The New Scramble for Africa: BRICS, China, South Africa – and he Zambian case

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The BRICS powers aren't anti-colonial counterweights. They're looking for new markets and resources for their corporations, just like Western countries.

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Over the last few years, much has been written about the "new scramble for Africa" — the attempt by countries and companies to increase their access to markets and natural resources on the continent.

In one telling, China has been the principal actor donning neocolonial garb to advance its interests. Growing economic and political interest in Africa certainly has been driven by the impact of Chinese demand on natural resource prices and the country's need for new overseas markets to absorb the products of its expanding economy. China is now the world's largest consumer of many commodities, such as copper and also, reportedly, illegally harvested timber (although much of this ends up in products destined for Western markets).

Despite popular perceptions that emphasize external neocolonialism, the contemporary jostling has also involved African companies — particularly those from South Africa, which has developed close ties to China — sometimes in joint ventures or implicit partnerships with other BRICS-based companies.

So what do China and South Africa's behavior in Africa tell us about the latest drive to reap the continent's riches? And, perhaps even more importantly, what would an enlarged international role for the BRICS mean for global justice?

Cooperation and Competition

While Britain and France nearly came to blows in Fashoda (a town in present-day South Sudan), Africa was for the most part "cooperatively" divided among the European powers in the nineteenth century. So too today. The current iteration of territorial control and influence by external and internal powers is marked by cooperation, in addition to competition.

Companies jockey for control over natural resources and markets, as well as governments, in order to ensure economic access — but not necessarily in a zero-sum way. For example, some British and Chinese oil companies have engaged in joint ventures in Africa.

The BRICS are playing an important role in this new scramble, with their influence continuing to grow despite the uncertain economic prospects of some member countries. This is particularly true for the South Africa–China relationship. The South African and Chinese governments and companies on the continent are increasingly aligned, allowing power to be projected across Africa's borders in novel ways that may be more durable than their colonial precursors.

Since South Africa joined the BRIC grouping in 2010 at China's invitation, there's been considerable discussion about the rationale for its admittance [1]. Jim O'Neill, the Goldman Sachs analyst who coined the term BRIC, has questioned why South Africa was asked over much larger economies. Yet other commentators, including author Kingsley Chiedu Moghalu, have argued that geopolitics trumped global economics: while its economy is dwarfed by others around the world, South Africa is important regionally because its economy is sizable in continental terms. This geopolitical consideration is, of course, important, but it's the strong economic ties between China and South Africa that are key to understanding how both they and their corporations are tapping Africa's valuable markets and natural resources.

During the last decade of apartheid, sanctions and domestic capital controls largely prevented big South African conglomerates from investing in the rest of Africa, even as they dominated their home country's economy. These restrictions were overturned after Nelson Mandela came to power in 1994, and more rapid economic growth in the intervening years has created additional excess investment capital — the market capitalization of the Johannesburg stock exchange is roughly 150 percent of GDP, whereas Brazil's, for example, is approximately 50. In recent years, the combination of higher surpluses and previously bottled-up capital has allowed South African conglomerates to aggressively expand into Africa and overseas.

The relationship between South Africa and China is central to this expansion. South Africa is now China's largest trading partner on the continent [2], and China has become South Africa's largest trade partner in the world.

This strong economic connection has fostered close relations between the two countries. For example, when the Dalai Lama wanted to visit South Africa for Desmond Tutu's birthday in 2011 and again for an event to commemorate Nelson Mandela's legacy in 2014, the South African authorities denied his applications. Likewise, when there was widespread concern about the impact of Chinese clothing and textile imports on South African industries, the Chinese government agreed to limit these commodities' entrance. Maintaining good relations with South Africa is important because, as an Indian diplomat in the country put it, "South Africa is the country that matters in Africa" — at least from a certain power politics and economic perspective.

Chinese companies are also keen on the relationship, investing heavily in their South African counterparts. In 2007, for instance, the Industrial and Commercial Bank of China (now the world's largest company) bought a multi-billion-dollar stake in the South African Standard Bank, which has an extensive branch network across the continent. It was the largest foreign investment in South African history.

This intermingling of South African and Chinese originating capital has its analog in political coordination between the respective states — the BRICS cooperation mechanism being a prime example. According to an official at the South African Department of International Relations and Cooperation, all the BRICS have an interest in the African market, but they should be entering it "in a coordinated way" rather than "trampling each other." Such coordination is achieved through foreign investment and a variety of other modes of geo-governance or economic and political power projection across borders.

_The Zambian Example

It is often held in international relations that dominance in economic production is a major source of state power — because the US has the world's largest economy, it must be the world's most powerful country. However, power flows not only from production but also from the circulation and exchange of products and services.

In the China–South Africa alliance, the case of the South Africa–based Shoprite, Africa's largest retailer, is demonstrative. With approximately 1,500 supermarkets across the continent — and a vow to open twice as many stores in 2015 as it did in 2014 — Shoprite has a major effect on the countries in which it operates, while also helping Chinese capital realize value.

We can see this in a place like Livingstone, Zambia, a border town dominated by South African capital. In this city of 150,000, there are two large Shoprites, in addition to South African businesses such as the fast-food outlets Hungry Lion, Steers, and Ocean Basket; the gas station Engen; and the telecommunications company MTN (which sells Chinese products like Huawei phones). The Protea hotel, one of Livingtone's biggest, was part of a South African corporation until the group was bought out by Marriot in 2014.

A manager at one of the Shoprites in the city told me that, aside from some vegetables and poultry supplies sourced locally, everything else in the store is produced either in China or South Africa. Instead of benefiting local Zambian producers, profits from the sale of Shoprite products largely flow back to South African shareholders, even though Shoprite is listed on the Zambia stock exchange.

Robust local companies in Livingstone are effectively non-existent — partly because, as one manager pointed out, the town is reliant on imports and small-scale tourism from the nearby Victoria Falls. But the strength of South African companies is also driving monopolization — Shoprite's only nominal competitor is Spar, which is also based in South Africa. Meanwhile, many of the bank loans going to small and medium-sized enterprises are intended for trade — despite an urgent need to, as one small-scale retailer argued, "emphasize local productivity."

The Zambian case is illustrative of broader trends: South African and Chinese (trans)national capital, among others, are capturing value by selling commodities in the country, by investing in copper mining and processing, and through profit repatriation from direct investments and through money circuits (loans from banks, for example). Flows of tourists and business travellers also generate profits for South African and Chinese-owned hotels in Livingstone. All of this has created a relationship of dependency for countries like Zambia because it no longer produces many of the goods its population needs.

How, then, did this particular configuration of geo-governance come about, and what are its implications for development in African countries like Zambia?

_South-South "Cooperation"

The model the BRICS say they favor is "win-win" globalization. A departure from the "win-lose" past — when European powers underdeveloped African economies by pushing them to export cheap raw materials and import higher value manufactured goods — the BRICS claim that the new paradigm is in their self-interest, but also delivers development in "partner" countries.

However, rather than marking a fundamental break with Western-led globalization, the BRICS model shares important similarities. The free-market policies that the World Bank and the

International Monetary Fund foisted on Africa and other parts of the developing world in the 1980s and 1990s were also, according to their sponsors, meant to bring about mutual benefits, particularly improved living standards. Current BRICS-led geo-governance in Southern Africa replicates key features of earlier rounds of globalization through its competitive displacement of local businesses and extraction of value from local economies.

Still, there are differences between the "Washington Consensus" policies of the past and those advanced by the BRICS. For one, China does not have a neoliberal economy — its government retains substantial ownership over key sectors, including natural resources and finance. This centralized state control [3] makes it easier to mobilize domestic resources for investment, outward investment, and the overseas sourcing of critical natural resources.

To achieve expansion and growth, China also needs the cooperation of African political elites, who serve as territorial gatekeepers of resources and, to a somewhat lesser extent, markets. Here another distinguishing feature comes into play: the policy of "non-interference," which facilitates cooperation with local elites. China and the other BRICS claim to be relatively agnostic about economic policy, favoring a mixed-economy approach and even encouraging state ownership in some sectors.

But while Zambia shows that this isn't the heyday of the Washington Consensus — the country recently renationalized its railways and the national phone company, which were previously sold to foreign investors — its economy remains largely structured along neoliberal lines, with an emphasis on "free trade" and attracting foreign investment.

In addition, the interaction of neoliberal capitalism and often oppressive labor practices has complicated attempts to secure elite assent. In 2006, a Zambian minister wept when she saw the environment in which workers toiled at the Chinese-owned Collum Coal Mine [4]. Four years later, eleven employees were shot at the site while protesting working conditions. (After widespread outrage, the state eventually took control of the mine.)

Scarce jobs, incidents like the Collum shootings, and poor working conditions at Chinese-owned companies sparked "anti-Chinese" riots in Zambia and some other countries on the continent. Despite some resistance, however, China — as well as other countries and companies — hasn't been cut off from market and investment access. How has it been able to do so?

China plays a two-level game in its international dealings, modifying its behavior depending on the venue. It is an important member of the World Bank, International Monetary Fund (IMF), and the World Trade Organization (WTO), and participated in the 2012 recapitalization of the IMF, along with the other BRICS. In this role China joins other wealthier countries in promoting external neoliberalization, and in doing so ensures continued resource, market, and investment access for Chinese companies overseas. Furthermore, Chinese officials say that they will never accept restrictions on China's foreign trade; in its bilateral relations with African states, the country says it attaches no strings when it comes to aid, trade, or investment.

Membership in the BRICS is also key to China's flexible geopolitical position. While the BRICS grouping has different meanings to different participants, for China it is part of a strategy to construct a counterpole to Western power — not through overthrowing the current global structures, but by bending them in China's favor. Given the history of Western domination on their continent — and China's (relative) lack of conditionalities and policy of non-interference — African political elites find this to be a relatively attractive alternative.

Yet Chinese and some South African corporations also benefit greatly from the neoliberal economic regimes that have been installed across the continent under the auspices of the international financial institutions and the WTO. That these economies have been extensively neoliberalized means they are open to commodity imports from South Africa and China and offer resource and investment opportunities to their and other “global” corporations.

China and African political elites are thus able to benefit from current global governance arrangements, while also claiming to dispute them. So while South African government ministers sometimes rail against imperialism, the status quo expedites the proliferation of South African and Chinese corporate capital across the region. Bemoaning Western imperialism may even function as a form of soft power projection; a rhetorical device that makes it easier for South African companies to blanket the continent.

The Big C

Some look at the BRICS and see the beginning of a new world order. Sober economic analysis yields a much different prognostication.

The BRICS countries, it can’t be forgotten, are firmly embedded in the dynamics of global capitalism. For example, workers in China’s Foxconn plants producing iPhones and iPads for the global market cannot afford to buy the products themselves, thus limiting demand. As a result, instead of profits being primarily earmarked for the construction of new factories, they often surge into other investments — such as stocks, property, and commodities — precipitating speculative bubbles and socially devastating busts.

The appearance of new markets — in Africa for example — can alleviate this over-accumulation problem, and indeed the twin imperatives of sourcing resources and opening markets are key to the geopolitical and economic strategies of the BRICS and other powers in Africa.

But while positive for Chinese, South African, or Brazilian capital, this developmental model is having increasingly detrimental effects on African countries. The Zambian economy is a case in point. Held up as an exemplar of “Africa Rising,” Zambia’s fortunes have dipped with the recent slowdown in the Chinese economy and plummeting commodity prices for things like copper, on which the country is heavily dependent. The Zambian kwacha has fallen dramatically in value, raising import costs and inflation, and the phenomenon of “load shedding” [5] (electricity black or brown outs) has increased, aggravating the downturn.

Further worsening Zambia’s economic woes are longer-term development trends. The drive for resources and markets by countries like China and South Africa has circumscribed domestic development in terms of job growth, local production, and purchasing power. What’s more, the disastrous economic reforms promoted by the World Bank and the IMF in the 1980s — which led to an increasingly foreign-dominated and highly dependent economy — have, for a variety of reasons, including the cost advantages Chinese commodities have due to that country’s sophisticated trade and industrial policy and export subsidies, greatly benefited Chinese and some South African firms while perpetuating Zambia’s subordination and poverty.

It’s unclear how the BRICS model, and in particular the alliance between China and South Africa, will develop in light of recent economic restructuring in China. But the role of the BRICS in altering African economies’ growth dynamics over the last ten years is undeniable: they drove primary commodity prices higher, which today account for roughly four-fifths of the continent’s exports, and made major inroads into African markets in terms of commodities and capital flows.

However, the current configuration is not auspicious for economic diversification or for tackling inequality and poverty in countries like Zambia. In a 2011 speech at the third BRICS leaders meeting, South African President Jacob Zuma said, “We are now equal co-architects of a new equitable international system.” But the reality couldn’t be more different. South Africa’s current “sub-imperial” role (both dominated by external powers and transnational capital and dominating the Southern African region itself) is the one it has historically played. The main difference now is that China is the emergent potential hegemon, rather than Britain.

Ultimately, the most important C in BRICS may not be China, but capitalism. For capitalism is global and operates according to its own laws, even if it varies in its geographic expansion and impact and exerts power through networks of states and corporate actors. While their states often play a more active economic role than their Western counterparts, the BRICS powers are capitalist, looking for new markets, resources, and sources of expansion and growth for their corporations overseas.

This is not to say that there aren’t differences in how the BRICS engage Africa, but the core contradictions of global capitalism, and the poverty and inequality it produces, remain.

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P.S.

* “The New Scramble for Africa”. Jacobin, Issue 19: Uneven and Combined, Fall 2015: https://www.jacobinmag.com/2015/12/china-south-africa-imperialism-zambia-brics-globalization/

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Footnotes

[1] http://www.theguardian.com/world/2013/mar/24/south-africa-bric-developing-economy

[2] http://www.brookings.edu/blogs/brookings-now/posts/2014/05/8-facts-about-china-investment-in-africa

[3] https://www.jacobinmag.com/2015/07/china-communist-party-market-collapse/

[4] http://blogs.wsj.com/frontiers/2015/04/17/zambia-reopens-chinese-owned-collum-coal-mine/

[5] http://www.bloomberg.com/news/articles/2015-04-29/blackout-seen-costing-zambian-economy-more-than-50-million