

ZANU PF PATRIOTS GROUP



PRIME TIME

- DATE** : 27TH October 2015
- TIME** : 1900HRS CAT
- GUEST** : HON T MUKUPE (HARARE-EAST MEMBER OF PARLIAMENT)
- LEAD MODERATOR** : CDE HEISENBERG
: CDE DOREEN
: CDE CHANGAMIRE SHUMBA (ALTERNATIVE)
- THEME** : **CHINA'S INVESTMENT IN CHINA – EXPLOITATIVE OR DEVELOPMENTAL?**
- ELDER HEISENBERG:** It's Prime Time now. With the man from East an issue to do with the East
- THE GODFATHER:** Good evening Patriots and welcome once again to another Prime Time where today we have Hon Mukupe as we talk about China's African Investment.
Our Moderators will be our Information Supremo and Cde Doreen
Elder Heisenberg
The show is all yours and let's get started...
- ELDER HEISENBERG:** Evening Hon Mukupe
- HON T MUKUPE:** *Evening Cde*
- ELDER HEISENBERG:** Let's get straight to business and patriots stand down
⇒ Since 2009, Africa has seen a decrease of foreign direct investment, but an accelerated growth of direct investment from China during this same period. From 2009 to 2012, China's direct investment in Africa increased from US\$1.44 billion to US\$2.52 billion, with an annual growth rate of 20.5%. Over the same period, China's accumulative direct investment in Africa increased from US\$9.33 billion to US\$21.23 billion, 2.3 times the 2009 figure.

With these figures Hon Mukupe Africa remains where it was a decade ago. Where is this money going to?

CDE MATAIRE:

Hon. Mukupe, there is a general assumption that the level of China's investment in Zim is far much less compared to other regional countries like SA, Angola, Zambia. Are we not allowing the Chinese too much access to our resources while we get nothing in return?

HON T MUKUPE:

Thank you for the question comrade.

To understand the stats you just shared lets first elaborate on the investment philosophy of China in Africa. They have focused on 2 areas infrastructure and resource extraction.

With infrastructure it's largely been dams, power and transport infrastructure.

With resource extraction its been primarily in base mineral extraction to feed into their industries back in China.

Both types of investments provide a base for a country to build on and start rolling out industries and services to generate income and jobs for the country

ELDER HEISENBERG:

So meaning we won't see much Visible out of the billions?

⇒ Chinese companies in Africa are criticized for hiring predominately Chinese workers and taking away opportunities from locals. How true is this and if so what might be the cause and corrective action?

HON T MUKUPE:

As long as no money is going into industries that will utilise the dams, roads etc that the Chinese are building what we end up having is a huge debt that the small tax paying base ends up having to shoulder leading to a poverty cycle

CDE DOREEN:

Hon Mukupe;It is indisputable that Africa has benefited from China's re-emergence. The entire argument of many critics of China in-road into Africa has been centred on the trade imbalances between China and many African countries. Hon Mukupe, in your own view what needs to be done?

HON T MUKUPE:

That is a function of the financing terms. Normally the way the funding works for Chinese investments is that when they come and build a dam for \$100m, the funding terms will be that 90% of the funds will come in yuan and spent in China with the rest spent in your country. So to make up that 90% you end up having labour and basic things such as overalls coming from China. Take note that the reason for the Chinese to give you these loans is a measure to keep their industries ticking and their population of 1 billion people working! !!

On the trade imbalances

My answer is as follows

China's low cost model does affect local industries both in a positive and negative way. From an industrial machinery point the Chinese have lowered the barriers to entry into most industries as most machinery has become cheap and affordable whereas

When you look at the retail end one cannot compete as a manufacturer due to their economies of scale. But when one looks closely the overlap between Chinese and locally produced goods is probably below 8% and is mainly limited in sectors such as textile and clothing

Therefore the trade imbalances are a necessity as Chinese goods fill the gaps we don't have in our on country

ELDER HEISENBERG:

Is it a gap or the whole space Hon?

HON T MUKUPE:

There are obvious gaps as Africa is largely de-industrialising and is slowly becoming a huge warehouse for finished goods. Our industries have been relegated to producing primary goods with very little beneficiaries.

Sp. ..beneficiation

ELDER HEISENBERG:

China has improved its mechanisms for investment in Africa. By the end of 2012, China had signed bilateral investment treaties (BIT) with 32 African countries, and established joint economic commission mechanisms with 45 African countries. The China-Africa Development Fund, established as one of the eight pledges China made at the FOCAC Beijing Summit, had by the end of 2012 agreed to invest US\$2.385 billion in 61 projects in 30 African countries, and had already invested US\$1.806 billion for 53 projects. According to preliminary statistics, the agreed upon investment projects will bring US\$10 billion worth of investment to Africa, increase local exports by about US\$2 billion annually, and benefit more than 700,000 people.

Hon Mukupe, that's an investment in 60% of the whole of Africa. Should we be scared? Is this another colonisation? Should China be heavily criticized for their economic engagements with African countries?

CDE DOREEN:

Hon Mukupe

The West often criticizes China for propping up pariah states that harm Africa's peace and stability, thus negatively affecting efforts to improve good governance in Africa. Through economic sanctions, the West hopes to isolate and mitigate the influence of corrupt officials. Through political conditionality attached to aid, in which aid recipients must

adhere to a long list of governance reforms, the West hopes to create a better framework for democracy, transparency and market based economies. China usually does not cooperate with the West in these efforts and often votes opposite that of Western countries in the UN regarding security issues in Africa. Because of this, the Western media narrative often creates a black and white picture in which Western countries are concerned with the long-term growth and stability of Africa, while China simply focuses on its own short-term economic interests. Hon Mukupe, Is the real situation so monochromatic?

HON T MUKUPE:

There are 2 investment models at play in the global economy. You have India and China on one end who invest in infrastructure resource extraction and do not get involved in local politics and love pariah states such as Sudan. On the other end you have the USA and the EU who combined invest 3 times as much as the first group. The West Invest primarily in the Health sector, capacity building, democracy initiatives and they meddle in local politics and their funding comes with governance conditions.

Therefore in as much as the Chinese investments into Africa are on a growth trajectory they are still a long way off what the west is pumping into Africa.

CDE CHANGAMIRE:

So in essence we need both sides to balance the economy?

HON T MUKUPE:

Point of correction the West's investment into Africa is 8 times that of China.

You need everyone. The Chinese will never give you hard cash but will give you goods and services with no governance conditions. Whereas the West will give you cash with governance conditions. It becomes an issue of the charm offensive and diplomatic juggling that one has to do.

In as much as we look East the Chinese themselves are looking West! !!

We should not be beholden to just one geo political area but we need to trade and deal with all key world nations.

ELDER HEISENBERG:

A respected Sino-Africa scholar, Dr. Deborah Brautigam, writes, "China learned from Japan. Today's system of using commodities as security for a commercial line of credit enables a country to finance a specific investment today, and pay for it later with future earnings. Securing the investment with a resource flow reduces the risk and allows the interest rate to be lower, the loan to be cheaper. In other ways, too, using Chinese government funds (sometimes, but not always, aid) to foster Chinese investment in Africa followed in the footsteps of Japan's similar moves."

Drawing from this experience, which China believes was clearly a “win-win” for both parties, China has adopted a similar strategy in Africa, except with the roles reversed.

Hon Mukupe, this is not our kind of business model. Should we change our approach to business and suit the Chinese style since we are now looking East?

CDE CLIVE:

The Chinese development fund normally goes to projects that will benefit them in future, like roads, water dams and railways, the former coloniser did the same without handing over the funds, to us these millions and billions they are coming up will sound good to the ear, it's now a game of numbers that a former coloniser didn't use. Our nation was once before developed by the former coloniser without telling the majority of how much they were putting in. China is waving cash for projects on our noses, and this has blind us to see what the other hand is busy doing. Game of numbers. China will not release projects money without every paper work is done to their self gain satisfaction.

HON T MUKUPE:

The Chinese model is one that believes in an economy run by parastatals as they have the ability to mobilise resources as well as deploy them efficiently. Unfortunately in Zimbabwe parastatals lose their capital every year without heads rolling. How do you explain that someone like Mike Ndudzo is still the CEO of IDC and yet over the past 10 years he has bankrupted every company under his watch such as Zim glass, Zimphos, Willow Vale Motor Industries etc we are not serious! !!

CDE NCOSICONA:

Kudos cde mukupe. We miss brains and bravery as such u are exuding

ELDER HEISENBERG:

While it is incontrovertible that Chinese investment brings development to Africa, the fact remains that the impact of the Chinese investment on host economy is dependent on four important factors : 1. The investment motives of the investing firms. 2. The time horizon of the investment. 3. The extent of linkages to other firms. 4. The capacity of local firms to absorb spill-over and face competition.

Hon Mukupe, Do we have a strategic engagement plan on a long term basis that would have a broader impact on poverty alleviation in the country when dealing with investors in general and China in particular?

Is the resource rich Africa utilising its leverage in negotiating with China and turning it into a strong negotiating power?

HON T MUKUPE:

Unfortunately we have no plan. .ZERO... clueless at best. An investor invests where there is a BANKABLE FESIBILITY study! We have invested nothing in coming up with feasibly studies. Its one thing telling an investor there is demand for electricity because mutikungozviona arikungoenda and placing a document on the negotiating table that has

complete feasibilities done!! We have less than 5 mega projects in the whole country that have full bankable feasibility studies! !! So we end up signing useless MOUs with the Chinese. Let's get down to basics and do feasibility studies! !!

CDE CHANGAMIRE:

So Honorable Mukupe, is it that we as Zimbabweans are failing in terms of being strategic planners who understand the balance in economics, when we pride ourselves as the leading in education?

So the ZimASSET hope that we had pinned on China is just a pipe dream?

HON T MUKUPE:

Misplaced priorities is the issue. Its not rocket science. We are not pouring money into studies that produce documentation that will bring in the money. A good example is we are busy expanding the turbine capacity in Kariba yet Kariba dam will never have sufficient water to run those turbines for even 9 months out of the year. Yet it's been stated that we need to build 2 hydro power stations upstream at Batoka and Devils Gorge and use the same body of water all year round tripling our generation capacity! !! Zim Asset is a good plan but show me any feasibility study of any of those projects ZERO!!!

ELDER HEISENBERG:

Kkkkkk

My last question is not very different from the previous one but I think its unique and would ask you to tie it up pay all the attention on Zimbabwe and possible solutions

According to a report by a researcher at the London School of Economics, Chinese investments' "fraction of coverage" in Africa is about 83 percent, which "exceeds those of other powers in Africa, including the US, EU, India, Brazil, Turkey and South Korea." [10] In 2010, the top 10 African recipients of China's investment included South Africa (31.8 percent), Nigeria (9.3 percent), Zambia (7.2 percent), Algeria (7.2 percent), The Democratic Republic of Congo (4.8 percent), Sudan (4.7 percent), Niger (2.9 percent), Ethiopia (2.8 percent), Angola (2.7 percent) and Egypt (2.6 per cent). [11] According to a report by the Carnegie Endowment for International Peace, from 1979 to 2000, 46 percent of Chinese investment in Africa went to manufacturing (15 percent to the textile industry), 28 percent to mining, 18 percent to services and seven percent to agriculture. In 2009, only 29 percent of Chinese investment went to mining. [12] This suggests Beijing's economic engagement with Africa has been generally balanced, trading with African partners in proportion to their national economic capacity.

Hon Mukupe, we are missing from that list yet we seem like we are the loudest when it comes to praising the EAST, where are we going wrong? Are there conditions set for us to unlock Chinese investment?

HON T MUKUPE:

As mentioned earlier we tell the Chinese our problems and aspirations from a document prepared by Cde Overt Mpofo at the planning ministry and yet for the Chinese this is business. They need feasibility studies that are bankable. So no investment will come away... Mark my words. We will only attract the Essars and Dangotes who are willing to come in and spend a year doing feasibility studies out of their own pockets. That is why we have huge deal announcements and then they don't come to fruition cause the investors run with their lives after adverse feasibility reports!

CDE CHANGAMIRE:

From your answers, I gather that China has done nothing wrong and this is contrary to what other Zimbabweans had come to believe, all they saw was a bad bigger business partner whereas China is just doing business to help it's economy. What is your advice of how and where Zimbabwe should target for it to benefit when dealing with China, in terms of job creation etc?

The way forward for Zimbabwe?

ELDER HEISENBERG:

The floor is now open

HON T MUKUPE:

Lets play to our strengths. If our tobacco is a highly sort after blend then let's increase production and quality levels by availing finding lines. If we have highly educated people lets start exporting labour as clearly the largest source of DFI in Africa and South America are diaspora remittances!

CDE MANDIE:

(CLAPPING HANDS)Thank you Hon Mukupe n the moderators.

HON T MUKUPE:

Thank you very much.

CDE MATAIRE:

Thank you Hon. Mukupe

CDE CHANGAMIRE:

What about the cheap fong kong stuff that comes into Africa, is China not out to destroy us by these fake products, some shoes are just for wedding pictures and not for walking?

CDE MARUFU:

On Thursday we launch the National Competitiveness strategic agenda at HICC. We want to see how it has Ben crafted to address the issues highlighted above.

HON T MUKUPE:

The majority of Zimbabweans are living on less than a dollar a day. It has to be a balancing act otherwise vamwe vanofamba vakashama!

I'm an advocate for introducing import quotas as you don't want local companies to profiteer from protectionist policies.

CDE MANYATI: Hon Mukupe, how on earth did u expect us to have done feasibility studies when we have just come out of land reform, sanctions, hyperinflation. Are nt gvt officers simply supposed to elaborate that fact to potential and willing investors than to be so sure nothing will come, as if there someone to be blamed now. How so?

CDE CHANGAMIRE: That's very sensible...

CDE CLIVE: We need to focus more on acquiring manufacturing machines from China, if they are true friends they need to offer us credit facilities for government backed companies then our government can be the guarantor.

ELDER HEISENBERG: InI ndabata kuti for every Chinese investment that you see, our benefit is 10% maybe at time less

CDE MANDIE: From this interview its like we the locals are not benefitting from these Chinese Projects. So why are they still here as we know that most of their finished products do not last compared to the ones they export to Europe or America. Dont you think they are using our vulnerability n desperate situation as they are aware we need investors. They hv turned Africa as their dumping area of cheap goods

HON T MUKUPE: *Well there are 52 countries in Africa why should the Chinese give us any favours. All 52 of us are competing for the same dollar. We are not God's gift to China. They don't need us and we have to adhere to the rules of the investment game!*

CDE MARUFU: Cde Clive
May I refer you to the auditor general's report published today.
It tells you why we are rated credit risk nation.

CDE MANDIE: Instead why not reviving our own industries thus creating employment n making finished products to our satisfaction.

CDE MANYATI: We are nt for favours. We negotiate from our cnr. How do we incorporate the feasibility studies financing in projects our own expects are so so confident in. Or those whose feasibility study papers hv dissappeared with the British, our former coloniser.

CDE MARUFU: Mai Mercy
Chinese govt has a responsibility to feed and cater for 1.4 billion people.
I am aware kuproject mgt feasibility studies are first stage. Solution apa.

CDE MANYATI: Hon Mukupe, if I were your boss, would u end at forget, and expect pay from me?

CDE CLIVE: China always do what they call generational plan strategy, where one generation comes secure relationship and build ,then the next will make full use of the built projects, It was exposed what they did in Zambia they built a railway line from Ndola to copperbelt in the seventies and the then Zambian generation was pleased with them

only for the other Chinese generation to come and use the same railway to carry copper for shipment to China.Africans we don't plan ahead so the next generation will be lost from all these projects but not Chinese.

HON T MUKUPE: *@Brian I don't understand your question please elaborate*

CDE CLIVE: We need Africa more than we do with China

CDE MANYATI: Obviously u wld work out a plan. May we have a +ve way out Hon, may u table it. I know u have it.

CDE MARUFU: Cdes

Most of these projects had feasibility studies done already and strongly sponsored by the EU, DBSA etc

There is lack of a coordinating central point that house these mega projects. We are always starting each time another administration comes in.

CDE JERVAS: The other issue we have to take into consideration is our corruption levels,other investors can't risk,Chinese coz they don't bank their cash,so u can't trace whether their business is profitable or not!

CDE MANDIE: Zimbabwe has a responsibility to cater n feed us Zimbabweans. Hon you mentioned abt exporting Labour considering we hv Loads of our own in Diaspora dont u think the country benefits from our own Educated labour. Why dont the gvt help or loan projects which will benefit the country.

ELDER HEISENBERG: Thank You Hon Mukupe for such an insightful interview, thank you patriots, Godfather Admin Sibanda.

This session is officially Closed.

From me your host Elder Heisenberg

Good night

LT-GEN THE BANS: Closed Thank You

Elder Heinseburg and Hon Mukupe for a wonderful PT

HON T MUKUPE:

Solution is let politicians be politicians and let technical people be technical people

Thank you all. BYE.