quick to seize commercial opportunity in these states where leaderships are most often non-accountable — to their electorates or anyone else for that matter. The first African recipients of Chinese investments fall into this category — Angola and Sudan in particular. The criticism that China has received over its presence in Sudan has shocked Beijing which is scrambling to repair the fallout from its investment. Criticism from some shareholders in Berkshire Hathaway and also from Hollywood is increasing the pressure. Sudan is being used as a stick to berate China in the international arena. Calls are even now being made for a boycott of the Beijing Olympics next year, no matter how unrealistic this is. The Chinese dispatched a special envoy to Sudan in April to try and convince the Sudanese government to accept an international peacekeeping force for the Darfur region. But in the past few weeks Amnesty International has criticised the PRC Government along with the Russians for contravening UN Resolutions for selling military aircraft to Sudan. The Forum on China-Africa Cooperation Forum (FOCAC) — a high level forum for Chinese and African political leaders — could play a greater role in managing this process.

International pressure is building to the point that China will have to act in Sudan. We will not see an investment withdrawal but some stronger policy statements inching toward the critical from Beijing can be expected in the coming months.

But there is large amount of hypocrisy around Sudan. Other state oil corporations including India's ONGC and Malaysia's Petronas are substantial investors in Sudan but are seemingly operating under the radar screen of international criticism. For how long, remains to be seen.

Losing the PR War

China is losing the PR war in its commercial move into Africa. China — perhaps naively — assumed that it could do business in Africa whilst distancing itself from domestic political issues. We see this in Sudan, Zambia and most recently Ethiopia. Whether China likes it or not, it will be sucked into domestic political situations it will have to deal with.

Also, the reaction from the traditional powers toward China's entry has been negative as has been that of the western news agencies. There is, however, an overall dearth of accurate reporting on China's presence in Africa, often because access to the Chinese stakeholders is not easy and communication is a challenge due to language differences.

China's challenge in Africa is to integrate its mining operations into local communities. Engagement needs to filter down from high level politicians to local communities.

Perceptions of its involvement also need to be shaped. Chinese firms are gaining valuable experience in Africa of how to operate international businesses and one lesson they are rapidly learning is the need for good PR. To convince the NGO community and international media of its positive contribution to the continent and its long term development, a lot more effort in generating publicity and promoting the good news stories of China in Africa is needed.

Dr Martyn Davies is Executive Director of the Centre for Chinese Studies at Stellenbosch University. He is also a Senior Lecturer at the Gordon Institute of Business Science.

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