AFRICA-CHINA TRADE

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Battle commences for influence in Niger, a destitute country sitting above copious seams of uranium, writes **Tom Burgis** **Page 3**

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Continent drives a harder bargain

African policymakers are wary of becoming too dependent on or indebted to China, and see virtue in diversity, write **William Wallis** and **Tom Burgis**

Resource rail: Chinese involvement is helping address infrastructure shortcomings that hold up growth – with roads, dams and pipelines and railways Getty

If China's courtship of Africa had been formalised in marriage, then the bride might be developing early symptoms of the seven-year itch.

The relationship is still evolving fast. The revival this year in two-way trade – after a dip during the global recession – and a flurry of prospective mineral and infrastructure deals, have underlined the central place that Chinese investment, financing and commodity demand are assuming in Africa's future.

But competition is intensifying. African countries are increasingly the object of seductive advances by other emerging powers – including India, Brazil, South Korea, and Malaysia – drawn to the continent's prodigious mineral wealth and billion-strong market of potential consumers.

Traditional partners such as France, the US and multinational miners are also staging something of a fight-back in defence of oil, influence, and markets.

In parallel, a more vigorous debate has begun about the nature of African ties with China and how beneficial these will prove in years to come.

Hyperactive Chinese involvement in construction projects is undoubtedly helping address the infrastructure shortcomings that hold up growth – with roads, dams and pipelines appearing with astonishing speed, and railways in parts of Africa chugging along behind. Put together, all forms of Chinese financing more than match inflows from traditional sources and multilateral donors.

Meanwhile, in some countries, the flood of Chinese émigrés already far surpasses that of European settlers during colonial times. As well as working on big state-backed projects, large-scale trading ventures and commercial farms, they can be found selling car parts in Accra, growing vegetables outside Khartoum and running restaurants in most African capitals.

Altogether, it is now difficult to consider African prospects without mention of its pre-eminent foreign suitor, which in the past decade has increased trade with the continent 10-fold – from $10bn to more than $100bn – and has overtaken the US and Europe as the largest trading partner in some important economies.

For many African countries, there is good reason to fear that a double dip recession in Europe would lead to fresh risk-aversion among investors or a dilution in official development aid. But in a sure sign of power ebbing from west to east, the prosperity of the poorest continent is now equally – or more – dependent on demand and investment from developing world countries – China foremost among them.

From the outset, the fiercest critics of China's advance into Africa have been in the west. China-bashers see in Beijing's mercantilist expansion the same exploitative patterns that typified Africa's past relations with Europe.

They worry too that Beijing's engagement is undermining western proselytising about democracy and letting corrupt and murderous leaders off the hook, just as governance was beginning to improve.

But there has always been a strong whiff of hypocrisy about this argument. A recent study by academics in Norway, for example, concluded that the US had a greater propensity than China to sell weapons to repressive regimes. Beijing's arms transfers to Africa were roughly on a par with those from Belarus, the study found.

As might be expected, Chinese officials are also critical of the west's record and vigorous in their own defence. "Western countries should set an example by making public the resources they have grabbed in Africa in the past 400 years. Only after that can we come to the issue of China's transparency," Li Ruogu, president of the Export-Import Bank of China, said recently.

However, the soul-searching, is now taking place as much among Africans themselves. Many fear that, while the direction of trade is changing, its nature, involving raw material exports and the import of finished goods, is not.

"If we go on like this, African resources will be used for Chinese development like they were for European development before," warns J H Mensah, a former minister in Ghana.

Increases in commerce have turned out to be something of a mixed blessing.

On the one hand, the many African countries that depend on raw commodities for export earnings have found their bargaining power greatly increased.

Chinese interest helped Niger to foist tougher terms on Areva, France's atomic energy group, for its uranium, Zambia to raise copper taxes, and Nigeria to hold out for hefty payments from western energy groups seeking to renew oil block leases.

A report last month by the African Development Bank and the Organisation for Economic Co-operation and Development urged resource-dependent states to go further. "Increased interest in Africa's minerals from Chinese corporations and other new partners is an opportunity for governments to reap the fiscal rewards of competitive bidding. African states must use this opportunity to generate higher public resources," it said.

On the other hand, except for leading oil and minerals exporters, African countries face considerable trade imbalances with China.

Cheap Asian imports have brought a range of previously unaffordable goods within reach of consumers. Yet they have undercut local producers, at the cost of hundreds of thousands of jobs.

A growing number of African policymakers are wary of becoming too dependent on or indebted to China, and see virtue in diversity. Even Angola – where Beijing pioneered a strategy of swapping cheap finance and infrastructure for crude oil and other resources – is now back in the arms of the IMF.

Chris Alden, a British Sino-Africa expert, argues that the Chinese have nevertheless been supple in adapting to changing African realities.

Moreover, in many instances, there is a convergence of interests between the two. He cites agriculture as an example. Chinese efforts to raise productivity could enhance rural African livelihoods, at the same as time addressing the growing problem of food security in China itself.

In another example, Beijing has set up a $1bn fund designed to help small and medium-sized African enterprises to grow.

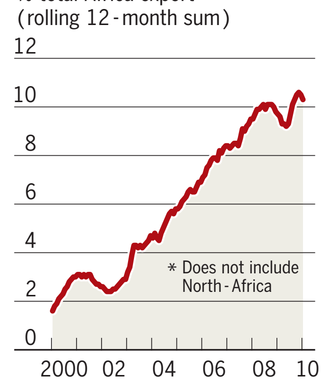
The dilemma is that as Chinese engagement in Africa evolves, it is becoming more difficult for Beijing to control the outcome.

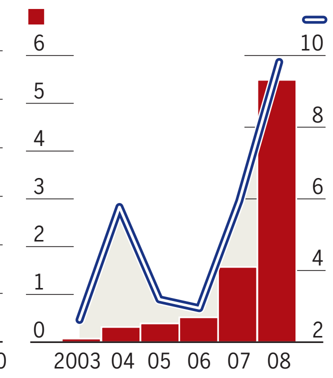
Some of the biggest recent mineral deals have been made by autonomous provincial companies and quasi-private Chinese funds. Abuses by Chinese wheeler-dealers extracting minerals and timber abound, and the treatment by Chinese companies of African workers is coming under closer scrutiny.

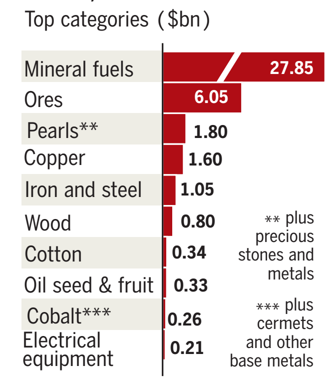
The capacity of many African states to regulate is already weak, but is weakened further by lack of oversight from civil society because of the opaque nature of many deals.

This needs to change, if Africa is to capitalise on China's interest and build more equal relations with the outside world as trading patterns shift.

"It doesn't matter where the money comes from, where the investments come from," Paul Kagame, Rwanda's president told the FT. "It's how we ourselves are prepared to maximise the impact."







Source: Thomson Reuters Datastream; Chinese Ministry of Commerce; International Trade Centre, Market Analysis Tools

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Anxious to shed colonial image and foster a new cycle of trade

China's policy

Geoff Dyer on Beijing's changing relationship with the continent

Commodities are at the core of China's push into Africa and will remain so for years to come. It gets about a third of its oil from Africa, notably from Angola and Sudan, and Africa also provides a large slice of its copper, cobalt and maybe in the future, iron ore.

Urbanisation in China still has years to run, which means it will continue to spend the next decade scouring the continent for suppliers of the metals and energy that it needs to build its cities.

But China is beginning to want more from its relationship with Africa. Within policy-making circles, a conversation has begun about trying to find ways that boost the relationship beyond Chinese purchases of commodities in return for exports of light manufactured goods.

Some of that discussion is a reflection of the growing political challenges that China faces in Africa. For the past decade, it has been able to present itself as another developing country, rather than the next generation of colonial powers come to exploit the continent's natural resources.

Yet as it gets wealthier and more powerful and as its ties with African ruling elites become ever closer, it will be harder to play that role.

The Zambian election of 2008, when Michael Sata lost by just 2 percentage points on a platform that accused Chinese mining interests of exploiting local workers, was a warning of a potential future backlash.

Beijing is desperate that the tag of "new colonialists" does not stick.

This thinking also reflects the fact that China is beginning to re-examine the way it manages its massive foreign currency reserves, which have now reached $2,400bn.

For several years, Chinese policymakers and economists have been talking about the need to diversify the reserves in order to reduce the need to keep buying US dollar assets that many believe will inevitably fall in value.

Xu Shanda (left), former official, has called for a Marshall Fund

But more recently, the debate has shifted to trying to find ways to recycle reserves into parts of the developing world, such as Africa.

The financial crisis has persuaded Chinese officials that the rapid growth in its exports to the US and Europe since the early 2000s is unlikely to be repeated. As a result, it needs to find new sources of dynamism.

This means more than just buying more natural resources assets – it is about using the reserves to help foster a new cycle of trade and development between China and Africa.

A by-product of these discussions has been a series of interesting proposals.

Last summer, a former senior official called Xu Shanda called for the creation of a Chinese "Marshall Fund" to lend money to Africa and other parts of the developing world for projects that would help raise living standards.

This would also boost demand for Chinese goods. His proposal called for $500bn to be handed over.

Although that type of funding for such a proposal is politically inconceivable, the idea has won backing from important sources. At

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State-to-state: Yang Yiechi, China's foreign minister, with Ojoa Maduekwe, his Nigerian counterpart, in talks at the start of a six-nation tour of Africa Getty

State-to-private contracts provide second route to riches

Investment strategy

Tom Burgis on China's new approach to the big African economies

If 1978 was the year that China's communist rulers began to embrace the market, perhaps 2009 was the moment that Beijing's African strategists did something similar.

For the past decade, China's huge deals on the continent broadly followed a pattern. Analysts christened it "Angola mode" after the original pact: a mammoth infrastructure programme in exchange for crude and other resources, agreed between two secretive governments and underwritten by billions of dollars of cheap Chinese finance.

Such state-to-state deals continue to be replicated, most recently in Niger, where China is building an oil industry from scratch, for an initial $5bn, and a uranium mine.

But of late China has forged a second route to Africa's mineral riches, one whose first ports of call is western bourses rather than presidential palaces. The new approach might be dubbed "Addax mode". Last June, Addax, an independent oil-producer listed in Toronto and London with assets in Nigeria, Cameroon, Gabon and Kurdistan, announced it was selling itself to Sinopec, one of China's three big energy groups.

The deal bought Sinopec sought-after production in west Africa. The $7.2bn fee represented China's biggest outward oil investment.

The hefty premium rekindled accusations that Chinese groups, flush with cash and driven by strategic national goals rather than commercial calculations, regularly overpay.

Chinese officials reject such claims, saying executives are given strict financial targets and note that China has been able to pick up bargains after the commodity bust left mining assets cheap and western rivals short of money.

But there is also a more fundamental reason for a recent rush of state-to-private investments. "In Congo or Angola, you can say [to the government]: 'Give me some blocks and I'll build you a railway,'" says Amadou Hott, chief executive of UBA Capital, the investment banking arm of one of Nigeria's biggest lenders, which has a partnership with China Development Bank. "But here, you have to talk to Shell or Chevron."

The three countries in which Beijing struck its grandest early infrastructure-for-resources bargains – Angola, the Democratic Republic of Congo and Sudan – have much in common. Each has only recently emerged from long, horrific civil war. Each has an authoritarian government that controls access to under-developed resources.

However, in Nigeria and South Africa, the continent's two biggest economies, some of the world's most powerful mining and oil companies have spent decades establishing dominant positions.

Some analysts see the Addax deal as evidence of Chinese frustration that its efforts to court the establishment in Nigeria, Africa's biggest repository of oil and gas, have been rockier than elsewhere.

"Before the Chinese arrival becomes noticeable, they will have to throw lots and lots of things at us, because we have a preponderance of old friends," says Ernest Nwapa, a senior official at the national oil company, referring to Royal Dutch Shell, Exxon Mobil, Chevron and the other majors entrenched in Nigeria's oil sector.

China has plenty to throw, however. State-owned CNOOC's confidential bid to buy 6bn of Nigeria's 36bn barrels of reserves for $50bn, was followed by last month's undertaking by a Chinese construction group to spend $23bn building refineries.

> 'Before the Chinese arrival becomes noticeable, they will have to throw lots and lots of things at us'

The same approach is evident in South Africa, where mining empires such as Anglo-American control some of the planet's richest stocks of everything from diamonds to coal.

Political ties are strengthening ahead of President Jacob Zuma's visit to Beijing in August. Mineral alliances could follow, but, for now, China is shopping in the private sector, most recently agreeing to plough $877m into mining platinum via South African junior Wesizwe.

Martyn Davies, who has advised on a number of Chinese deals in Africa as chief executive of Frontier Advisory, says it is "premature" to divine a wholesale change of strategy.

"The terms of engagement are still shaped by the same forces: it's a state-capitalist approach," Mr Davies says.

In some quarters, a grey area between state and private is emerging. The publicity-shy China International Fund, based in Hong Kong, is ostensibly private. In Angola it has provided at least $2.9bn of credit lines in parallel to lending from Chinese state-owned banks for infrastructure projects.

Some promised projects have stalled, but the CIF and its sister company, China Sonangol, a joint-venture with Angola's state-owned oil company, are expanding across the continent rapidly.

In October, Guinea's military-backed government unveiled mining, oil prospecting, and infrastructure joint-ventures with the CIF and China Sonangol with plans for $7bn of investments. There followed CIF's deal with Bellzone to spend $2.7bn on export infrastructure from the Aim-listed junior miner's planned iron ore mine in central Guinea in exchange for a share of the mineral permits.

Some Chinese officials have been quoted as saying the CIF is a purely private affair, occasionally seeking to distance Beijing from its activities.

However, a report for the US Congress found evidence that "key personnel" among its owners "have ties to Chinese state-owned enterprises … and possibly China's intelligence apparatus".

Tough lessons in navigating the business landscape

The middlemen

Tom Burgis reports on the shifting relationships that can make or break deals

Inside a pair of unremarkable one-storey buildings on two leafy backstreets 500 miles apart, the middlemen are hard at work. The offices – one in Lagos, Nigeria's commercial capital, the other in Niamey, capital of neighbouring Niger – are entirely unconnected.

But both house companies working to advance China's thrust into Africa, linking Chinese groups hungry for resources to African governments desirous of cash and infrastructure.

Just as Chinese geologists are charting Africa's oil reservoirs and mineral seams, so its emissaries have attempted to navigate what is often treacherous political territory.

Following in the footsteps of some of their local guides offers a glimpse of the relationships through which Beijing is building its African presence – and the pitfalls it has encountered. One such trail leads to the Lagos address given for a little-known company called Sunrise.

Sunrise acts as a representative for Chinese groups seeking an entry into Africa's biggest energy producer. By far its biggest gambit to date was last year's proposals for CNOOC, China's biggest offshore oil and gas producer, to buy one-sixth of Nigeria's oil reserves in a deal officials say could be worth $50bn.

When the FT visited the Lagos address, a secretary said James Lap Yen Young, Sunrise's chairman, was away. Reached by phone, Mr Young said: "I don't know much about that," and hung up. Mr Young is a businessman with roots in Hong Kong and Shanghai and a family friend of Jiang Zemin, predecessor to Chinese President Hu Jintao, according to an associate.

However, the prime mover behind Sunrise is Leno Adesanya. A Nigerian schooled in New York, Mr Adesanya worked for Citibank before getting into the oil trading business at the age of 25. He prospered under the military dictatorships of the 1980s and 1990s, although a sizeable contract to provide offshore petroleum storage went sour.

Mr Adesanya's first serious dealings with China came when he enlisted the engineering group, now called Sinohydro, for a successful bid to build a hydroelectric dam. The $6bn contract was awarded in 2003, but was, like many other deals in Nigeria's perilous business climate, engulfed in political disputes. Politics may yet decide the fate of the CNOOC offer.

In November, Umaru Yar'Adua, the late president, fell into the sickness from which he died last month. His oil minister and deputy minister – both friends of Mr Adesanya – have since departed, as Goodluck Jonathan, the new president, brought in his own team.

However, Emmanuel Egbogah, special adviser to the president on petroleum matters whose signature adorns correspondence with Sunrise, remains in post.

In a sign that Beijing's ambitions in Nigeria are undimmed, shortly after Mr Yar'Adua's death, a consortium of Chinese construction groups signed a memorandum of understanding to build refineries and a petrochemical plant for $23bn. The consortium's local partner is Sunrise.

Some industry insiders are sceptical as to how much influence is wielded by figures such as Mr Adesanya, who declined to comment. One experienced insider questions whether the refineries will be built and suggests Mr Adesanya has yet to convince Diezani Allison-Madueke, the new oil minister. He is certainly not the only intermediary.

"Finding the middlemen in Nigeria for the commercial deals with China would be worthy of a PhD," says Lillian Wong, an expert on China's relationship with Nigeria. "Almost anybody who is anybody has visited China in recent years."

North of the border, however, a single operation has emerged as the main link between China and Niger's stocks of another critical energy source – uranium. Trendfield is registered in the British Virgin Islands and based in Hong Kong but thehub of its business to date has been Niger, where it maintains an office on a quiet, sandy road.

Mamadou Tandja (left), whose presidency of Niger came to an abrupt end when he was toppled in February's military coup

The consultancy was instrumental in helping state-owned China National Nuclear Corporation secure in 2006 the permit for what is to be its biggest uranium mine in Africa – a deal sealed with a $300m signature bonus. It is run by Guy Duport, a Frenchman with an education from Liverpool and a mining background. The company has ties to Chinese and Canadian businessmen.

People close to the situation say Trendfield has close links to Ousmane Tandja, Niger's commercial attaché in China and the son of Mamadou Tandja, whose presidency came to an abrupt end when he was toppled in February's military coup.

The new junta is planning to audit all 150 mining permits issued during the Tandja era, which broke the 40-year monopoly of Areva, France's state-owned nuclear group.

El-Moctar Ichah, head of Trendfield's Niger subsidiary, dismisses claims of links to the Tandja family as "speculation". The company has also assisted investors from other countries, including Australia, he adds.

"A lot of companies came," says Mr Ichah, a Tuareg from the northern mining region who used to work for Areva. "Some sought the aid of Trendfield, who already knew the terrain."

Assisted by its phalanx of guides, China is mapping Africa's business landscape fast. It is also learning how quickly it can change.

Generation of industrialists makes way for a new wave

Business titans

Tom Burgis dips into the history of Chinese influence in Nigeria

The Nigerian and Chinese flags flutter above the mock pink castle that rises above the shacks on the outskirts of Lagos, Nigeria's sprawling commercial capital.

Behind China Town's walls are salesmen from the factory of the world. Piled high with bargain flip-flops and imitation designer wear, the 62 clothes shops are but a few of the conduits channelling cheap Chinese manufactures to African markets.

China Town's façade may look medieval but its occupants are by no means the first wave of arrivals from the east. The influx of recent years has hastened the departure of an older Chinese generation whose long Nigerian adventure appears to be coming to an end.

The story of Nigeria's once-prosperous population of Hong Kong Chinese industrialists serves as a cautionary tale for Africa, as it adapts to the flood of Chinese imports entering the continent as oil and minerals flow the other way.

"It started very suddenly and it has been very rapid," says one Hong Kong industrialist, whose textile factory folded under the weight of competition from cheap imports from the mainland.

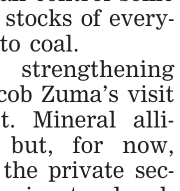
"You see Chinese arriving every day – young guys, young girls, families. They are traders, they want fast money," adds the industrialist, who, like many of his compatriots, asks not to be named. "They import a lot and the price is cheaper, so we could not survive [without them]."

A very different odyssey began in 1949, when the People's Liberation Army marched into Shanghai, then the hub of Chinese capitalism. Middle-class entrepreneurs and industrial families fled to Hong Kong, then under British rule, in their droves. Once there, they joined the established Hong Kong magnates surveying the horizons.

A few pioneers set about recreating the industries in which they had prospered back home – textiles, steel, enamel – on African soil.

Nigeria, with its vast market, was no exception. Factories sprung up in Lagos and the big northern cities of Kano and Kaduna. Those who weathered the 1967-1970 civil war made fortunes in the oil boom that followed.

Today, the Lee Group is by some estimates Kano's single biggest employer, churning out everything from binbags to footwear.



Behind China Town's walls (left) are salesmen from the factory of the world

Factories such as Universal Steels are landmarks of the industrial quarter of Lagos. Yet all but the strongest have been swept away. From the mid-1990s, local producers began to notice Chinese-made clothing, pots and pans on sale. A trickle became a flood.

Many of the Hong Kong industrialists have been able to shift investments elsewhere. But for Nigeria's home-grown textile industry, Chinese competition, compounding chronic power shortages, has been disastrous. Hundreds of thousands of jobs have been lost as factories close.

A ban on textile imports has done little, save to deprive the state of customs revenues. A study of the textile sector last year for the Nigerian government by the United Nations Industrial Development Organisation found that smuggled products had gained an 85 per cent market share, worth $1.5bn a year.

"China is the country where most of these textiles are imported from," says Yakubu Dogara, chair of the house of representatives' customs committee.

With the imports have come the traders. Arriving from mainland China, their expectations for income and prestige were far lower than the old Hong Kong industrialists.

China Town's residents speak a unique tongue that takes Pidgin English, Nigeria's distinctive lingua franca, and adds a heavy Chinese accent. In one stifling store, a 35-year-old vendor – known jokingly to his local employees as "Kingmaker" – is sifting his stocks of girls' frocks. He says every thread comes from his homeland.

Asked what brought him to Nigeria, he says: "The Chinese population is very, very big. We can't all stay at home. We can't wait for opportunities. We have to search all over the world."

Nigerian customers wandering among the shops appear delighted to be picking up garments for a fraction of the prices at other markets.

Yet China Town relocated to the periphery from a prime location on Lagos' wealthy islands partly because of outcry from local rivals tired of being undercut.

Such friction has proved explosive elsewhere in Africa. The Chinese diaspora in Nigeria is estimated at 50,000 and growing, as traders, construction workers and employees of the energy groups carving out a share of the continent's oil and gas reserves more than compensate for the departures.

"Long live Nigeria-China friendship," reads the slogan by the entrance to China Town.

The new guardians of that relationship will have to treat it with care. After all, as one of the old generation remarks wistfully, "nothing is permanent".

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Eager to shed colonial image and foster new cycle of trade

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a meeting of G20 finance ministers last year, Hu Xiaolian, deputy governor of the central bank, called for the creation of a "supra-sovereign-wealth investment fund" that would allocate foreign currency reserves to developing countries, so that they can "serve as new engines in global recovery and growth".

The idea of a Chinese Marshall Plan has a companion in the discussions between the World Bank and the government in Beijing about establishing industrial zones in low-cost factories in Africa.

According to Bob Zoellick, president of the World Bank, there is "a strong interest among some in China" about the project. The discussions involve development zones in seven African countries, including Nigeria, Egypt and Ethiopia.

Officials in Beijing say the idea is not so much about relocating Chinese factories to parts of Africa, but more about using Chinese expertise in building industries such as toys and footwear, including attracting foreign investment and building supply chains.

Justin Lin Yifu, the Chinese academic who is now the World Bank's chief economist, says it is in China's interest to help expand low-end manufacturing in Africa, because this would help expand consumer demand. "This would be a source of global economic growth," he says.

These debates indicate an interest among some in Beijing to push the economic engagement with Africa in new directions, but the fate of these sorts of proposals remains unclear. The Marshall Plan idea has come in for a lot of criticism in China. Some officials worry about the ability of China to invest large sums in African projects successfully, while others worry about potential corruption.

A Chinese academic who has participated in some of the discussions says officials are concerned that such a bold initiative will be labelled internationally as a new form of colonialism – exactly what its conceivers hoped to avoid.

Meanwhile, discussions about helping to promote low-cost manufacturing in Africa are politically sensitive at a time when China's own manufacturers are facing huge challenges – from rising wages to tougher labour laws and potentially a stronger exchange rate.

But at least the debate has begun.

Coup alters the balance as nations jostle for position

Uranium

Tom Burgis reports on the growing east-west competition for Niger's valuable metal

Jocular and shielded by air conditioning from the fierce heat outside, Olivier Muller does not look like a man in the thick of a battle for resources between two of the world's great powers.

As recently as 2007, the uranium concessions highlighted on Mr Muller's wall-mounted maps of Niger, a destitute west African country sitting above copious seams of the metal, had only one foreign proprietor: France.

These days, the 40-year de facto monopoly of Areva, the state-owned atomic energy group that fuels France's nuclear-powered economy, is no more.

Sino-U, Beijing's answer to Areva, is working to bring into production what will be China's biggest uranium mine in Africa to fuel its own nuclear energy programme.

But if Mr Muller, a seasoned operator now heading Areva's Niger operations from Niamey, the capital, looks relaxed, that is because he believes – publicly at least – that talk of a high-stakes struggle for uranium between east and west is nonsense.

"Honestly, there is no competition," he says. "There are enough blocks, [but] in the next 10 years there will be smaller discoveries. People will be forced to co-operate. All the so-called 'competitors' will share infrastructure."

It is an assessment that runs counter to a popular view of China's pursuit of Africa's resources as a direct – and potentially destabilising – threat to western interests.

From Zambia's copperbelt to Nigeria's crude oil-rich swamps, China is seeking to plant its flag in areas where others have already staked their claims.

Mr Muller's thesis has merit nonetheless – and not just in Niger. In March, Chinalco, a Chinese miner, agreed to spend $1.4bn helping to develop part of the world-class Simandou iron ore concession in Guinea alongside its holder, Rio Tinto.

That Chinalco was prepared to overlook the bribery charges that China has levelled against executives from the Anglo-Australian miner underscores Beijing's readiness to share costs and political risks in volatile countries.

It is also possible that Chinese demand will ease resource competition by opening up new sources of supply.

China's appetite is the principal driver of a shift to what many analysts believe is an age of structurally higher prices for commodities. That has radically altered the economics of developing African mineral deposits that western miners long considered unviable.

Yet Mr Muller's good humour is not simply down to a benign reading of the global commodity outlook. He has just come from what he says was a very cordial meeting with Salou Djibo, the army officer who heads the junta that toppled Mamadou Tandja, Niger's president, in a February coup.

Under Mr Tandja, Niger's relations with Paris had deteriorated sharply, as he invited Chinese and other newcomers to enter the uranium sector, deliberately seeking to curb French influence.

Two Areva officials were expelled for allegedly conspiring with the anti-government rebels in the northern mining region.

The French group agreed to more generous terms to secure the go-ahead for its vast €1.3bn mine at Imouraren – although Mr Muller attributes this to higher prices rather than Chinese competition.

Mr Tandja used Chinese money to compensate for aid that was frozen when he steamrollered Niger's institutions to extend his term unconstitutionally last year.

It was the kind of manoeuvre that has some in Africa warning that renewed competition between east and west risks allowing would-be autocrats to play suitors off against each other, much as they toyed with Moscow and Washington during the Cold War. The ploy failed. The putschists took advantage of worsening paralysis to strike.

The soldiers have declared a review of Tandja-era mining permits. What lies ahead is uncertain, but French officials have every reason to feel more comfortable for the change of guard.

Xia Huang, China's new ambassador to Niger, appears just as sanguine about developments as Mr Muller. He says the coup will do nothing to alter the course of uranium developments or China's infrastructure blitz and its $5bn venture to pump Niger's first oil to its first refinery.

"I don't think that in Niger there is competition between China and other partners," he says. But in the same breath, Mr Xia accuses the old European powers of neglecting African development even as they carry off mineral wealth, in contrast to the largesse that is helping China outflank rivals.

"China is here to propose another option," he says, "a more profitable option for the people of Niger."

Way paved for broader links

South Africa

Richard Lapper explains the economic substance behind the talk

South African diplomats frequently talk of the importance of the country's relationships with the developing world.

But over the past two years, this orientation has begun to acquire real economic substance: nowhere more so than with China, the biggest developing economy of them all.

Chinese sales of manufactured goods, ranging from textiles to telecommunications equipment, has led to a steady expansion in exports, while its hunger for South Africa's raw materials such as coal and iron ore has driven trade to new heights.

In 2009, China leapfrogged Germany, the US, the UK and Japan to become South Africa's biggest trading partner.

China's investment has been slower. At times, the October 2007 decision by the Industrial and Commercial Bank of China to invest $5.5bn in a 20 per cent stake in Standard Bank has seemed like something of an outlier. When the Chinese economy slowed in 2008, state companies that might have expanded abroad took stock.

However, in recent months China has begun to expand again. In March 2009, the China Africa Development Fund – a quasi-sovereign vehicle set up by the China Development Bank to invest in African opportunities – set up a Johannesburg office.

This year the fund has made the first of its investments. Last month, the fund teamed up with Jidong Development, China's second largest cement maker, to acquire a majority stake in a new R1.65bn cement plant based in Limpopo province.

As part of the deal, which represented Jidong's first venture outside China, the two Chinese partners ploughed R382.5m into the development, with about R450m coming in loans from Chinese banks.

Two South African partners – Continental Cement and Wiphold, a black women's empowerment group, also took equity stakes, with NedBank, a subsidiary of the Old Mutual insurance concern, providing additional finance.

A few weeks later, the fund supported a $877m equity and debt deal in South Africa's platinum sector, the second biggest Chinese investment in Africa outside the energy industry.

Jinchuan, a state-owned mining company from the far west of China, acquired for $227m a 51 per cent stake in Wesizwe, a South African junior mining company and announced its intention to pump a further $650m in project finance in order to develop the flagship Frischgewaagd-Ledig project, near Rustenburg, west of Pretoria. The deals neatly encapsulate two related aspects of the Chinese thrust into South Africa.

On the one hand, China is keen to secure supplies of strategic raw materials, such as platinum, a metal whose main industrial use is as a coating for catalytic converters. The investment also gives China its first direct access to metal that is also heavily used by local jewellery manufacturers.

> 'Africa is like China was 10 years ago. But maybe in 10 years this will be growing faster than China is now'

According to Martyn Davies, chief executive of Frontier Advisory, a Johannesburg company that advised Wesizwe, the structure of the world's platinum market makes it particularly valuable. Since the bulk of international output is bought and sold as part of long-term contracts, only about 10 per cent of the metal is available on the open market. "This is a very significant strategic play," says Mr Davies.

On the other hand, the cement deal highlights Chinese commercial interest in Africa's expanding domestic markets, particularly in regional infrastructure.

Chen Ying, vice-president of Jidong, says his company is excited by South Africa's growth potential and believes the market for cement will grow quickly over the next few years.

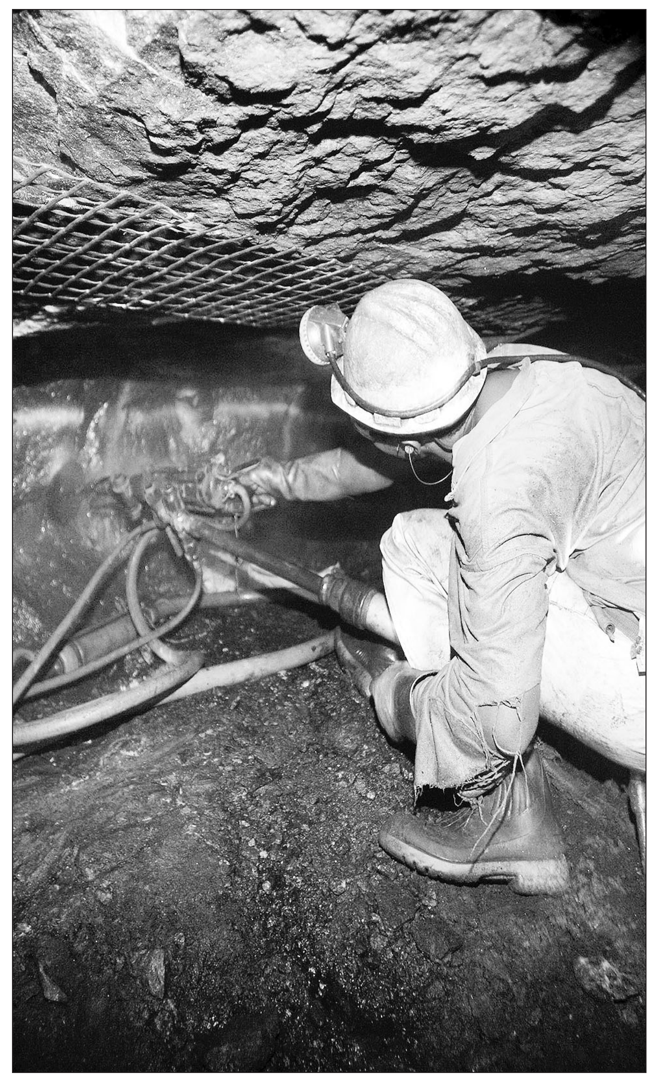
Per capita consumption is barely a quarter of that in China and the developed world and has been depressed by the economic slowdown last year, but Mr Chen says a revival in the housing market and continued public investment in infrastructure will sustain expansion. "We are not worried. Africa is like China was 10 years ago. But maybe in 10 years this will be growing faster than China is now," he says.

Investment links are by no means all one way. A number of South African companies made significant commitments in the Chinese market, while others are doing business with the Chinese as they expand into the rest of Africa.

SAB Miller is the second biggest brewer in mainland China, while Naspers, the media and internet group, which generates the bulk of its cash from pay TV businesses in Africa, owns a 35 per cent stake in China's biggest internet messaging company, the Hong Kong-listed Tencent.

Mr Davies says South Africa's interest in the rest of the continent and other emerging markets paves the way for broader co-operation with Chinese business.

Banks such as Standard or First Rand, which last year signed a strategic co-operation deal with the Construction Bank of China, are well placed to help finance Chinese investment.



Deep working: drilling at the Impala platinum mine Bloomberg

The diplomat's view Like Hong Kong, gateway to a continent

Businessmen, investors and media pundits may agonise about every twist in South African politics, but for China's ambassador to Pretoria, the events that shape short-term views about the country are things of relatively minor consequence.

Zhong Jianhua, who has known three presidents during his three years in the job, brings a long-term view to his assessment of China's relationship with Africa's richest economy.

When businessmen worry about the unresponsiveness of local or provincial government, Mr Zhong tells them not to worry. "We [tell them] the African continent is the last to be developed, [but] it is only a matter of time."

That optimism means he takes issue with the pessimism that frequently infects US or European perceptions of South Africa, and Africa more generally. Sometimes, he says, westerners tend to see it as "just another African country, potentially, in the long line of disappointments".

It is a view the ambassador sees as rooted in the "civilising" mission of European colonialists. "To Christianise the world to save the barbaric natives."

'The African continent is the last to be developed but it is only a matter of time'

Zhong Jianhua

Chinese sensitivity to this is acute because of its own history. "We were also forced to change by countries with different methods, such as gunships." Just as China found its "own way", he believes, so should Africa.

"We see South Africa as a Hong Kong," the territory that "played an essential role at least in the earlier stage of the open policy when China developed itself. It supplied experience, investment, entrepreneurship. And Hong Kong enjoys benefits from the development of the Chinese economy."

Mr Zhong sees South Africa as a gateway into the rest of Africa. It has "the best communications, the best transport and the best facilities for business. It will also benefit from its position on the continent."

If development is inevitable, then it follows that those who want to be there had better "exert" themselves.

"Come here early. Learn early. There is a long way to go."

Richard Lapper

Fine company, fusion food, wanderers and raucous toasts

Chinese cuisine

Tom Burgis visits two excellent restaurants

Dragon dOr, Niamey, Niger

When Wu Wen Yi told her family 17 years ago that she had fallen for a man from Niger, her father was not amused.

He commented: "There are more than 1bn people in China. Why does it have to be an African," recalls the Cantonese designer, who met her future husband at Shanghai University.

If the menu at the Dragon d'Or, the restaurant she now runs in Niamey, Niger's sun-baked capital, is anything to go by, the fusion works very well. The *capitaine*, or Nile perch, from the nearby River Niger, is presented in a piquant Chuan sauce. The sizzling beef is sourced from Niger's wandering pastoralists.

Ms Wu's life with Aboubacar Karda, a businessman and former diplomat, has not been immune from the strains of a sometimes tempestuous relationship between their two countries.

When Niger ended a brief flirtation with Taiwan and returned its allegiance to Beijing, Mr Karda was assigned to ease the rapprochement.

As the couple nurtured textiles interests, Ms Wu took over the Dragon d'Or. A bar and a nightclub followed, as did two children. Then, in 2007, when one of the newly arrived Chinese uranium miners was kidnapped by rebels, Mr Karda, who shares his Tuareg origins with the militants, was asked to mediate.The miner was freed. But Mr Karda was jailed for nine months by Mamadou Tandja, the president with whom he had previously been close, ostensibly for his part in negotiations with the rebels. Mr Karda believes he was seen as a threat to Tandja family interests.

Mr Tandja has since been toppled and Mr Karda is once more a man about town.

Ms Wu has plans for a hostel next door,"There's instability here," she says. "But you have to make a success of life."

Saipan, Lagos, Nigeria

A fortnight before it was destroyed on September 11 2001, Clarence Yeung was looking out from New York's World Trade Center when he had a thought.

"I realised that in Manhattan there are so many modern Chinese restaurants," he says, over a pre-prandial cocktail at Saipan, his restaurant on Victoria Island, a wealthy enclave of Lagos.

"Americans or Europeans, even Nigerians, are used to very narrow Chinese food – spring rolls, fried prawns, things like that. I decided I wanted to produce something more authentic. That was the germ of this idea."

To illustrate his point, Mr Yeung's chef – whose previous job involved catering for top Chinese politicians – serves up Hong Kong scallops wrapped in winter melon, pan-fried Shanghai meat buns and an array of other eastern delicacies.

In the six years since it opened, Saipan's upstairs restaurant has become a favourite haunt of Chinese diplomats and businessmen. Moneyed young Nigerians and thirsty oilmen throng to the well-stocked bar downstairs, schmoozing amid the jazz and cigarette smoke.

A mild-mannered socialite, Mr Yeung's story is very different from that of the labourers and traders who have flooded into Africa from mainland China in recent years.

He is descended from the Shanghai industrialists who fled to Hong Kong when the Communist party took control of mainland China 60 years ago.

His father expanded into Nigeria, where he built a manufacturing business.

That perhaps explains Saipan's cosmopolitan feel. Mr Yeung has taken his lead from those Manhattan establishments, adding an ingredient for which Chinese restaurants are not renowned."You can blend good wine and Chinese food," he says.

Many patrons do indeed tap Saipan's impressive wine cellar, although some prefer *moutai*, the fierce Chinese liquor consumed in rounds of increasingly raucous toasts.

"It's the west and the east," Mr Yeung concludes, "blending together."