

Eastern wind blowing South

**The effects of China's involvement
in the African economies
and the role of the different
political systems**

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Acronyms

BRICS	Brazil, Russia, India, China and South Africa
CAR	Central African Republic
CIA	Central Intelligence Agency of the US
DRC	Democratic Republic of Congo
EU	European Union
FDI	Foreign Direct Investment
FOCAC	Forum on China-Africa Cooperation
HDI	Human Development Index
IMF	International Monetary Fund
GDP	Gross Domestic Product
GFC	Global Financial Crisis
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
PRC	China / People's Republic of China
ROC	Taiwan-based Republic of China
SSA	Sub-Saharan Africa
UN	United Nations
US	United States of America
US\$	United States Dollar
USSR	Union of Soviet Socialist Republics
WTO	World Trade Organization

Introduction

China's involvement in Africa is nowadays one of the most debated issues in international economics. News and opinion articles talking about specific aspects of it have become common in the newspapers. However, as a constantly evolving issue that it is, there are difficulties to find any work providing full information on the topic, and the availability of accurate data about the exact scope of the relations is very limited.

Indeed, the involvement of China in Africa only reached a considerable significance in the last decade, when the volumes of trade and investment commenced growing at an astonishing pace. Within few years, China has passed from being a minor actor in Africa to becoming the mayor economic partner of many African countries.

This unprecedented growth has generated every kind of reactions among media and scholars, with clearly differentiated perceptions in the West and in China. For some, China presents an imperialist attitude towards Africa and it is only interested in plundering their natural resources, while bringing with them all their negative domestic practices of corruption and low social standards. For others, China arrives to Africa as an equal and cooperative partner, to end the long years of Western domination and provide the African countries with a unique opportunity to develop their economies and societies.

With my research on the topic I will try to answer the underlying question whether China's approach can be considered overall as something positive or negative for the African countries. I will also try to analyse the strengths and weaknesses of this approach, in order to identify the future challenges that all parties involved face, and propose some solutions for the long-term sustainability of the relations.

For these purposes, I will start giving a short overview of the history of Sino-African relations in *Chapter 1*.

In *Chapter 2* I will analyse the different aspects of the involvement of China in Africa, by describing the current situation of each sector of the engagement.

In *Chapter 3* I will turn to the more analytical part, where I will start examining the most common criticisms and concerns that China's approach faces, to determine later what part of them is true and what are the concrete challenges. I will afterwards set down the benefits that China's involvement actually provides or could potentially provide for African countries.

In *Chapter 4* I will conduct a specific research myself, to try to conclude whether the different political systems of the African countries play a role in the involvement decisions of China, as it is often referred.

Finally, in *Chapter 5* I will lay down the conclusions about the different issues examined, underlining the crucial aspects and findings of the analyses. In this part I will first refer to the conclusions of the overall involvement of China in Africa and I will secondly set the conclusions regarding my specific research about the effects of the political systems of the African countries in China's decisions.

1. Brief historical overview: China-Africa relations over time

1.1 Early contacts

In the past years, China's approach to the African continent has become one of the most heatedly debated subjects in international economics, and very diverging opinions have been formed around it. Due to its contemporary nature, this approach has often been observed as a new phenomenon and perceived as a revolution in international affairs. However, a look at history will immediately suggest that it's in no case something new, but a long lasting tradition whose first evidences go back to the Middle Ages and even before.

In fact, the first trade relations between China and Africa are said to date back as far as the 2nd century B.C., to the first Han emperors,¹ and there are some authors that argue that China was also present in the African continent between the 1st and 6th centuries A.D. However, the first clear evidences of trade relations between China and Africa date back to the 7th and 8th centuries A.D. At that time, under the *Tang* Dynasty, the Chinese kept trade relations with the civilizations in the Horn of Africa, directly or indirectly trading with the coast of Somalia.² Further evidences date to the years of the *Ming* Dynasty (1368-1644), when admiral Zheng He travelled several times to the East African coast.³

Nevertheless, these early contacts apart, the contemporary Sino-African relations took off after the foundation of the People's Republic of China (PRC) in

¹ M.-F. Renard, "China's Trade and FDI in Africa", May 2011, African Development Bank, Tunis, Series N° 126, p. 6.

² R. Pankhurst, "An Introduction to the Economic History of Ethiopia, from Early Times to 1800" (Lalibela House, London 1961) p. 362.

³ "50-Year Sino-African Friendly Relations", 10 September 2000, West-Asia and Africa Institute of the Chinese Academy of Social Sciences, http://www.china.org.cn/archive/2000-10/09/content_1002547.htm, last accessed on 10th June 2012.

1949 and the independence of the African countries from their former metropolises in the 50s and 60s.⁴

1.2 Beginning of contemporary relations; ideological approach

The Bandung Conference of 1955, the first Asia-Africa Conference, can be taken as the starting point of the contemporary relations between PRC and the African countries, where PRC showed for the first time its willingness to take the leadership on the approach to the poorest countries, known at the time as the “Third World” countries. This initial approach was basically ideological, based on the idea of PRC to extend its own communist ideology in the newly formed African countries. The relations were constructed over the principle of South-South solidarity and cooperation, with PRC supporting national liberation and independence movements of the African countries, both rhetorically and militarily.⁵ PRC on the other hand, would get from such a relationship the necessary support in the United Nations (UN) to be recognised as the legitimate representative of China against the claims of Taiwan, and to counter the West’s and the USSR’s influence in the African continent.⁶

In these initial attempts of PRC to establish diplomatic relations with Africa, the first country to establish such a relation was Egypt, in 1956. By the early 60s, 10 African countries had already established diplomatic relations with PRC, increasing to 44 at the end of the 70s.⁷

⁴ “50-Year Sino-African Friendly Relations”, 10 September 2000, West-Asia and Africa Institute of the Chinese Academy of Social Sciences, http://www.china.org.cn/archive/2000-10/09/content_1002547.htm, last accessed on 10th June 2012.

⁵ L. Jones, “The History of Sino-Africa Relations”, October 2009, China Policy in Focus, <https://sites.google.com/site/chinapolicyinfocus/china-s-return-to-africa/the-history-of-sino-africa-relations>, last accessed on 1st June 2012.

⁶ *Ibid.*

⁷ *Ibid.*

During these years, PRC achieved a good reputation among the African population, through freely granted aid programs, provision of professionals like doctors and engineers, admission of African students in Chinese universities and construction of infrastructure projects like the popularly visible Tanzania-Zambia railway. This African support helped PRC to replace Taiwan-based Republic of China (ROC) as the permanent member of the UN Security Council in 1971.^{8/9}

Nevertheless, in the mid 70s, China's lost a big part of its reputation, due to the events of the Angolan civil war, where PRC supported the same side as the South Africans and Americans, against the independence claims of the Angolan population.¹⁰ After these events, the popularity of the Chinese stopped growing in Africa, and with the economic reforms of 1978, PRC's interests in the African continent shifted from ideology to economy.

1.3 Shift to economic relations

At the same time, this shift to economic development made PRC turn to the West to look for rich markets, technology and expertise, and PRC's interest in Africa kept decreasing, due to the inability of these countries to provide China with the economic assets that the new move required.¹¹

However, after a decade of stagnation in Sino-African relations, China's approach to Africa took another turn after the incidents in Tiananmen Square protests of June 1989. These incidents marked the end of China's engagement with

⁸ L. Jones, "The History of Sino-Africa Relations", October 2009, China Policy in Focus, <https://sites.google.com/site/chinapolicyinfocus/china-s-return-to-africa/the-history-of-sino-africa-relations>, last accessed on 1st June 2012.

⁹ "Brief history of China and Africa", 2008, Fatal Transactions, <http://www.fataltransactions.org/Dossiers/China-in-Africa/Brief-history-of-China-and-Africa>, last accessed on 11th June 2012.

¹⁰ *Ibid.*

¹¹ *Ibid.*

the West and put a stop to the market economy reforms of PRC. After that moment, China turned again to Africa and saw a big potential for the political and economic goals that it was pursuing. Therefore, in the 90s, China conducted a foreign policy of increasing diplomatic ties with the African governments and pushed forward development support and trade relations, based on the principles of mutual respect and non-interference.¹²

With this approach, and after the declining influence of the West in Africa with the collapse of the Soviet Union, China regained the support of the African countries, especially regarding Taiwan's isolation. Its involvement in the continent increased rapidly, although it didn't gain a considerable importance until the year 2000.

That year, the Forum on China-Africa Cooperation (FOCAC) was created in Beijing, and although this first meeting had a rather symbolic than material relevance, it provided the initial push and commitment that the respective governments needed in order to boost the Sino-African relations. This meeting was conceived as a forum for high representatives of China and the African Countries to discuss the direction of the long-term relations between them.¹³ Since 2000, further three FOCAC meetings have been organised every three years, with varying venues between China and African countries, and a fifth one is due to be held this year in Beijing.¹⁴ These ministerial conferences have also served as summits to set future goals for the relations and to sign trade deals and custom arrangements between the countries.

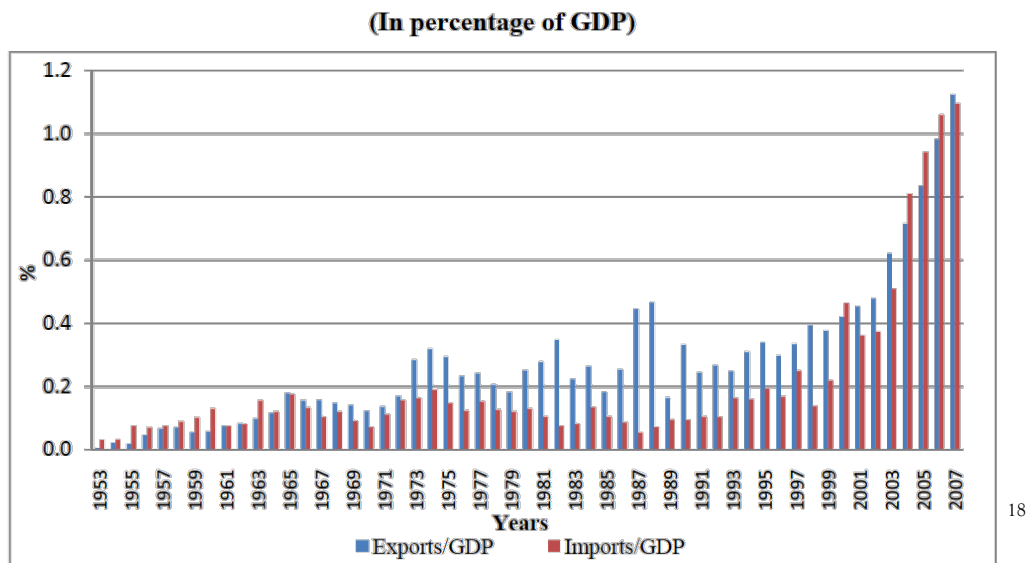
¹² L. Jones, "The History of Sino-Africa Relations", October 2009, China Policy in Focus, <https://sites.google.com/site/chinapolicyinfoocus/china-s-return-to-africa/the-history-of-sino-africa-relations>, last accessed on 1st June 2012.

¹³ "Brief history of China and Africa", 2008, Fatal Transactions, <http://www.fataltransactions.org/Dossiers/China-in-Africa/Brief-history-of-China-and-Africa>, last accessed on 11th June 2012.

¹⁴ Forum on China-Africa Cooperation, 24 May 2012, <http://www.focac.org/eng/>, last accessed on 27th May 2012.

Due to this renewed and institutionalised engagement between China and Africa, the bilateral relations have experienced an unprecedented growth in the last decade, with trade-flows multiplying tenfold between 2000 and 2008¹⁵ and by 2009, China had already become Africa's largest trading partner.^{16 / 17} The relations have also increased sharply in terms of direct investment and development aid, as I will discuss further in the following chapters.

Figure 1: Trend of Chinese imports and exports with Africa, 1953-2007



Source: Author's calculations using data from "Almanac of China's Foreign Economic Relations and Trade", 1984

¹⁵ L. Jones, "The History of Sino-Africa Relations", October 2009, China Policy in Focus, <https://sites.google.com/site/chinapolicyinfocus/china-s-return-to-africa/the-history-of-sino-africa-relations>, last accessed on 1st June 2012.

¹⁶ C. Peng, "China now Africa's largest trading partner", People's Daily Online, 18 November 2011, <http://english.peopledaily.com.cn/90778/7649195.html>, last accessed on 27th May 2012.

¹⁷ D. Maylie, "Standard Bank Eyes China, Africa Trade", The Wall Street Journal, 8 March 2012, <http://online.wsj.com/article/SB10001424052970204603004577269034194273786.html>, last accessed on 27th May 2012.

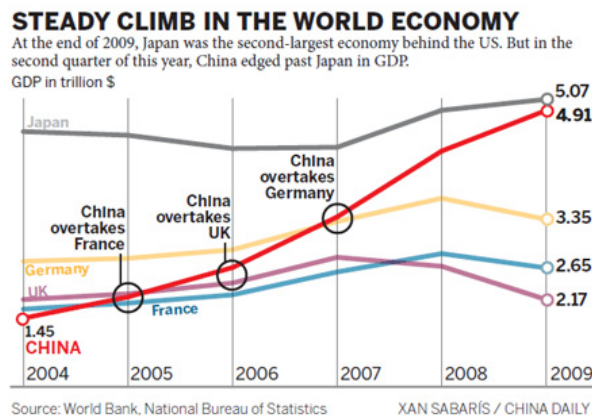
¹⁸ M.-F. Renard, "China's Trade and FDI in Africa", May 2011, African Development Bank, Tunis, Series N° 126, p. 8.

2. China-Africa relations

2.1 China's interests, needs and energy security

When talking about China's economic interest in Africa, we certainly need to start talking about the recent and astonishing development of China, its new economic and political model, its huge population and the relatively small amount of natural resources to be found in its own land.

In fact, China has experienced the most spectacular economic development in contemporary history, starting with the economic reforms in 1978 and becoming the second largest economy in terms of GDP by the second quarter of 2010,¹⁹ with an average annual growth-rate in the last three decades of around 9%. It is expected to become world's first economy in terms of GDP, overtaking the United States (US), between 2018 and 2030, depending on the sources.^{20 / 21 / 22}



¹⁹ D. Barboza, "China Passes Japan as Second-Largest Economy", The New York Times, 15 August 2010, <http://www.nytimes.com/2010/08/16/business/global/16yuan.html>, last accessed on 28th May 2012.

²⁰ *Ibid.*

²¹ K. Ahmed, "Jim O'Neill: China could overtake US economy by 2027", The Telegraph, 19 November 2011, <http://www.telegraph.co.uk/finance/economics/8901828/Jim-O'Neill-China-could-overtake-US-economy-by-2027.html>, last accessed on 28th May 2012.

²² "How to get a date. The year when the Chinese economy will truly eclipse America's is in sight", The Economist, 31 December 2011, <http://www.economist.com/node/21542155>, last accessed on 28th May 2012.

Nevertheless, that high ranking of the Chinese economy in absolute terms is not translated into the same high position in living standards, due to the huge population of China, what keeps GDP *per capita* relatively low compared to the most advanced economies. As a matter of fact, China has the world largest population, with 1.3397 billion inhabitants (2010 census),²³ and that overpopulation has posed a challenge to the Chinese leaders, that have adopted different measures over time, trying to guarantee the social, economic and environmental sustainability of the country. One of the most famous population-growth control policies was the so-called “one child” policy, implemented since 1979, whereby Chinese urban families weren’t allowed to have more than one child. However, that policy acted as an effective measure to stop the Chinese overwhelming population growth, but has posed a mayor challenge on the people born in that generation, as by 2030 China will became the country with the highest percentage of elder populations in the world, peaking as by 2050, with over 30% of the population being over 60 years old.²⁴

Therefore, even if the GDP *per capita* level of PRC is not as high as the GDP in absolute terms, it is growing fast, and it comes obvious that China’s internal demand has also increased sharply in the last years, as it is expected to increase even in a higher pace in the next decade and over.²⁵ That demand of the Chinese economy requires more energy and raw materials than Chinese land is able to naturally produce.²⁶ In fact, if we take the oil market as an example, we can see that in 1985 China was the largest oil exporter in East-Asia, shifting in 1993 from a net exporter to a net importer, and becoming nowadays the second biggest oil importer

²³ “China's Population 'Aging Worse' According To 10 Year Census”, The Huffington Post, 7 June 2011, http://www.huffingtonpost.com/2011/05/06/chinas-population-aging-census_n_858539.html, last accessed on 29th May 2012.

²⁴ “China's percentage of elderly highest in 2030”, People’s Daily Online, 12 September 2010, <http://english.peopledaily.com.cn/90001/90776/90882/7137446.html>, last accessed on 30th May 2012.

²⁵ L. Jones, “China's Strategic Interest in Africa”, December 2009, China Policy in Focus, <https://sites.google.com/site/chinapolicyinfocus/china-in-africa/china-s-strategic-interest-in-africa>, last accessed on 6th June 2012.

²⁶ P. Davies, “China and the End of Poverty in Africa - Towards Mutual Benefit?”, August 2007, Swedish Development Aid Organisation (Diakonia) - European Network on Debt and Development (Eurodad), Sweden, p. 26.

in the world.²⁷ As a consequence, energy security has become a mayor issue for China, and it has been forced to look outside to fulfil its needs, signing long-term contracts overseas to secure energy supply, in order to make its economic growth sustainable.²⁸

At the same time, we need to take into account that China's extraordinary economic growth has been exports-driven,²⁹ and therefore, it has accumulated an enormous trade surplus and foreign currency reserves.³⁰ This excess of reserves makes China look for opportunities where to invest it, and in the last years Chinese Government has offered generous credits and aids to public or private projects that go in line with its strategic objectives. Moreover, as China expanded its market relatively late compared to Western countries, its firms and companies are looking for new unexploited markets where to invest and get a market share without deep-rooted Western competitors.³¹

On the other hand, China has also political interests in Africa, as African countries could be important allies when discussing international issues in international organizations like UN or WTO, particularly since the lost of support from the West after the incidents of Tiananmen Square in 1989.³² In that sense, China chooses carefully the principles of its approach to the African countries, emphasizing the unconditionally of aid and non-interference in internal affairs of the countries. That approach firstly have to do with China's tradition and recent past, when it refused other countries' interference in its way to development, and

²⁷ P. J. Keenan, "Curse or Cure? China, Africa, and The Effects of Unconditioned Wealth", 2 August 2009, Berkeley Journal of International Law, vol. 27.1, p. 91-92.

²⁸ S. Zhao, "The Geopolitics of China-African Oil", China Briefing, 13 April 2011, <http://www.china-briefing.com/news/2011/04/13/the-geopolitics-of-china-african-oil.html>, last accessed on 31st May 2012.

²⁹ M. Kabunda, "Presentación. China y África: ¿Colonialismo o Alternativa?" - "China en África. Alternativa a los 50 años de descolonización", 2010, Editorial SODEPAZ, Madrid, p. 7.

³⁰ G. Dyer & S. Tucker, "In search of illumination: Chinese companies expand overseas", Financial Times, 3 December 2007, <http://www.ft.com/intl/cms/s/0/176f01c2-a1d6-11dc-a13b-0000779fd2ac.html#axzz1wODvUW2G>, last accessed on 17th June 2012.

³¹ P. J. Keenan, "Curse or Cure? China, Africa, and The Effects of Unconditioned Wealth", 2 August 2009, Berkeley Journal of International Law, vol. 27.1, p. 92.

³² *Ibid.*

secondly with the criticisms that China itself could face, in sensitive issues like Taiwan or Tibet.³³

2.2 The interests, needs and natural resources of African countries

On the African side, leaders have shown positive receptivity towards China's activities, at least initially, as many of the physical, financial or human resources that China can offer fit perfectly with their needs and interests. At the same time, Africa's land and markets also seem to offer exactly the means and conditions that China is looking for, in order to meet its national needs, like energy security and market expansion. This agreement of interests lies at the core of Sino-African modern relations, where comparative advantages play an important role, and whereby both parties are willing to engage in a mutually beneficial relationship, which they believe will lead to a win-win situation.³⁴

Indeed, African territory is a minimally exploited natural resource rich land, whose recent history is marked by colonialism, ethnic conflicts and political instability. These features have shaped Africa's current landscape, where economic and social development has been constantly undermined.

Regarding natural resources, Africa is one of the richest continents, with huge amounts of raw materials, ranging from fossil fuels like oil and gas, to minerals like diamonds, gold, iron, cobalt, uranium, copper, bauxite or silver, and

³³ "Brief history of China and Africa", 2008, Fatal Transactions, <http://www.fataltransactions.org/Dossiers/China-in-Africa/Brief-history-of-China-and-Africa>, last accessed on 11th June 2012.

³⁴ "China-Africa Trade and Economic Relationship Annual Report 2010", 22 June 2011, Forum on China-Africa Cooperation, <http://www.focac.org/eng/zxxx/t832788.htm>, last accessed on 3rd June 2012.

different kinds of timber and tropical fruits.³⁵ Most of these resources are scarce or not available in China's territory and that's why China needs to import them in order to feed its ever-growing internal demand.³⁶

From all those raw materials, oil is of special relevance in China-Africa relations, since China is seeking to secure its energy supplies in the long run (if possible at fixed prices), given the rising demand of oil worldwide and the lesser amount it available. Africa's oil reserves are estimated to amount around 9.5% of world's total oil reserves (2008 estimates)³⁷ and a big share of its production is exported to China. Nowadays, China imports an estimated one-third of all its oil from Africa³⁸ and its largest African oil suppliers are Angola, Sudan, Democratic Republic of Congo (DRC), Equatorial Guinea and Nigeria.³⁹ This importance of African oil has to do with the late access of China to the strategic competition for oil. In fact, by the time China realised that it had to find ways to secure its oil supply in order to sustain its growth, many Western countries had already secured their long-term oil exploitations, leaving little room for China to gain access. Therefore, China had to look somewhere else for unexploited energy reserves, in places like Sudan or Angola, where Western companies weren't willing to risk their investments.⁴⁰

In the economic side, the main inefficiencies that undermine Africa's economic development could be identified as deficient infrastructure, unskilled labour force, underdeveloped financial markets and political mismanagement. In

³⁵ K. H. Butts & B. Bankus, "China's Pursuit of Africa's Natural Resources", June 2009, Collins Center Study, Center for Strategic Leadership, vol. 1.9, p. 5.

³⁶ J. Craig, "China's development: assessing the implications", May 2012, Centre for Policy and Development Systems (CPDS), http://cpds.apana.org.au/Teams/Articles/china_as_economic_engine.htm, last accessed on 31st May 2012.

³⁷ "Oil and Gas in Africa - Overview", 31 May 2012, MBendi Information Services, <http://www.mbendi.com/indy/oilg/af/p0005.htm>, last accessed on 31st May 2012.

³⁸ S. Zhao, "The Geopolitics of China-African Oil", China Briefing, 13 April 2011, <http://www.china-briefing.com/news/2011/04/13/the-geopolitics-of-china-african-oil.html>, last accessed on 31st May 2012.

³⁹ C. Alessi, "Expanding China-Africa Oil Ties", 8 February 2012, Council on Foreign Relations, <http://www.cfr.org/china/expanding-china-africa-oil-ties/p9557>, last accessed on 31st May 2012.

⁴⁰ P. J. Keenan, "Curse or Cure? China, Africa, and The Effects of Unconditioned Wealth", 2 August 2009, Berkeley Journal of International Law, vol. 27.1, p. 92-93.

order to tackle these problems, Africa is in urgent need of funds, that China is willing to provide through its investment and aid projects.⁴¹

Regarding those issues, China has concluded in the past years infrastructure projects in Africa, many times just as necessary investments for the functioning of their own businesses, but from which the African societies will benefit anyway. With some controversies, Chinese firms have also contributed to increase the productivity of African companies and workers, throw technical assistance, training programs, and knowhow and technology transfer. With their low-interest and preferential loans, the Chinese have also boosted financial flows to Africa and have reactivated financial markets, helping create an attractive environment for investments and capital inflows.⁴²

Nevertheless, Chinese involvement has done little or nothing when it comes to fight political mismanagement, due to their “non-interference” policy. In fact, when China provides aid or investments, these funds are free from any kind of burden or conditionality, except the non-recognition of Taiwan, and leaders from recipient countries are not accountable for the use of those funds. That can explain at a big extent why African leaders are more receptive to Chinese investments than to the ones from the West, as this approach increases the opportunities for potentially corrupt leaders to enrich themselves. Therefore, China’s “non-interference” approach in this sense provides incentives for corruption rather than fighting against it.⁴³

Lastly, another feature of African market that makes it attractive for Chinese investments is the little involvement of Western countries, which during

⁴¹ P. J. Keenan, “Curse or Cure? China, Africa, and The Effects of Unconditioned Wealth”, 2 August 2009, Berkeley Journal of International Law, vol. 27.1, p. 94.

⁴² J. Y. Wang, “What Drives China’s Growing Role in Africa?”, October 2007, IMF Working Paper, p. 9.

⁴³ P. J. Keenan, “Curse or Cure? China, Africa, and The Effects of Unconditioned Wealth”, 2 August 2009, Berkeley Journal of International Law, vol. 27.1, p. 94-96.

history, only got involved as long as they had specific interests in there.⁴⁴ As a matter of fact, Western powers' presence in the African continent used to be bigger in the times of Cold War, especially regarding the USSR and the US, when these countries had a strong political interest in extending their influence-sphere, but their presence waned after the collapse of USSR.⁴⁵ Since then, West's involvement in Africa has remained limited, due to their view of the African market as poor, risky and non-profitable.

China on the other hand, regarded that withdrawal as an opportunity to expand its developing market and strengthened its economic and political ties with Africa. Nowadays, African market is widely regarded as emerging and potentially prosperous and China is trying to take the lead without long-rooted Western competitors. Moreover, the recent advances in the African markets with common currency zones and regional free trade agreements, provide incentives for foreign companies to invest in there and exploit economies of scale.⁴⁶ In that sense, China looks to African unexploited market as an opportunity to expand its export markets and sustain its economic growth in the following years.

2.3 Trade relations

While activities like financial and technical assistance predominated in the past in China-Africa relations, in the last years, the focus has moved to commercial

⁴⁴ Z. Sheng, "China-Africa relations: Far cry from Western colonialism", People's Daily Online, 7 September 2011, <http://english.peopledaily.com.cn/90780/7591080.html>, last accessed on 1st June 2012.

⁴⁵ L. Jones, "The History of Sino-Africa Relations", October 2009, China Policy in Focus, <https://sites.google.com/site/chinapolicyinfocus/china-s-return-to-africa/the-history-of-sino-africa-relations>, last accessed on 1st June 2012.

⁴⁶ L. Jones, "China's Strategic Interest in Africa", December 2009, China Policy in Focus, <https://sites.google.com/site/chinapolicyinfocus/china-in-africa/china-s-strategic-interest-in-africa>, last accessed on 6th June 2012.

activities like trade and investment.⁴⁷ Especially trade has been the sector that has evolved most since the beginning of the FOCAC meetings in 2000, with an annual average growth-rate between 2000 and 2010 of 28,18%, and the initially government driven relations have been replaced by a fast growing involvement of private actors.

The Global Financial Crisis (GFC) had an impact in the trade relations, and they experienced a setback during most part of 2009, as much as a 14% decrease compared to 2008.⁴⁸ However, despite the decrease, China became for the first time Africa's largest trade partner, and relations recovered by the end of the year and continued growing ever since. For the following years, the respective governments reached several agreements regarding trade in the FOCAC meeting of 2009, and trade is expected to grow at a high pace again.⁴⁹

Regarding territorial distribution of trade, most trading activity is concentrated in Sub-Saharan Africa (SSA), accounting around 80% of all African trade with China. As we can observe in the map and table of **Annex 1**, the largest importing countries from China are South Africa, Nigeria, Egypt and Algeria. On the other hand, the countries that export most to China are Angola, South Africa, Sudan and Libya.⁵⁰ In the overall perspective, Angola and South Africa are the largest trading partners with China, with a total share of 21% and 18% respectively, followed far behind by Sudan, Nigeria and Egypt. The top 10 trading partners amount to 76% of the total China-Africa trade, which reveals a rather concentrated trade pattern.

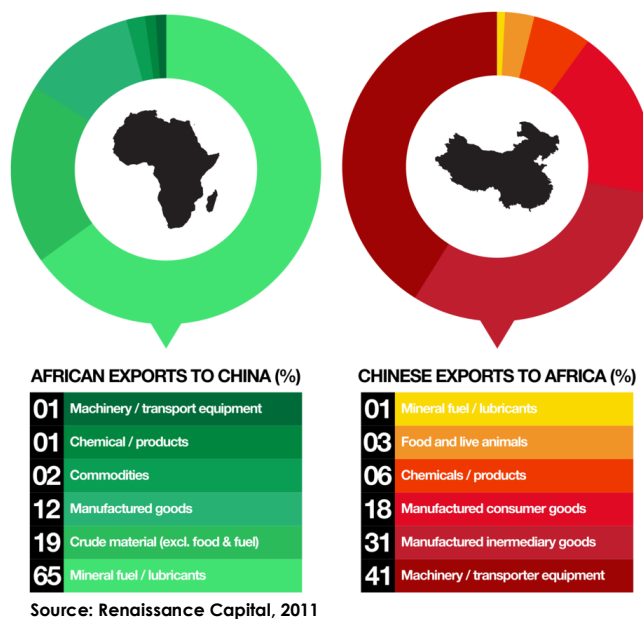
⁴⁷ J. Y. Wang, "What Drives China's Growing Role in Africa?", October 2007, IMF Working Paper, p. 5.

⁴⁸ C. Jie, "Confronting some of the major criticisms of contemporary Sino-African ties", 17 May 2012, China Military Online, http://eng.chinamil.com.cn/news-channels/pla-daily-commentary/2012-05/17/content_4864122_5.htm, last accessed on 2nd June 2012.

⁴⁹ "China-Africa Trade and Economic Relationship Annual Report 2010", 22 June 2011, Forum on China-Africa Cooperation, <http://www.focac.org/eng/zxxx/t832788.htm>, last accessed on 3rd June 2012.

⁵⁰ M. Liang, "China-Africa Trade: from China and Africa's Global Trade Perspectives", 9 August 2011, Chinese Academy of International Trade and Economic Cooperation, http://www.caitec.org.cn/c/en/news/2011-08/09/news_2861.html, last accessed on 2nd June 2012.

Regarding sectorial division of trade, the first thing to note is that trade between China and Africa is driven by comparative advantages.⁵¹ China's imports from Africa are mainly dominated by primary products, which account nearly 90% of all African exports. In fact, of all Africa's exports to China in 2009, oil and gas accounted 64%, iron ore and metals 24%, and food and other agricultural products 5%.⁵² China's exports to Africa on the other hand, are almost completely conformed by industrial and manufactured goods. In 2009, machinery and



transportation equipment accounted 41% of total exports, which together with textiles and clothing and other manufactured goods accounted for almost the total of exports.

Therefore, we could conclude that even if in terms of absolute figures trade

between China and Africa is relatively balanced, it is not the case when it comes to territorial distribution and commodity categories,⁵³ and that factor could pose an obstacle to development of Africa in the long run.

Nonetheless, if we compare these trade relations with trade between Africa and other mayor international actors like US or EU, we can see that the trade pattern remains similar regarding composition of traded commodities, especially

⁵¹ M. Liang, "China-Africa Trade: from China and Africa's Global Trade Perspectives", 9 August 2011, Chinese Academy of International Trade and Economic Cooperation, http://www.caitec.org.cn/c/en/news/2011-08/09/news_2861.html, last accessed on 2nd June 2012.

⁵² L. Yong, "China's Trade Rush with Africa", 25 April 2011, Forum on China-Africa Cooperation, <http://www.focac.org/eng/zfgx/t820242.htm>, last accessed on 2nd June 2012.

⁵³ *Ibid.*

referring to great dominance of raw materials in African exports.⁵⁴ Thus, in this respect, China's commodity pattern towards Africa is not more damaging to African economy than other powers' patterns, and any international effort to address this issues should involve every actor.

However, we should also notice that terms of trade have moved in Africa's favour in the last decade, as the prices of commodities exported by the African countries like oil and raw materials have risen substantially in the past years, compared to China's exports, due to the rising demand of those products worldwide. Therefore, African countries have seen their purchasing power increased in terms of Chinese goods, and their economies have been able to experience a higher growth.⁵⁵

Finally, it is worth mentioning the improvements occurred in the last years in trade relations, with measures adopted by the respective governments aimed to achieve a bigger economic openness between trade partners. Some of those measures were specifically adopted as a response to the GFC of 2009 to tackle the recession that trade experienced that year between China and Africa, and some others were set in the agendas of the FOCAC meetings, most importantly in the last two ones, held in 2006 and 2009. These measures consist in zero-tariff treatment to several products exported to China from the least developed countries of Africa, preferential accesses to credits, setting up bilateral economic cooperation zones, agreements on avoidance of double taxation, agreements on bilateral promotion and protection of investment, and establishment of joint committees on trade and economic cooperation.^{56 / 57}

⁵⁴ M. Liang, "China-Africa Trade: from China and Africa's Global Trade Perspectives", 9 August 2011, Chinese Academy of International Trade and Economic Cooperation, http://www.caitec.org.cn/c/en/news/2011-08/09/news_2861.html, last accessed on 2nd June 2012.

⁵⁵ A. Leke, S. Lund, C. Roxburgh & A. van Wamelen, "What's driving Africa's growth", June 2010, McKinsey Global Institute, http://www.mckinseyquarterly.com/Whats_driving_Africas_growth_2601, last accessed on 6th June 2012.

⁵⁶ "China-Africa Trade and Economic Relationship Annual Report 2010", 22 June 2011, Forum on China-Africa Cooperation, <http://www.focac.org/eng/zxxx/t832788.htm>, last accessed on 3rd June 2012.

⁵⁷ J.Y. Wang "What Drives China's Growing Role in Africa?", October 2007, IMF Working Paper, p. 13.

Thanks to these advances in trade relations and economic openness, China and Africa not only recovered from the setback of the GFC by the end of 2009, but they achieved a new maximum level of trade the following year, with a trade volume of 126.9 billion US\$ in 2010, compared to 106.8 billion US\$ in 2008, and with growing perspectives for the future.

2.4 China's aid and loans to Africa

The importance of aid-flows from China to Africa has been decreasing gradually in the last decades of Sino-African relations. As a matter of fact, while aid-flows used to amount as much as 20% relative to trade in the 90s, in 2005 its weight relative to trade was of only 3%.⁵⁸ Nevertheless, that decrease in the relative significance of aid is not because the size of aid reduced, but because trade and investment relations multiplied astoundingly, especially since the celebration of the first FOCAC meeting in the year 2000, while aid from China only increased steadily.

However, we should be careful when analysing aid figures, because it is a concept difficult to measure, subject to different definitions and with important political implications. Therefore, the conclusions reached from the different analyses could vary widely, depending to the parameters that we stick to. Indeed, if we would focus only on Official Development Assistance (ODA) to measure aid and we took the definition of OECD's Glossary of Statistical Terms as reference,⁵⁹

⁵⁸ J. Y. Wang & A. Bio-Tchané, "Africa's Burgeoning Ties with China", March 2008, Finance and Development - International Monetary Fund, vol. 45.1, <http://www.imf.org/external/pubs/ft/fandd/2008/03/wang.htm>, last accessed on 7th June 2012.

⁵⁹ "Official Development Assistance (ODA)", 28 August 2003, OECD's Glossary of Statistical Terms, <http://stats.oecd.org/glossary/detail.asp?ID=6043>, last accessed on 2nd June 2012.

we would find that China's figures of ODA to Africa are insignificant in comparison to ODA from the EU or the US.⁶⁰

Secondly, we should also notice that some aspects of ODA are very difficult and subjective to quantify in dollars, like technical assistance, interest-free loans, humanitarian aid, technology transfer or training programs.⁶¹

And thirdly, we must take into account the fact that China doesn't disclose annual aid figures and transparency is minimum when it comes to aid. Thus, it very difficult or even impossible to measure and monitor the effectiveness of Chinese aid.⁶²

With these considerations in mind, China's approach regarding aid to Africa can be considered as different to the one of the West. Most of the Western countries' ODA comprises mainly direct monetary grants, and it is usually attached to specific conditionalities or reforms to be applied by the recipient governments, in order to ensure the purposeful use of the funds. These conditionalities normally focus on aspects of democracy good governance and human right.

For years, the West has been sending aid to Africa, but we've seen that this aid had little effect in the development of the countries, which have been economically stagnated in poverty for a long period. This little effectiveness of aid has been linked with the fact that most of it was provided as tied-aid, requiring the recipient country to purchase donor's goods or services, and leaving little room for the nations to follow their own domestic policies of growth and development. At the end of the day, every aid provided to Africa was made sure to return to the

⁶⁰ T. Lum, H. Fisher, J. Gomez-Granger & A. Leland, "China's Foreign Aid Activities in Africa, Latin America, and Southeast Asia", 25 February 2009, Congressional Research Service, p. 1-2.

⁶¹ J. Y. Wang & A. Bio-Tchané, "Africa's Burgeoning Ties with China", March 2008, Finance and Development - International Monetary Fund, vol. 45.1, <http://www.imf.org/external/pubs/ft/fandd/2008/03/wang.htm>, last accessed on 3rd June 2012.

⁶² P. Davies, "China and the End of Poverty in Africa - Towards Mutual Benefit?", August 2007, Swedish Development Aid Organisation (Diakonia) - European Network on Debt and Development (Eurodad), Sweden, p. 70.

donor country. Moreover, this aid didn't guarantee its strategic use or that it would be invested in long-term oriented projects.⁶³

The practice of tying aid has been criticised as an inefficient practice that hampers competitiveness and reduces purchasing power of aid by an estimated 15% to 40%,^{64 / 65} according to the Development Assistance Committee (DAC) of the OECD. In the last years, we've seen some attempts from Western donors to untie their aid to Africa, although in most of the cases this effort hasn't been effectively carried out. Indeed, tied aid provides a way for donors to benefit from their own aids, and because donors' practices are too often shaped by self-interests, it is unlikely that we'll any significant progress in the next years.⁶⁶

China aid to Africa on the other hand, is dominated by concessional loans and export credits, and it is always project-based. Direct grants are rarely provided to African countries. This means that Chinese aid is also delivered as tied-aid and requires the recipient countries to purchase donor's goods or services, but it makes sure that the use of the aid will be directed to the pursue of strategic objectives for the economy, like infrastructure projects or machinery acquisition. Indeed, 54% of these loans and credits are used to finance infrastructure and public works, 28.5% for extraction of natural resources and 2.5% for humanitarian and technical assistance.⁶⁷ The loans are generally interest-free or low-interest loans and the China Exim Bank plays a central role in managing concessional lending.⁶⁸

⁶³ L. M. Marafa, "Africa's Business and Development Relationship with China: Seeking Moral and Capital Values of the Last Economic Frontier", November 2007, Paper proposed for the 2007 African Economic Conference, p. 12-13.

⁶⁴ J. Anderlini, "China insists on 'tied aid' in Africa", Financial Times, 25 June 2007, <http://www.ft.com/intl/cms/s/0/908c24f2-2343-11dc-9e7e-000b5df10621.html>, last accessed on 5th June 2012.

⁶⁵ M. Tran, "Rwanda demands end to tied aid", The Guardian, 28 November 2011, <http://www.guardian.co.uk/global-development/2011/nov/28/busan-deadline-to-end-tied-aid>, last accessed on 5th June 2012.

⁶⁶ G. Rabinowitz, "Tied aid debate tests donor ambitions before Busan summit", The Guardian, 1 November 2011, <http://www.guardian.co.uk/global-development/poverty-matters/2011/nov/01/tied-aid-debate-busan-summit>, last accessed on 5th June 2012.

⁶⁷ T. Lum, H. Fisher, J. Gomez-Granger & A. Leland, "China's Foreign Aid Activities in Africa, Latin America, and Southeast Asia", 25 February 2009, Congressional Research Service, p. 11.

⁶⁸ M. D. Huse & S. L. Muyakwa, "China in Africa: lending, policy space and governance", 2008, Norwegian Campaign for Debt Cancellation - Norwegian Council for Africa, p. 11.

Other components of Chinese assistance also include technological transfer, debt relief, training programs, scholarships for African students and agricultural development.⁶⁹ Some categories of investments could also be included as aid, because of their strategic potential for the African economies.

We need to mention about Chinese development assistance, that it is given to every single country in SSA recognising the “One-China” principle, as we can see in Annexes 2 and 3. Moreover, it is fairly evenly distributed across African countries, which receive aid regardless of their natural resource-riches or their trade relations with China.⁷⁰

Therefore, ODA from the West is much larger than Chinese ODA in quantitative terms, but Chinese assistance is diversified in a wider range of activities, often provided in-kind, and many of these activities are not comprised in the narrow OECD’s definition of ODA. However, China’s non-string approach targets strategic sectors of the economy, while aid from the West doesn’t guarantee its effective use.⁷¹

In fact, the West has been sending aid to Africa for decades already, in form of grants, in a way seen as some sort of “charitable donations”,⁷² instead of taking active compromises to develop African market. That approach from the West has perpetuated Africa’s **isolation** from international development during last decades, by keeping it aside from financial flows.

On the other hand, China’s approach is based on equality, South-South cooperation and market-oriented assistance. It is aimed to favour African capacity

⁶⁹ J. Y. Wang, “What Drives China’s Growing Role in Africa?”, October 2007, IMF Working Paper, p. 9.

⁷⁰ D. Brautigam, “The Dragon’s Gift: The Real Story of China in Africa” (Oxford University Press, New York 2009) p. 278-279.

⁷¹ “China-Africa Trade and Economic Relationship Annual Report 2010”, 22 June 2011, Forum on China-Africa Cooperation, <http://www.focac.org/eng/zxxx/t832788.htm>, last accessed on 3rd June 2012.

⁷² B. Berger & U. Wissenbach “EU-China-Africa Trilateral Development Cooperation”, 2007, German Development Institute, Bonn, p. 11.

building and self-development,⁷³ to at the same time, promote Africa's **integration** in international trade, by targeting strategic sector of the economies, and activating and boosting local markets. This approach has the potential to make Africa participate and benefit from the overall development at international level, initiating catch-up growth to close the gap with the most developed countries.

Actually, through this argument, we can partly explain Africa's booming growth in the last decade, as China's and other international actors' commitment to integrate Africa in international flows of goods, services and capitals increased, developing African markets, improving the business climate, attracting more foreign capital and rising African population's purchasing power. Obviously, China's new approach is not the only factor in driving that growth, nor the most important one, and other factors like the rise of global prices of African commodities or the increase on productivity should be taken into account.⁷⁴ Nevertheless, the stagnation of African development until the end of the 20th century shows a clear evidence of the inefficiency of Western assistance.

Lastly, regarding China's motivations to provide development assistance to Africa, we can find that energy security concerns are at the core of such approach.⁷⁵ In fact, energy security is a vital issue for the sustainment of Chinese economy in the long run, and Africa is the key provider of these needs to China. Therefore, it is in China's interest to maintain friendly relations with African countries and to keep their economic ties in work.

However, energy security is not the only concern of China and, for example, the development of the African market and the economic prosperity of the local

⁷³ P. Davies, "China and the End of Poverty in Africa - Towards Mutual Benefit?", August 2007, Swedish Development Aid Organisation (Diakonia) - European Network on Debt and Development (Eurodad), Sweden, p. 68.

⁷⁴ A. Leke, S. Lund, C. Roxburgh & A. van Wamelen, "What's driving Africa's growth", June 2010, McKinsey Global Institute, http://www.mckinseyquarterly.com/Whats_driving_Africas_growth_2601, last accessed on 6th June 2012.

⁷⁵ T. Lum, H. Fisher, J. Gomez-Granger & A. Leland, "China's Foreign Aid Activities in Africa, Latin America, and Southeast Asia", 25 February 2009, Congressional Research Service, p. 5, 10.

population are also vital matters for its strategic objective of market expansion. Also political motivations lay behind this assistance, like isolation of Taiwan.⁷⁶ In general, we could conclude that China's motivating factors to provide aid are composed by a mix of political, ideological, commercial and social interests, the same way that other donors' (particularly the US and EU) motivations are.⁷⁷

2.5 Foreign Direct Investment

Together with trade, investment has been the economic sector that has grown most since the beginning of the FOCAC meetings in 2000. Investments have a specific relevance in Sino-African relations, since they have set the base for the beginning of many economic relationships, and have been the mayor channel to foster development in the African economies.

As it happened with aid, we have to also be careful with the concept of Foreign Direct Investment (FDI), as many times remains unclear the dividing line between direct investment by private enterprises and trade or project financing by financial institutions.⁷⁸ Thus, figures can vary widely depending on the range of activities that we integrate in the concept and depending on the sources. Nevertheless, it is difficult to obtain accurate figures of real FDI, as many times, Chinese FDI is channelled through offshore entities registered in places like Hong Kong or Cayman Islands.⁷⁹

⁷⁶ T. Lum, H. Fisher, J. Gomez-Granger & A. Leland, "China's Foreign Aid Activities in Africa, Latin America, and Southeast Asia", 25 February 2009, Congressional Research Service, p. 5.

⁷⁷ L. Freschi, "China in Africa myths and realities", 9 February 2010, Aid Watch, <http://aidwatchers.com/2010/02/china-in-africa-myths-and-realities/>, last accessed on 24th June 2012.

⁷⁸ J.Y. Wang "What Drives China's Growing Role in Africa?", October 2007, IMF Working Paper, p. 11.

⁷⁹ M.-F. Renard, "China's Trade and FDI in Africa", May 2011, African Development Bank, Tunis, Series N° 126, p. 18.

An important characteristic to note about FDI is that investments, unlike aid, increasingly flow in both directions. In fact, initially, investments were only flowing from China to Africa, and the great majority of projects were government-backed. In the 90s, as Africa's investment environment improved and Chinese businesses gained strength, Chinese private enterprises expanded steadily in the African continent, often as joint ventures, in more diversified economic sectors. Moreover, some sectors of Chinese economy, such as manufactures, started to show signs of saturation, and increasingly, outward direct investment appeared as an alternative for Chinese firms to evade domestic competition.⁸⁰

However, Chinese companies only expanded dramatically in the African market after the enhanced economic cooperation promoted by the FOCAC, from 2000 on.⁸¹ According to the Chinese Ministry of Commerce, Chinese FDI in Africa has increased at an annual pace of 46% over the last decade.⁸² Nevertheless, in spite of this remarkable growth, the share of Africa in total Chinese outward FDI remains marginal, with a share of only 3% in 2005.⁸³

This evolvement of public and private enterprises offshoring to Africa in the last years has been backed by a framework of improved state financial institutions, government policies and development of new mechanisms for economic cooperation.⁸⁴ In this aspect, the most remarkable is the "Going Global" strategy implemented by the Chinese Government in the late 90s. This strategy was accompanied by incentives to invest abroad, like easy access to loans, simplified

⁸⁰ L. Jones, "China's Strategic Interest in Africa", December 2009, China Policy in Focus, <https://sites.google.com/site/chinapolicyinfocus/china-in-africa/china-s-strategic-interest-in-africa>, last accessed on 6th June 2012.

⁸¹ "China-Africa Trade and Economic Relationship Annual Report 2010", 22 June 2011, Forum on China-Africa Cooperation, <http://www.focac.org/eng/zxxx/t832788.htm>, last accessed on 6th June 2012.

⁸² M.-F. Renard, "China's Trade and FDI in Africa", May 2011, African Development Bank, Tunis, Series N° 126, p. 18.

⁸³ "Asian Foreign Direct Investment in Africa: Towards a New Era of Cooperation among Developing Countries", 2007, United Nations - United Nations Development Programme, New York & Geneva, p. 53.

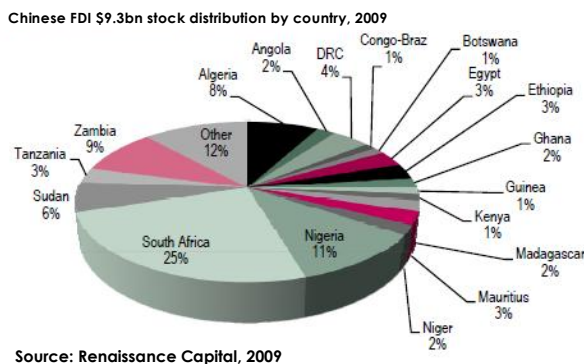
⁸⁴ J. Y. Wang & A. Bio-Tchané, "Africa's Burgeoning Ties with China", March 2008, Finance and Development - International Monetary Fund, vol. 45.1, <http://www.imf.org/external/pubs/ft/fandd/2008/03/wang.htm>, last accessed on 7th June 2012.

border procedures, and preferential policies for taxation, imports and exports.⁸⁵ Among the new cooperation mechanisms between China and Africa, we could mention the establishment of economic cooperation zones and the creation of the China-Africa Development Fund.⁸⁶

From the African side, investments from countries like South Africa, Tunisia, Mauritius or Nigeria already commenced flowing to China since the opening up of its market in the 80s.⁸⁷ However, as it is the case with Chinese enterprises, the biggest growth of Africa's investment to China occurred after the year 2000, but this growth has not been as booming as the one of the Chinese outward investment to Africa. These firms have also benefited from the same cooperation mechanisms as the Chinese, although the institutional support has been much weaker than for the Chinese companies.

In the last years, private and joint venture firms have increasingly become the dominant forces in exports and imports, in both directions of FDI. In fact, in the African market, Chinese private enterprises are currently at the forefront of

trade, FDI and construction businesses.⁸⁸



Regarding regional distribution of investment projects, as we can observe in Annex 4, the African largest

recipients of Chinese FDI in the last years are by far Nigeria, South Africa and

⁸⁵ "Asian Foreign Direct Investment in Africa: Towards a New Era of Cooperation among Developing Countries", 2007, United Nations - United Nations Development Programme, New York & Geneva, p. 54.

⁸⁶ "China-Africa Trade and Economic Relationship Annual Report 2010", 22 June 2011, Forum on China -Africa Cooperation, <http://www.focac.org/eng/zxxx/t832788.htm>, last accessed on 6th June 2012.

⁸⁷ *Ibid.*

⁸⁸ J. Y. Wang & A. Bio-Tchané, "Africa's Burgeoning Ties with China", March 2008, Finance and Development - International Monetary Fund, vol. 45.1, <http://www.imf.org/external/pubs/ft/fandd/2008/03/wang.htm>, last accessed on 7th June 2012.

Sudan, followed by Zambia and Algeria.⁸⁹ On the African side, Mauritius is by and large the country that has invested most in China, followed by South Africa, Nigeria and Egypt.⁹⁰

If we take a look at the sectors that FDI flows to, on the Chinese side investments are diversified in various economic sectors, but we have to make a distinction between the state-owned companies and private investors. Indeed, most Chinese investments in strategic sectors like oil, minerals or infrastructure are state-owned, and they generally manage the largest investment projects. On the other hand, Chinese private investments focus more in sectors like manufactures, telecommunications or wholesale trade, and the smallest companies tend to invest in light industry or retail trade.⁹¹ On the African side, FDI has been mainly directed to petrochemicals, processing, manufacturing and wholesaling.⁹²

One of the key sectors of Chinese investment in Africa is infrastructure building, because it is one of the major drivers of African economic growth. In fact, historically, deficient infrastructure has been largely identified as one of the mayor obstacles for the development of the African countries, and China's investment in this sector has contributed towards meeting Africa's vast infrastructure needs. Chinese infrastructure building projects had a positive receptivity in the African countries, due to their comparative edge in technology, equipment, management and labour costs, and they helped bringing down the overall prices in construction projects.⁹³

⁸⁹ M.-F. Renard, "China's Trade and FDI in Africa", May 2011, African Development Bank, Tunis, Series N° 126, p. 19.

⁹⁰ "China-Africa Trade and Economic Relationship Annual Report 2010", 22 June 2011, Forum on China-Africa Cooperation, <http://www.focac.org/eng/zxxx/t832788.htm>, last accessed on 6th June 2012.

⁹¹ M.-F. Renard, "China's Trade and FDI in Africa", May 2011, African Development Bank, Tunis, Series N° 126, p. 19.

⁹² "China-Africa Trade and Economic Relationship Annual Report 2010", 22 June 2011, Forum on China-Africa Cooperation, <http://www.focac.org/eng/zxxx/t832788.htm>, last accessed on 6th June 2012.

⁹³ *Ibid.*

Traditionally, China's infrastructure projects mainly involved sectors like hydroelectric power and construction of road and railway networks. However, in the past years, Africa's infrastructures markets increasingly demand projects with higher technological components, like telecommunications, petrochemical manufacturing, water supply systems and agriculture.⁹⁴ The main African beneficiaries from such projects are Nigeria, Angola, Sudan and Ethiopia.⁹⁵

To conclude, we could say that both directions of FDI have contributed to the economic growth of both China and Africa, and they show a great potential for growth in the following years. The contribution of Chinese FDI to Africa goes beyond the physical impact of the companies, and they made important contributions for the socio-economic development of the continent, by upgrading industrial technology, boosting employment, increasing foreign exchange earnings and improving overall living standards of African people.⁹⁶ Future FDI relations are likely to involve a higher participation of the private sector and a higher component of technological progress.

However, despite the many benefits that Chinese investments might have brought to Africa, many of the projects have been object of wide criticism and have raised protests from local populations and international actors. Many of the lines of criticism involve employing Chinese people, deteriorating labour standards of the African population, displacing African businesses, increasing incentives for corruption and showing little concern for environmental issues, but I will look at these issues in more detail in *Chapter 3*.

⁹⁴ "China-Africa Trade and Economic Relationship Annual Report 2010", 22 June 2011, Forum on China-Africa Cooperation, <http://www.focac.org/eng/zxxx/t832788.htm>, last accessed on 6th June 2012.

⁹⁵ M.-F. Renard, "China's Trade and FDI in Africa", May 2011, African Development Bank, Tunis, Series N° 126, p. 20.

⁹⁶ "China-Africa Trade and Economic Relationship Annual Report 2010", 22 June 2011, Forum on China-Africa Cooperation, <http://www.focac.org/eng/zxxx/t832788.htm>, last accessed on 6th June 2012.

2.6 Financial institutions

The progress in trade, development assistance and investment can only be understood by a strong support from Chinese financial institutions. These institutions have marked the steps in the opening up of Chinese economy to the rest of the world, by offering the appropriate incentives and financial support in each moment. In the last years of increased economic relations between China and Africa, they have definitely played a key role in managing and driving trade, development assistance and investment.

The financial institutions currently operating in Africa range from a limited number of state-managed large institutions to an emerging number of private banks and investment houses.⁹⁷

This expansion of Chinese private institutions in Africa in the last years, can be explained at a large extent by the pressure from their Chinese corporate customers that operate in Africa to have a more meaningful presence, cause very often, these customers prefer to conduct their operations with Chinese banks rather than with African ones.⁹⁸ As an example of the expanding power of private institutions, we can observe the Industrial and Construction Bank of China (ICBC), which has pursued a joint venture strategy since 2007, by purchasing 20% of Standard Bank, the largest bank in Africa, in what has been China's single largest Africa investment to date.⁹⁹ Other institutions like China Merchant Bank or Chinese International Fund have also extended their activities to the African

⁹⁷ E. Yujuico, "The Varieties of Chinese Finance in Africa", 26 February 2010, International Political Economy Zone, <http://ipezone.blogspot.de/2010/02/varieties-of-chinese-finance-in-africa.html>, last accessed on 8th June 2012.

⁹⁸ *Ibid.*

⁹⁹ D. Brautigam, "The Dragon's Gift: The Real Story of China in Africa" (Oxford University Press, New York 2009) p. 279.

market and it is likely that this growing tendency will continue in the following years.¹⁰⁰

Regarding state-owned financial institutions, their relevance in the development of Chinese activities in Africa has been crucial. The two main agencies in this area are China Exim Bank and China Development Bank.¹⁰¹

China Exim Bank was founded in 1994, and its main task is to promote exports and foreign investment. To fulfil that task, it has the exclusive capability to grant Chinese Government concessional loans and other preferential credits,¹⁰² such as the so-called “special loans for overseas investment”, issued after 2004, under the “Going Global” strategy.¹⁰³ The main business of China Exim Bank is commercial lending, that includes both trade credits and concessional loans. Its credits are mainly focused on infrastructure projects, and thus, its impact in the involvement of China in Africa has been important.¹⁰⁴

The other main state financial institution is the China Development Bank and it was also established in 1994. It's main objective has been the construction of China's infrastructure, but it gives loans to Chinese businesses investing abroad too, and therefore, it has provided an important support for Chinese FDI in Africa.¹⁰⁵ This support acquired an unprecedented relevance since the launch of the China-Africa Development Fund, after the Beijing Summit of 2006, under the framework of FOCAC.¹⁰⁶

¹⁰⁰ E. Yujuico, “*The Varieties of Chinese Finance in Africa*”, 26 February 2010, International Political Economy Zone, <http://ipezone.blogspot.de/2010/02/varieties-of-chinese-finance-in-africa.html>, last accessed on 8th June 2012.

¹⁰¹ J.Y. Wang “*What Drives China's Growing Role in Africa?*” October 2007, IMF Working Paper, p. 13.

¹⁰² *Ibid*, p. 14.

¹⁰³ “*Asian Foreign Direct Investment in Africa: Towards a New Era of Cooperation among Developing Countries*”, 2007, United Nations - United Nations Development Programme, New York & Geneva, p. 55-56.

¹⁰⁴ J.Y. Wang “*What Drives China's Growing Role in Africa?*” October 2007, IMF Working Paper, p. 14.

¹⁰⁵ *Ibid*, p. 15.

¹⁰⁶ “*Beijing Action Plan (2007-2009)*”, 16 November 2006, Forum on China-Africa Cooperation, <http://www.focac.org/eng/ltada/dscbzjhy/DOC32009/t280369.htm>, last accessed on 9th June 2012

And lastly, although its bulk of activities doesn't involve as high figures as the two institutions before, it is worth mentioning the China Export and Credit Insurance Corporation, because of its strategic importance in FDI flows from China to Africa. Indeed, this institution's goal is to support Chinese exports and investments abroad, by providing insurance against buyer and country risks.¹⁰⁷ This insurance provides an important incentive for Chinese firms to export and invest in Africa, as one of the main deficiencies for African countries is the insecure investment environment, due to the political instability. Therefore, this insurance helped Chinese companies reduce the risks of investment, and many of them were able to invest in places where Western companies would not be willing to invest.

2.7 Principles of China-Africa relations

The principles that China has set up to conduct its relations with Africa have marked one of the particularities of China's approach, and they have raised several debates and reactions from international actors, African governments and local populations. The point for disagreement and concern is whether China's distinctive approach can better and in a fairer way address issues like transparency, social protection and environmental impacts in Africa, compared to the approach of the West. In this debate, various benefits have been pointed out as well as critics, and as a subjective debate that it is, every opinion can be justified in solid grounds. Throughout this paper, I will cite the main arguments for each position, to conclude in the last chapter with the overall impact that in my opinion the involvement of China has had in Africa, pointing out at the same time the policy areas that should be improved in order to correct grievances. However, in this

¹⁰⁷ J.Y. Wang "What Drives China's Growing Role in Africa?" October 2007, IMF Working Paper, p. 16.

chapter I will talk about the principles themselves, and the strengths and weaknesses in their implementation.

China's particular approach arises from the fact that China itself is a developing country and in its recent history has had meaningful experiences with Western interference.¹⁰⁸ For that reason, China conducts the relations with its African partners on a basis of equality, in a framework of South-South economic cooperation, where both parties seek to engage in a win-win situation, that will be mutually beneficial. In fact, the first relations between China and African countries were dominated by a willingness to build an ideological solidarity between underdeveloped countries, away from the colonialism of Western powers. In that sense, China supported African people in their cause for national independence and maintaining state sovereignty, and that solidarity helped China advance in its involvement, gaining the trust and friendship of the African leaders.¹⁰⁹

The principles to govern the relations between China and Africa were first set in the Bandung Conference of 1955, where the so-called "Five Principles of Peaceful Coexistence" were adopted. The five principles are: "*mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in each other's internal affairs, equality and mutual benefit, and peaceful coexistence*".¹¹⁰ These basic principles, although with small variations, have guided China-Africa relations in their contemporary history and today they seem as meaningful as they were in the 50s.

¹⁰⁸ P. Davies, "China and the End of Poverty in Africa - Towards Mutual Benefit?", August 2007, Swedish Development Aid Organisation (Diakonia) - European Network on Debt and Development (Eurodad), Sweden, p. 77.

¹⁰⁹ "50-Year Sino-African Friendly Relations", 10 September 2000, West-Asia and Africa Institute of the Chinese Academy of Social Sciences, http://www.china.org.cn/archive/2000-10/09/content_1002547.htm, last accessed on 10th June 2012.

¹¹⁰ "Carrying Forward the Five Principles of Peaceful Coexistence in the Promotion of Peace and Development", 28 June 2004, Ministry of Foreign Affairs of the People's Republic of China, <http://www.fmprc.gov.cn/eng/topics/seminaronfiveprinciples/t140777.htm>, last accessed on 10th June 2012

Further on, after the visits of Chinese leaders to 11 African countries between 1982 and 1983, new principles were set down, namely “*mutual benefit, emphasis on efficiency, multiple channels and common development*”. As relations acquired a renewed relevance in the 90s, the principles were rephrased by Chinese leader Jiang Zemin in 1996, setting at the core of their relations “*sincere and friendly, equal treatment, unity and cooperation, common development and encountering the future*”.¹¹¹

Nowadays, the principles that rule China-Africa relations are to be found in China's African Policy white paper and the Declaration of the Beijing Summit of the Forum on China-Africa Cooperation, both formulated in 2006. This way, as China's African Policy white paper asserts, “**Sincerity, equality and mutual benefit, solidarity and common development** - these are the principles guiding China-Africa exchange and cooperation and the driving force to lasting China-Africa relations”.¹¹² On the other hand The Declaration of the Beijing Summit of the Forum on China-Africa Cooperation, states as follows: “We hereby solemnly proclaim the establishment of a new type of strategic partnership between China and Africa featuring **political equality and mutual trust, economic win-win cooperation and cultural exchanges**”.¹¹³

When analysing the most significant aspects of these principles, as Premier Wen Jiabao pointed out at a speech commemorating the 50th anniversary of the “Five Principles of Peaceful Coexistence”, “*at the very heart of the Five Principles is the principle of sovereign equality*”.¹¹⁴ Indeed, this equality is a prerequisite to engage in a mutually beneficial cooperation between Africa and China, based on the solid grounds of solidarity and mutual trust. As equally sovereign states that they are,

¹¹¹ “50-Year Sino-African Friendly Relations”, 10 September 2000, West-Asia and Africa Institute of the Chinese Academy of Social Sciences, http://www.china.org.cn/archive/2000-10/09/content_1002547.htm, last accessed on 10th June 2012.

¹¹² “China's African Policy”, January 2006, Ministry of Foreign Affairs of the People's Republic of China, <http://www.fmprc.gov.cn/eng/zxxx/t230615.htm>, last accessed on 10th June 2012

¹¹³ “Declaration of the Beijing Summit of the Forum on China-Africa Cooperation”, 5 November 2006, Forum on China-Africa Cooperation, <http://www.focac.org/eng/ltada/dscbjhy/DOC32009/t606841.htm>, last accessed on 10th June 2012

¹¹⁴ “Carrying Forward the Five Principles of Peaceful Coexistence in the Promotion of Peace and Development”, 28 June 2004, Ministry of Foreign Affairs of the People's Republic of China, <http://www.fmprc.gov.cn/eng/topics/seminaronfiveprinciples/t140777.htm>, last accessed on 10th June 2012

states believe that through South-South cooperative relations, they will reach a win-win situation where the common development of their economies and societies will become a reality.

Nonetheless, the most particular and at the same time controversial principle that has been closely followed in Sino-African relations is the one of **non-interference** in each other's domestic affairs, which explains China's policy of providing aid and loans with **no political strings** or other conditionality attached. This principle also derives from the sovereign equality principle, as China is willing to respect the autonomy and right of African governments to decide upon their own ways to develop their countries, as well as the decision-making process that is followed to take the decisions. In fact, China argues that conditionality imposed over aid to Africa reflects the unbalanced dialogue between the strong and the weak state. This willingness to let up to the governments the decision on setting their own paths to development can be easily understood from the Chinese perspective, because China itself refused foreign interference to pursue its own developmental policies, and that aspect has been a key factor in its economic success.¹¹⁵

At the same time, this non-interference and no strings attached policy is an appealing rhetoric for many African countries, as it sets a distinction between China and Western colonialist powers, and creates a perception about China of equal and friendly partner. That way, it was historically easier for China to gain the trust of African countries and penetrate their markets.¹¹⁶

And thirdly, we also need to notice that China itself has a specific interest in the careful implementation of the non-interference principle, due to the domestic problems that China faces, in which it is very sensitive to criticism. These

¹¹⁵ P. Davies, "China and the End of Poverty in Africa - Towards Mutual Benefit?", August 2007, Swedish Development Aid Organisation (Diakonia) - European Network on Debt and Development (Eurodad), Sweden, p. 78.

¹¹⁶ L. Jones, "The Analysis of China's Africa Policy", October 2009, China Policy in Focus, <https://sites.google.com/site/chinapolicyinfocus/china-s-return-to-africa/the-analysis-of-china-s-africa-policy>, last accessed on 11th June 2012.

main sensitive issues involve the situation in Tibet, Taiwan's status, the incidents of Tiananmen Square and China's lack of democratic system.¹¹⁷

However, there is one exception to this principle of absence of conditionality, as the recognition of the "One-China" principle is a *sine qua non* condition for establishing diplomatic relations with China,¹¹⁸ and therefore, countries are forced to refuse recognition of Taiwan as an independent state. Nevertheless, this exception is not completely rigorously applied by China, as there are a few examples of countries recognising Taiwan that have got diplomatic or economic ties with China.

This exception to the non-interference principle is not the only one that can be found in China's foreign policy, and there are some evidences that suggest that in the future, China will increasingly face situations where staying aside of the domestic politics of the partner countries will become more and more difficult. In fact, China has an increasing need and will to be perceived as a responsible stakeholder among its economic and diplomatic partners, and to reach that goal, it will be unavoidable for China to take certain actions that interfere with the principle of non-interference. Some examples can be found of this latest tendency of China's foreign policy, like when it demanded the resignation of a corrupt official in Angola, when it adopted the position to back Sudanese Government in its internal conflicts or when a specific anti-Chinese campaign was followed by an opposition leader in Zambian elections.¹¹⁹

Anyway, China continues appealing to the beneficial aspects of the non-interference principle and to the importance of it to conduct fair and equal

¹¹⁷ "Brief history of China and Africa", 2008, Fatal Transactions, <http://www.fataltransactions.org/Dossiers/China-in-Africa/Brief-history-of-China-and-Africa>, last accessed on 11th June 2012.

¹¹⁸ B. Berger & U. Wissenbach "EU-China-Africa Trilateral Development Cooperation", 2007, German Development Institute, Bonn, p. 13.

¹¹⁹ P. Davies, "China and the End of Poverty in Africa - Towards Mutual Benefit?", August 2007, Swedish Development Aid Organisation (Diakonia) - European Network on Debt and Development (Eurodad), Sweden, p. 84-85.

relations with its partners, and it seems very unlikely that China will change its positions in this regard, albeit some exceptions for specific cases. However, the non-strings attached policy gives rise to many concerns, and there are some aspects that this approach fails to address. In this sense, the key questions are: How to make sure that a non-democratic or authoritarian government uses the funds in a responsible manner to protect the citizens and the environment? How to make sure that a government doesn't focus in obtaining short-term benefits while undermining long-term progress? How to make sure that this approach doesn't undermine the efforts to increase transparency and combat corruption in governments?¹²⁰ I will examine those criticisms and some others further on in this paper.

2.7.1 The “Beijing Consensus”

The term “Beijing Consensus” has been used to refer to the socioeconomic development model followed by China, as opposed to the “Washington Consensus” set in the 90s, after the United States emerged as the victorious power in the Cold War. The term “Beijing Consensus” was coined by the academic and journalist Joshua Cooper Ramo, who took notice of the ideological tussle that is taking place in the last years between United States and China, to try to exert their own ideology in the developing countries.¹²¹

The “Washington Consensus”, term coined by John Williamson, refers to a set of specific economic policies based on liberalist ideas, to be applied for crisis-wracked developing countries. These measures were promoted especially during

¹²⁰ P. Davies, “*China and the End of Poverty in Africa - Towards Mutual Benefit?*”, August 2007, Swedish Development Aid Organisation (Diakonia) - European Network on Debt and Development (Eurodad), Sweden, p. 83-84.

¹²¹ E. Teo Chu Cheow, “*U.S.-China ideological rivalry heats up*”, The Japan Times, 5 January 2006, <http://www.japantimes.co.jp/text/ea20060105a1.html>, last accessed on 12th June 2012.

the 90s, by Washington-based international organisations like the IMF or the World Bank.¹²² The approach has been characterised by a rigid one-size-fits-all idea, meaning basically that these specific policies are universally applicable, regardless of the particular circumstances of each country.¹²³

However, the “Washington Consensus” approach has been widely discredited, because like J. C. Ramo points out, “it left a trail of destroyed economies and bad feelings around the globe”.¹²⁴ He also criticizes this approach regarding it as a “prescriptive, Washington-knows-best approach, to telling other nations how to run themselves”, stating at the same time that it was “a hallmark of end-of-history arrogance”.¹²⁵ His vision summarizes perfectly the widely extended criticism about this approach, as it was a very rigid approach, established with clear ideological implications and applied in a way visibly reflecting an unequal treatment of the West over the developing countries. And the worst part is that, after years of application, it proved to be in most of the cases ineffective or even damaging for the economies involved.

On the other hand, what J. C. Ramo calls “Beijing Consensus”, presents an alternative model for socioeconomic development of developing countries, where their independence, their particularities and their political choices are preserved. The main characteristic of this development approach is flexibility, where no uniform solution exists for any kind of situation. This way, each country is able to stick to its own preferences, its own principles and its own choices, on a basis of absolute equality among countries.¹²⁶

¹²² M. Rebol, “Why the Beijing Consensus is a non-consensus: Implications for contemporary China-Africa relations”, 12 January 2010, Culture Mandala: The Bulletin of the Centre for East-West Cultural and Economic Studies, vol. 9.1.2, p. 12.

¹²³ P. Davies, “China and the End of Poverty in Africa - Towards Mutual Benefit?”, August 2007, Swedish Development Aid Organisation (Diakonia) - European Network on Debt and Development (Eurodad), Sweden, p. 79.

¹²⁴ J. C. Ramo, “The Beijing Consensus: Notes on the New Physics of Chinese Power”, May 2004, The Foreign Policy Centre, London, p. 4.

¹²⁵ *Ibid.*

¹²⁶ *Ibid.*, p. 3-4.

In China's model, the constant willingness to innovate and experiment is an important feature, while economics and governance are used to improve society. Therefore, it is a social model that is as much about social change as economic change,¹²⁷ and growth-based stability is placed prior to development and political or social reforms, such as democratic or human rights reforms.¹²⁸

Nonetheless, China refuses to recognise the "Beijing Consensus", as it suggests a model to impose its own ideology or political system in Africa.¹²⁹ On the contrary, the Chinese approach is precisely to leave up to the African governments to decide upon their own path to development, without imposing any fixed Chinese doctrine on them. That approach arises from the fact that China itself refused foreign interference in order to pursue its own policies for socioeconomic development, and is willing to give same opportunities and choices to the African Countries. In that sense, J. C. Ramo himself, the man who coined the term, admits that the "Beijing Consensus" "*is flexible enough that it is barely classifiable as a doctrine*".¹³⁰

Therefore, although it sounds appealing to use the term "Beijing Consensus" to refer to China's development model, its use is **misleading**. It is so firstly because it implies a parallel and a competing framework to the Washington Consensus, and secondly, because it suggests a certain agreement decided in Beijing to be applied in the outside world, which is obviously not the case.¹³¹ Thus, as opposed to the "Washington Consensus", there is no such degree of universality in China's approach, where the main feature is precisely the lack of universality. And

¹²⁷ J. C. Ramo, "The Beijing Consensus: Notes on the New Physics of Chinese Power", May 2004, The Foreign Policy Centre, London, p. 4-5.

¹²⁸ E. Teo Chu Cheow, "U.S.-China ideological rivalry heats up", The Japan Times, 5 January 2006, <http://www.japantimes.co.jp/text/ea20060105a1.html>, last accessed on 12th June 2012.

¹²⁹ L. Guijin, "China and Africa: Mutual Beneficial Relationship", 25 March 2010, Forum on China-Africa Cooperation, <http://www.focac.org/eng/jlydh/sjzs/t675240.htm>, last accessed on 12th June 2012

¹³⁰ J. C. Ramo, "The Beijing Consensus: Notes on the New Physics of Chinese Power", May 2004, The Foreign Policy Centre, London, p. 4.

¹³¹ M. Rebol, "Why the Beijing Consensus is a non-consensus: Implications for contemporary China-Africa relations", 12 January 2010, Culture Mandala: The Bulletin of the Centre for East-West Cultural and Economic Studies, vol. 9.1.2, p. 12-13.

while the “Washington Consensus” consists on a set of outwards-oriented policy recommendations, there is not such thing emanating from Beijing. That’s why in light of the confusion and mislead that the term “Beijing Consensus” creates, it should better be avoided.¹³²

¹³² M. Rebol, “Why the Beijing Consensus is a non-consensus: Implications for contemporary China-Africa relations”, 12 January 2010, Culture Mandala: The Bulletin of the Centre for East-West Cultural and Economic Studies, vol. 9.1.2, p. 12-13.

3. Critiques, grievances, challenges and benefits of China's approach

As pointed out before in this paper, China's involvement in Africa has become in the last years one of the most debated contemporary issues. In the first place, it has been so because, as I have explained in the previous chapters, China's presence in Africa has increased dramatically in the last decade and its influence in African economies and societies has become increasingly notorious. In the second place, the debate has kept raising as reported cases of grievances related to China's approach have increased in number and have been widely extended across US and Europe.

In this last point, Western media and academics have played an important role, as more and more articles and opinion papers have been published in newspapers and journals regarding this topic. Most of these publications show a growing worry about China's involvement in Africa and they perceive it as a threat for the socioeconomic development of Africa.¹³³ Therefore, the publications exert wide criticism on many aspects of China's approach and practices, most of the time based on simplistic views of the reported cases of Chinese prejudicial influence.¹³⁴

These criticisms are mainly focused on the following topics: worsening labour standards for African workers; little environmental concern from Chinese firms; employment of Chinese workers in companies and investment projects carried out in Africa; destruction of African manufacturing industry and jobs by

¹³³ L. Freschi, "China in Africa myths and realities", 9 February 2010, Aid Watch, <http://aidwatchers.com/2010/02/china-in-africa-myths-and-realities/>, last accessed on 24th June 2012.

¹³⁴ "Book Report: The Dragon's Gift: The Real Story of China in Africa", 2010, Journal of the Washington Institute of China Studies, vol. 5.1, http://wics-usa.org/journal/Papers/Summer_2010/06_dragon_gift.pdf, last accessed on 16th June 2012, p. 65.

fierce and unfair competition of Chinese imports; insatiable and ruthless oil and natural resource rush from China; increased incentives for corruption of Chinese aid; undermining efforts from African and Western countries to strengthen democracy and human rights; lack of transparency of Chinese aid; and support from China of authoritarian regimes.

We can find examples of these main criticisms in the article of the Collins Center Study, Center for Strategic Leadership, when the authors claim that *"China's development strategy runs the risk of promoting corruption, creating environmental problems, stunting manufacturing development, and creating ill will from the dumping of low-cost Chinese consumer goods."*¹³⁵

However, articles talking about the benefits that China's involvement has offered to Africa are less frequent in the Western media, probably because it is more appealing for the public to focus on the grievances than on the benefits. This reiteration on emphasizing simplistic views, incomplete information and critiques has created a negative perception of China's involvement in Africa among the Western public, and the reported cases of negative influence have been taken as the rule of China's practices, rather than the exception.

In this sense, Dr. Deborah Brautigam, professor at the American University of Washington, author of the book *"The Dragon's Gift: The Real Story of China in Africa"* (that I will refer to later) and probably the most well-known expert in the specific issue of China's involvement in Africa, argues that *"focusing only on the China threat makes us blind to the real opportunities Chinese engagement offers for African development"*.¹³⁶

¹³⁵ K. H. Butts & B. Bankus, *"China's Pursuit of Africa's Natural Resources"*, June 2009, Collins Center Study, Center for Strategic Leadership, vol. 1.9, p. 11.

¹³⁶ L. Freschi, *"China in Africa myths and realities"*, 9 February 2010, Aid Watch, <http://aidwatchers.com/2010/02/china-in-africa-myths-and-realities/>, last accessed on 24th June 2012.

Behind this negative perception where China is seen as a threat for Africa, there's also a strategic interest from the world powers like the US or the EU to counter China's growing influence. In that sense, China is not that much a threat for Africa, as it is for their own interests, where their hegemonic position in Africa and in the world order is challenged if Africa is to develop according to Chinese ideological standards. At this point, Max Rebol's point of view could be illustrating, when in his article named "*Why the Beijing Consensus is a non-consensus*", talking about the "Beijing Consensus", he states that "*while the term is confusing, the debate behind it is a very real one. (There is) a **US-China ideological struggle** between a neoliberal Anglo-Saxon and an Asian 'socially orientated' approach.*"¹³⁷ Abdoulaye Wade, President of Senegal until 2008, went even further when he claimed that "*Today, it is very clear that Europe is close to losing the battle of competition in Africa*".¹³⁸

Therefore, partly because of the misconception of the media and partly because of the hidden interests behind it, the overall picture of China's involvement in the general Western public has been distorted, the facts have often been exaggerated or contain incomplete information and too simplistic or wrong visions have dominated information channels.¹³⁹ In this regard, Deborah Brautigam's view, in her blog "*China in Africa: Think again*", seems revealing: "*You think you know what China is doing in Africa. You've seen the headlines: the Chinese arrived in Africa a few years ago in a desperate search for oil. They set up a huge aid program targeting resource-rich, pariah states that would otherwise have to heed western concerns about governance. Their companies bring in all their own workers. It's a great story. There's just one problem: **almost none of it is true.***"¹⁴⁰

¹³⁷ M. Rebol, "*Why the Beijing Consensus is a non-consensus: Implications for contemporary China-Africa relations*", 12 January 2010, Culture Mandala: The Bulletin of the Centre for East-West Cultural and Economic Studies, vol. 9.1.2, p. 13.

¹³⁸ R. Behar, "*China Surpasses U.S. as Leader in Sub-Saharan Africa*", 1 June 2008, Fast Company, <http://www.fastcompany.com/magazine/126/endgame-hypocrisy-blindness-and-the-doomsday-scenario.html>, last accessed on 24th June 2012.

¹³⁹ D. Brautigam, "*The Chinese in Africa: The Economist Gets Some Things Right, Some Wrong*", 20 May 2011, China in Africa: The Real Story, <http://www.chinaafricarealstory.com/2011/05/chinese-in-africa-economist-gets-some.html>, last accessed on 16th June 2012.

¹⁴⁰ D. Brautigam, "*China in Africa: Think again*", 16 August 2010, The European Financial Review, <http://www.europeanfinancialreview.com/?p=1336>, last accessed on 16th June 2012.

On the other hand, in the Chinese media, the situation is quite the opposite; the articles talking about the benefits of China for the African countries are widely extended, while articles mentioning the grievances are limited. China shows an image about itself of a friendly and responsible country that is helping its African fellows in their way to economic development.

This approach of minimizing grievances and complaints from African populations doesn't show the real situation either, and probably the truth lies somewhere in between what Western media says and what Chinese media shows.

Moreover, another important point to mention is that many of the grievances that Chinese companies suffer in Africa are a reflection of the problems and challenges that China faces domestically.¹⁴¹ Therefore, the future challenges that China has to deal with in Africa are far more complicated than simply adapting its foreign policy, and probably, any reform in these issues will have to follow a parallel domestic reform.

In the following sections I will examine firstly the main critiques that are drawn in the Western media against China's involvement, followed by a detailed analysis about what part of those critiques is right, what is wrong, what is exaggerated and what is incomplete. Afterwards, I will mention the actual or potential benefits that African countries get or could get from China's approach.

¹⁴¹ P. Davies, "China and the End of Poverty in Africa - Towards Mutual Benefit?", August 2007, Swedish Development Aid Organisation (Diakonia) - European Network on Debt and Development (Eurodad), Sweden, p. 83.

3.1 Critiques to China's involvement and the reality behind the critiques

Chinese firms only employ Chinese workers

The first critique that we can find in the media and research articles about China's involvement is that Chinese companies only or mostly employ Chinese workers in their projects in Africa. Therefore, African population cannot benefit from Chinese FDI, that only employ a few local population and always in the low skill positions.

In this sense, we can find in newspapers and editorials statements like *"The Chinese do not use African labour where possible, saying black Africans are lazy and unskilled"* (Daily Mail, 2008)¹⁴² or *"Many infrastructure deals signed by Chinese firms mandate that the majority of labor for the project must be Chinese."* (American Foreign Policy. Princeton Student Editorials on Global Politics, 2011)¹⁴³

However, if we properly analyse this issue, we will find that these statement don't describe the real situation. In fact, it is true that in almost all Chinese companies and projects there are Chinese employees, but the average number of employed Chinese workers are far from even being a majority inside the companies.

If we have a look at the survey by the Department for International Development (DFID), we can see that it gets to the conclusion that an average percentage between 85% and 95% of the workforce in Chinese construction and

¹⁴² A. Malone, *"How China's taking over Africa, and why the West should be VERY worried"*, Daily Mail Online, 18 July 2008, <http://www.dailymail.co.uk/news/article-1036105/How-Chinas-taking-Africa-West-VERY-worried.html>, last accessed on 15th June 2012.

¹⁴³ R. Hu, *"Chinese Investment in Africa: A Dangerous Game"*, American Foreign Policy. Princeton Student Editorials on Global Politics, 16 March 2011, <http://afpprinceton.com/2011/03/chinese-investment-in-africa-a-dangerous-game/>, last accessed on 15th June 2012.

infrastructure companies is composed of local labour. The survey also concludes that these local workers are mostly employed in low skill positions, although African workers can also be found in higher positions of the companies.¹⁴⁴

To analyse this issue we can also examine the data provided by Dr. Deborah Brautigam in her webpage named “*China in Africa: The Real Story*”,¹⁴⁵ where she details the number of African and Chinese workers employed in different Chinese firms, with data obtained from diverse sources. What I can observe from this data is that on average, the percentage of Chinese personnel employed ranges mainly between 10% and 30%. However, some patterns can be observed, as in companies operating in countries like Mozambique or especially Angola, the percentage of Chinese workers is significantly superior than in the others, reaching up to the 50% and more in some case. On the other hand, in countries like Rwanda, Kenya or Zambia, the average percentage hardly exceeds 10%. In the case of Rwanda, where the data is more extended, I observe an important imbalance related to the economic sector where the companies operate, with little presence of local labour in technology-intensive companies like ZTE or Huawei.

The reasons that Dr. Brautigam describes for these patterns have to do mainly with the availability of skilled workers in the countries. This way, she explains, in countries like Angola or Algeria where the presence of Chinese companies is relatively new, there is a shortage of skilled labour, and for that reason, Chinese firms have to hire a higher percentage of Chinese labour. But in countries like Tanzania, Egypt or Zambia, the presence of Chinese workers is very small, due to the fact that Chinese companies have been operating there for decades, and that favoured a larger availability of local skilled workers.¹⁴⁶

¹⁴⁴ P. Davies, “*China and the End of Poverty in Africa - Towards Mutual Benefit?*”, August 2007, Swedish Development Aid Organisation (Diakonia) - European Network on Debt and Development (Eurodad), Sweden, p. 67.

¹⁴⁵ D. Brautigam, “*Chinese Workers in Africa*”, 2012, China in Africa: The Real Story, <http://www.chinaafricarealstory.com/p/chinese-workers-in-africa-anecdotes.html>, last accessed on 15th June 2012.

¹⁴⁶ D. Brautigam, “*China in Africa: Think again*”, 16 August 2010, The European Financial Review, <http://www.europeanfinancialreview.com/?p=1336>, last accessed on 16th June 2012.

In conclusion, we can summarize that although there is a certain number of Chinese employees in every company, it is not true that these companies employ only Chinese workers and not even a majority of Chinese labour. In fact, evidences show that most of the labour force is composed by African workers, working together with a small percentage of Chinese workers. That's why we can say that **Chinese FDI effectively provides job opportunities for local people**. Moreover, the reason why some Chinese companies employ a big fraction of Chinese workers is that there is little availability of local skilled workers, and therefore, as African countries develop economically and socially, it is likely that the percentage of Chinese people employed will decrease.

As the last point however, we must mention that in most of the cases African workers hold the lower positions inside the companies, while the Chinese are often in charge of the managerial positions, although this is not always the case. This distinction is once again related to the availability of skilled labour, and it shows us one of the key challenges that Africa has to work for in order to sustain growth and development in the long run: **development of human capital**.

Chinese firms do not care about labour or environmental standards

We've read many news about labour accidents in Chinese-run companies in Africa, complaints about low wages and low safety conditions, and strikes against Chinese managers. We've also seen articles about environmental damages of Chinese financed dam constructions or oil-extracting plants. Reported cases of this nature are widely mentioned in research and opinion articles, and have been the main grievances that damaged China's image internationally and especially among the African population.

Examples of this criticism can be found in newspaper articles, with statement such us "*Massive dams are being built, flooding nature reserves. The land is*

scarred with giant Chinese mines, with 'slave' labourers paid less than £1 a day" (Daily Mail, 2008) ¹⁴⁷ or also "Employees at times fare little better than the environment. At Chinese-run mines in Zambia's copper belt they must work for two years before they get safety helmets. Ventilation below ground is poor and deadly accidents occur almost daily." (The Economist, 2011) ¹⁴⁸

The case of Zambia is especially demonstrative of this poor labour conditions and accidents. Indeed, various sources, among them a Human Rights Watch Report



of 2011, talk of Chinese mining companies flouting labour laws and standards in Zambian mines, where workers operate under poor health and safety conditions, and their rights to organize are suppressed.¹⁴⁹ This situation of low labour standards and human rights abuses became apparent after the labour accident that occurred in 2005, where 46 workers died in an explosion in a mine.¹⁵⁰ In 2006 and 2010, various workers were shot with guns by their Chinese managers, when they were demonstrating against the poor working conditions and unpaid wages.^{151 / 152}

¹⁴⁷ A. Malone, "How China's taking over Africa, and why the West should be VERY worried", Daily Mail Online, 18 July 2008, <http://www.dailymail.co.uk/news/article-1036105/How-Chinas-taking-Africa-West-VERY-worried.html>, last accessed on 15th June 2012.

¹⁴⁸ "Trying to pull together. Africans are asking whether China is making their lunch or eating it", The Economist, 20 April 2011, <http://www.economist.com/node/18586448>, last accessed on 14th June 2012.

¹⁴⁹ "Zambia: Workers Detail Abuse in Chinese-Owned Mines", Human Rights Watch, 3 November 2011, <http://www.hrw.org/news/2011/11/03/zambia-workers-detail-abuse-chinese-owned-mines>, last accessed on 16th June 2012.

¹⁵⁰ P. J. Keenan, "Curse or Cure? China, Africa, and The Effects of Unconditioned Wealth", 2 August 2009, Berkeley Journal of International Law, vol. 27.1, p. 101.

¹⁵¹ "Trying to pull together. Africans are asking whether China is making their lunch or eating it", The Economist, 20 April 2011, <http://www.economist.com/node/18586448>, last accessed on 14th June 2012.

¹⁵² "Chinese bosses charged over Zambian mine shooting", BBC News, 18 October 2010, <http://www.bbc.co.uk/news/world-africa-11568485>, last accessed on 14th June 2012.

There are also famous reported cases of flouting labour standards in DRC and Namibia. In Congo, children have been found working under harsh conditions in Chinese-run copper mines, while in Namibia, Chinese construction companies repeatedly violate minimum wage regulations.¹⁵³

Regarding environmental concerns, there are famous cases of Chinese companies implicated in illegal harvesting of timber in tropical forests and illegal fishing in the African coasts. However, the issue that has raised the main environmental criticism is the construction of hydropower dams financed by the China Exim Bank, due to the social and environmental alterations that they cause. The main projects of this kind are located in Benin, Togo, DRC, Ethiopia, Ghana and Sudan.¹⁵⁴

When we take a closer look to this critique, we can see that most of these accusations of lowering labour and environmental standards are true. Nevertheless, these facts are often exaggerated in Western media, and many times, the accusations show a certain degree of hypocrisy,¹⁵⁵ cause the practices employed by Chinese companies are frequently repeated by Western firms. In fact, if we take a look at the deadly accidents occurred in Zambian copper mines, we can check that only one part of the totality of these fatalities occur in Chinese-run mines.¹⁵⁶

The main point to mention regarding China's labour and environmental practices is that these grievances and challenges are exactly the same ones that China is facing at the domestic level. As Daniel Bekele, Africa director at Human Rights Watch said "*Many of the poor health and safety practices we found in Zambia's*

¹⁵³ D. Brautigam, *The Dragon's Gift: The Real Story of China in Africa* (Oxford University Press, New York 2009) p. 300.

¹⁵⁴ *Ibid.* p. 301-302.

¹⁵⁵ P. Davies, "*China and the End of Poverty in Africa - Towards Mutual Benefit?*", August 2007, Swedish Development Aid Organisation (Diakonia) - European Network on Debt and Development (Eurodad), Sweden, p. 75.

¹⁵⁶ D. Brautigam, "*The Chinese in Africa: The Economist Gets Some Things Right, Some Wrong*", 20 May 2011, China in Africa: The Real Story, <http://www.chinaafricarealstory.com/2011/05/chinese-in-africa-economist-gets-some.html>, last accessed on 16th June 2012.

Chinese-run mines look strikingly similar to abuses we see in China.”¹⁵⁷ Dr. Brautigam also expresses the same observation when she states that “Chinese companies bring to Africa the poor labor relations, low wages, inadequate safety standards, and weak environmental protections they are used to at home.”¹⁵⁸

Nonetheless, in the last years we can observe an effort from the Chinese Government to improve those grievances. Inside China, concerns about environmental impacts have moved the government to adopt specific measures to address this issue, like creating a new Ministry of Environmental Protection.¹⁵⁹ Also advances have been made in labour protection issues. Hopefully, China will reflect these protection activities in its companies abroad. As Dan Haglund, a scholar with extensive fieldwork experience on the Chinese copper mines pointed out, “employees as well as regulators agree that standards have improved significantly”.¹⁶⁰

Behind these renewed effort, there is a specific interest from China to be perceived as a responsible stakeholder internationally and especially in the African societies.¹⁶¹ Indeed, the grievances and protests arisen in the last years in African countries against China’s presence have risked China’s growing ties with Africa. Therefore, **it is mainly in China’s interest to properly address these social and environmental challenges**, in order to sustain a prosperous and mutually beneficial relationship with Africa.

¹⁵⁷ “Zambia: Workers Detail Abuse in Chinese-Owned Mines”, Human Rights Watch, 3 November 2011, <http://www.hrw.org/news/2011/11/03/zambia-workers-detail-abuse-chinese-owned-mines>, last accessed on 16th June 2012.

¹⁵⁸ D. Brautigam, “China in Africa: Think again”, 16 August 2010, The European Financial Review, <http://www.europeanfinancialreview.com/?p=1336>, last accessed on 16th June 2012.

¹⁵⁹ D. Brautigam, “The Dragon’s Gift: The Real Story of China in Africa” (Oxford University Press, New York 2009) p. 300.

¹⁶⁰ D. Brautigam, “The Chinese in Africa: The Economist Gets Some Things Right, Some Wrong”, 20 May 2011, China in Africa: The Real Story, <http://www.chinaafricarealstory.com/2011/05/chinese-in-africa-economist-gets-some.html>, last accessed on 16th June 2012.

¹⁶¹ P. Davies, “China and the End of Poverty in Africa - Towards Mutual Benefit?”, August 2007, Swedish Development Aid Organisation (Diakonia) - European Network on Debt and Development (Eurodad), Sweden, p. 84.

Chinese exports and investments destroy jobs and African industry by using unfair competition

Very often, Chinese goods have been criticised for being cheaper than the ones produced in Africa, thus displacing African industries, which are forced to close down. The argument is that because of this flush of Chinese imports coming to Africa in the last years, many Africans lost their jobs, and the closing down of the industries blocked their chances for development, by condemning African countries to base their economies in exports of raw materials. Moreover, this fierce competition from Chinese products has been made possible by dumping practices from Chinese enterprises, which benefit from the subsidies of Chinese Government. Social and environmental dumping practices, both in their productions in China and in Africa, have also made Chinese companies more competitive, as well as the lower quality of delivered goods and services. In this sense, in some African societies the expression “*this is a Chinese product*” is used to warn of the bad quality of the product.¹⁶²

As examples of this argumentation, we can find statements like the following ones: “*Many of Chinese companies, which receive subsidies from their government, register important losses in Africa. This practices favour the disappearance of African companies in the mid-term*”¹⁶³ or “*Some African sectors suffer from reduced production and employment owing to competition from China. (...) industries that are threatened by Chinese imports, leading to numerous factory closings.*”¹⁶⁴

When analysing the critique, we can observe that the main argument is a widely debated dilemma of modern economy, which opposes the costs and benefits of protectionism and opening up of markets. In this dilemma, protectionism will

¹⁶² G. Ngoie Tshibambe, “*Las Relaciones Chino-Africanas: Entre Esperanza y Controversias*” - “*China en África. Alternativa a los 50 años de descolonización*”, 2010, Editorial SODEPAZ, Madrid, p. 78-79.

¹⁶³ *Ibid*, p. 76.

¹⁶⁴ M.-F. Renard, “*China's Trade and FDI in Africa*”, May 2011, African Development Bank, Tunis, Series N° 126, p. 23-24.

protect local industries against competition from external goods in the short run, but will lead to an inefficient economic system in the long run. On the other hand, in an open market economy, local industries will face fierce competition from external competitors, but economy will develop following patterns of long run efficiency. In the former scenario, consumers will lose purchasing power, as a consequence of an inefficient economic production. In the latter, consumers will benefit from lower prices and increased purchasing power.

The scenario of an open market economy is the one that Chinese involvement promotes in Africa. In this scenario, many African industries are not able to compete with Chinese products, which are cheaper and with a better quality than the ones produced in Africa. As a consequence, many of them have been forced to close down and many African people have lost their jobs. But on the other hand, the penetration of cheap Chinese goods in the African market increased the purchasing power of average African families and made affordable to them many goods and services that were unattainable before.¹⁶⁵ This provided African people with a life quality never experienced in former times and can now afford buying a car, a television or a refrigerator.

A particularly sensitive sector at this point is the textile industry, which is normally one of the first industries to develop in emerging economies. However, in the case of Africa, textile production has been crippled by Chinese competition, with the import of clothes at a much lower price than the ones produced in Africa. The difficulties for African textile industries don't take place only in African markets, but also in markets like the US, where Chinese textile imports were subject to tariffs until 2004, and African products benefited by preferential access. After that year, the abolition of tariffs caused that African textile companies couldn't directly compete with the Chinese anymore, and many African firms operating in the US had to close down. These closing of African textile industries

¹⁶⁵ M. Moll & S. Bosman, "An overview of long term investor in minerals development in Africa", 16 November 2011, Melrose Atteridge Strategy Consulting Ltd, South Africa, p. 10.

triggered unemployment problems especially in countries like Kenya, Lesotho, South Africa and Swaziland.¹⁶⁶

The consequences of the destruction of jobs by Chinese cheap import have been pressures from African governments, trade unions and civil society. These pressures have forced China to take some measures, which in some cases like South Africa have consisted in self-imposed quotas.¹⁶⁷ However, in this issue, behind every economic or political decision there are some economic sectors that gain and others that lose, and in the long run, **African industries will have to become more competitive in order to survive, while consumers will benefit from lower prices.** Therefore, for African economies to sustain long-term growth and development, they must improve the efficiency of their economies, by attracting foreign investment, facilitating technology transfer and developing human capital.

Finally, some criticisms also refer to unfair practices from Chinese industries to oust local competitors, like dumping practices. Criticisms also refer to social and environmental dumping, together with lower quality of produced goods. At this point, as Dr. Brautigam explains in her book *“The Dragon’s Gift: The Real Story of China in Africa”*, Chinese companies sometimes employ unfair practices, by providing subsidized exports credits and by breaking into African countries as “loss leaders” to gain advantage over their competitors, often other Chinese companies.¹⁶⁸ These practices were abandoned by OECD countries by voluntarily signing agreements to regulate these issues, but as China is not member of the OECD, finds no restrictions to employ them other than the pressure from competitors. Due to the lack of transparency of Chinese deals, this is an issue that is hardly visible, and therefore, China will have to address the issue in order to avoid further grievances in African countries.

¹⁶⁶ C. Alden, *“China in Africa”* (Zed Books, London & New York 2007) p. 79-81.

¹⁶⁷ *Ibid*, p. 80-82.

¹⁶⁸ D. Brautigam, *“The Dragon’s Gift: The Real Story of China in Africa”* (Oxford University Press, New York 2009) p. 298.

Regarding lower quality of Chinese goods, this is more a legal issue than economic, because legislature must ensure throw appropriate legislative frameworks that the required quality standards are respected. For that purpose, African countries must implement trade and company laws, and ensure mechanisms to enforce the rule of law. That way, companies not complying with the required quality standards will be held liable for non-compliance. Local governments as well as the Chinese should help observe the implementation of these standards where the rule of law is weak or absent. Anyway, this lower quality of Chinese products could be seen as an opportunity for African producers to gain competitiveness, by producing goods with higher quality, albeit disadvantage in price.

China's aid provides incentives for corruption on African governments and undermines effort to promote democracy

Probably the most extended and most controversial critique is that Chinese aid provides incentives for corruption in the recipient governments, because of the “non-interference” and “no political strings attached” principle. Following this argument, the principle implies that China does not require to implement anti-corruption measures to the recipient countries and once aid is provided, does not follow up the use of the funds, thus making very easy and non-risky for potentially corrupt leaders to enrich themselves. These chances are even increased given the lack of transparency of Chinese aid, which is usually provided following secret negotiations and is difficult to estimate. Moreover, with this irresponsible behaviour, China is systematically undermining efforts from the West to promote democracy and good governance, by providing funds to African governments in much easier ways than Western actors do, and therefore making unattractive for African leaders to accept funds subject to conditionality and reforms.

The examples referring to this point are very numerous, but the most important ones can be found in Patrick J. Keenan's research paper, where he argues

that “deals concluded with China provide more opportunities for leaders to enrich themselves than do deals with the West. (...) China’s approach not only provides potentially corrupt leaders more opportunities to enrich themselves, it also does not hold accountable those leaders who do so.”¹⁶⁹ A report of China in Africa from 2008 also states that “What makes China a risk to debt sustainability in poor countries is the lack of transparency in loan contraction processes. (...) The lack of transparency also leaves room for corruption, and it is of concern that there is a danger that the loans contracted in obscurity might turn out as cases of illegitimate debt in the future.”¹⁷⁰

The part about undermining efforts from the West to promote democracy and good governance is specifically related to the Angolan case, when in 2002 the Angolan Government was offered an aid package from the IMF that was subject to substantial economic and governance reforms. When the government was about to accept it and take an important step towards transparency and good governance, China offered a 2 billion US\$ loan, free of conditionality. With these offers on the table, the Angolan Government accepted China’s loan and refused IMF’s package, evading further reforms on good governance.¹⁷¹

At a first glance, this example seems revealing of how China is undermining efforts to promote good governance. However, if we take a closer look to the Angolan case, we will see that this explanation is too simplistic and misses a big part of the overall picture.

As Dr. Brautigam explains after a personal examination of the case, the Western banks, that had been providing loans to Angola in exchange of oil for several years, agreed on pressuring Angolan Government to implement at least one of the IMF reform programs. For that purpose, in 2002 they agreed on cutting the

¹⁶⁹ P. J. Keenan, “Curse or Cure? China, Africa, and The Effects of Unconditioned Wealth”, 2 August 2009, Berkeley Journal of International Law, vol. 27.1, p. 95-96.

¹⁷⁰ M. D. Huse & S. L. Muyakwa, “China in Africa: lending, policy space and governance”, 2008, Norwegian Campaign for Debt Cancellation - Norwegian Council for Africa, p. 27.

¹⁷¹ D. Brautigam, “China in Africa: Think again”, 16 August 2010, The European Financial Review, <http://www.europeanfinancialreview.com/?p=1336>, last accessed on 16th June 2012.

provision of further oil-backed loans, which the government was urging in order to repay its debt. However, in 2003, it was first the German Government and then a French bank that breached the agreement by unilaterally settling a debt reduction and providing further oil-backed loans. At that situation, China Exim Bank entered into stage by offering Angolan Government a 2 billion US\$ loan. This loan was cheaper than the ones provided by Western banks (1.5% over LIBOR compared to 2.5%-3% over LIBOR, to be repaid in a longer term) and, unlike the loans from Western banks, it would be used entirely for infrastructure projects that Angola so badly needed. In the following years, Western banks continued



arranging oil-backed loans, non-subject to conditionality, and China Exim Bank provided two further oil-for-infrastructure loans.¹⁷² This example shows that although China is being criticized for worsening corruption in Africa, it was the Western banks that were providing cash to the Angolan Government. On the other hand, Angolans never saw Chinese money, but only shipments of goods and infrastructure construction projects.¹⁷³

With increased demand for oil from China, oil prices boomed in Angola. This increase of revenues permitted Angolan Government to pay off its debts within few years and it stopped depending on expensive loans from Western banks. With this progress, transparency improved even without conditionality, and Angola entered into the track for development. However, corruption is still one of major obstacles for the development of the Angolan economy.¹⁷⁴

¹⁷² D. Brautigam, *"The Dragon's Gift: The Real Story of China in Africa"* (Oxford University Press, New York 2009) p. 275-276.

¹⁷³ D. Brautigam, *"China in Africa: Think again"*, 16 August 2010, *The European Financial Review*, <http://www.europeanfinancialreview.com/?p=1336>, last accessed on 16th June 2012.

¹⁷⁴ D. Brautigam, *"The Dragon's Gift: The Real Story of China in Africa"* (Oxford University Press, New York 2009) p. 276.

This case reveals a close picture of the situation in Africa, where few of the cash flows, even from the West, are subject to democracy or human rights reforms. Therefore, **African governments usually have got alternatives to conditional funds**, not only from China but also from European and American banks.

Anyway, when it comes to democracy promotion, it's clear that China's "non-interference" approach doesn't take any stance on it. Anything else would be odd from China, that doesn't follow democratic practices domestically. However, the effectiveness of democracy promotion through external pushes for reforms is a very much debated issue in itself. Indeed, after decades of pressures and conditions from Western countries to promote democracy in Africa, we can observe little progress.¹⁷⁵

At this point, the Chinese Government commented in 2007 that "*Governance is a means to development not an end*".¹⁷⁶ This means that the West has been targeting corruption and democracy as ends of their assistance to Africa, instead of focusing on aspects like socioeconomic development and the wealth of the people, which should ultimately be the ends. In this sense, democracy is more a consequence of development than a cause of it and it is a mistake to target democracy before development. The higher the socioeconomic development of the African countries, the more likely it will be that democratic practices arise. In this issue, the key challenge for the assistance providers would be how to promote development among the population, without the resources and efforts being consumed by the ruling regime, for self-interested aims and short-term oriented inefficient uses.

In this regard, Meles Zenawi, Prime Minister of Ethiopia expressed that "*it would be wrong for people in the West to assume that they can buy good governance in*

¹⁷⁵ D. Brautigam, "*The Dragon's Gift: The Real Story of China in Africa*" (Oxford University Press, New York 2009) p. 285-286.

¹⁷⁶ P. Davies, "*China and the End of Poverty in Africa - Towards Mutual Benefit?*", August 2007, Swedish Development Aid Organisation (Diakonia) - European Network on Debt and Development (Eurodad), Sweden, p. 82.

*Africa. Good governance comes from inside; it cannot be imposed from outside. That was always an illusion. What the Chinese have done is explode that illusion. It does not in any way endanger the reforms of good governance and democracy in Africa because only those that were home-grown ever had a chance of success.”*¹⁷⁷ Therefore, this is an issue open for debate.

Finally, concerning increased incentives for corruption, we have to take into account that China's practices abroad are shaped by their experiences at home, where substantial transactions are often carried out with little transparency. Thus, concerns in this respect about the performance of Chinese firms abroad are somehow justified, although criticisms often miss part of the complete information. These concerns, as Dr. Brautigam suggests, can be divided into three categories: that China's money-flows might be tempting targets for embezzlement; that corrupt attitudes of Chinese companies might lead to unfair competition and inefficiency; and that African countries might turn down offers subject to transparency measures to accept China's easier non-conditional offers, with increased opportunities for corruption.¹⁷⁸

The first of the concerns, which seems the most obvious at a first glance, is very difficult to occur in practice, due to the specific features of Chinese aid. In fact, as explained in the previous chapters, the **aid that China provides is tightly tied** to the purchase of goods and services, and therefore, **African leaders hardly ever see cash**, but they see shipments of goods in their ports, and services rendered by Chinese companies in the country. In that sense, Chinese aid can be considered as **provided in kind**, without dangerous cash flows circulating on the hands of African leaders.

Likewise, when it comes to revenues from exports of natural resources, China also keeps the money in Beijing, by using escrow accounts filled by receipts

¹⁷⁷ D. Brautigam, *The Dragon's Gift: The Real Story of China in Africa* (Oxford University Press, New York 2009) p. 287.

¹⁷⁸ *Ibid*, p. 292-293.

from natural resources.¹⁷⁹ This way China exchanges oils and minerals for infrastructure projects and other goods and services, and no direct chances for corruption are provided to African leaders.

Thus, despite the debate that China's approach could raise in terms of economic efficiency, it seems clear that it is an effective tool to prevent corruption, given the non-conditionality of China's aid. Indeed, China's aid has proven to be more effective for preventing corruption than conditional funds and in-cash oil revenues provided by the West, whose safeguards proved to be insufficient in many cases to avoid embezzlement from the African governments.¹⁸⁰

Nonetheless, regarding the second of the concerns, there are clear grounds for worry, as **Chinese companies enjoy a bad reputation in terms of corrupt practices** and are listed in the bottom positions of the Transparency International's 2006 Bribe Payer's Index. Moreover, in four of the biggest Chinese companies operating abroad, the World Bank found evidences of irregular practices.¹⁸¹

However, in the last years, Chinese Government has taken several measures and reforms in order to improve transparency and reduce corruption at the domestic level, like for example adopting a system for penalising companies that employ irregular practices. The progresses experienced at the national level will sometime hopefully extend to the companies abroad, although it will take some years until Chinese firms effectively abandon every trace of irregular behaviour.¹⁸²

This issue poses one of the biggest challenges for the fair involvement of China in Africa, and both African governments and the Chinese, helped by

¹⁷⁹ D. Brautigam, *The Dragon's Gift: The Real Story of China in Africa* (Oxford University Press, New York 2009) p. 294.

¹⁸⁰ *Ibid*, p. 293-294.

¹⁸¹ *Ibid*, p. 295.

¹⁸² P. Davies, "China and the End of Poverty in Africa - Towards Mutual Benefit?", August 2007, Swedish Development Aid Organisation (Diakonia) - European Network on Debt and Development (Eurodad), Sweden, p. 81-82.

international actors, will have to work together to properly address and solve the problem.

Lastly, regarding the third of the concerns, we have to say that, as we could observe in the Angolan case, **China is not the only international actor providing non-conditional loans**. Indeed, there are a variety of public and private banks and financial institutions, most of them European and North American, where African countries can choose from in order to get access to funds without “annoying” reforming obligations attached.

It's true that we have seen in the last years a growing conscience in international companies and organizations not to make business with countries not complying with norms of transparency, good governance or human rights, but still the big majority of business deals from Western companies are conducted with rogue regimes that mark low in these aspects.

Moreover, as already explained, the fact that Chinese aid and deals are tied to the purchase of goods and services makes it less exposed to corrupt practices, compared to funds from the West. Therefore, we cannot conclude that China's non-conditional approach is undermining efforts to improve transparency and fight against corruption. Not at least by itself.

China is supporting authoritarian regimes to remain in power and get away with their violations of human rights

One of the criticisms that has most notoriously worsen China's international image is the one claiming that China provides economic, diplomatic and military support to African authoritarian regimes that are well-known for systematic human rights abuses. This support is carried out in light of advantageous economic deals for China, which in turn provides the leaders of the totalitarian

regimes with the necessary means to remain in power, against the will of their ruled population.

The best-known cases of this kind of behaviour are referred to the relations of China with the governing regimes in Sudan and Zimbabwe. Various examples can be found in the media pointing to these cases: *"While Western nations have attempted to pass a UN arms embargo on the Sudanese Government to stop the genocide in Darfur, China has sold \$24 million worth of arms and \$57 million worth of vehicles and equipment to Sudan. In Zimbabwe, Western sanctions to bring about reform were likewise undermined by China's support to President Robert Mugabe's regime"* (American Foreign Policy. Princeton Student Editorials on Global Politics, 2011)¹⁸³, *"The Chinese - who now buy half of all Sudan's oil - have happily provided armored vehicles, aircrafts and millions of bullets and grenades in return for lucrative deals."* (Daily Mail, 2008)¹⁸⁴

China's relations with the regimes of Sudan and Zimbabwe have definitely damaged its image, but at the same time China has claimed these relations to be illustrations of its fair "non-interference" approach,¹⁸⁵ where all the countries are treated as equal partners, regardless of their domestic problems, and their sovereignty is respected above all. This way, China defends that as long as mutually beneficial relations can be developed with these countries, it will continue making business with them and providing development assistance, without interfering in their domestic affairs.

I will start with the case of Zimbabwe. In here, dictator Robert Mugabe is famous for its tyrannical practices to remain in power. Among his methods, there are the use of brutal violence and oppression against opposition parties, and

¹⁸³ R. Hu, "Chinese Investment in Africa: A Dangerous Game", American Foreign Policy. Princeton Student Editorials on Global Politics, 16 March 2011, <http://afpprinceton.com/2011/03/chinese-investment-in-africa-a-dangerous-game/>, last accessed on 15th June 2012.

¹⁸⁴ A. Malone, "How China's taking over Africa, and why the West should be VERY worried", Daily Mail Online, 18 July 2008, <http://www.dailymail.co.uk/news/article-1036105/How-Chinas-taking-Africa-West-VERY-worried.html>, last accessed on 15th June 2012.

¹⁸⁵ C. Alden, "China in Africa" (Zed Books, London & New York 2007) p. 60.

repeated violations of human rights across the country, like kidnappings and tortures of human rights activists. It is important to notice also that the country has been undergoing a severe economic crisis in the last decade, with an astronomical hyperinflation as illustrative of it.¹⁸⁶

China's involvement in Zimbabwe has not been very significant, albeit very controversial. Indeed, China's Official Development Assistance to Zimbabwe has been one of the poorest in Africa, and due to the critical economic situation of the country and to the unreliability of the government as a negotiator, China's investments have remained generally aside.¹⁸⁷

However, the controversial point of the relationship have to do mainly with the provision of arms and military equipment from China, that have been used by Mugabe's regime for strengthening its position and retaining power. In fact, after some reported arms transactions from China between 2002 and 2007, and after the EU and the US had imposed arms embargos on Zimbabwe, the UN found out that China had provided a shipment of ammunition to Zimbabwe before the presidential elections of 2008. This ammunition was used by Mugabe to gain the fidelity of the military, which is one of its main constituencies, and he managed to win the elections.¹⁸⁸

Therefore, we have to say that **criticism over China's position with Zimbabwe is justified**, especially if we take into account that arms business in one of the sectors most exposed to corruption. Nonetheless, it would be unfair to point to China as the only supporter of Mugabe's regime; besides China, companies from Ukraine, South Africa or the US, and French or British banks have also helped Zimbabwean Government get access to arms and funds, thus helping strengthen its power.

¹⁸⁶ D. Brautigam, *"The Dragon's Gift: The Real Story of China in Africa"* (Oxford University Press, New York 2009) p. 287-288.

¹⁸⁷ *Ibid*, p. 288-289.

¹⁸⁸ *Ibid*, p. 289-291.

In the past years we have seen signs of change in China's attitude towards Zimbabwe. After vetoing in 2008 together with Russia a UN Security Council resolution to impose an arms embargo and sanctions on Zimbabwe, in 2009 China, as well as South Africa, publicly asked Mugabe's regime for reforms in the government. Shortly after, Mugabe and the opposition leader formed a national unity government.¹⁸⁹

The case of Zimbabwe shows one of the few examples where China publicly took a stance regarding domestic issues of a partner country. This position shows a breach of the "non-interference" principle, but displays China's growing willingness to be perceived as a responsible stakeholder in the international arena.

Regarding the case of Sudan, China's role is specifically linked to the conflict in Darfur. In this region of western Sudan, after the peace agreement signed in 2005 to settle the civil war, two rebel groups commenced upheavals by attacking the government police posts. The regime in Khartoum answered with air raids over the villages and by providing arms to militia groups opposed to the rebels.¹⁹⁰ The situations evolved within a few months into one of the biggest human rights crisis in recent times.



China in the meanwhile helped Sudan build its own arms factories, supplied the country with further military equipment and Chinese companies continued investing in Sudan's oil fields. However, China was not alone in supporting Sudan military and economically: Russia was the mayor military equipment supplier; Japan, India and Malaysia were the main oil purchasers; and Canada was the biggest importer of non-oil minerals from Sudan. Most importantly, China provided diplomatic support, by insisting

¹⁸⁹ D. Brautigam, *"The Dragon's Gift: The Real Story of China in Africa"* (Oxford University Press, New York 2009) p. 291-292.

¹⁹⁰ *Ibid*, p. 281.

that the UN get Khartoum's permission before sending peacekeeping troops to Darfur and by blocking UN Security Council resolutions to impose economic sanctions over Sudan. Chinese officials stated that China doesn't believe in embargos.¹⁹¹

At this point, we have to mention that the effectiveness of economic sanctions and embargos is another issue open for debate; some researchers and experts on the issue suggest that these kind of international actions are usually ineffective and only harm the local people.¹⁹² On the other hand, it is probably the only tool available to the international community to sanction specific behaviours from states. In any case, we will never know if in case China would have agreed to the sanctions of the West, the genocide in Darfur would have been possible to avoid or minimize.

What we know is that initially, China's arm deals with the Sudanese Government didn't make any better to the situation. However, after 2007, although with slow moves, **China increasingly assumed its key role in solving the conflict.** In this aspect, China used its positive relations with Khartoum to make Sudan accept to send specific peacekeeping missions to Darfur. Moreover, China itself also appointed a special envoy for Sudan and provided 300 military engineers for the peacekeeping mission. As the International Crisis Group pointed out, "*Beijing is shifting in Sudan from being an obvious part of the problem to a significant part of the solution.*"¹⁹³

We have to note too that already before the independence declaration of South Sudan in July 2011, China positioned itself as a more neutral player regarding Khartoum, and started forging its ties with Juba, to get access to the oil-rich South Sudan. However, China's support to the Khartoum regime in the long

¹⁹¹ D. Brautigam, *"The Dragon's Gift: The Real Story of China in Africa"* (Oxford University Press, New York 2009) p. 282-283.

¹⁹² *Ibid*, p. 283.

¹⁹³ *Ibid*, p. 282.

lasting Civil War against the autonomy claims of South Sudan, which officially ended in 2004, has created opposition in the South with regard to China. Thus, it is still to see the direction that China's engagement with South Sudan will take, but it is likely that business agreements will proliferate and oil-backed infrastructure projects will multiply across the country. Those Chinese strategic investments could play an important role in the future development of South Sudan.

To conclude, the examples of Zimbabwe and Sudan show that **China's "non-interference" approach to Africa is not always the most appropriate one** in terms of development and human rights protection. They also show that China is not immune to critiques from international community and that it has an increasing willingness to be perceived as a responsible international stakeholder. However, this willingness is getting more and more difficult to reconcile with the "non-interference" principle as China's involvement expands in Africa. For that reason, in cases like the analysed ones, China has taken specific actions that show a **breakup with the "non-interference" policy.**¹⁹⁴

These cases also reveal that **in practice the "non-interference" principle is not so easy to adhere**, and China's disposition to breach with it seems to be a growing tendency in its foreign policy. As a commentator suggests, *"China - perhaps naively - assumed that it would do business in Africa whilst distancing itself from domestic political issues. (...) Whether China likes it or not, it will be sucked into domestic political situations it will have to deal with."*¹⁹⁵ Therefore, it is likely that in the following years we will see more cases where China detaches from its "non-interference" principle.

¹⁹⁴ P. Davies, "China and the End of Poverty in Africa - Towards Mutual Benefit?", August 2007, Swedish Development Aid Organisation (Diakonia) - European Network on Debt and Development (Eurodad), Sweden, p. 84.

¹⁹⁵ *Ibid.*

China's approach shows a new form of colonialism that only cares about oil and natural resources

The last criticism is about China's plundering of natural resources in Africa. This argument claims that China's only interest in Africa is to secure the supply of natural resources for its domestic economy and that this exploitation responds to a new form of colonialism, comparable to the colonial way that Africa was exploited in former times. While exploiting African resources, China does not pay any attention to the environmental, democratic or human rights concerns that its involvement produces, only caring about its economic profit. This despoliation of natural resources follows a strategy already established in Beijing some years ago, to



turn Africa into a little less than a new Chinese colony.

This is an argument that although it has been by now left aside by scholars, can still be read in some newspaper articles or opinion papers. For giving some examples, I can quote the following ones: *"In the greatest movement of people the world has ever seen, China is secretly working to turn the entire continent into a new colony. (...) China's rulers believe Africa can become a 'satellite' state, solving its own problems of over-population and shortage of natural resources at a stroke."* (Daily Mail, 2008)¹⁹⁶ or *"China's economic invasion of Africa is most conspicuously good for China, which is seeking control of global resources."* (The Washington Post, 2011)¹⁹⁷

These statements show obviously a too simplistic view of China's involvement in Africa, evidently exaggerated and that could even be considered as

¹⁹⁶ A. Malone, "How China's taking over Africa, and why the West should be VERY worried", Daily Mail Online, 18 July 2008, <http://www.dailymail.co.uk/news/article-1036105/How-Chinas-taking-Africa-West-VERY-worried.html>, last accessed on 15th June 2012.

¹⁹⁷ M. Gerson, "China's African investments: Who benefits?", The Washington Post, 29 March 2011, http://www.washingtonpost.com/opinions/chinas-african-investments-who-benefits/2011/03/28/AF8G7mqB_story.html, last accessed on 15th June 2012.

bias, where there is a clear interest from Western countries to promote this alarmist image of China. In fact, even if we cannot deny that China has got a clear interest in getting access to natural resources and securing the energy supply for its domestic economy, all the analysis that I detailed before should serve to explain that China's interests are much more complex and varied than that.

Chris Alden, professor at the London School of Economics and one of the best-known experts in China-Africa relations clearly comments in his book *"China in Africa"* that *"Claims that China is planning to colonize Africa are spurious and overblown."*¹⁹⁸ Likewise, Dr. Brautigam argues that *"China's strategic imperative does not seem to be to 'take over Africa' so much as it is to do whatever it must to make its state owned enterprises succeed."*¹⁹⁹

The press statements also show certain degree of hypocrisy, as there are well-known examples where Western countries only get involved in Africa for resource extraction, without any further intent to engage in any other kind of economic relations. As a Nigerian diplomat pointed out, *"The Chinese are trying to get involved in every sector of our economy. If you look at the West, it's oil, oil, oil, and nothing else."*²⁰⁰

The truth about China's motives for involvement in Africa is that its mutual benefit approach **is about generating business and finding ways to sustain its economic growth** in the following years. African market possesses the key features for that purpose, not only because of the availability of natural resources, but also because of the business opportunities that it presents. In this regard, Africa offers an important emerging market for the expansion of Chinese products and a market with growing demand and purchasing power that provides at present the best opportunities for long-term investments worldwide.

¹⁹⁸ C. Alden, *"China in Africa"* (Zed Books, London & New York 2007) p. 127.

¹⁹⁹ *"Book Report: The Dragon's Gift: The Real Story of China in Africa"*, 2010, Journal of the Washington Institute of China Studies, vol. 5.1, http://wics-usa.org/journal/Papers/Summer_2010/06_dragon_gift.pdf, last accessed on 16th June 2012, p. 68.

²⁰⁰ D. Brautigam, *"The Dragon's Gift: The Real Story of China in Africa"* (Oxford University Press, New York 2009) p. 279.

If we analyse the structure of Chinese business in Africa, we can see clearly that China is not following any kind of master plan for resource extraction. Indeed, Chinese companies in Africa compete with each other to access to the markets, and they generally operate with a considerable freedom from Chinese Government to pursue their own policies and interests.²⁰¹ As a matter of fact, we can observe that about two-thirds of oil extraction from Chinese companies overseas is sold in the global market and only a third is shipped to China.²⁰² This makes clear that **Chinese companies are more focused on their own profits than in any national strategy.**

However, besides the business interests of China in Africa, we can also see some evidences of political influence, especially regarding domestic political problems that China faces. In this sense, we can see how China requires to every African country that has diplomatic relations with, to accept the “One-China” principle. This way, there are only four countries in Africa that recognise Taiwan as an independent state (Burkina Faso, Gambia, Malawi and Swaziland) and these are the only ones that don’t have diplomatic relation with China. We can also find examples of political influence regarding Tibet, like when Dalai Lama’s visa request for South Africa was denied, few days after the signing of a millionaire investment project between China and South Africa.²⁰³

Therefore, this ideological influence clashes somehow with the “non-interference” policy, but it does in no way imply any strategic plan from China to take over Africa.

²⁰¹ D. Brautigam, *The Dragon’s Gift: The Real Story of China in Africa* (Oxford University Press, New York 2009) p. 281.

²⁰² G. Dyer & S. Tucker, “In search of illumination: Chinese companies expand overseas”, Financial Times, 3 December 2007, <http://www.ft.com/intl/cms/s/0/176f01c2-a1d6-11dc-a13b-0000779fd2ac.html#axzz1wODvUW2G>, last accessed on 17th June 2012.

²⁰³ L. Polgreen, “Dalai Lama’s Visa Request Is Denied by South Africa”, The New York Times, 4 October 2011, <http://www.nytimes.com/2011/10/05/world/asia/dalai-lama-cancels-south-africa-visit.html>, last accessed on 17th June 2012.

3.2 Benefits for African countries

The benefits that China's engagement with Africa could have are usually not as visible as the grievances, because normally they are long-term oriented and they are not translated into striking immediate changes that the media is fond of reporting. Moreover, many times some extra factors or actions are required in order to transform the specific aspects of China's involvement into actual benefits, like for example the implementation of specific policies and regulations from the African governments or specific actions from other international actors. In these cases, the benefits from China's approach are rather potential than real or actual.

However, as it is usually the case with most of the policies or actions taken from any governmental body, even the most notorious and extended beneficial aspect will find the interests of particular people or sectors harmed, and these people will exercise opposition and lobby to refrain the government from its implementation. This is the case with some of the aspects of China's involvement, where it finds opposition and critique from some sectors of the societies that are hit by its policies, even when they are notably beneficial for the overall development of the country.

Some of the benefits have already been mentioned in the previous chapter about the critiques. Indeed, there are aspects of China's involvement in Africa that are criticised because of the misconception or lack of information of the criticsers, and they are actually pointing to the real strengths of China's approach, rather than to weaknesses. One case of this kind is the use of tied aid and export credits, which have been criticised as inefficient in terms of reaping all the possible economic benefits attainable from them, but that is actually more efficient than the aid provided by the West when it comes to preventing corruption.

At this aspect, tied aid and export credits mean that African governments receive the aid and resources revenues in kind rather than in cash. That way, aid and revenues are transformed into tangible goods, infrastructures, buildings, training programs, technology transfers or scholarships. Deals between African government and Chinese companies are most of the times non-transparent, and the choices for investment for the recipient governments are limited to Chinese companies. Therefore, the approach is justifiably criticised for lacking transparency and not allocating resources in the most efficient way, given that competition for those projects is reduced to Chinese companies.

However, this system **ensures that aid and resource revenues are transformed into actual goods and services for the population, and that they don't get stuck in the hands of the leaders.** Thus, the chances for corruption are very low. Moreover, Chinese projects usually target strategic sectors of the economy that are essential for the long-term development of the country, like infrastructure, technology or human capital.

Consequently, and especially regarding export credits, this approach of providing in-kind revenues for purchases of oil, gas and other raw materials enables that **the resource riches of the country are truthfully translated into development projects,**²⁰⁴ as we saw in the case of Angola. For long decades, the West has proved to be unable to address this problem famously named as the “natural resource curse”, due to the fact the revenues obtained from these resources were usually diverted into the pockets of corrupt leaders or allocated in inefficient ways, short sighted and aimed to increase the power of the ruling regime. Therefore, the “natural resource curse” is basically to mean that the natural riches of the countries have been historically hardly translated into projects that will foster the socioeconomic development for the people. However, China's approach has proven in cases like the mentioned one of Angola, to be efficient in addressing this

²⁰⁴ D. Brautigam, *The Dragon's Gift: The Real Story of China in Africa* (Oxford University Press, New York 2009) p. 307.

problem and transforming resource riches into development. This approach will hopefully lead to a **new development model for African countries where “recourse curse” is transformed into “resource cure”**, and African population will find a way out of poverty.

Another important benefit that has already been mentioned is that **China’s growing demand of natural resources** in the last years (especially regarding oil, timber and minerals like copper or bauxite) **has boosted their global prices** and African countries have directly benefited from it, in form of increased revenues for their governments. This has been the case in countries like Angola, Gabon, DRC or Nigeria.²⁰⁵ This raise in prices of natural resources has been one of the main factors driving the unprecedented GDP growth of the African countries in the last decade, and it has provided African people with an important increase in their purchasing power and living standards, although still the lowest in the world. However, as I pointed out before, the increase of prices of natural resources has not benefited all the countries evenly, and although the overall impact has been very positive, there are countries, mainly energy importers, that have been damaged with this raise.²⁰⁶

We can also recall controversially, as a further beneficial aspect of China’s engagement, the **increase on purchasing power that Chinese cheap products have favoured** in the African families. Although I will not turn back to the debate, this shows once again another point where China’s involvement has generated winners and losers. The winners in this case are the consumers, that gain a significant purchasing power with the decrease of prices, and the losers are the manufacturing industries and their employees, with especial emphasis in the textile sector, that had to close down due to fierce competition from Chinese firms.²⁰⁷

²⁰⁵ M. Moll & S. Bosman, “An overview of long term investor in minerals development in Africa”, 16 November 2011, Melrose Atteridge Strategy Consulting Ltd, South Africa, p. 11.

²⁰⁶ H. Østbø Haugen, “Chinese Exports to Africa: Competition, Complementarity and Cooperation between Micro-Level Actors”, June 2011, Forum for Development Studies, Norway, vol. 38.2, p. 163-164.

²⁰⁷ *Ibid.*

Another important benefit from China's involvement, this time regarding FDI, is that **investments from China** in places and sectors that there were no foreign companies investing before, **have attracted other foreign investors**, that where fearing to lose their market share or their access to natural resources. This has been the case in Zambia, where some of the declining mines have experienced a revival after China's renewed interest on investing in them.²⁰⁸

This benefit could be also extended into the global level, as **China's remarkable growth in its engagement with Africa in the last decade has placed Africa in the center of all attentions**. This way, multinational firms and international actors increasingly perceive that a large part of business opportunities in the following decades will take place in Africa, and they are starting to take positions to gain their market share. This has increased competitiveness in African markets and **governments have gained considerable bargaining power**, which will increase their revenues as economies develop. Additionally, world powers like the US and the EU also start to realise that Africa will play a key role in the future configuration of the world division of power, and they want to gain influence to retain their hegemonic position against China's growing threat.

However, the key beneficial aspect of China's approach is that unlike the West, **China is getting involved in all economic sectors** of Africa and it's becoming **an active player in every business activity**.

In the last decades, Western countries have remained aside from the African economy, by simply sending aid and importing raw materials like oil or minerals. This attitude from the West, focused on development assistance rather

²⁰⁸ P. J. Keenan, "Curse or Cure? China, Africa, and The Effects of Unconditioned Wealth", 2 August 2009, Berkeley Journal of International Law, vol. 27.1, p. 102.

than on strategic market involvement,²⁰⁹ caused a long period of stagnation for Africa, by keeping African economies isolated from international financial flows.

On the other hand, China's approach of taking an active involvement in every sector of the African market has provided African economic activity an important boost, and Chinese investment projects have spread all over. These investments have provided **job opportunities for local people** and have helped **build local capacity, transfer technology and raise export levels** of many African countries.²¹⁰ These factors have enabled an unprecedented GDP growth on the economies, making them more attractive for any kind of future investments. Moreover, in order to make sure that this involvement will enable the long-term socioeconomic development of the countries, Chinese **investment projects have targeted strategic sectors** of the economy, like telecommunications, manufacturing, food, textiles and especially infrastructure.²¹¹

Regarding this last point, as I already mentioned before, Africa, and particularly Sub-Saharan countries, have got currently a serious infrastructure deficit that is prejudicing growth and competitiveness of the local economies. The World Bank estimates African infrastructure needs in 22 billion US\$ per year, while only 12 billion US\$ of them are satisfied.²¹² Therefore, China's role last years have been crucial for the development of the African economy, in which infrastructure construction has accounted for a big share in its total investments. At this point, especially important has been the oil-for-infrastructure policy that I already mentioned in the Angolan case, throw which China ensures that revenues for natural riches are transformed into development for the economy.

²⁰⁹ L. M. Marafa, "Africa's Business and Development Relationship with China: Seeking Moral and Capital Values of the Last Economic Frontier", November 2007, Paper proposed for the 2007 African Economic Conference, p. 13.

²¹⁰ M.-F. Renard, "China's Trade and FDI in Africa", May 2011, African Development Bank, Tunis, Series N° 126, p. 29.

²¹¹ M. Moll & S. Bosman, "An overview of long term investor in minerals development in Africa", 16 November 2011, Melrose Atteridge Strategy Consulting Ltd, South Africa, p. 10.

²¹² V. Foster, W. Butterfield, C. Chen & N. Pushak, "Building Bridges: China's Growing Role as Infrastructure Financier for Africa", 2008, The World Bank - Public-Private Infrastructure Advisory Facility, Washington DC, p. 56.

With these investments, China is contributing to the long-term development of the African economies, in a way the West failed to do during long decades. Only through long-term oriented strategic investments will Africa find a way out of poverty.

However, all these opportunities that China's involvement provides will have to be backed by an adequate and efficient regulatory framework from the African countries, which will ensure that opportunities are effectively translated into development and wealth for the people.

4. The political systems of the African countries and their implications for China's decisions

In this chapter, I will conduct a specific research regarding the implications that the political systems of the African countries could have for the involvement decisions of China. For that purpose, I will divide the African countries into three groups, depending on their rating in terms of democratic performance. These three groups will be **authoritarian regimes**, **hybrid political systems** and **democratic states**. For dividing the different African states into the three groups, I will follow the democracy-rating map for Africa, developed by “*The Economist*” Intelligence Unit for the year 2011,²¹³ combined with the democracy-ranking table for the African Union countries drawn up by the not-for-profit company “*World Audit*” in December 2011.²¹⁴ Both these tools are available in the **Annex 5**.

The reason to conduct this research arises from the fact that **China's approach has often been criticised for targeting as economic partners, countries with lower performance in terms of democracy, human rights and corruption**. This criticism argues that the lower performance in democracy is usually linked with a higher level of corruption in the countries and that China is seeking to engage with these corrupt regimes in order to get an easier and more secure access to natural resources, and especially oil. Therefore, with my research I will try to conclude at what extent the different political systems and democratic levels of the African countries really affect China's decisions of involvement.

²¹³ “*African democracy: A glass half full*”, *The Economist*, 31 March 2012, <http://www.economist.com/node/21551494>, last accessed on 21st June 2012.

²¹⁴ “*Democracy Table December 2011*”, December 2011, *World Audit*, <http://www.worldaudit.org/democracy.htm>, last accessed on 21st June 2012.

In addition, another point to keep in mind will also be that it is not only China who decides about investing and trading with African countries, but also the African countries decide at what extent they are willing to open their markets to Chinese products and companies. At the end of the day, it is the African governments that have got the key to allow the Chinese companies and products in. In this sense, the perceptions formed on the local population and the government leaders about China will play an important role, and it will be interesting to analyse how in different political systems, leaders have got different interests in allowing China in.

The method that I will follow for my research will consist in analysing selected countries for each of the three groups, focusing on the trade and investment figures of them. For the investment part, I will mainly focus in the map available in **Annex 4**, developed by experts in China-Africa relations for the year 2010, where African countries are divided into high, medium and low investment-levels from China. For the trade figures, I will use mostly the data available in the statistical webpage of “*Index Mundi*”, which obtains its information from the database of the Central Intelligence Agency (CIA) of the US. However, part of the data about some African countries is not available in that webpage, and I will use additional online resources. All the data regarding trade refers to the year 2010.

Most of the selected countries will be Sub-Saharan countries, due to the fact that the Arab states of Northern Africa underwent several political reforms in 2011, following the revolts commonly known as the “Arab Spring”. Thus, it is difficult to classify them into a specific group of democratic level and there is little data available about their trade and investment figures in the period since the political change.

The reason why I will focus on trade and investment and not aid, is that, as explained in *Chapter 2*, the particularities of Chinese aid make it meaningless to understand the overall picture of the involvement of China in Africa. It is so firstly,

because there is very little data available about the exact figures for aid, due to the difficulty to measure Chinese aid and to the non-transparent conduct of the Chinese governmental agencies. Secondly, it is so because Chinese aid is fairly evenly distributed among all African countries,²¹⁵ except for the countries not recognizing the “One-China” principle, that don’t have diplomatic relations with China (see **Annex 2**). And thirdly, it’s not suitable because the relevance of Chinese ODA is very small in comparison with the overall figures of China’s involvement in Africa, where business is the driving force of the relations.

Regarding these last two points, Dr. Brautigam points out that *“little of this engagement involves official development assistance: it’s business. By contrast, China’s official aid is relatively small, and spread fairly evenly across the continent as a tool for diplomacy”*.²¹⁶ Therefore, as China’s aid to Africa provides little light to the question about the effects of the political systems in China’s involvement decisions, I will leave it aside.

Finally, once I put forward the trade and investment relations of China with the different countries of each group, I will collect the main data in a table in form of a short summary. With this data, in the final chapter I will extract the relevant conclusions that arise from the evidences found, and try to answer the question whether it is true or not that China targets the countries with lower performance in terms of democracy.

²¹⁵ D. Brautigam, *“The Dragon’s Gift: The Real Story of China in Africa”* (Oxford University Press, New York 2009) p. 279.

²¹⁶ D. Brautigam, *“China in Africa: Think again”*, 16 August 2010, *The European Financial Review*, <http://www.europeanfinancialreview.com/?p=1336>, last accessed on 16th June 2012.

4.1 Authoritarian regimes

The first point to mention about China engagement with authoritarian regimes is that, as I already analysed in *Chapter 3*, there is a growing willingness in China to be perceived as a responsible international stakeholder, and therefore, China is reacting to the international critiques pointing to the weaknesses of its approach. In that sense, we have seen a changing attitude in China's foreign policy, where there is a growing tendency to breach with the "non-interference" principle, and in certain cases like Sudan or Zimbabwe, China has publicly adopted positions concerning internal issues of its economic partners.

In this section, the countries that I will select for my analysis are Algeria, Angola, Cameroon, Central African Republic (CAR), Ethiopia, Sudan and Zimbabwe, all of them well known for their negative record in democratic practices. We have to note too, that as we can observe in [Annex 2](#), CAR, Ethiopia and Zimbabwe are not natural resource-rich countries, while the rest are natural resource-rich countries.

Starting with Algeria, we can observe in [Annex 1](#) that Algeria is the sixth biggest trading partner of China in Africa, and bilateral trade relations amounted to 5 billion US\$ in 2010.²¹⁷ However, there is an important trade imbalance, where Algerian exports count a share of around 25% of the total volume and China's imports around 75%. Regarding investment, China invested up to 1 billion US\$ in 2010,²¹⁸ and Algeria accounts for 8% of all China's investments in Africa (see

²¹⁷ G. Khelifi, "The Chinese in Algeria. A marriage between the bourek and the spring roll", BabelMed, 26 September 2011, http://www.babelmed.net/Countries/Mediterranean/the_chinese.php?c=6934&m=9&l=en, last accessed on 22nd June 2012.

²¹⁸ M. Moore, "China in Africa at a glance", The Telegraph, 10 February 2011, <http://www.telegraph.co.uk/news/worldnews/africaandindianocean/zimbabwe/8315107/China-in-Africa-at-a-glance.html>, last accessed on 23rd June 2012.

Annex 4). Algeria granted China construction contracts worth 20 billion US\$, and it's the biggest market in Africa for Chinese construction firms.²¹⁹

Regarding Angola, as I already analysed before, it is the biggest trade partner of China, with an annual trade volume of 24.22 billion US\$ in 2010. Angola has got a huge trade surplus with China, where imports from China account for only 2.57 billion US\$ compared to the 21.65 billion US\$ that Angola exported to China in 2010.²²⁰ Angolan exports to China alone account for 42% of the total African exports to China. We have to take into account that Angola is a very rich country in terms of natural resources, second oil producer in Africa only after Nigeria, and oil accounts for more than 90% of all Angolan exports to China. China's investment in Angola is relatively small compared with trade, amounting only to 2% of China's investments in Africa (**Annex 4**). Investment has focused mainly on infrastructure construction, usually backed by oil exploitation rights.

Angola possesses a huge amount of natural resources and its trade relations with China have to do mostly with that factor. On the other hand, as I noted in *Chapter 3*, Angolan government is rather willing to conduct deals with countries that don't impose conditionalities than with Western actors demanding reforms. Thus, Angola provides bigger opportunities for access to natural resources for countries like China, which also offers more favourable business conditions than its Western competitors.

In the case of Cameroon, bilateral trade amounted to 1 billion US\$ in 2010. The balance sheet is quite evenly distributed, with Cameroon exporting commodities worth 461 million US\$ and importing 541 million US\$.²²¹ In the last

²¹⁹ C. Alden & F. Aggad-Clerx, "Chinese Investments and Employment Creation in Algeria and Egypt", 2012, African Development Bank, Tunis, p. 3.

²²⁰ "Angola Economy Profile 2012", 2012, Index Mundi, http://www.indexmundi.com/angola/economy_profile.html, last accessed on 22nd June 2012.

²²¹ "Statistics on China-Cameroon Trade in 2010", 9 March 2011, Ministry of Commerce of People's Republic of China (MOFCOM), <http://english.mofcom.gov.cn/aarticle/statistic/lanmubb/AsiaAfrica/201103/20110307451082.html>, last accessed on 22nd June 2012.

years, the several official meetings held between the leaders of the two countries didn't served to boost economic cooperation, which remains quite small with comparison to other African states. In terms of investment, the impact of Chinese enterprises remains low, with cumulative FDI in 2010 amounting to 630 million US\$.²²²

Central African Republic is a country with little natural resources riches (see Annex 2) and, as it recognised Taiwan until 1998, it has only diplomatic relations with PRC since then. These two factors help explain the very little economic ties between the two countries, in spite of the various official meetings held between the leaders in the past years. In 2010, total volume of bilateral trade between CAR and China was of only 43 million US\$, with CAR exports amounting to 27 million US\$ and imports from China amounting to 16 million US\$.²²³ In terms of investments, we can see in Annex 4 that the impact of China is very low too.

Regarding Ethiopia, it is also a country with limited natural resources. Nevertheless, bilateral trade between China and Ethiopia is booming in the last years and in 2010 it reached 1.3 billion US\$. There was a big trade imbalance, with Ethiopia only exporting to China goods and services worth 239 million US\$ and importing from China 1,056 million US\$.²²⁴ In the same year, Chinese FDI to Ethiopia amounted for 300 million US\$, but if we include the cooperation projects, the value raises to 900 million US\$.²²⁵ Anyway, comparing with the overall Chinese investments in Africa, we can consider the investment-level in Ethiopia as middle-sized (Annex 4).

²²² N. Yanshuo, "Fine-Tuning Bilateral Ties", February 2011, CHINAFRICA, vol. 3, http://www.chinafrica.cn/english/china_report/txt/2011-02/01/content_329127_3.htm, last accessed on 22nd June 2012.

²²³ "Central African Republic Economy Profile 2012", 2012, Index Mundi, http://www.indexmundi.com/central_african_republic/economy_profile.html, last accessed on 22nd June 2012.

²²⁴ "Ethiopia Economy Profile 2012", 2012, Index Mundi, http://www.indexmundi.com/ethiopia/economy_profile.html, last accessed on 22nd June 2012.

²²⁵ B. Tesfaye, "Building mutually beneficial China-Ethiopia relations", 10 December 2010, Forum on China-Africa Cooperation, <http://www.focac.org/eng/jlydh/xzhd/t777191.htm>, last accessed on 22nd June 2012.

In the case of Sudan, I already analysed the much controversial strong ties between Beijing and Khartoum. The figures that I will present now refer to the joint figures of Sudan and South Sudan, due to the unavailability of separate data. As oil-rich country that it is, Sudan is the third largest trading partner of China and trade volume topped 9.7 billion US\$ in 2010. Like Angola, Sudan registers a large trade surplus with China, exporting goods, mainly oil, worth 7.78 billion US\$ and importing 1.92 billion US\$ worth assets.²²⁶ Sudan is a big recipient of Chinese FDI (**Annex 4**), and this is mainly focused on infrastructure building projects, most importantly for oil extraction and processing sector, but also for water distributing and hydropower sector.

We must remember concerning Sudan, that China has been much criticised for its diplomatic and military support to the regime in Khartoum in its internal conflicts. However, especially since 2008 and more now with the independence of South Sudan, China has adopted a more neutral and responsible position, where has publicly interfered in internal affairs of Sudan.

Finally, for the case of Zimbabwe, I would like to remind the criticism to China for its military support to Mugabe's regime. In this case however, the economic ties between the two countries remain limited, mainly due to the fact that Zimbabwe is not a resource-rich country and that its economic situation is very difficult. Moreover, China's growing willingness to be perceived as a responsible international stakeholder made China step back in its ties with Mugabe's regime and defended the formation of a national unity government in 2009.

In terms of trade, the bilateral relations between China and Zimbabwe presented a total volume of 614 million US\$ in 2010. The distribution of trade is quite balanced, with exports from Zimbabwe amounting to 294 million US\$ and

²²⁶ "Sudan Economy Profile 2012", 2012, Index Mundi, http://www.indexmundi.com/sudan/economy_profile.html, last accessed on 22nd June 2012.

imports from China 320 million US\$.²²⁷ Regarding investment, we can see in **Annex 4** that China's investment-level in Zimbabwe is rated as medium. Most of China's FDI is focused in the mining sector of the country, especially platinum extraction, and also in agriculture.

We can see in the relations of Mugabe's regime with Beijing that China is somehow reluctant to strengthen its links with Mugabe, due to the harm that it could cause for China in its international reputation. On the other hand, Zimbabwe is eager to open its markets to Asian companies, and particularly Chinese, because of the isolation that it bears from Western countries. In this context, Mugabe pronounced his famous sentence stating: *"We look again to the East, where the sun rises, and no longer to the West, where it sets."*²²⁸

We can see in general that for authoritarian regimes, China is a welcome source for stability, and its development assistance, trade and investments are very much welcomed as steps towards development.

As professor Alden argues in his book, *"Chinese approaches with these regimes are fundamentally opportunistic in nature and not necessarily driven by a desire to bolster or create a 'league of dictators'."*²²⁹ Therefore, China gets engaged with authoritarian regimes as long as its particular economic interests are involved, and it is ready to step aside when such relationship poses a threat for its business interests. Concerning Zimbabwe, Professor Alden states that *"Beijing recognizes that the arbitrary conduct of Mugabe's regime is a threat to its own prospective investments and (...) makes Zimbabwe a pariah partnership to be maintained at arm's length."*²³⁰

²²⁷ "Zimbabwe Economy Profile 2012", 2012, Index Mundi, http://www.indexmundi.com/zimbabwe/economy_profile.html, last accessed on 22nd June 2012.

²²⁸ C. Alden, *"China in Africa"* (Zed Books, London & New York 2007) p. 64.

²²⁹ *Ibid*, p. 66.

²³⁰ *Ibid*.

4.2 Hybrid political systems

Hybrid regimes are the political systems where normally people have got the right to vote, but in practice the functioning of the system is flawed and aspects like the implementation of rule of law still remain a challenge for development. These regimes usually combine claims for democratic practices with the willingness from the elite to keep control over state resources. However, they show an increasing effort to create a fairer political system and they are advancing in their path to development.

In this section the countries that I will focus on will be Kenya, Mauritania, Mozambique and Nigeria. Out of these countries, as we can see in [Annex 2](#), Kenya and Mozambique are countries without considerable resource riches, while Nigeria and Mauritania are rich in natural resources.

Starting with Kenya, its trade volume with China amounted to a total of 1.83 billion US\$ in 2010.²³¹ It shows a huge trade imbalance on favour of China, with Kenya's exports accounting for less than a 10% of the total bilateral trade. In investments, China's FDI in the country is considered as middle-level ([Annex 4](#)), and it is basically focused on ports, transportation infrastructure and power plants.²³²

Mauritania is a resource-rich country, but very little in size of the economy. Its bilateral trade with China amounted to 1.1 billion US\$ in 2010, which seems surprisingly high relative to its GDP, that was of only 6.83 billion US\$.

²³¹ "China's trade with Kenya in September 2011", 14 November 2011, Economic and Commercial Counsellor's Office of the Embassy of the People's Republic of China in the Republic of Kenya, <http://ke2.mofcom.gov.cn/aarticle/chinanews/201111/20111107829685.html>, last accessed on 22nd June 2012.

²³² M. Moore, "China in Africa at a glance", The Telegraph, 10 February 2011, <http://www.telegraph.co.uk/news/worldnews/africaandindianocean/zimbabwe/8315107/China-in-Africa-at-a-glance.html>, last accessed on 23rd June 2012.

Mauritanian exports to China account for 847 million US\$ and the import from China 250 million US\$,²³³ what suggests a noticeable trade surplus. Regarding Chinese investment in the country, its impact remains very low compared with other African countries.

Regarding Mozambique, a country non-rich in natural resources, trade relations with China are quite small. In 2010, it exported 144 million US\$ worth assets to China, while importing 343 million US\$, what amounted to a trade volume of 487 million US\$.²³⁴ China's investments in Mozambique show a medium level (see **Annex 4**), but they experienced a substantial increase in the last years.

Finally, Nigeria is the fourth largest African trade partner of China with a share of about 6% of total Sino-African trade. Nigeria is one of the richest countries in Africa in terms natural resources and the first oil producer. Its bilateral trade with China accounted 7.5 billion US\$ in 2010,²³⁵ with a substantial trade imbalance on China's favour. Nigeria is one of the countries attracting most Chinese investment, with a share of 11% over the total amount of Chinese FDI in Africa, only after South Africa. Chinese FDI is mainly directed to oil and gas industries, while construction and agriculture are also important. In 2010, Chinese investments in Nigeria were worth an estimated 6 billion US\$.²³⁶

In general, this countries look at China as an important strategic partner, and they are eager to attract Chinese FDI in their desire to diversify their economies. They provide easier access to natural resources for China than other

²³³ "Mauritania Economy Profile 2012", 2012, Index Mundi, http://www.indexmundi.com/mauritania/economy_profile.html, last accessed on 22nd June 2012.

²³⁴ "Mozambique Economy Profile 2012", 2012, Index Mundi, http://www.indexmundi.com/mozambique/economy_profile.html, last accessed on 22nd June 2012.

²³⁵ "Nigeria: 'Volume of trade between Nigeria, China stood at US\$7.5b in 2010'", 9 February 2011, AfriqueJet - Afrique Actualité Information, <http://www.afriquejet.com/nigeria-volume-of-trade-between-nigeria-china-stood-at-us75b-in-2010-20110209872.html>, last accessed on 22nd June 2012.

²³⁶ "China-Nigeria trade ties continue to strengthen", People's Daily Online, 23 March 2010, <http://english.peopledaily.com.cn/90001/90778/90861/6927630.html>, last accessed on 22nd June 2012.

more democratic countries, but at the same time, as it was the case with authoritarian regimes, China is cautious to strengthen its ties with these governments that are often based on poor institutions and weak legitimacy. Usually, trade unions and civil society groups in these hybrid systems show concern about the impact of China's investments on their interests, but their influence on the government is relatively small compared to more democratic states, and governments show little answer to their demands.²³⁷

However, the steps that these countries show towards better democratic practices signal a growing development of their economies too, and they provide important business opportunities for Chinese companies to gain market influence.

4.3 Democratic states

In this group I include the best performing countries in terms of democratic practices. I have to mention, that according to the map developed by “*The Economist*”, the only African country that is considered a full democracy is Mauritius. The rest of the countries that I will analyse are defined by “*The Economist*” as “flawed democracies”, and they are countries that although good performing, still have considerable room for progress. Some of these countries like South Africa, Namibia or Ghana, were considered full democracies in 2010, but the reforms and changes occurred in the last year meant a step back in their way to a better democracy.

It is interesting to notice that there is a significant correlation between the democratic level of the African countries and their economic development. Although it cannot be taken as a rule, this correlation have got important

²³⁷ C. Alden, “*China in Africa*” (Zed Books, London & New York 2007) p. 67-70.

implications to analyse the relationship with China, as China's relative involvement tends to increase in countries with better economic performance.

The countries selected for this section are Ghana, Mauritius, Namibia, Senegal and South Africa. Out of these five, Ghana, Mauritius and Senegal are not resource-rich, while Namibia and South Africa are resource-rich.

The first country to analyse is Ghana. Its annual trade volume in 2010 amounted to 2.06 billion US\$, with a significant imbalance in China's favour. Although Chinese FDI in Ghana is ranked as low-level in the investment map (**Annex 4**), in 2009 Ghana accounted for 2% of the total Chinese FDI to Africa and in 2010 it amounted to 219 million US\$, with a contractual value of projects and services of an accumulated 4.53 billion US\$.²³⁸

Mauritius is a curious case. It is a small island situated at the East of Africa in the Indian Ocean, but it presents extraordinary socioeconomic figures compared to its African fellows. It is the best performing African country in terms of democracy and presents the highest Human Development Index (HDI) rating in Africa. The size of the economy is small, but its trade with China is very significant relative to the size. In 2010 bilateral trade volume with China amounted to 432 million US\$. However there is an enormous trade imbalance between imports and exports, and while imports from China amount to 428 million US\$, exports to China have remained insignificant.²³⁹ In investments, despite its small size, Mauritius accounts for 3% of the total Chinese outward investment to Africa. But the most extraordinary figure is the outward investment from Mauritius to China, which amounted to a cumulative investment of 8.44 billion US\$ by 2009, accounting for 82% of all African investments in China.

²³⁸ "Brief Statistics of China-Ghana Trade and Economic Cooperation", 17 February 2011, Ministry of Commerce of People's Republic of China (MOFCOM), <http://english.mofcom.gov.cn/article/subject/minister/lanmub/201102/20110207421024.html>, last accessed on 23rd June 2012.

²³⁹ "Mauritius Economy Profile 2012", 2012, Index Mundi, http://www.indexmundi.com/mauritius/economy_profile.html, last accessed on 22nd June 2012.

Regarding Namibia, its bilateral trade with China is increasing rapidly in the last years, and in 2010 it amounted to 713 million US\$. The investment-level of China in Namibia is low, with a cumulative FDI of 52.3 million US\$ in 2010, mainly focused in the sectors of construction and mining.²⁴⁰

Senegal is a country not rich in natural resources, but trade relations with China are also growing rapidly, although the volume doesn't reach considerable figures yet. In 2010, bilateral trade between the two countries reached 549 million US\$, with a trade imbalance in favour of China. FDI of China in Senegal remains low and it mainly targets sectors like infrastructure construction, telecommunications and energy production, but it is also important in agriculture and fishery.²⁴¹

Finally, South Africa is by far the African country with the largest economic relations with China. It is the second biggest trade partner, the second biggest exporter, the first importer, the first recipient of Chinese FDI and the second FDI sender to China. It is at the same time the largest economy in Africa, before countries like Egypt, Nigeria or Algeria, which helps explain its multiple relations with China. In 2010, its bilateral relations with China topped 22.71 billion US\$, with an accurately distributed trade balance of 11.74 billion US\$ worth exports and imports worth 10.97 billion US\$.²⁴² South Africa receives 25% of all Chinese FDI to Africa and they are directed to sectors like manufacturing, mining, banking, telecommunications and energy.²⁴³ The most remarkable investment, and China's

²⁴⁰ W. Ruixing, "Bright Prospect of China-Namibia Business Cooperation", 5 August 2011, Forum on China-Africa Cooperation, <http://www.focac.org/eng/zxxx/t846159.htm>, last accessed on 23rd June 2012.

²⁴¹ "Senegal, China see yearly 30 pct trade growth since 2005", 9 August 2011, Forum on China-Africa Cooperation, <http://www.fmprc.gov.cn/zflt/eng/zfgx/t847049.htm>, last accessed on 23rd June 2012.

²⁴² "South Africa Economy Profile 2012", 2012, Index Mundi, http://www.indexmundi.com/south_africa/economy_profile.html, last accessed on 22nd June 2012.

²⁴³ M. Moore, "China in Africa at a glance", The Telegraph, 10 February 2011, <http://www.telegraph.co.uk/news/worldnews/africaandindianocean/zimbabwe/8315107/China-in-Africa-at-a-glance.html>, last accessed on 23rd June 2012.

single largest investment in Africa to date, was the acquisition of 20% of Standard Bank by the Industrial and Construction Bank of China (ICBC) in 2007.

South Africa has openly exhibited a strong interest in cooperating with China, and not only in the economy area but also in diplomatic relations. Diplomacy between the two countries is very important and both countries provide mutual support, like when in 2010 China pushed to integrate South Africa into the BRICS association, composed by the leading emerging economies in the world.

For democratic countries in Africa, as it is for the rest of governments, China is an important strategic partner and source of FDI. However, the economic development level and diversified economy that they increasingly present, poses big challenges for both parties, as the competition between companies is strong, both within the country and outside. An example of this point is the competition of Chinese and South African companies in areas such as construction and telecommunications, within the South African market and also in other countries in Africa. Developed civil society and trade unions, concerned with the threat that Chinese companies pose for their interests, also represent a challenge for China in these countries.²⁴⁴

On the Chinese side, the involvement on democratic African countries is seen as a complex issue, as they are first important markets with growing demand for their products, but at the same time they represent a difficult terrain for Chinese firms, with strict regulatory requirements and high labour and social standards.²⁴⁵ However, China's engagement with these countries has reached considerable levels in the last years and it is likely that China will continue strengthening its ties with these governments even at a higher pace.

²⁴⁴ C. Alden, *"China in Africa"* (Zed Books, London & New York 2007) p. 70-71.

²⁴⁵ *Ibid*, p. 72.

4.4 Summary and main findings

To summarize all the information set down in my research, and before presenting my conclusions in the next chapter, I will collect the most important data in the following tables:

Country	Democratic level	GDP (ppp) ²⁴⁶ (billion US\$)	HDI ²⁴⁷	Trade volume with China (billion US\$)	Investments from China
Algeria	Authoritarian	256.7	0.698	5.00	High
Angola	Authoritarian	111.7	0.486	24.22	Low
Cameroon	Authoritarian	45.4	0.482	1.00	Low
CAR	Authoritarian	3.6	0.343	0.04	Low
Ethiopia	Authoritarian	88.1	0.363	1.30	Medium
Sudan	Authoritarian	97.4	0.408	9.70	High
Zimbabwe	Authoritarian	5.6	0.376	0.61	Medium
Kenya	Hybrid	67.9	0.509	1.83	Medium
Mauritania	Hybrid	6.8	0.453	1.10	Low
Mozambique	Hybrid	22.2	0.322	0.49	Medium
Nigeria	Hybrid	387.8	0.459	7.50	High
Ghana	Democratic	65.9	0.541	1.82	Low
Mauritius	Democratic	18.6	0.728	0.43	Medium
Namibia	Democratic	15.0	0.625	0.71	Low
Senegal	Democratic	24.5	0.459	0.55	Low
South Africa	Democratic	536.3	0.619	22.71	High

* Resource-rich countries are shaded in light blue and the non resource-rich ones are not shaded.

²⁴⁶ "The World Factbook - GDP (Purchasing Power Parity)", 2012, Central Intelligence Agency (CIA), <https://www.cia.gov/library/publications/the-world-factbook/fields/2001.html>, last accessed on 23rd June 2012.

²⁴⁷ "Human Development Report 2011", 2011, United Nations Development Programme, New York, p. 127-130.

Political system	Average trade with China (billion US\$)	Average GDP (billion US\$)	Average HDI
Authoritarian	5.98	86.92	0.450
resource-rich	9.98	127.80	0.518
non resource-rich	0.65	32.43	0.361
Hybrid	2.73	121.17	0.436
resource-rich	4.30	197.30	0.456
non resource-rich	1.16	45.04	0.415
Democratic	5.24	132.06	0.594
resource-rich	11.71	275.65	0.576
non resource-rich	0,93	36.33	0.622

In these tables we can observe some tendencies and patterns:

First, we can see a huge imbalance in each of the categories analysed between the countries endowed with abundant natural resources and countries without, especially in the numbers of GDP. When we observe this pattern in trade with China, it clearly suggests the **importance that natural resources have got for China in its foreign trade.**

We can also see that there is a correlation between the size of the economy, the rating in HDI and the democratic level of each country. This denotes that **the higher the socioeconomic development level of the country the more likely it is to employ democratic practices.**

An important further observation is also that development in terms of HDI is linked with the availability of natural resources, especially in countries with lower performance in democracy. We can note at this point, that the higher the democracy level, the closer is the gap between HDI in resource-rich countries and non resource-rich ones. Therefore, in authoritarian countries, the availability of natural resources marks an important factor for the development of the society.

If we observe investments, we can see that there is some correlation between trade and investment-levels, like in the cases of Algeria, Sudan, Nigeria and South Africa, although it is definitely not the case with Angola.

Regarding the differences on trade relations with China, the figures don't suggest any pattern with regards to the political system of the partner countries, and examples of every kind of relations can be found in each of the groups. This is an significant finding, that indicates that **the different political systems of the African countries have got little relevance for China when engaging with them** and other factors might be the driving forces on China's decisions of involvement.

However, we must note that average-figures obtained with the research have got limited relevance to extract a final conclusion, due to the fact that in almost every group there are exceptions that break with the overall trend of the rest of figures and distort the final average-figure. We can see this effect in the volume of trade of authoritarian regimes with China, where the average-number is obtained out of extremes like the 24.22 billion US\$ volume of Angola and down to the 0.04 billion US\$ registered by CAR. Also in the resource-rich democratic countries we can observe that the average trade number is obtained out of the 22.71 billion US\$ of South Africa and down to the 0.71 billion US\$ of Namibia. Therefore, the average-numbers shown in the table only deserve limited and cautious significance.

Another important distortion in these figures is the difference in economic and territorial size among the countries, particularly when it comes to GDP and trade with China. Indeed, it is unrealistic to compare the figures of countries like Mauritius or Senegal with the ones of Sudan or Angola to conclude about the trends observed with regards to the political systems.

With these considerations in mind, I will lay down the conclusions extracted from this research in the following chapter.

5. Conclusions

5.1 China's involvement in Africa

My overall conclusion regarding China's involvement in Africa is that **China's fast growth as economic partner in the past years provides an unprecedented opportunity for African countries to develop their economies, eradicate poverty and achieve higher living standards.** However, this development needs to be correctly driven in order to collect all the potential benefits arising from it and to avoid the grievances that the new economic situation could pose. This objective to achieve a responsible and sustainable involvement of China in Africa, presents important challenges for African countries, for China and for other international actors.

Regarding the economic challenges, we have to take into account two main effects that China's involvement produces in the African economies: firstly, China's demand for African products, and particularly raw materials, increases demand for African exports and causes a raise of prices for these commodities on the global market; secondly, competition from Chinese products reduces prices of goods and services inside the African economies, and reduces demand for African production, in both domestic and third markets.²⁴⁸

These effects are to be taken into account when analysing the benefits and challenges of China's involvement. As I pointed out when analysing the critiques, the raise of China's demand for African goods at the global market have produced great benefits for Africa, that has seen the **prices for its exports increased substantially**, and that improvement in the terms of trade is one of the main drivers of Africa's economic growth in the last decade. However this positive effect

²⁴⁸ M.-F. Renard, "China's Trade and FDI in Africa", May 2011, African Development Bank, Tunis, Series N° 126, p. 23.

has not benefited all African countries equally, and there are some African countries, mainly oil importers, which have been damaged with that rise of prices.

Therefore, the first challenge would be **how to make African countries benefit equally from this raise on global prices**. One solution could be, although quite unrealistic at the moment, to set some fiscal transfer system, similar to the one implement inside the EU, that should be managed by the African union. Other possibility could be the creation of preferential trade agreements, which would assure fixed prices for specific commodities for certain countries. This kind of measure should also be driven and regulated by the African Union.

Concerning the growing competition from Chinese products in the African market, as I pointed out before, this produced great benefits for the African families, that saw their **purchasing power and living standards increased** as a consequence of a reduction in prices of goods. However, it is also one of the aspects that faced most criticism from trade unions and civil society, due to the fact that many African industries and small producers were unable to cope with Chinese competition and had to close down their businesses, raising unemployment. The African countries that have suffered most from this problem are the ones with a large manufacturing industry, and particularly the ones specialized in textile production, like Kenya or Lesotho.

Hence, the second challenge identified would be **how to protect African producers and rising industries, and how to promote employment**. The jobs lost by Chinese competition are somehow balanced by the jobs created by Chinese investment. This means that for African countries it is important to attract investment. For that purpose, they should improve their investment climate, by mainly improving economic and political stability. To protect African industries, protective policies from African governments should make sure that they don't hamper long run economic efficiency. Chinese government should also take a closer look to the subsidies and economic incentives that it provides to its firms

abroad, as these policies could raise concerns of unfair competition in the African markets.

Chinese companies operating in Africa also pose important social challenges, due to the **low labour and environmental standards** that they often follow. As I showed in the chapter about critiques and grievances, this aspect is a very criticised one from trade unions and international media, and if China wants to keep its image and reputation, it is important that properly addresses this issue. For that purpose, China should push further the steps that it already adopted to encourage higher labour and environmental protection, both domestically and abroad. However, in this issue it is also African governments that must react to the claims of their populations, by improving the regulatory framework for enhanced social standards and by guaranteeing a more effective monitoring of these regulations.

Another important grievance of Chinese companies operating in Africa is that **they usually operate with a significant lack of transparency**. This is a practice that is well extended inside China, and when Chinese firms use it abroad, it poses a remarkable challenge for China's reputation. They also have a negative record in terms of corruption practices that China should try to work for improving.

The last major issue regarding China's image internationally is the **arms and military equipment deals that it conducts with African countries experiencing internal conflict**, like we saw in the cases of Sudan and Zimbabwe.

However, the change of attitude that we observed in the Chinese government in the last years suggest **an increasing readiness to be perceived as a responsible stakeholder internationally**, and hopefully, in the following years we will see China properly addressing these reputational issues. Ultimately, the way that China and Chinese companies are perceived in the African countries will be a

determinant factor for the sustainability of a long-term engagement with the continent.

Regarding concerns about corruption, I extensively analysed how **China's approach to aid and business leaves little room for corruption in African governments**. The methods that China uses for that purpose are the **use of tied aid and export credits**. These two tools ensure that no money flows on the hands of African leaders and provide an important push for economic development by financing investment in infrastructure construction projects.

More importantly, Chinese investments target strategic sectors of the economy, not only by financing **infrastructure projects**, but also by promoting **technology transfer and development of human capital**. These sectors will eventually turn determinant for the long-term development of the African economies.

Finally, the remarkable growth of China's engagement with Africa in the last decade has **moved attentions of the international debates to the continent**, and has prompted further investments of other countries in the continent. This has provided African governments with increased bargaining power and has fostered development in various economic sectors.

All the aspects analysed provide an optimistic and promising view about China's influence in the development of the African economies and societies, with the **potential to eventually drive African countries out of poverty**. However, in that path, there are still many challenges that this engagement has to deal with. As Dr. Brautigam points out *"focusing only on the China threat makes us blind to the real opportunities Chinese engagement offers for African development."*²⁴⁹

²⁴⁹ L. Freschi, "China in Africa myths and realities", 9 February 2010, Aid Watch, <http://aidwatchers.com/2010/02/china-in-africa-myths-and-realities/>, last accessed on 24th June 2012.

Ultimately, it is in China's benefit to promote the economic development of the African countries, in order to further the strategic objective of expanding its market. Indeed, if China is to sustain its export-oriented growth in the following years, Africa will be an important partner, as an unexploited market with fast growing demand for consumer goods.

As long as these interests continue merging, **China will continue extending its economic ties and promoting development in the African countries**, and in an increasingly responsible manner that will secure the long-term sustainability of the engagement.

5.2 Relationship between the political systems of the African countries and China's involvement

My conclusion regarding the research question whether China specifically targets for its business relations countries with lower level of performance in terms of democracy, is that **there is no clear evidence to suggest that China targets authoritarian regimes before democratic countries**, not at least for the reason of being less democratic.

The data analysed shows no clear pattern on the influence of the political systems of the African countries in the trade and investment decisions of China, and as I noted, there are big, medium and small partners in any of the three groups of political systems analysed. This way, we find authoritarian countries like Angola and Sudan with very strong economic relations with China, hybrid countries like Nigeria that have got also substantial relations, and democracies like South Africa that is the largest and most important economic partner of China. On the other

hand, we can find poor partners in every group too: there are authoritarian regimes like CAR, Cameroon and Zimbabwe with limited economic cooperation with China; hybrid regimes like Mozambique with little relations too; and democracies like Namibia and Senegal whose relations with China are small compared to other partners.

Indeed, as I noted before, China maintains economic cooperation with every single African country recognising the “One-China” policy, in the areas of aid, trade and investment,²⁵⁰ but we can see in the figures that the volume of cooperation varies widely from one country to the other. Therefore, to explain the different trade patterns among the countries, we have to look to variables other than their political system.

One of the main driving forces that proved to be determinant in the involvement decisions of China **is the natural riches of the countries**, which responds to China’s objective of securing access to natural resources. As we can see in the table that I developed in the previous chapter, bilateral trade figures of resource-rich countries with China more that quadruple on average the trade figures of the non resource-rich countries, in any of the political system groups. Moreover, the resource-rich factor also appears determinant for the size of the economy in terms of GDP and for the socioeconomic development level in terms of HDI. In this last point, we can also see that the weight of the resource-rich factor diminishes as the level of democracy increases. Therefore, especially in authoritarian countries, **resource-riches play a determinant role in the socioeconomic development.**

Another important factor determining the involvement decisions of China in the African countries is **the receptivity and the business conditions of the African countries**. In this sense, all African governments seem to be willing to

²⁵⁰ D. Brautigam, “*The Dragon’s Gift: The Real Story of China in Africa*” (Oxford University Press, New York 2009) p. 278.

engage in economic relations with China, as they regard it as an important strategic partner and a source of FDI.²⁵¹ In addition, China is still a developing country and it represents a successful development model away from Western influence, that African countries are eager to embrace.

However, the receptivity of the African leaders tends to be higher in authoritarian regimes. In this aspect, we need to take into account that China itself is a non-democratic and developing country. This factor creates an ideological affinity, especially for the African countries that are seeking to attract Chinese investment as a way to elude the burdensome conditions that Western actors often attach to their aid and business. Moreover, as we saw in the case of Zimbabwe, many times Chinese investments are also a way to escape the economic sanctions applied by the West. Lastly, we should notice that authoritarian countries usually offer easier access to natural resources, more lax regulatory requirements, and lower labour and environmental standards. Thus, it is easier for Chinese companies to conduct business with these countries.

Nevertheless, as I already explained, China's growing willingness to be perceived as a responsible international stakeholder poses an obstacle to get engaged with authoritarian governments, which are often involved in internal conflicts and are well known for their violations of human rights, like it is the case with Zimbabwe. Therefore, China's approach to authoritarian regimes is opportunistic and cautious.

On the other hand, Chinese firms find higher difficulties to access the markets in African democracies, with strict regulatory systems, high labour and social standards, and tougher competition with local companies. The power of trade unions and civil society organizations to influence the government also poses a difficulty, as Chinese enterprises are more closely observed.

²⁵¹ C. Alden, *"China in Africa"* (Zed Books, London & New York 2007) p. 70.

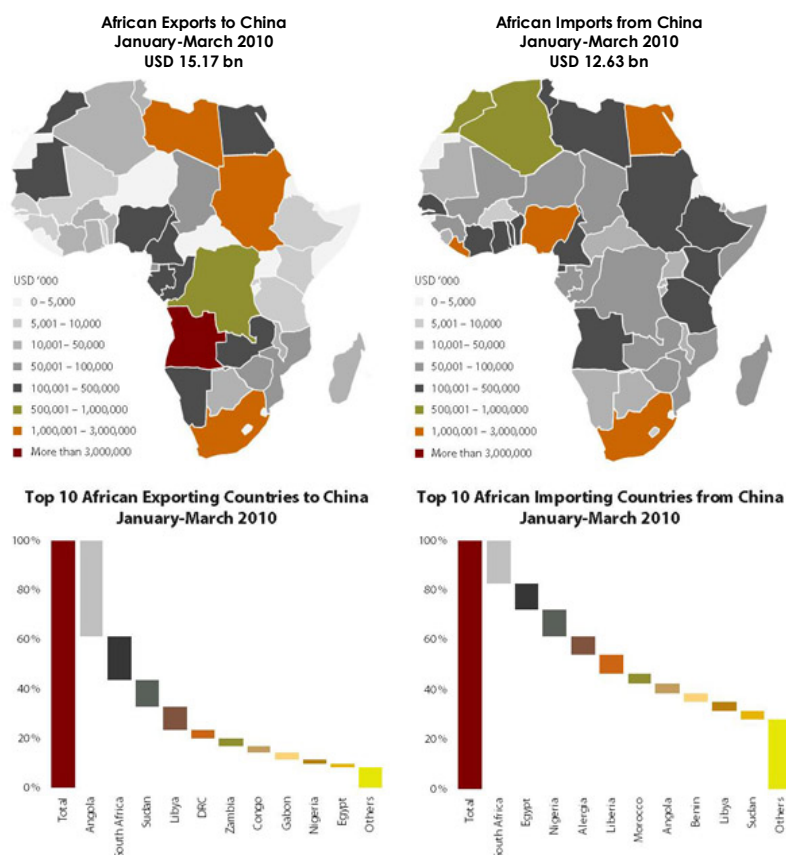
Nevertheless, the markets of the African democracies present various advantages for China's involvement, with broader and more successful markets for the expansion of its companies and products, and increasing purchasing power of the population. Hence, **the size and development level of the economies is another important factor determining China's decisions**, which mainly responds to the objective of expanding Chinese economy.

This factor also serves to explain why China's bilateral trade figures are higher with countries that have got a larger economy in terms of GDP, no matter employing authoritarian, hybrid or democratic political systems.

To conclude, I will note that all the factors mentioned help understand the different paradigms of China's engagement with African countries that employ different political systems. However, although each of the political systems provides its own advantages and disadvantages for China's involvement, **the political systems *per se* don't seem to play a role in the involvement decisions of China in Africa**. Other factors like the availability of natural resources, the receptivity of the African governments, the business conditions, and the size and development level of the economies appear to be determinant in driving the involvement of China in Africa.

6. Annexes

6.1 Annex 1: Trade map and table



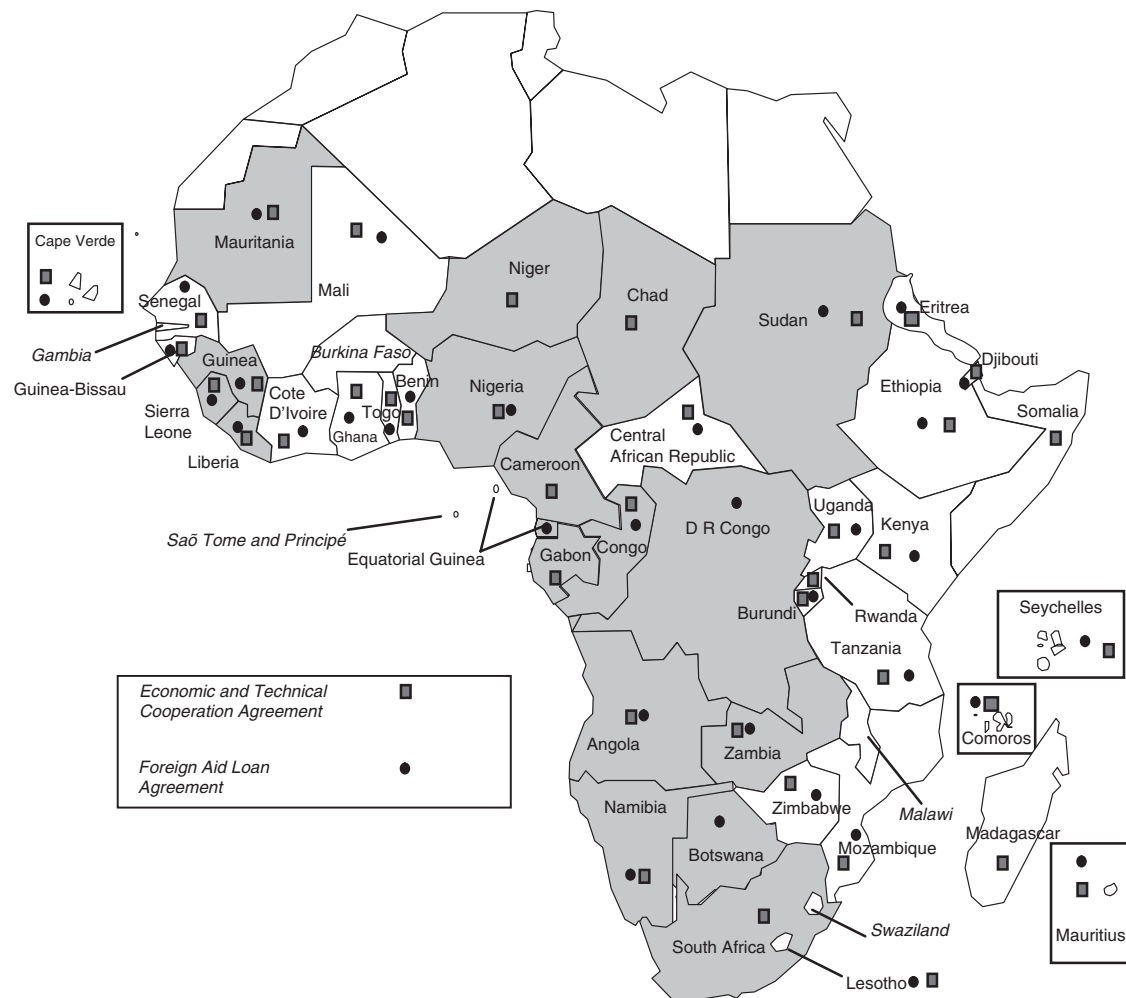
Sources: China Customs; All China Marketing Research; THE BEIJING AXIS Analysis

	Economic type	Average annual trade, 2006-2010 (US \$ million)	Share in total China-Africa trade
Angola	Oil export	18,627	21%
South Africa	Diversified economy	16,686	18%
Sudan	Oil export	6,445	7%
Nigeria	Oil export	5,774	6%
Egypt	Diversified economy	5,384	6%
Algeria	Oil export	4,155	5%
Libya	Oil export	4,154	5%
DRC	Oil export	3,241	4%
Morocco	Diversified economy	2,548	3%
Benin	Agriculture	2,097	2%
Weight of top ten trading partners in total China-Africa trade			76%

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²⁵² L. Yong, "China's Trade Rush with Africa", 25 April 2011, Forum on China-Africa Cooperation, <http://www.focac.org/eng/zfgx/t820242.htm>, last accessed on 2nd June 2012.

6.2 Annex 2: China's aid agreements



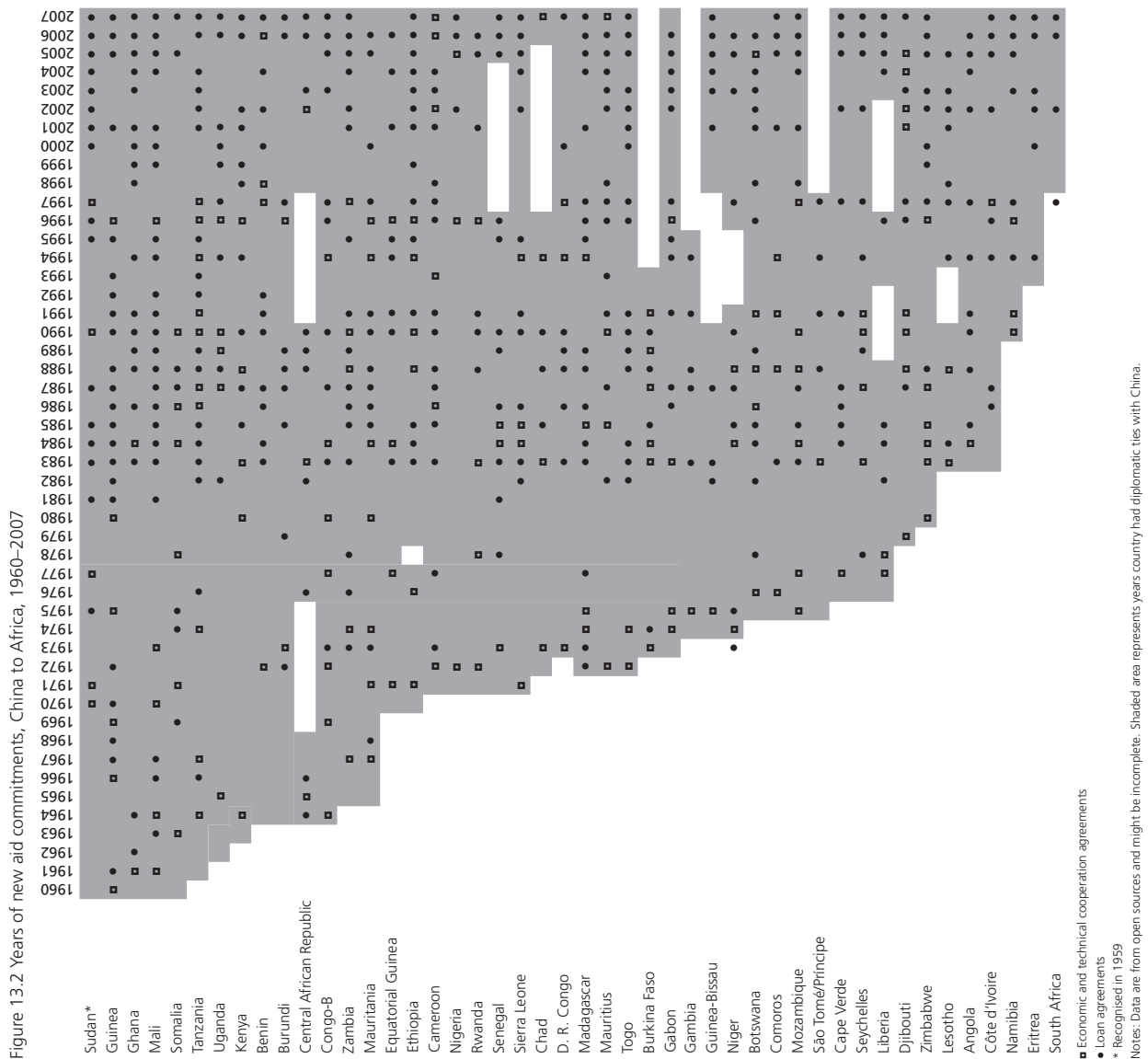
China's Aid Agreements in Sub-Saharan Africa, 2006–2007

253

Note: "Resource-rich" countries are shaded. Countries recognizing Taiwan are in italics.

²⁵³ D. Brautigam, *The Dragon's Gift: The Real Story of China in Africa* (Oxford University Press, New York 2009) p. 278.

6.3 Annex 3: Aid commitments over time



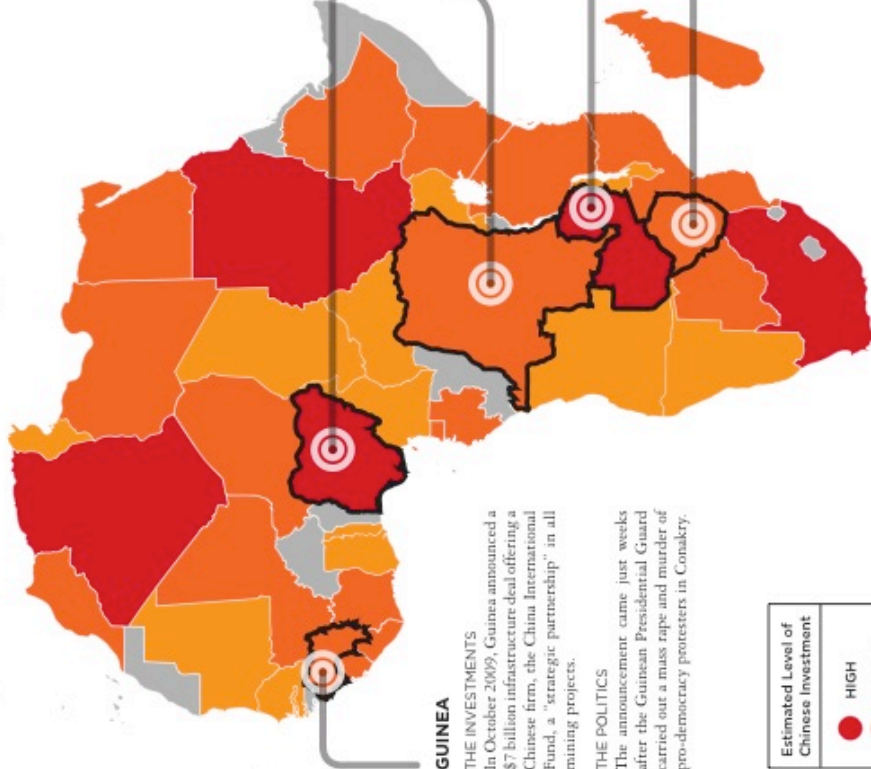
254

²⁵⁴ D. Brautigam, “Chinese Development Aid in Africa: What, where, why, and how much?”, 2011, American University, Washington, p. 209-210.

6.4 Annex 4: China's investment map

MAP ROOM CHINA AFRICA

In recent years, Chinese investment has transformed the economic—and physical—landscape of Africa. China has a footprint in nearly every African nation. It's difficult to gauge the true breadth and depth of Chinese investment on the continent, or to say with any certainty just how closely it is controlled by authorities in Beijing. Many Chinese companies have ties to the state but often seem to act independently. Still, although numbers and opinions vary, there is no question that Chinese investment will play a significant role in Africa's future.



Estimated Level of Chinese Investment		
●	HIGH	
●	MEDIUM	
●	LOW	

GUINEA

THE INVESTMENTS

In October 2009, Guinea announced a \$7 billion infrastructure deal offering a Chinese firm, the China International Fund, a "strategic partnership" in all mining projects.

THE POLITICS

The announcement came just weeks after the Guinean Presidential Guard carried out a mass rape and murder of pro-democracy protesters in Conakry.

NIGERIA

THE INVESTMENTS

In 2006, the China National Offshore Oil Corporation (CNOOC) paid \$2.3 billion for a 45 percent stake in a Nigerian offshore oil field operated by a French company, Total. Chinese State Construction Engineering Corp. reportedly plans to build three oil refineries, covering 80 percent of the \$25 billion price tag.

THE POLITICS

In Nigeria, Chinese investors sometimes have to partner with Western companies. But unlike Westerners, when Chinese investors enter a country, they bring their own workers and cheap goods, which can lead to tension between Nigerians and Chinese immigrants.

DEMOCRATIC REPUBLIC OF CONGO

THE INVESTMENTS

In 2008 China's Exim bank agreed to fund \$6 billion of infrastructure projects and \$3 billion in mining projects, backed by DRC's copper ore reserves. The value of that deal nearly matches Congo's \$9.6 billion GDP.

THE POLITICS

The International Monetary Fund, which administers DRC debt, was furious and told DRC that unless it decreased its debt to China for the infrastructure, the IMF would not go to bat for DRC at the Paris Club, which could write off more than half of DRC's debt. Caving the pressure, DRC deferred \$5 billion of the \$6 billion infrastructure portion of the deal.

"If China wants to dominate the world, it's not our business to stop them. Who are we to close the door to them when we don't have water or electricity? If China doesn't come, we're in big shit."

— Victor Kasango,

former DRC Deputy Minister of Mines

ZAMBIA

THE INVESTMENTS

Zambia claims that, in 2010, Chinese direct investment in the country was over \$1 billion and is expected to more than double, to a level equal to about 20 percent of the Zambian economy. China's NIFCA Mining owns two copper mines and a copper smelter and is developing the \$550 million Milyanshi Copper project.

THE POLITICS

In October 2006, riots broke out when China-friendly President Levy Mwanawasa won re-election. Opposition candidate Michael Sata accused China of exploiting Zambia and won more than a quarter of the vote, with strong support in areas most affected by Chinese development.

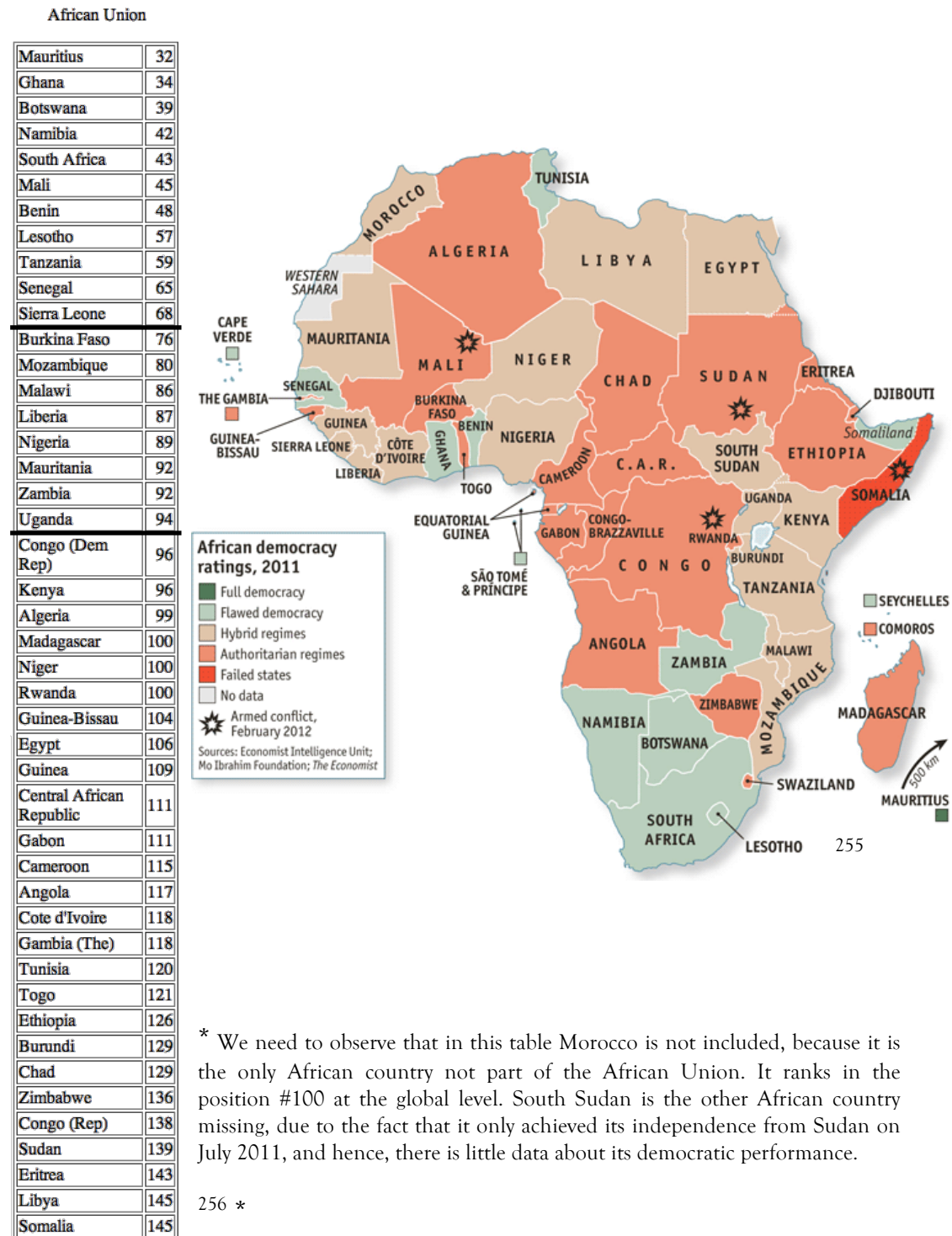
"Whatever you can say about the Chinese, they are not missionaries. They have business interests, they have their own national interests, especially when it comes to resources."

— Morgan Tsvangirai,

Zimbabwean Prime Minister

Compiled by Matt Kane.
Designed by Nick Dittmore.
Based in part on interviews with:
Michael Meidan (Eurasia Group)
Darren Kew (UMass Boston)
Deborah Brautigam (American University)

6.5 Annex 5: Democracy map and table



²⁵⁵ "African democracy: A glass half full", The Economist, 31 March 2012, <http://www.economist.com/node/21551494>, last accessed on 21st June 2012.

²⁵⁶ "Democracy Table December 2011", December 2011, World Audit, <http://www.worldaudit.org/democracy.htm>, last accessed on 21st June 2012.

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