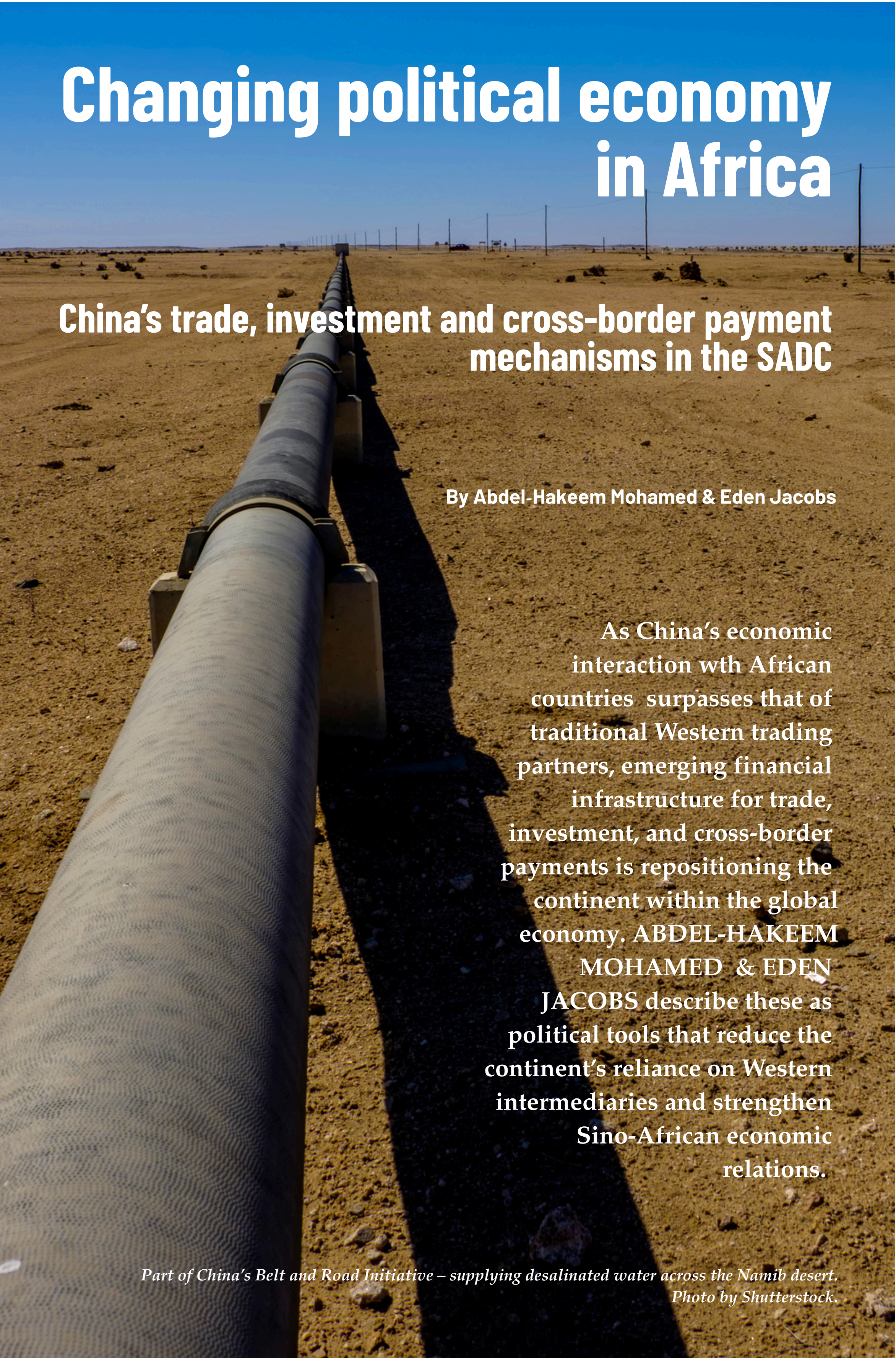
Changing political economy in Africa

China's trade, investment and cross-border payment mechanisms in the SADC

By Abdel-Hakeem Mohamed & Eden Jacobs

As China's economic interaction wth African countries surpasses that of traditional Western trading partners, emerging financial infrastructure for trade, investment, and cross-border payments is repositioning the continent within the global economy. ABDEL-HAKEEM MOHAMED & EDEN JACOBS describe these as political tools that reduce the continent's reliance on Western intermediaries and strengthen Sino-African economic relations.



Part of China's Belt and Road Initiative – supplying desalinated water across the Namib desert. Photo by Shutterstock.

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Abstract

This article explores the changing political economy of Africa through a focused analysis of China's trade, investment, and cross-border payment mechanisms in the Southern African Development Community (SADC) region. Over the past two decades, China has surpassed traditional Western partners such as the United States in trade volume and foreign direct investment flows – in terms of jobs and capital invested – across Africa. China has played a significant role in Africa's development, however concerns persist about the motives driving its engagement on the continent. These concerns have sparked debates around neo-colonialism, raising the question of whether China's involvement will ultimately hinder Africa's progress or contribute to its sustainable development. The SADC region provides an ideal case for investigating these dynamics due to its institutional maturity, regional integration efforts, and the pivotal role played by South Africa.

In this article we examine how mechanisms like the Pan-African Payment and Settlement System and the SADC Real-Time Gross Settlement System are shaping regional financial architecture and facilitating Sino-African economic relations. The analysis further interrogates the ongoing geopolitical tensions and the introduction of digital currencies such as China's e-CNY.

The study concludes that while China's growing footprint offers opportunities for development and trade diversification, African states must strengthen regulatory frameworks and strategic capacity to derive mutual benefit and safeguard national interests. This article argues that regional payment systems and trade agreements under the African Continental Free Trade Area (AfCFTA) agreement will be central in repositioning Africa within a multipolar global economy.

Keywords: South African Development Community, China, Trade, Investments, Cross-border payments

Introduction

China's expanding economic influence in the Global South is reshaping the dynamics of African trade and investment, particularly within the Southern African Development Community (SADC). This article investigates how China's trade and investment patterns intersect with evolving cross-border payment mechanisms in the SADC region, focusing specifically on how systems such as the Pan-African Payment and Settlement System (PAPSS) and the African Continental Free Trade Area (AfCFTA) contribute to trade efficiency and regional integration. These mechanisms, though still developing, offer pathways for aligning African economic interests with China's commercial strategies in ways that enhance sovereignty and reduce dependency on external financial systems.

Africa's political economy has historically occupied a contradictory space within the global capitalist system that is both marginalised and essential. As Büscher (2015) notes, the continent has long experienced extractive relationships characterised by "boom-and-bust" cycles of foreign interest, driven largely by the demand for its raw materials. This marginalisation is rooted in colonial-era exploitation and continued through post-independence structural adjustment policies that prioritised liberalisation and debt servicing over domestic development (Oloruntoba & Falola, 2020). These externally imposed frameworks entrenched Africa's role as a supplier of commodities and constrained its influence in global trade negotiations.

In 2025, the African political economy is seen to have somewhat moved away from the colonialist and imperialist position it had for decades. Based on the above authors' views, we deduce African nations are increasingly asserting autonomy through regional integration initiatives, economic diversification, and South-South cooperation. China has emerged as a critical partner in this transformation, underpinned by the Belt and Road Initiative (BRI), which has supported infrastructure and industrial development across the African continent (Anami, 2024).

Unlike traditional Western aid, China's financial engagement often lacks conditionalities and aligns with African governments' aspirations for sovereignty and non-interference (Brautigam, 2020). This transformation is not only driven by external actors but also by Africa's internal push for self-reliance. Initiatives such as AfCFTA and PAPSS reflect a growing determination to reduce the use of foreign currencies and foster financial inclusion through local currency transactions. The SADC Regional Real-Time Gross Settlement system (SADC-RTGS) symbolises a regional commitment to more efficient, real-time trade settlements. Together, these financial frameworks represent more than economic reforms, they are instruments of political and economic agency.

The global order has experienced mounting geopolitical tensions, a resurgence of protectionism, and increasing competition among powers like China, the United States, and Russia. Gopinath (2024) argues that global trade and investment flows are shifting due to geopolitical tensions, supply chain diversification, and reduced reliance on the US dollar. In this context, Africa's low share of Foreign Direct Investment (FDI) reflects diversification rather than a decline in traditional partners, with China's rising presence signalling a broader global realignment. Unlike the historically extractive Western approach, China's engagement aligns with emerging economies' expanding roles and Africa's strategic importance. Furthermore, US President Donald Trump's 'America First' approach weakened multilateralism and left space for emerging economies to deepen their footprint in regions like Africa. Meanwhile, global conflicts from Sudan and the Democratic Republic of Congo (DRC) to Ukraine and Palestine, have disrupted supply chains and raised the more concerning issue of social justice and the dignity of human rights. In this context, Africa has emerged not as a passive participant, but as a contested area for economic and political influence.

While the US leads in the number of FDI projects (89 across the continent), China surpasses the US in both capital investment and job creation. Over the past five years Chinese investment has generated more than 102,000 jobs, accounting for 15% of all FDI-related employment in Africa (Ernst & Young, 2024). Although the United Arab Emirates leads overall capital investment at US$44billion, China followed closely as one of the top three investors (third behind the United Kingdom), outperforming the US in capital deployed (Ernst & Young, 2024). China's rise as Africa's largest trading partner, surpassing the US by 2009 and reaching US$282billion in bilateral trade by 2023 compared to US total goods trade with Africa which were an estimated $71.6billion in 2024, marks a significant reorientation in global economic alignments (NAAMSA, 2024; USTR, 2025).

Why the SADC region?

The SADC serves as an ideal case for analysing China's growing economic footprint in Africa. As one of the continent's most institutionally advanced blocs, the SADC has implemented key mechanisms like the SADC Free Trade Area and the SADC-RTGS system, which facilitate liberalised trade and real-time financial transactions (Gawe, 2021).

Figure 1: Map of the SADC region

Source: Konstantinus et al. (2019).

By 2012, 85% of intra-regional trade among SADC member states was tariff-free, while the RTGS system, adopted by all members, has become central to the region's financial infrastructure (SADC, 2025; SARB, 2025).

China's influence in the region has grown significantly. In 2022, bilateral trade between China and South Africa reached US$56.7billion (SARB, 2023). This highlights a shift in Africa's political economy, where traditional Western influence is giving way to China's expanding commercial and financial engagement. However, this relationship also poses risks as concerns over rising debt, limited transparency, and continued dependence on resource exports and imported Chinese goods raise questions about the sustainability of these economic ties (Brautigam, 2020). We argue that these concerns not only lack credible evidence, they also do not differ much from the concerns of trading with the West, as highlighted by Brautigam (2020).

The SADC's diverse composition, ranging from resource-rich states like Angola and the DRC to industrial economies like South Africa, offers a microcosm of broader continental trends. While East Africa often garners attention for major BRI projects and digital finance innovations such as M-Pesa[1] (Kalenzi & Kwon, 2017), Southern Africa's evolving financial systems remain underexamined (Sabola, 2024). Despite the growing literature on Africa-China relations, most studies focus either on trade and investment volumes or on the political implications of Chinese engagement, while cross-border payment systems are often treated as technical matters separate from geopolitical analysis. What is missing is an integrated account of how payment infrastructures mediate Africa's economic sovereignty and shape external partnerships. By situating PAPSS and SADC-RTGS within the broader story of China's trade and investment footprint, this article addresses that gap, showing how financial systems are both enablers of Chinese engagement and instruments of African agency.

We use a conceptual framework rather than a single theory, linking three themes: China's growing trade and investment in Africa (especially the SADC), Africa's shifting political economy, and the role of cross-border payment systems in shaping these engagements. Payment systems are treated not as neutral tools but as political infrastructures that influence external engagement. The article's contribution lies in connecting usually siloed debates into one coherent analysis. By situating PAPSS and SADC-RTGS in the wider Africa-China relationship, this article offers a conceptual bridge that links geopolitical analysis with financial integration studies, turning multiple themes into a strength rather than a weakness.

The article moves from a discussion of why the SADC was chosen as a case to examine, to an examination of China's trade and investment strategy and investment in the SADC region. It then examines the AfCFTA and the African Growth and Opportunity Act (AGOA), before turning to cross-border payment systems including PAPSS, SADC-RTGS, and China's approach to payments, and ends with the implications and conclusion.

China's trade and investment strategy in Africa

In recent decades China has significantly expanded its global economic reach, with a major focus on trade and investment in Africa. Over two-thirds of China's African trade involves nearly all 54 African countries and has sparked debates regarding China's intentions and impact on the continent (Zhu, 2025). Although Western powers such as the European Union and the US have traditionally dominated FDI in Africa, China's increasing role marks a shift in the global economic order and highlights the rise of non-Western actors in influencing Africa's development path (Donou-Adonsou & Lim, 2018). China's interest and involvement in Africa is driven by the continent's natural resources, growing markets, and increasing geopolitical influence, aligning with the broader narrative of South-South cooperation. Ties were strengthened in the 1950s after China established the People's Republic in 1949 when African countries began to gain independence. This period marked China's diplomatic outreach to newly independent African states, reflecting a foreign policy centred on solidarity with developing countries and anti-colonial movements (Moinogu, 2015).

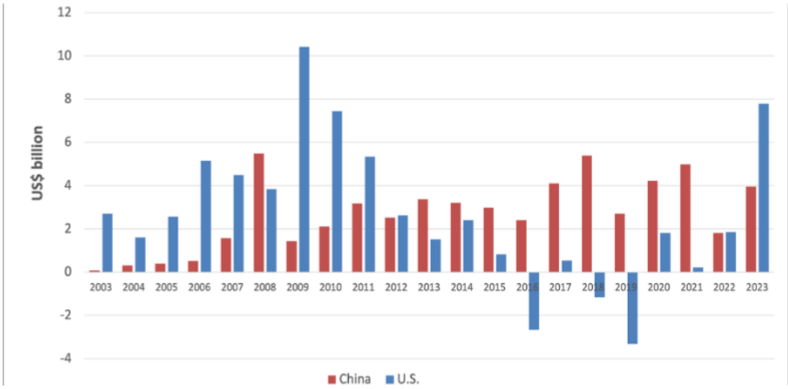
China's trade and investment strategy in Africa has evolved from traditional aid models to partnerships focused on economic development and mutual benefit. The formal recognition of China-Africa relations gained momentum in 2006 at a major summit in Beijing attended by 48 African leaders, although historical ties predate this event. Since the early 2000s, China has adopted a "trade-not-aid" philosophy (Kobylinski, 2012), embedding economic cooperation into its broader development strategy.

The Chinese-built Nairobi-Mombasa railway, southeast of Nairobi, Kenya.
Photo by Shutterstock.

The BRI, launched in 2013, has had a notable impact on Africa, with 52 out of 54 countries signing Memoranda of Understanding to participate (Gu et al., 2022). The strategy involves the creation of Special Economic Zones (SEZs) and Economic and Trade Cooperation Zones (ETCZs), replicating elements of China's own development path. Between

2020 and 2021, China further aligned the BRI with Africa's Agenda 2063 under the Forum on China-Africa Cooperation (FOCAC), reinforcing long-term cooperation in areas such as infrastructure, regional integration, and digital connectivity (Munyati, 2024). This alignment signals a sustained commitment to supporting Africa's socio-economic transformation. Since 2013, China has surpassed the US in FDI flow in Africa, with major recipients including Niger, South Africa, Angola, Morocco, and the Republic of Congo (China Africa Research Initiative, 2024)

Figure 2: Chinese FDI vs. US FDI to Africa, flow



Source: China Africa Research Initiative, 2024.

From 2003 to 2012, US FDI flow generally exceeded Chinese FDI flow, except during the 2008 recession, as seen in figure 2. However, since 2013, China has overtaken the US as the leading source of FDI flow in Africa, except for the year 2023. This rivalry highlights Africa's growing strategic importance in global geopolitics. As Chinese investment continues to expand, African countries must negotiate favourable terms that support long-term development and economic independence. The future impact of Chinese FDI flow will depend on Africa's ability to effectively manage, assess, and balance the benefits of foreign capital while minimising dependency and resource exploitation risks.

China's trade and investment strategy in Africa has evolved from traditional aid models to partnerships focused on economic development and mutual benefit.

Figure 3: Majority African trade partners, China versus US 2003-2023

Source: Zhu, 2025

Over the past two decades, Africa's economic ties have shifted significantly toward China. As seen in Figure 3, by 2023, 52 out of 54 African countries, 97% of the continent, traded more with China than with the US, compared to just 18 countries (35%) in 2003 (Zhu, 2025). This shift has largely been driven by China's sustained investment in infrastructure, development finance, and natural resource trade. In contrast, the US trade with Africa has declined, with only Lesotho and Eswatini maintaining stronger ties with the US. The data reflects not just changes in trade volumes, but also a broader geopolitical shift, highlighting China's growing influence in the Global South and its expanding role in African markets (Zhu, 2025).

China-Africa relations: the SADC's geopolitical context

China's current economic slowdown has raised serious questions about its capacity to sustain overseas infrastructure financing, posing risks for African development, particularly within the SADC region. A potential decline in Chinese engagement may disrupt ongoing progress in countries like South Africa, Angola, Zambia, and Mozambique, which have benefitted from significant Chinese investments in mining, energy, and transport under the BRI, even though China's FDI in Africa remains uneven. In 2020, 63% of Chinese FDI was concentrated in just ten countries, including South Africa, the DRC, and Zambia, while many others received minimal investment, often lower than accompanying loans (Gu et al., 2022). This targeted strategy prioritises resource-rich or geopolitically strategic states.

At the same time, domestic governance challenges in Africa complicate the sustainability of China's influence. To ensure long-term benefits, African governments must strengthen regulatory and institutional frameworks, while Chinese companies must adopt stronger environmental and social governance practices, particularly in sectors like forestry and land use (Jianquan & Cook, 2015). These reforms are essential for balancing development goals with sustainability and mitigating the uneven outcomes of external investment.

Trade and investment in the SADC region

China's trade and investment footprint in the SADC region demonstrates a strategic, multi-sectoral approach that has fostered economic growth. South Africa exemplifies this engagement through its "comprehensive strategic partnership" with China, formalised in 2010 following the 2000 Pretoria Declaration (Alden & Wu, 2014). Chinese-funded projects like the Hisense factory and the Freeport Saldanha SEZ have generated thousands of jobs and attracted significant capital investment, particularly in the Western Cape (Brandstories, 2023). At the 2024 China Job Fair held in Johannesburg, it was announced that frameworks like FOCAC and BRICs facilitated over $25billion in investment and supported approximately 400,000 jobs (Preuss, 2024; Maromo, 2024).

In Zambia, Chinese investment surged after the liberalisation of the mining sector in the 1990s, aligning with structural reforms encouraged by the International Monetary Fund (IMS) and the World Bank (Carciotto & Chikohomero, 2022). Major infrastructure projects such as the Tazara railway and various energy plants reflect China's contribution to Zambia's development. However, the dominance of state-owned enterprises and the focus on resource extraction have sparked concerns about economic sovereignty and debt exposure (Vines & Wallace, 2023).

Angola represents another key example, where oil-backed loans following the civil war positioned China as the country's second-largest trading partner. Since Angola joined the BRI in 2014, Chinese investment has reached close to US$12billion, supporting sectors such as energy (Cash, 2024). Angolan officials have praised the developmental ethos of this partnership, particularly in light of recent agricultural cooperation (Yeping, 2024).

Tanzania's trade with China has deepened with a five-year export growth rate of 12.2% despite a decline in 2022, and in 2024 a summit with more than 800 Chinese firms highlighted growing interest in manufacturing and telecoms (TanzaniaInvest, 2024). China's investment in the DRC has primarily focused on the cobalt and copper mining sectors, significantly contributing to the country's infrastructure development (Peterson et al., 2025). This partnership is rooted in the 2008 Sicomines joint venture between Chinese firms and the Congolese government, valued at $6billion in 2009, which exchanged mining rights for infrastructure development. As of 2024, Chinese commitments to infrastructure projects, including roads and hospitals, reached $7billion, reinforcing China's role as the DRC's largest investor by 2025 (Peterson et al., 2025). These cases reflect China's evolving role in the SADC's development and the need for African governments to ensure investments align with national priorities and long-term sustainability.

The AfCFTA and AGOA as catalysts for trade and investment

The AfCFTA offers a transformative platform for promoting Pan-Africanism, strengthening intra-African value chains, and boosting trade in finished goods. These goals are essential for reducing African nations' reliance on external economic and political actors, particularly in trade relationships with dominant partners like China (Ngundu, 2025). The AfCFTA aims to unify trade negotiations, lower trade deficits, and drive economic diversification and sustainable development. Its emphasis on a more integrated continental market fosters regional industrial growth, infrastructure development, and the freer movement of goods, services, and skilled labour, which reduce transaction costs and improves competitiveness for small and medium-sized enterprises.

To enhance trade and investment ties between the SADC and China, the AfCFTA agreement, institutional capacity, and enforcement mechanisms must be consistently strengthened. This will allow the SADC region to negotiate from a position of collective strength and capture more value before exporting raw materials, particularly in light of China's dominant role in the region's extractive sectors and existing trade imbalances. The AfCFTA thus presents an opportunity for mutually beneficial economic relations, where Chinese-targeted FDI can support industrialisation, local capacity building, and technology transfer through coordinated partnerships (Calabrese, 2024a). Moreover, the AfCFTA provides a continental framework that relies on Regional Economic Communities (RECs) like the SADC to harmonise trade rules and deepen commitments. Rather than creating integration on its own, it builds on existing progress, complementing regional industrial growth, infrastructure development, and freer movement of goods, services, and labour. Strengthening the AfCFTA's institutional capacity can further support the SADC's efforts, allowing the region to negotiate collectively and capture greater value amid China's dominant role in extractive sectors and existing trade imbalances

Simultaneously, changes to the US's AGOA illustrate a shifting geopolitical landscape. AGOA has historically supported US-Africa preferential trade and governance ties since 2000, but its future relevance depends on its ability to align with Africa's growing emphasis on regional integration and economic self-determination (Panchia, 2024). As global powers like China and the US vie for influence, Africa must strategically position the AfCFTA to reinforce sovereignty as well as advance its development priorities.

In light of the above, we argue that to fully realise the potential of agreements such as the AfCFTA agreement and the unilateral preferential trade framework offered by the US's AGOA, Africa must address a foundational challenge that is often overlooked such as the efficiency and sovereignty of its cross-border payment systems. While the AfCFTA aims to reduce tariffs and harmonise trade rules to promote intra-African trade, such goals are limited without complementary financial infrastructure that allows fast, affordable, and secure transactions.

Given that the cross-border transactions in the growing trade between China and Africa are for the most part still being settled in US dollars (Usman & Xiaoyang, 2024), there is a pressing need to shift toward regional mechanisms like PAPSS and the SADC-RTGS. These systems reduce dependency on foreign intermediaries and enhance Africa's ability to negotiate equitable terms in global trade. In this way, cross-border payments serve not merely as technical tools, but as enablers of a more autonomous, resilient political economy in the SADC region. The following sections highlight the global overview of current cross-border payment initiatives brought forward by China and Africa.

Chinese-funded large scale road construction in Kampala, Uganda.
Photo by Mohamed Robin Nieuwenkamp, Shutterstock

Overview of cross-border payment initiatives

In this article, cross-border payments refer to financial transactions in which the sender and recipient are based in different countries. These payments can involve individuals, businesses, or governments and typically include trade settlements, remittances, and capital transfers. They may be conducted in different currencies and often require intermediaries, such as correspondent banks, to facilitate the exchange and settlement. Cross-border payment systems are essential for the smooth functioning of international trade and investment, facilitating the transfer of funds across borders in a timely, cost-effective, and secure manner. In the context of Africa's shifting political economy these systems play a central role in shaping the efficiency and equity of economic relations.

The SWIFT system (established in 1973) is currently the dominant payment mechanism used by countries for international transactions (SWIFT, 2023). Although SWIFT is globally accepted, it is often expensive and slow, particularly for developing countries. This has driven the development of regional alternatives tailored to Africa's integration goals and the realities of emerging markets.

In the SADC region, where trade potential is often constrained by inefficient financial settlement systems, building interoperable and inclusive payment infrastructure is not merely a technical solution, it is a strategic necessity. Globally, emerging technologies are challenging the dominance of legacy systems like SWIFT. Blockchain-based platforms such as RippleNet offer real-time settlements, though African use remains low (Bossone & Ardic, 2021). Central Bank Digital Currencies (CBDCs), notably China's digital yuan (e-CNY), are also gaining traction in current cross-border trials through the mBridge initiative[2] with the Bank for International Settlements (BIS) and regional partners (BIS, 2021). These efforts reflect a broader global movement to reduce reliance on the US dollar, strengthen financial autonomy, and build resilient financial ecosystems.

The inefficiencies of the SWIFT system mentioned above serve as good reasons for slowly moving away from it. However, we argue that there is a bigger issue at hand that has further exacerbated this push towards alternative cross-border payment initiatives and the diminishing use of SWIFT. Rising concerns over US dollar dependence, especially after sanctions on Russia in April 2022, have driven Russia to accelerate de-dollarisation by trading in Chinese yuan with China and Indian rupees with India (Salikhov, 2023; Siddiqui, 2023). Observing this situation from afar, Africa needs to not only learn from current developments but also start implementing strategies to mitigate the risks and consequences in case one day the US decides to impose unilateral sanctions or limit Africa's influence in the global economy. As global payment systems evolve, developing regions in Africa and particularly the SADC bloc must consider how these changes impact their trade relationships, financial inclusion goals, and strategic partnerships, especially with countries like China that are investing heavily in digital infrastructure.

China's approach to cross-border payments in Africa

China's expanding economic footprint in Africa has prompted both regions to reconsider how cross-border payments are structured. Despite bilateral trade reaching a record $282billion in 2023, the majority of China-Africa trade is still settled in US dollars, exposing both sides to currency risks and limiting financial autonomy (Usman & Xiaoyang, 2024). In response, China has begun promoting the yuan (RMB[3]) for trade settlements through bilateral currency swap agreements, aiming to facilitate local currency use and reduce transaction costs. Notably, countries such as Nigeria, South Africa, and Egypt have signed swap deals with the People's Bank of China (Calabrese, 2024b). Nigeria's 2018 agreement, worth ₦720billion (about $2.4billion), was designed to support direct RMB-naira transactions (Usman & Xiaoyang, 2024). However, interest has been modest due to infrastructure gaps and persistent trade imbalances, which limits the practical use of the yuan in African markets.

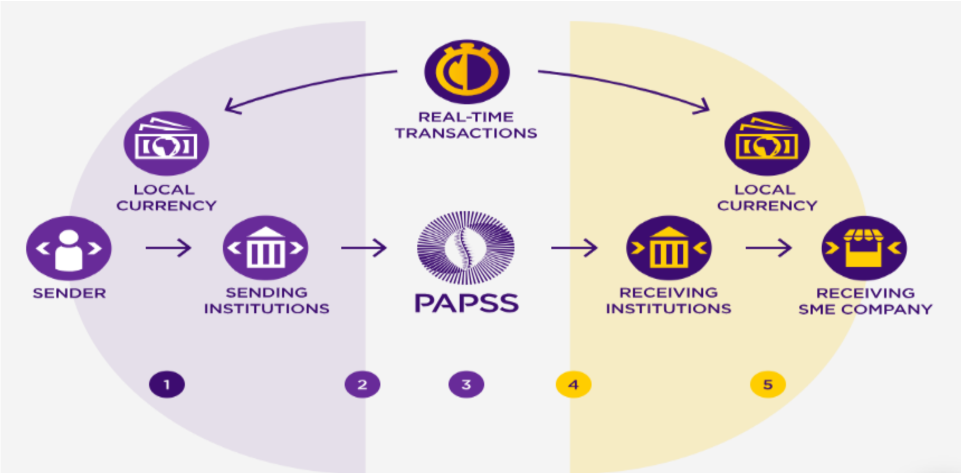
China's introduction of its digital currency, the e-CNY, under the Digital Currency Electronic Payment system, marks a more ambitious step. First piloted domestically and showcased during the 2022 Beijing Winter Olympics, the e-CNY includes features like QR codes and offline functionality aimed at enhancing digital payment efficiency (BIS, 2021). Cross-border trials were held via the mBridge project with the BIS and regional central banks. Though not yet active in Africa, China is laying the groundwork through digital infrastructure investments by firms such as Huawei and Alibaba Cloud in countries such as Kenya, Egypt, and Nigeria (Tang et al., 2024). These developments signal China's intention to embed the yuan and its digital variant more deeply into global trade, potentially reshaping financial integration with regions like the SADC.

Cross-border payment systems in Africa

Pan-African Payment and Settlement System (PAPSS)

As Africa advances economic integration under the AfCFTA, the PAPSS has emerged as a vital mechanism for financial sovereignty and trade facilitation. Developed by Afreximbank in collaboration with the AfCFTA Secretariat, it enables real-time cross-border transactions in local currencies, eliminating the need for costly and time-consuming conversions into foreign currencies like the US dollar or euro (Afreximbank, 2023). First piloted in the West African Monetary Zone, PAPSS is now expanding to other regions to address persistent challenges such as high transaction fees, exchange rate volatility, and delayed settlements. Allowing businesses and service providers to receive payments in their local currencies while centralising the clearing process, simplifies trade and promotes broader financial inclusion (Uneca, 2023). Backed by institutional support from the African Union, central banks and financial bodies, PAPSS is strategically positioned to complement regional initiatives and foster a more harmonised African financial ecosystem. Together with the AfCFTA, PAPSS represents a significant step toward reducing Africa's dependence on external financial systems and building a resilient framework for intra-African trade and sustainable economic development.

Figure 4: How PAPPS works



Source: Pan-African Payment and Settlement System, 2025.

Figure 4 illustrates the operational flow of PAPSS. It begins when the originator initiates a payment in their local currency through a bank or payment service provider. This instruction is sent to PAPSS, which performs the necessary validations before forwarding it to the recipient's financial institution. The recipient's bank then clears and delivers the funds in the beneficiary's local currency. This process addresses longstanding trade barriers by reducing logistical delays, improving liquidity management, enhancing financial inclusion, and supporting greater transparency in intra-African trade (Pan-African Payment and Settlement System, 2025).

PAPSS usage in Africa began with a successful pilot in six countries – Nigeria, the Gambia, Sierra Leone, Liberia, Ghana, and Guinea – where live transactions were completed instantly (Muleya, 2024). This milestone connected six independent currencies and legal systems, though full integration within West Africa remains incomplete due to the Franc zone's backing by the European Central Bank. By May 2024, two years after its launch, 13 African central banks, more than 115 commercial banks, and 10 payment switches had joined PAPSS, with an additional 115 banks in the pipeline (Muleya, 2024) This demonstrates the recognition by commercial banks of the need for a unified, harmonised payment system to address interoperability challenges.

Figure 5: Central African banks connected to PAPPS by May 2024

Bank	Country	SADC member country
Central Bank of Nigeria	Nigeria	No
Bank of Sierra Leone	Sierra Leone	No
Central Bank of Liberia	Liberia	No
Bank of Ghana	Ghana	No
Central Bank of The Gambia	The Gambia	No
Central Bank of Guinea	Guinea	No
Bank of Botswana	Botswana	Yes
Central Bank of Zambia	Zambia	Yes
Central Bank of Tanzania	Tanzania	Yes
Reserve Bank of Malawi	Malawi	Yes
Bank of Uganda	Uganda	No
National Bank of Rwanda	Rwanda	No
Central Bank of Seychelles	Seychelles	Yes

Source: Authors own depiction with data from Pan-African Payment and Settlement System, 2025.

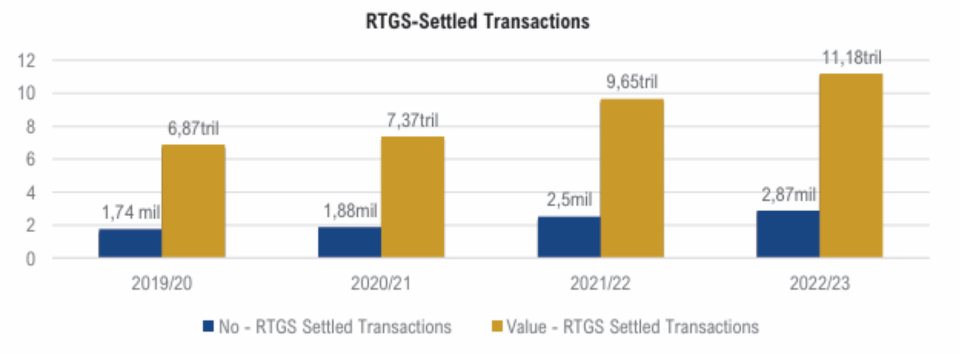
Figure 5 lists the 13 African central banks that had connected to PAPSS by May 2024, their host country and whether they are SADC members. However, while PAPSS aims to contribute and accelerate integration in Africa, the adoption of PAPSS faces several challenges such as fragmented payment systems, trust issues, minimal operationalisation, and cybersecurity concerns which further complicate its implementation. Furthermore, currency conversion issues, exchange rate fluctuations, and operational risks also affect the system's efficiency (Muleya, 2024). Key to note is that South Africa has yet to adopt PAPSS, despite being the country that stands to benefit the most from reduced transaction costs and increased intra-African trade, given that it supplies more than 80% of the continent's manufactured goods (Mutizwa, 2024).

SADC-regional Real-Time Gross Settlement system (RTGS)

Within the SADC, cross-border payment systems have been developed to facilitate regional trade and financial integration. The SADC-RTGS system, formerly known as the SADC Integrated Regional Electronic Settlement System (SIRESS), was launched in 2013 to enable real-time settlement of cross-border payments among participating member states using the South African rand (ZAR) as the settlement currency (SARB, 2025).

By June 2023, the SADC-RTGS system had processed more than three million transactions valued at ZAR11.77trillion (USD 692.97billion), covering 15 of 16 member states (excluding Comoros) and 90 banks (SARB, 2023). Operated by the South African Reserve Bank (SARB), it enhances payment speed and security while reducing reliance on external banks. However, its dependence on the South African rand limits inclusivity for countries whose currencies are not based on the rand and integration with systems like PAPSS. The Common Monetary Area (CMA) – which unites South Africa, Lesotho, Namibia, and Eswatini in a rand-based monetary union – is a critical factor underpinning the SADC-RTGS (Wang et al., 2007). By ensuring currency convertibility, lowering transaction costs, and building trust in the rand, the CMA provided the foundation for SADC-RTGS to initially operate with the rand as its common settlement currency. Despite these limitations, SADC-RTGS remains one of Africa's most robust regional systems, with strong potential to support multicurrency trade under the AfCFTA.

Figure 6: Transactions settled through the RTGS system



Source: Southern African Development Community, 2023.

In figure 6, we see that by February 2023, the SADC-RTGS system had settled 2,879,019 transactions worth R11.18trillion (SADC, 2023). As of June 2023, South Africa led with 17,570 transactions (R82.9billion), followed by Eswatini with 6,386. A total of 90 banks participated, settling 43,867 transactions valued at R188.7billion that month, as seen in figure 7 (SARB, 2023).

Figure 7: Summary of transactions per country, June 2023

Country	Number of participating banks, including Central Banks	Total number of settled transactions	Total value of settled transactions (ZAR mil)
Total for Angola	6	55	5.94067
Total for Botswana	4	4,449	5,527.00
Total for DRC	3	1	0.00
Total for Eswatini	5	6,386	13,758.91
Total for Lesotho	5	4,823	26,299.47
Total for Madagascar	1	-	-
Total for Malawi	9	1,372	376.90
Total for Mauritius	3	139	2,405.25
Total for Mozambique	7	382	240.51
Total for Namibia	5	3,413	55,439.52
Total for Seychelles	1	43	1.68
Total for South Africa	10	17,570	82,917.68
Total for Tanzania	6	172	54.50
Total for Zambia	10	4,686	1,031.35
Total for Zimbabwe	15	377	688.69
Total for SADC RTGS	**90**	**43,867**	**188,747.40**

Source: South African Reserve Bank, 2023.

Implications for Africa's political economy amidst China's growing economic and financial integration

In light of the above discussion, we assert that Africa's political economy is shifting dramatically as China asserts itself as a central actor in the continent's development path. This transformation must be understood against the backdrop of a waning Western relationship with Africa, particularly under the current US administration. With Donald Trump's presidency, US foreign policy toward Africa is seen to be marked by strategic neglect and transactional diplomacy, weakening longstanding aid frameworks and leaving gaps in trade engagement. While initiatives like AGOA continue to exist at least until September 2025, they are marred by its inconsistent renewals and stringent conditionalities as it imposes strict eligibility criteria such as market reforms and high labour standards. The logic is that African countries will liberalise and reform their economies to qualify and maintain AGOA eligibility.

China has filled the strategic and financial gap left by declining Western engagement in Africa with clarity and practical tools. In 2023, China-Africa trade reached a record $282billion − four times that of the US-Africa trade in the same year − securing China's position as the continent's top trading partner (South, 2024).

What distinguishes China's engagement is not just scale, but its facilitation of financial integration. Bilateral currency swaps, such as the $2.4billion agreement with Nigeria, enable direct local currency exchanges and reduce reliance on the US dollar (Usman & Xiaoyang, 2024). Additionally, China's digital yuan (e-CNY) and its inclusion in the mBridge cross-border payment initiative reflect a broader ambition to bypass dollar-based systems like SWIFT and support financial sovereignty. Our arguments above thus explicitly assert that cross-border payments serve a dual role: on the one hand, they empower Africa and the SADC particularly to negotiate with external actors like China from a stronger position by reducing reliance on Western intermediaries; on the other, they create channels through which China can deepen its commercial and financial presence by embedding the RMB and digital yuan in regional settlement.

African internal innovation is seen in PAPSS, developed with Afreximbank and the AfCFTA, which allows real-time payments in local currencies (Afreximbank, 2023), while the SADC-RTGS processed ZAR 11.77trillion (USD 692.97billion) in transactions by June 2023 (SARB, 2023). However, challenges remain as SADC-RTGS relies heavily on the South African rand and lacks full interoperability with PAPSS, creating structural asymmetries. Harmonising these systems is crucial to realising a more autonomous, multicurrency African financial architecture.

Unlike many Western models, which are often conditional on governance reforms, China's approach emphasises pragmatism, policy non-interference, and mutually negotiated outcomes (Brautigam, 2020). This shift is not merely transactional, it is strategically transformational. It enables African governments to reimagine development trajectories on their own terms, using China's expanding financial tools as leverage to enhance institutional capacity and regional economic integration. To this end, Africa is not passively navigating between great powers; rather, it is actively asserting its agency through frameworks like the AfCFTA and PAPSS. Together with China's evolving commercial presence, these initiatives can lead to a decisive step toward a more multipolar global order anchored in trade sovereignty, diversified finance, and structural resilience.

Conclusion

This article has examined the evolving political economy of Africa with a particular focus on China's trade, investment, and cross-border payments in the SADC. While China's engagement has traditionally centred around infrastructure and commodity trade, its influence now extends to the architecture of financial integration, shaping how Africa positions itself in global markets.

We argue that payment systems such as PAPSS and the SADC-RTGS system are not merely technical solutions to settlement challenges, they are possible political instruments that determine how external economic relationships unfold. Their development has a dual effect: first, they strengthen the SADC's collective bargaining capacity by reducing reliance on Western intermediaries; and second, they create entry points for China's expanding use of the RMB and the digital yuan.

Recognising this dual dynamic is crucial. Cross-border payment systems do not simply reflect Africa's attempt to insulate itself from external shocks as they also frame the modalities through which Chinese capital and trade are channelled into the region. Strengthening and harmonising these systems therefore holds strategic value; it allows the SADC to safeguard its sovereignty while also ensuring that Chinese investment contributes to long-term, mutually beneficial development. In this way, Africa's evolving financial infrastructure is central to its redefinition of global economic agency in an era of multipolarity.

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ENDNOTES

[1] M-Pesa, launched in Kenya in 2007, is a mobile money transfer and financial services platform that allows users to send, receive, and store money using their mobile phones. It has become a pioneering model for digital financial inclusion across Africa.

[2] mBridge is a central bank digital currency (CBDC) project led by the BIS Innovation Hub, together with the central banks of China, Hong Kong, Thailand, and the UAE. It aims to enable faster, cheaper, and more secure cross-border payments.

[3] The Renminbi (RMB) is the official currency of China. The basic unit of the renminbi is the yuan (or CNY) – Ed