

American University in Cairo

## AUC Knowledge Fountain

---

Theses and Dissertations

---

6-1-2015

### Trade and growth in the relation between China and Selected African countries

Gehad Moawad Ismail

Follow this and additional works at: <https://fount.aucegypt.edu/etds>

---

#### Recommended Citation

##### APA Citation

Ismail, G. (2015). *Trade and growth in the relation between China and Selected African countries* [Master's thesis, the American University in Cairo]. AUC Knowledge Fountain.

<https://fount.aucegypt.edu/etds/125>

##### MLA Citation

Ismail, Gehad Moawad. *Trade and growth in the relation between China and Selected African countries*. 2015. American University in Cairo, Master's thesis. *AUC Knowledge Fountain*.

<https://fount.aucegypt.edu/etds/125>

This Thesis is brought to you for free and open access by AUC Knowledge Fountain. It has been accepted for inclusion in Theses and Dissertations by an authorized administrator of AUC Knowledge Fountain. For more information, please contact [mark.muehlhaeusler@aucegypt.edu](mailto:mark.muehlhaeusler@aucegypt.edu).

The American University in Cairo  
School of Global Affairs and Public Policy

Trade and growth in the relation between China and Selected  
African Countries

A Thesis Submitted to the  
Public Policy and Administration Department  
in partial fulfilment of the requirements for the degree of  
Master of Public Policy

By  
Gehad Moawad Ismail Moawad

Fall14

The American University in Cairo  
School of Global Affairs and Public Policy  
Department of Public Policy and Administration

Trade and growth in the relation between China and Selected African Countries

Gehad Moawad Ismail

Supervised by Professor Hamid Ali

## **Abstract**

*China's economic engagement with African countries has been substantially increasing, since 2001. The trade has accelerated as never before, African countries' exports to China increased dramatically from US\$ 3.1 billion in 2001 to US \$31.2 billion in 2007. The growth of China – African relations has increased interest in trade, because it involves crucial issues for the development of African. Consequently, this thesis is trying to assess to what extent does Chinese state- led drive for resources in Africa, especially Sub- Saharan countries affect the economic growth of these countries. The answer to this question is quantitatively assessed, showing that those countries which are highly involved in trade with China exhibit higher growth than those which are not involved, through using t-test and regression analysis. The t-test assesses whether the means of two groups are statistically different from each other or not and the regression analysis is used to show the relation between the trade and the economic growth. The results of the thesis imply that China has opened up new economic, political, diplomatic and strategic avenues for African states, yet it isn't limited to the African leaders but it also down to Africans, both people in power and the man on the street to negotiate on their terms, identify priorities and leverage opportunities to further their own interests.*

Contents

<b>Abstract.....</b>	<b>2</b>
<b>Introduction.....</b>	<b>4</b>
<b>The Literature Review.....</b>	<b>7</b>
A.    Supporting China Model .....	10
B.    Opposing the Chinese Model .....	20
C.    Mixed Results.....	23
<b>Theoretical Framework.....</b>	<b>25</b>
<b>METHODOLOGY .....</b>	<b>29</b>
Data .....	31
Methods.....	35
<b>Country studies .....</b>	<b>38</b>
A.    The Case of Equatorial Guinea .....	39
B.    The case of Angola.....	43
C.    The Case of the Democratic Republic of Congo.....	47
D.    The Case of Zambia .....	49
E.    The case of Nigeria .....	52
F.    The Case of South Africa.....	54
G.    The Case of Sudan.....	57
<b>Discussion of Winners and Losers.....</b>	<b>60</b>
<b>Conclusion .....</b>	<b>65</b>
<b>REFERENCES.....</b>	<b>69</b>

## Introduction

One of the striking features of the 21<sup>st</sup> century is the rise of China as a global economic and political actor. China has taken the opportunity as a world economic power to exploit the African natural resources by various means including provision of cheap labour and protection of African political oligarchy through more concessions. Consequently, the willingness of the Chinese government to provide lucrative packages alongside a range of leasing agreements designed to meet elite-defined needs at the expense of future welfare of the citizens in Africa, is worthy to be discussed as unfair practices. For example, the purchase of land owned by poor farmers by Chinese companies without proper compensations has contributed to deprivation and economic inequality.

China is emerging as a world power using various strategies that enable it to have access to a wide range of raw materials and energy resources. This has aided their domestic economic and industrial growth. That is why, the Sub-Saharan African countries are being pursued by China because they have abundance of raw materials, energy sources, also because many political leaders have developed respect for the ideas of the Beijing consensus (Duarte, 2012). Unlike the “Washington consensus” which believes that economic development is achieved through a combination of economic political and financial liberalization, Beijing consensus believes that the way to economic development is through a market driven economy without adopting a democratic regime. That said, the Beijing consensus is considered among scholars a strategy of consolidation and assertiveness of China’s seek to be the world power. As Joseph Nye states (2005), “the Beijing consensus is dominated in Asia, Africa and Latin America because authoritarian regimes can coexist with a market economy, that’s why it has become more popular than

the” Washington consensus”. Since 2001, China’s economic engagement with African countries has been substantially increasing. The trade has accelerated as never before, African countries’ exports to China increased dramatically from US\$ 3.1 billion in 2001 to US \$31.2 billion in 2007 ( Montinari and Prodi, 2011). At the same time, African imports have also dramatically increased from US\$ 3.4 billion in 2001 to US\$ 30.8 billion in 2007. These facts reflects a crucial aspect of the Chinese strategy in Africa, namely 1) the need of China to secure a wide range of raw materials in order to sustain China’s strong economic growth 2) the need of China to identify potential markets for its large production of low-cost manufactured goods ( Wang 2007, Montinari and Prodi, 2011).

In 2007, about 88 percent of the African imports from China consisted of machinery, transport equipment and manufactured products, whereas oil and raw materials constituted more than 70 percent of Africa’s exports to China (UN comrade, 2007). Having said that, trade is not homogenous, as 70 percent of trade come from mostly five countries: Angola, South Africa, Sudan, Nigeria and Democratic Republic of Congo. The growth of China –Africa relations has increased interest in trade, because it involves crucial issues for the development of African.

The thesis is trying to assess to what extent does Chinese state- led drive for resources in Africa, especially Sub- Saharan African countries affect the economic growth of these countries. Who wins and who loses? Since many writings emphasized the positive effects of trade on economic growth, one would expect African countries to have high economic growth as a result of having intensive relations with China. Maswana (2009) pointed out that African countries benefit from the Chinese imports through technology embodied imports. Yet, there is evidence that China is taking exports’ opportunities away

from Africa, because of the Chinese ability to integrate into international production networks and the strong competition of Chinese very low production costs (Montinari and Prodi, 2011). This mixed evidence leads us to ask two important questions: Is trade with China affecting African countries' economic growth? And, if this the case, how?

My thesis used data from the International Monetary Fund about the volume of trade, exports, imports and growth rate of 3 years for 45 African countries for the period from 2007 to 2010. The thesis will show both how the adopted economic policies affect economic development in Sub-Saharan African countries and how African citizens view their relationship with China by identifying if the citizens are in favour or against the relationship. The answer to these questions are quantitatively assessed, shown throughout the paper, showing that those countries which are highly involved in trade in China exhibit higher growth than those which are not involved, through using t-test and regression analysis. The t-test assesses whether the means of two groups are *statistically* different from each other or not and the regression analysis is used to show the relation between the trade and the economic growth.

This research contributes to the debate on the effect of trade on economic growth by analysing the effect of China's economic relations with African countries on African countries economic growth.

The thesis is arranged as follow: Chapter two discusses the literature review, chapter three discusses the theoretical framework, chapter four shows the methodology in which the data collected is quantitatively assessed, Chapter five shows seven Sub- Saharan countries as case studies analyzing their relations with China and how it affects their

economic growth, Chapter six will show the analysis of the data and discussion of winners and losers and finally Chapter seven the conclusion.

## **The Literature Review**

The term ‘sub-Sahara Africa’ refers to all of Africa except the five predominantly Arab states of North Africa (Morocco, Algeria, Tunisia, Libya, and Egypt) and the Sudan, a north-central African country. The territory is mostly located south of the Sahara Desert and Sudan is excluded from ‘Sub-Sahara Africa’ by those who promote the use of the epithet because the regime in power in Khartoum describes the country as ‘Arab’ despite its majority African population (Ekwe 2011).

In the west people worry that developing countries want to copy “the China model”. Yet, such talk makes people in China uncomfortable. A survey by the Pew Research Centre, an American polling organization, found that 85% of Nigerians viewed China favourably last year (compared with 79% in 2008), as did 50% of Americans (up from 39% in 2008) and 26% of Japanese (up from 14%). Scholars and officials in China itself are divided over whether there is a China model (or “Beijing consensus”) as it was dubbed in 2004 by Joshua Cooper Ramo, an American consultant, playing on the idea of a declining (“Washington consensus”). The Beijing consensus, how China’s authoritarian model will dominate the Twenty-first century by Stephan Halper, an American academic, argued that China presents an alternative model of going capitalist and staying autocratic. He went on saying that the Chinese party rule depends on economic growth that depends on resources supplied by unsavoury countries. Although African leaders avoid talking about following “Beijing Consensus”, they love the flow of aid from China that comes without western



lectures of governance and human rights. On the other hand, the Chinese officials are reluctant to talk about a China model as they are aware of the American sensitivity to any talk suggesting the emergence of a rival power and ideology and conflict with America could wreck China's economic growth (The Economist, May 6, 2010).

Over the last twenty years, number of paper examined the hypothesis that openness to trade can generally lead to higher levels of economic growth, but the manner in which international trade affects growth rates is a subject of controversy in the economic literature. In many cases, the literature and empirical studies refer to the export-led-growth and import-led-growth hypotheses. Studies addressing the export channel focus on the Kaldorian foreign demand approach, which argues that output growth rate is determined by the exports (Foreign demand). Having that said, an expansion in exports may support specialization which in turn causes the skill level in exports sector to rise, thereby causing productivity increase. Noteworthy that this improvements should be coupled with both a learning process and an increasing added value in exported products. This dynamic may not be evident in the African economics that export raw materials. Hence, the emphasis on export-led growth has been problematic (Maswana, 2009).

The second view (the import channel) departs from the Kaldorian foreign demand approach and stresses the supply side, claiming that the effects depend on the nation's ability for technological adaptation. Iscan (1998) stated that trade can affect economic growth by accessing technical knowledge and by amplifying a learning-by-doing process. That is, a country that is more open to machinery and equipment imports benefits from foreign research and development because it is easier to copy or absorb than to innovate (Coe, Helpman and Hoffmaister 1997, Keller, 1998, Lawrence and Weinstein 1999).

Despite the fact that trade favours economic growth, the relationship is more complex, making it unclear whether trade always has positive influence on economic growth. Moreover, in the presence of the mutual endogeneity commonly found in theoretical models, standard regression would be inconsistent.

Abundant studies have been conducted on China's economic growth, its international trade, its ability to attract foreign direct investment (FDI), its skyrocketing international reserves, its ballooning trade surplus and the stockpile of international reserves. For these reasons, China is playing a crucial role as a global capital provider. Not only does China provide capital to the largely industrialized countries, namely the US, the US\$ 844 billion investment in the US treasury bills as of June 2010, it is also a major investor in the developing world, increasingly African continent. Chinese Direct Foreign Investment share of the FDI in developing countries increased significantly in the new millennium, it reached 17% in 2009 compared to 9% in 2003. These increasing involvement has reached a level that could "challenge international investment norms and affect international relations" (Chueung, 2012). Although China's involvement in Africa has caught the attention of the mass media, it has generally be ignored by the researchers and policy makers. Despite the fact that Chinese impact on the United States or Latin America has been deeply studied, the Chinese impact on Africa has little systematic studies.

China's involvement with Africa isn't a sudden or recent event, it can be traced back to the Bandung conference in Indonesia in 1955. Ever since, China has been cultivating and maintaining ties with African continent to the extent that by 2010 they have

a formal diplomatic relationship with 49 of the 54 countries in Africa (Zafar, 2007; Cheung et al, 2012).

The literature review on the impact of China on the African economy could be classified into three trends:

1. Supporting China model
2. Opposing China model
3. Mixed results

#### ***A. Supporting China Model***

The first trend highlights the positive impact of China on the African economy, the opinion that says that Chinese-African relations are dominated by win-win situation (Michel, 2008; Kaplinsky, 2007, Maswana, 2009)

According to Kaplinsky (2007), African countries have had the opportunity to diversify their source of fund and trade that have been dominated for a long time by western power. Chinese finances to a very great extent go to a large-scale infrastructure projects with a particular focus on hydropower generation and railways in the form of contracted projects. These contracted projects have been in existence since 1970s and reached their peak in 2000 after the first forum on China- Africa Cooperation. The contracts include building of highways, and roads, power plant, dams, bridges, housing, schools and shopping centers. China is engaging with at least 35 African countries on infrastructure finance deals with the major recipients are Angola, Ethiopia and Nigeria (McKinnon, 2010, Chueng, 2012)

The Chinese- African relation avoids giving or lending cash up front to the recipient countries. Basically, China- Africa deals are quasi-barter, for example, the Chinese construction company employ a large number of skilled Chinese workers along with local workers, receiving fund from China Export- Import bank which in turn will repay the bank in commodity terms, such as oil, cobalt and copper whose production and marketing is facilitated by the construction project itself. To further assure repayment, China may also provide follow-on maintenance crews for railway, port or power plant as well as dangling the possibility of complementary projects in the future (Gill et al., 2007; Foster et al., 2008; McKinnon, 2010; Cheung, 2012).

China's involvement in Africa has been greatly affected by the Chinese strategy " Going Global" or " stepping Out" which shows China's intensive efforts to encourage investment overseas to sustain the Chinese economic development reform. The recent Chinese investment in Africa is perceived to follow the state-driven strategy of giving infrastructure and taking natural resources (Foster et al, 2008, Chueng, 2012).

China pledged \$ 20 billion for infrastructure development in Africa over the coming three years. In many instances, its policy is tied to ambitious commitments to revitalize depleted critical infrastructure and invest in strengthening human skills on a substantial scale.

McKinnon (2010) mentioned in his paper that China Eximbank financed Congo's massive projects that was totally destructed as a result of the war. China Railway Engineering Corporation (CREC) along with the Chinese hydropower company Sinohydro and China Eximbank concluded an astounding deal. In this deal, the Eximbank would

provide a loan of \$ 6 billion in two instalments in which Sinhydro would be paid by these loans to build power plants and repair Congo's water supply across the country. In addition, 32 hospitals, 145 health centers, two hydroelectric dams, two large universities, two vocational training centers and thousands of low-cost homes would be built. CREC that built Shanhai's high speed-train would renovate Congo's colonial-era railway lines and build thousands of kilometres of roads. In this regard, a joint venture would be established between CREC and Sinohydro with Gecamines, Congo's state-owned mining company, to reopen a disused copper and cobalt mine owned by a Belgian company and develop two new mining concessions. The revenues from the mines would then be used over fifteen years to re-pay the initial loans.

The new Chinese approach toward Africa is based on several key factors. Chinese officials show themselves as seeking only respectful and friendly political linkages with Africans, based on a 50 years legacy of solidarity and development assistance. From way to the African counterparts and create comparative advantage vs. the west. China achieved spectacular economic growth after internal chaos and economic destruction resulted from long period under the colonial power. In the meantime, China can claim that it has achieved political stability and increasing international clout. For these reasons, Chinese model has a powerful resonance in Africa (Gill et al. 2007).

The Chinese-African economic ties has experienced a "great leap forward" after the first Tri-annual Forum on China- Africa Cooperation (FOCAC) whose theme was economic cooperation between China and Africa. The economic relation took further step in 2006 when China issued a comprehensive policy statement "China's African policy" which emphasized China's usual non-interference policy and five principles of peaceful

coexistence. The five principles that helped underpin the Chinese- African relations were equal treatment, respect for sovereignty, non-interference, mutual benefit and development (Anshan, 2007). In this regard, China has provided preferential loans and credits, instituted development fund, and offered debt relief and cancellation to Africa debt.

According to Michael (2008), the partnership between China and Africa is seen as a win-win situation. For China, it gained access to a wide range of raw materials, which is considered the basis for its economic revolution that the country is experiencing today, on the other hand, Africa takes advantage of the Chinese interest in the natural resources of the continent to improve and create infrastructure such as roads, schools and railways. This is because China has the tools technology and the ability to mobilize thousands of workers as well as “the opportunity to achieve a leading position in Africa and to deeply transform the continent”.

“It is clear that China harvest the potential to succeed where others hadn’t been effective before” (Durate, 2012). Chinese cooperation is felt in the area of infrastructure such as housing, roads, railways, football stadium, sports complex, air terminals, airports, dams, power stations, civil aviation and even an experimental nuclear reactors. In addition to economic cooperation, China has academic cooperation with Africa, Africans are given academic opportunities to study in China, especially in medicine.

Not only does Chinese officials provide economic and diplomatic supports but also Chinese companies have become far active both as importers of African energy resources, raw materials and exporters of Chinese goods and services.

Established in mid-2005, the China International Poverty Alleviation Centre organized 15 –day training courses for African officials to gain a first- hand understanding of China’s poverty reduction programs in some of its poorest provinces. Furthermore, the Ministry of Agriculture jointly with the Ministry of Commerce has sent line working groups to more than a dozen African countries to plan establishing agricultural technology centers to enhance collaboration on seed production technology, water savings and biological technology in agriculture, food security , animal health and plant protection (Grill et al. 2007).

China also committed to help Africans to tackle public health problems. At the 60<sup>th</sup> Annual World Health Organization (WHO), Minister of Hzeath Gao Qiang announced that Beijing would donate\$ 8 million to (WHO) to build African countries capacity to public health emergencies.

Africa is considered in the eyes of the Chinese a good option because China is a growing country that is looking for markets and Africa is a rich continent but with a lack of investors. Africa witnesses an increase in the exports to China which is mainly due to the China’s increasing desire for energy security. China’s main imports are mostly raw materials, commodities and primary products whereas Africa’s imports are mostly manufactured and value-added goods.

Zweig and Jianhcu (2005) showed that need for resources and China’s domestic development strategy are the determinant for China’s foreign policy. Also “Beijing consensus” offered new model toward politics, development and the global balance of power. This model involves “a combination of aggressive diplomacy and formation of

friendly ties with no-strings attached to financial and technical assistance packages”. The only real prerequisite for Chinese assistance is support for Beijing’s one China policy in relation to Taiwan, China’s pledge of non-interference in countries’ internal affairs and lack of lending conditions on governance or fiscal management have elicited positive relations from several governments” (Zafar,2007).

The Chinese rise has benefited the continent through its growing demand of African commodities. In 2008, Africa’s real GDP reaches 6 percent, the highest in almost a decade, induced by the oil and commodity prices and the global economy strength. In the following year, GDP growth reached 6 percent as a result of metal prices rise by 15 percent. The rise in prices due to China’s growing demand resulted in rents for resource rich countries as well as windfalls for extractive companies. As a result of the Chinese open appetite for resources, the world is entering a new period of sustained high prices. Although it was expected that prices could retreat overtime, the prices will not fall to the earlier level due to production cost increase and the higher energy prices. In this regard, Zafar (2007) quantitatively assessed the Chinese impact on terms of trade in Africa. His results categorized the countries as winners, Losers and mixed. Winners were resource rich countries and base metal countries, such as, Angola, Gabon and Sudan for their oil exports, Mozambique, South Africa (platinum) and Zambia for cooper. Zafar pinpointed that from 2000 to 2005, international oil prices increased 89 percent with 18 percent attributed to the Chinese oil demand.

## Role of China in developing the African infrastructure

The papers written on the Chinese – African relations pay great attention to the Chinese role in developing the African infrastructure, that’s why I want to focus on the

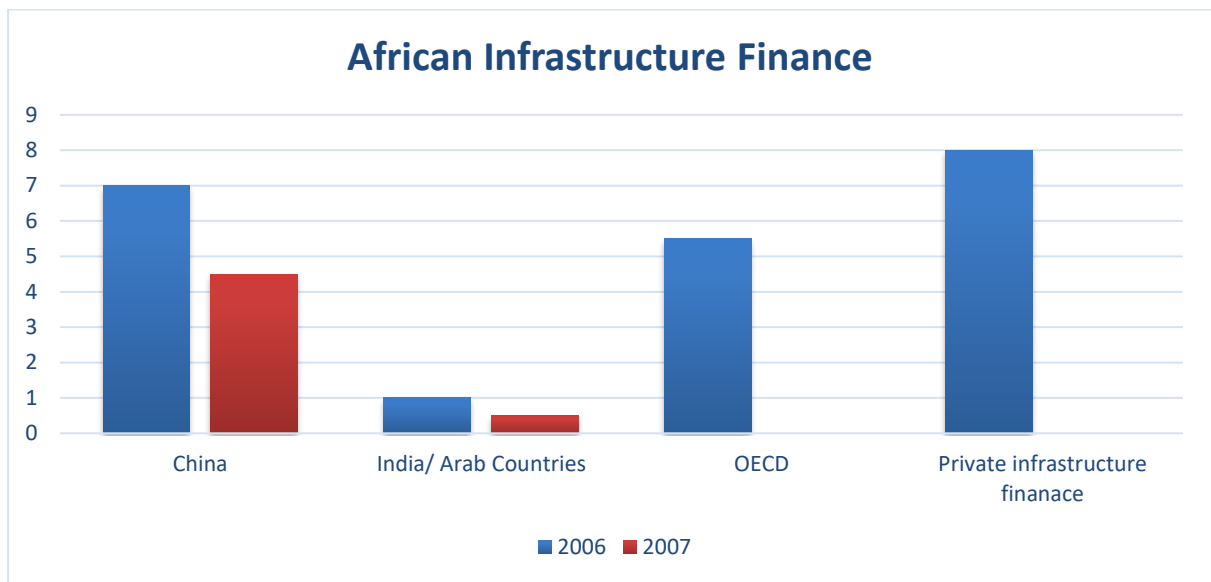


infrastructure relations between China and Africa. Chinese relations with Sub-Saharan countries increased exponentially over the past decade. During this period, trade grew to an unprecedented level surpassing US \$ 100 billion, many high level visits occurred leading to establishing The Forum for China Africa Co-operation in 2000. The forum that led to the issuing of China's African Policy Paper in 2006 that greatly emphasized the role of infrastructure as one of the key sectors for economic collaboration (Crokin, Burke and Davies, 2008).

China's help to Africa in the form of infrastructure dates back to 1976, when China completed and handed over the Tanzan Railway to the Zambian government. It is evident that China's engagement in Africa is greatly directed to cooperation in the construction and infrastructure sectors. This is shown in the Chinese Owned Enterprises (SOEs) great involvement in the continent's roads and railways rehabilitation as well as huge infrastructure projects.

Schiere and walkenhorst (2010) showed that the African continent's needs are enormous, estimated to be about US\$ 93 billion annually in order to meet the Millennium Development goals. In 2008, China alone provided US\$ 11 billion as an infrastructure financing, while private sector contributed US\$ 15 billion and traditional development partners contributed US\$ 13.7 billion. The literature reviewed showed that the intensive infrastructure projects are in the more resource-endowed African countries, such as Zambia and Angola.

*Graph 1: African Infrastructure Finance*



Source: The World Bank

It is obvious that Chinese role in rebuilding Africa is growing despite being on its own terms. This was seen when the Chinese State Council approved the creation of US\$ 5 billion China- Africa Development Fund that will be administered by the China Development Bank. The fund will provide capital for the Chinese enterprises that will engage in development, investment, economic and trade activities. The fund will not be limited to the infrastructure development, but it will support the agricultural, manufacturing and energy sector.

Construction and infrastructure are considered the Chinese footprint in Africa. The Chinese focus, to a large extent, is mainly directed to the resource- rich countries, such as Nigeria, Angola and Zambia, yet China is recently expanding across the African continent. The Chinese companies often undertake the infrastructure projects through soft loans from the Chinese government. China Exim Bank is the institution responsible for disbursing these loans, according to the World Bank US\$ 12.5 billion have been disbursed by Exim

Bank for large scale projects in Sub- Saharan countries. The literature reviewed shows that the African construction market is dominated by the Chinese SOEs that win many internal contracts. The Chinese SOEs are always encouraged by the government to carry out the infrastructure projects in countries that wishes to expand its influence. Crokin et al. (2008) pinpointed that these companies are selected through a competitive tendering process conducted in China and open to local firms.

It is evident that Chinese companies gained a large share of the African market because they have competitive factors of labor productivity, access to capital and supply chain costs. When Chinese companies gain a tender for a government-endorsed contract, these companies benefit from a low-cost capital that is given by the Chinese Central Bank to mitigate the expensive startup costs that is associated with moving the equipment. Along with the Chinese SOEs, private Chinese Sub-contractors are engaged that are specialized in electrical engineering, plumbing and air conditioning. These companies seek to gain the firsthand knowledge to be able to identify additional opportunities. Noteworthy, because there is harsh competition in the home market, profitability is largely higher in the recipient country than in the Chinese economy.

It is believed that Chinese entry into the African market has intensified the competition. This is due to the fact that Chinese companies have access to the capital through the government concessional loans. SOEs have the ability to obtain funds for advance payment and performance bonds from their head offices in China and can have capital at a competitive price from the Chinese banks. This implies that China has advantage in terms of operating expenses or overheads. Although local firms and foreign construction companies operate on 15- 25 percent profit margin, Chinese companies

operate on a profit margin under 10 percent and may occasionally undercut their competitors by up to 50 percent on the bid overall price which intensify the competition.

## China- Africa trade relations

Maswana's (2009) paper tested if the African trade with China increased the growth rate of Sub- Saharan countries that are heavily engaged with China or not. He pointed that trade spillovers are greater during trade with fast growing and relatively more developed countries, such as China. The emergence of China as a global economic power has greatly contributed to the growth in the rest of the world, notably Sub- Saharan Africa (Maswana, 2009). As a result of China's "Going Global" policy, trade between China and Africa has undergone tremendous change. As a result of China's need for commodity, China's trade with Africa grew rapidly from less than 1 percent in 1990 to 30 percent in 2010 and expected to double in the coming years. During this time, Africa has seen its highest growth in the last two decades, with a GDP growth rate averaging up to 5 percent annually in the past five years (Maswana, 2009). China's exports to Africa amounted to \$19 billion in 2005, compared to \$ 5 billion in 2000. For instance, Kenya is China's major trading partner in East Africa, importing from China household electric appliances, industrial agricultural tools, construction materials and medicine in turn, China imports black tea, coffee and leather ware from Kenya.

Zafar (2007) pointed that the growing trade flows between two regions was accompanied by noticeable changes, in a way that there has been a shift away from foot wear and light manufactured goods toward higher technology exports like electronic goods and machinery. Nowadays, China's exports to Africa with machinery and transport has

jumped from less than \$ 10 m in mid 90s to \$ 70m in 2005. Also, South Africa's imports from machinery and transport equipment has increased from 52 percent of major imports in 2000 to 65 percent in 2006 ( Zafar, 2007; Maswana, 2009).

### ***B. Opposing the Chinese Model***

The second trend highlights the negative impact of China on the African economy (Goldstein et al, 2006; Van der Walt and Schmidt, 2006; Kaplinsky, 2007, Anshan, 2010). According to these authors, the voices that are against the Chinese presence in Africa refers to the Chinese inability to provide safe working conditions and lack of social responsibility. Lack of safe working conditions led to the death of 47 people in a copper mine in Zambia when a blast exploded resulting in 47 deaths, the mine was owned by Chinese entrepreneur. Cheng Siwei, vice chairman of the standing committee of the national congress of China heavily criticized the Chinese enterprises, saying that they are lacking social responsibility toward the community they are working in which will threaten their reputation and viability in the Chinese market (Anshan, 2010).

Despite the fact that there are various forms of cooperation between China and Africa, conflicts have erupted with expanding interaction due to labor practices and market strategies. Anshan (2010) showed that problems over labor practices and market strategies have surfaced between the Chinese and African enterprises as a result of the Chinese cheap manufactured goods that invaded the African market, posing a threat to the national markets, especially the textile industry. Also, Chinese businesses always depend on bringing laborers from China and rarely employ local workers even the management positions are filled by the Chinese, because Chinese think it is more efficient to bring the Chinese laborers than locals who need training. In addition, Chinese workers are more

skilled and accustomed to use technologies and have no communication problems in terms of culture and language. The situation that led the African workers to think that the Chinese enterprises are not contributing enough to the local economies nor to the employment. Another source of anger is the success of the Chinese goods in the African markets that are characterized by being cheaper and have better quality than local products. The situation that led African consumers to be satisfied, yet causing domestic industry to suffer from harsh competition. As a result, two mass demonstrations broke out in Dakar, one in support of the Chinese products and the other against which has also been repeated in South Africa. Yet, the literature reviewed showed that conflicts over trade issues always dissipated through consultation between the governments of both sides. Consequently, trade issues are solved through multilateral talks between the two parties to facilitate the communication and reach mutual understanding. In addition, local industries will benefit from China's willingness to export technology to Africa that would help raise the quantity and the quality of local industries.

Chinese intensive economic relations with Africa has been criticized by the western, saying that China is making use of the Africa rich natural resources to secure its oil supply, in return they support the authoritarian regime at the expense of "human rights" and "democracy". Although China imports oil from Africa, China exports high-tech products and electro mechanicals that would satisfy the dire needs of Africa. Regarding exploiting the African oil, Anshan (2006) pointed that "oil drilling and exploration rights China has obtained in Africa have been obtained through international bidding mechanisms country". Rights to oil fields in Sudan and Nigeria were purchased by the Chinese companies after the withdrawal of competitors".

Although China's increasing demand for commodities has a potentially positive impact on Africa's economic growth because it is linked to an increase in the world commodity prices, the benefits could be eaten up by the high volatility of demand of Africa's commodities. Furthermore, Chinese presence in Africa encourages rent-seeking behaviour and enriching elites with little or no benefits for the poor and the general population. In this regard, China developed unique relationship with countries such as Sudan and Zimbabwe, Sudan for extracting oil and Zimbabwe for commodities in exchange for military equipment and weapons. Furthermore, the influx of cheap Chinese commodities had a positive impact on the purchasing power of the poor such as the case of Uganda where the general population are benefitting from access to affordable consumables at no expense compared to local industry.

Some argue that China is a 21<sup>st</sup> Century partner for development and a unique catalyst for growth, critics fear that China is a new colonial power, plundering Africa's natural resources and exacerbating existing patterns of corruption and inequality.

Advocates claim that China's rise has benefited the continent by injecting unprecedented investment, dynamism, and confidence in the local market, generating important gains for local economies. Critics, in contrast, accuse China of violating local laws, depleting the continent's resources and taking advantage of corrupt leaders. Despite mounting criticism and negative western portrayal of events, reality on the ground reveals that both African governments and people welcome investment and new partnerships with the Asian giant (BBC News, May 22, 2012).

Durate in his article pinpointed that Chinese workers are willing to embark on the African dreams because of their low wages, “often less than 150 dollar per month and with excess man power in coastal cities of China, Africa seen to be the land of dreams” .In turn, the increased Chinese conquest of Africa surprised the west, which used to consider the African continent more like “a charity case” than “an investment opportunity “(Michel, 2008).

Anshan (2007) shows that China is criticized by the west because they deal with corrupt African regimes. Yet, he defended the Chinese position by saying that “the limits and norms of the international system only allow China to deal with sovereign states through their government”. Also, China can’t criticize African countries because it has its own problem of corruption and human rights, so it doesn’t have the right to preach them. In addition, corruption standards by the west could differ from the Chinese judgment. Pressing issues of deteriorating environment, poor work place safety and deficient social safety system are believed to be the negative effects of the Chinese rapid economic growth. It is believed that these negative effects could be transmitted to Africa as a result of the Chinese harmful practices, which will not only affect the current generation but also the future well- being of the African People. Consequently, China has to have enough courage to face and dissipate western criticism of its African policy.

### ***C. Mixed Results***

The third trend highlights mixed results of the impact of China on the African economy. The literature on how Africans feel toward the increasing presence of China, presents two different perspectives regarding this issue. Perceptions based on opinion polls assert positive views on the presence of the Chinese, whereas “qualitatively



grounded research often point to the presence of both positive and negative perceptions in African discourse on China” (Esteban, 2010).

Opinion polls results tend to show positive feelings especially when they compare how Africans perceive the presence of Chinese with other nationalities. Conversely, qualitatively grounded research shows some irritations in African discourse on China. This discourse shows Chinese cooperation with repressive African authorities, flooding the African market with low quality products and lack of benefits for the African labor force. As noted by Sautman and Yan (2009), the difference in perceptions among African countries arise from the “extent to which national politicians have elected to raise the “Chinese problem” and, secondary the extent of western media influence in the African states”.

The inter relations between China-Africa converted from enthusiasm to suspicion. Although at a ministerial and presidential level, they asserted that China will be a “good partner” with Africa forever, some tensions have been witnessed recently (CRI online, 2009). As noted by Struye (2010) despite the fact that the Chinese presence in Africa managed to break monopoly of former colonies, feelings in Africa are mixed between enthusiasm and frustration.

According to Serge Michel, a lot of obstacles are faced by China, which westerns had to face a long time ago. Among these obstacles are social instability, political corruption that undermines politics and “lack of interest by the population mixed with their resistance to the Beijing’s projects in the region. Thus, Chinese are seen neglecting the rights of African workers and taking jobs from the locals.

Antagonizing has been growing from Congo to Angola,” taxi drivers, street vendors and even Africans who work with the Chinese criticize such an invasion” (Michel, 2008). The Chinese are flooding the African local markets with cheap products harms local companies, causing loss of profits to local traders who can’t compete with the Chinese.

As a result of the Chinese dissatisfaction and frustration against the Chinese presence, “African trade unions threaten to boycott the sales of the Chinese products that contributed to the growth of unemployment” (Duarte, 2012). This dissatisfaction was seen through the murder or kidnapping of Chinese who work in Africa. Also, many contracts with Beijing have been cancelled or were not signed. African leaders would also announce spectacular contracts with Beijing just to “scare the western partners, and this encouraged them to make higher bids” (Michel, 2008). What ignites African frustration is the requirement that 70% of the workers has to be Chinese, who live in closed camps, which in return reduce interactions and trade with local people ( Struye,2011). The criticism is also attributed to the environmental issues, such as deforestation, contamination of land and water that are similar to those that occur frequently in China.

## **Theoretical Framework**

It will highlight the reasons why the African continent, with its abundance of natural resources that is still impoverished and mismanaged. This is due to corruption, lack of accountability and good governance. This gives incentives to powerful countries to interfere in their internal affairs, exploiting their natural resources, leaving the country impoverished and underdeveloped. This is done through unfair practices which give rise to inequality and backwardness. The theoretical framework will shed the light on multi and bi-lateral agreements between the Africans and the Chinese, assessing whether their

cooperation and agreements led to economic growth in those countries or led to further underdevelopment and inequality through unfair practices.

The rise of China as a global superpower is often welcomed with suspicion, especially by the western media. China is conceived as exploiting the African natural resources without paying attention to the African political development or sustainable economic development. This is mainly attributed to the damaging effects of the Chinese commodities into the African markets as well as labor unfair practices and market strategies (Anshan, 2007, Hnusch2012, Alden, 2012).

The Chinese increasing engagement in Africa gave hopes across Africa that China will help in improving long-neglected areas such as infrastructure. Its new strategic approach will intensify political and market competition, raise Africa's global status, create promising new choices in external partnerships, strengthen African capacities to combat malaria and HIV/AIDS and promote economic growth (Gill et al, 2007).

Chinese African engagement has long-history based on trade, investment and development cooperation links. These relations have been fostered in recent years when The November 2006 Beijing summit of the Forum on China and Africa Cooperation (FOCAC) held, marking a new strategic partnership in China-Africa relations. FOCAC conference was held, promising new partnership with African countries. These partnerships came as a result of the Chinese economic booming to become one of the leading economic powerhouses in the world.

Hu Jintao President of the People's Republic of China at the Opening Ceremony of the Beijing Summit of the Forum on China-Africa Cooperation on 4<sup>th</sup> of November,

2006 highlighted how the Chinese and African people forged close unity and how their friendship has flourished. In his speech he stated the following:

“In all these years, China has firmly supported Africa in winning liberation and pursuing development. China has trained technical personnel and other professionals in various fields for Africa. It has built the Tanzara Railway and other infrastructural projects and sent medical teams and peacekeepers to Africa. All this testifies to the friendship cherished by the Chinese people towards the African people. We in China will not forget Africa's full support for restoring the lawful rights of the People's Republic of China in the United Nations. Nor will we forget the sincere and ardent wish of African countries and people for China to realise complete and peaceful reunification and achieve the goal of building a modern nation”

Based on Jintao speech, one would find that China- African economic relations is consistently increasing due to the fact that their relations are controlled by core principles of equal treatment, respect of sovereignty, non-interference, mutual benefit and co development. The relation between China and Africa is based on mutual benefits. Having been satisfied with the African rich natural resources to keep up with increasing demand for energy and raw materials, China is helping Africa by aid for infrastructure that help attract more foreign investment in Africa. For example, China is intensively involved in Sudan oil production for nearly a decade. In doing that China imports not only oil from Sudan, but also helps Sudan to establish “a complete and viable oil export industry from exploration, production and refining to sales of crude oil, gasoline and petrochemicals products” (Anshan, 2007). The Chinese role in helping the African economies

achieve long term growth has been acknowledged by some African scholars through the principle of mutual benefit.

President Jintao pinpointed, on his speech, the fields that would strengthen cooperation with Africa which will be achieved through the following: First, enhancing mutual trust through deepening political relations, second point will be achieved through enhancing economic ties through broadening win-win economic cooperation, the third pillar will be through enhancing exchanges and cooperation for cultural enrichment, the fourth pillar will be through promoting balanced and harmonious global development through enhancing south- south Cooperation and North- South dialogue and finally the fifth pillars will be through strengthening cooperation and mutual support in the international affairs.

China's involvement in Africa has been seen as a drive to secure resources and commodities for the expansion of its manufacturing sector. Yet the trade intensification of trade relations doesn't benefit all sectors and all countries on the African continent to the same extent. Only four countries constitute 70 percent of African exports to China (Angola, the Democratic public of Congo, South Africa and Sudan) (Schiere, 2010). The main exports are raw materials, notably petroleum, copper, cobalt and cotton. China began to build strong ties with Africa, since Nov 2006, through its commitment toward African countries by cancelling US\$ 11.42 billion of African debt and cancelling another \$ 1 billion in mid-2007. Again, China captured an increasing attention in May 2007, when it hosted the conference of African Development Bank in Shanghai.

In the last decade, the Chinese economic relations with Sub-Saharan Countries has surged, manifested in a rush to buy up concessions to Africa's natural resources, China has

oil leases in Angola to Sudan and mining concessions from Democratic Republic of the Congo (DRC) to South Africa, working with electricity sector in Kenya, building roads in Ethiopia, building infrastructure and developing tourism industry in Sierra Leone, and servicing mobile phone networks in Kenya and Nigeria ( Zafar 2007 and Alden 2012). This massive engagement is attributed mainly to the “Going Global” or “Stepping out” strategy as stated by Cheung, Haan, Qian and Yu in 2012 and mentioned also in the Alden’s article as “Going out” strategy whereby hundreds of restructured state-owned enterprises were given the legal and administrative means, preferential access to finance and diplomatic support necessary to break into markets outside China (Alden 2012)

## **METHODOLOGY**

I have used a combination of both quantitative and qualitative analysis. In answering my research question I traced the Chinese interest in the African continent by doing Historical- Comparative Research in which I examined how 1<sup>st</sup> October,1949 the date at which People Republic of China came to the power, remarked the Chinese enduring interest in Africa. The decade of 1950 marked the fall of European colonialism in Africa and emancipation of many African countries to become full members in the UN at that time China was seeking diplomatic supporters to support its case for membership in UN and provide geopolitical support in the contested struggle among communist and non-communist states. 1970s decade witnessed the Chinese reaping the success of its policies and approaches toward African countries that was pronounced when China occupied the UN Security Council seat by the vote of African countries.

Also, I have used qualitative method to present the African views on the growing Chinese presence in Africa. The literature on African perceptions of the Chinese presence in Africa tend to present two different perspectives on this issue. The literature reviewed found that works based on opinion polls typically emphasize the positive nature of African views on China, whereas the quantitatively grounded research often point to the presence of both positive and negative perceptions in African discourses on China.

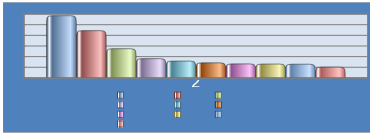
As for the quantitative data:

I have conducted a regression analysis and t test to a number of African countries that have strong relation with China such as Angola for oil, South Africa for Iron Ore and platinum and Congo for copper and cobalt. The analysis will include each country as a case study and I will study the economic relations with these countries and China during the last decade. To illustrate these relations, I will use graphs and statistics from reliable sources such as IMF and the World Bank.

Also, to answer the question of does China offer economic development model, I will use time series to compare how Chinese partnership with the selected African countries contributed to capital accumulation and boosted their economic growth through increasing their total output.

Graph 2: Africa Top 10 Export Partners in 2012:-

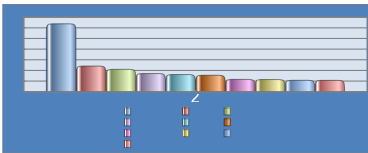
(US Dollars, Millions)



Source: IMF, Direction of Trade Statistics (DOTS), September, 2014

Graph 3 Africa Top 10 Export Partners in 2012:-

(US Dollars, Millions)



Source: IMF, Direction of Trade Statistics (DOTS), September, 2014

## **Data**

The data is extracted from the IMF-e library, I focused on the Sub-Saharan African countries because they are the area of interest. The number of the investigated Sub-Saharan African countries is 45 countries.



➤ Table 1

Country	Growth Rate Average of 3 Years Using the formula of $100 * (((1+r_{2008}/100)*(1+r_{2009}/100)*(1+r_{2010}/100))^{(1/3)})-1$	Growth Rate in 2011	GDP Per Capita in 2011	Total GDP in billions	Total Exports in billions	share with China
Angola	6.4238	3.919	0.892	82.47	17.364.34	0.46
Benin	3.4032	3.469	0.612	6.56	0.128	0.25
Botswana	1.3106	6.103	4.86	13.9	6.4	0.00
Burkina Faso	5.7152	4.972	1.884	9.21	0.127	0.00
Burundi	4.0985	4.192	1.75	2.03	0.88	0.00
Cameroon	2.9434	4.102	1.563	22.48	5.36	0.15
Cape Verde	2.23	3.969	3.342	1.89	0.211	0.00
Central African Republic	2.2684	3.301	1.314	2.14	0.186	0.28
Chad	6.8389	0.083	-2.358	8.54	4.3	0.07
Comoros	1.61104	2.227	0.125	0.54	0.0252	0.00
Congo, Democratic Republic of	5.3714	6.88	3.767	17.7	9.5	0.53
Congo, Republic of	7.2562	3.421	0.506	13.69	11.63	0.39
Cote d'Ivoire	2.8406	-4.726	-7.501	22.92	11.47	0.00
Equatorial Guinea	2.2614	4.576	1.687	16.82	13.58	11.70
Eritrea	-1.4301	8.678	5.209	2.61	0.415	0.00
Ethiopia	10.5975	11.386	9.04	31.7	3.029	0.13
Gabon	1.5367	7.052	5.512	17.05	10.72	0.05
Gambia, The	6.2362	-4.295	-6.866	0.89	0.1047	0.57
Ghana	6.7913	15.009	12.142	39.2	12.79	0.07

Guinea	2.1753	3.909	1.374	5.13	1.348	0.00
Guinea Bissau	3.2297	5.339	3.171	0.97	0.244	0.00
Kenya	3.3395	4.379	1.4	33.6	5.79	0.00
Lesotho	5.4018	5.71	5.445	2.525	1.003	0.00
Liberia	5.8576	7.888	5.148	1.54	0.645	0.24
Madagascar	1.0374	1.814	-0.755	9.91	0.588	0.07
Malwi	7.9642	4.347	1.426	5.62	1.26	0.00
Mali	5.0835	2.73	-0.385	10.65	2.373	0.54
Mauritius	4.2056	3.8	3.376	11.31	2.64	0.00
Mozambique	6.7494	7.322	5.218	12.79	3.11	0.09
Namibia	2.8062	5.68	4.81	12.48	4.63	0.00
Niger	6.2816	2.151	-0.92	6.02	1.223	0.08
Nigeria	6.97	7.356	4.482	243.98	92.5	0.15
Rwanda	8.1841	8.24	6.013	6.377	0.469	0.12
Sao Tome and Principe	5.8454	4.943	3.09	0.25	0.0121	0.00
Senegal	3.3725	2.615	-0.068	14.45	2,413	0.00
Seychelles	1.1549	5.006	3.816	1.06	0.478	0.00
Sierra Leone	4.5901	5.977	3.292	2.93	0.3815	0.51
South Africa	1.7013	3.457	3.457	401.802	102.9	0.15
South Sudan	0	-47.553	-50.022	21.7		0.00
Swaziland	2.0294	0.271	-0.918	3.98	2.011	0.00
Tanzania	6.8322	6.449	3.905	23.87	5.098	0.11
Togo	3.2928	4.797	2.634	3.68	1.031	0.06
Uganda	6.8874	6.181	2.844	16.81	2.519	0.00
Zambia	6.5652	6.836	3.569	19.21	8.672	0.42
Zimbabwe	-0.6054	10.552	9.693	9.65	2.932	0.10

Source: Own Calculations with data from the IMF

My variables are

1- Growth Rate Average of 3 Years Using the formula of  $100 * (((1+r_{2008}/100) * (1+r_{2009}/100) * (1+r_{2010}/100))^{1/3})$ . The formula is based on a geometric average that is more precious than the arithmetic average, because it is more sensitive to any changes than the arithmetic average.

2- Growth Rate in 2011

3- GDP Per Capita in 2011

4- Total GDP in billions

5- Total Exports in billions

6- Trade Share with China, countries with intensive trade share were given 1, they constitute 24 countries. While countries with no trade share were given 0, they constitute 21 countries (As shown in Table 2)

Table 2

CHINA TRADE	FREQ.	PERCENT	CUM.
0	21	46.67	46.67
1	24	53.33	100
TOTAL	45	100	

0 represents countries with low trade involvement with China and 1 represents that countries with intensive trade involvement with China

## Methods

My research will examine whether the trade involvement with China contribute to higher economic growth in group 1 countries, which have intensive trade share with China than group 0 countries, which don't have trade share with China. I established the null hypothesis as follows:

$$H_0: \mu_0 = \mu_1$$

$$H_a: \mu_0 < \mu_1$$

The null hypothesis states that there is no difference in growth rate between the two group of countries; those involved and don't involve. The alternative hypothesis states that countries with intensive trade relation with China will have higher growth rate than those that don't involve. In this regard, I will conduct a t-test to see if the relation is statistically significant or not.

The t-test assesses whether the means of two groups are *statistically* different from each other. This analysis is appropriate because I want to compare the means of two groups.

➤ Table 3

TWO-SAMPLE	T	TEST	WITH	EQUAL	VARIANCES	
GROUP	Obs	Mean	Std. Err.	Std. Dev.	[95% Conf. Interval]	
0	21	3.417035	.5236309	2.399578	2.32476	4.50931
1	24	4.895758	.5428354	2.65934	3.772818	6.018699
COMBINED	45	4.205688	.3907437	2.621189	3.418195	4.99318
DIFF		-1.478723	.7595154		-3.010432	.0529857

$$\text{diff} = \text{mean}(0) - \text{mean}(1) \quad t = -1.9469$$

$$H_0: \text{diff} = 0 \quad \text{degrees of freedom} = 43$$

Ha: diff < 0                      Ha: diff = 0                      Ha: diff > 0  
Pr(T < t) = 0.0290      Pr(|T| > |t|) = 0.0581      Pr(T > t) = 0.9710

Table 3 shows ttest between group 0 and 1, showing the mean the standard deviation and 95% confidence interval and the test of the hypothesis. The tt test shows that the relation is statistically significant, rejecting the null and accepting the alternative hypothesis. This shows that countries with intensive trade relation with China have higher economic growth than those who don't have economic relation with China. Now we can tell that we are 95% confident that the true mean or the growth rate of the countries involved in trade with China is between 3.77% and 6%, while countries with no trade with China their economic growth is between 2.3% and 4.5%.

➤ Table 4

. corr growthrateaverageof3yearsusingth sharewithChina  
(obs=45)

	GROWTH~H	SHAREW~A
GROWTHRATE~H	1.0000	
SHAREWITHC~A	.2846	1.0000

Conducting a correlation showed that there is a positive correlation yet weak, the correlation is .2846 as (shown in **Table 4**)The weakness of the relation could be attributed to other variables that could be contributing to the growth rate of Sub-Saharan countries. In other words, trading with China is not the only determinant of the Sub-Saharan economic growth, there are many other variables contributing to their growth. But one would say, based on the correlation that trade with China is one of the determinants.

*Table 5*

. sum sharewithChina in percentage, d

	PERCENTILES	SMALLEST		
1%	0	0		
5%	0	0		
10%	0	0	Obs	45
25%	0	0	Sum of Wgt	45
50%	.06		Mean	.3808889
		Largest	Std. Dev.	1.734617
75%	.15	.53		
90%	.51	.54	Variance	3.008895
95%	.54	.57	Skewness	6.379931
99%	11.7	11.7	Kurtosis	42.14603

Table 5 shows the distribution of the data between different percentiles

*Table 6*

. reg growthrateaverageof3yearsusingth sharewithChina

SOURCE	SS	DF	MS		
MODEL	24.4901659	1	24.4901659	Num of Obs=	45
RESIDUAL	277.817518	43	6.46087251	F(1, 43)=	3.79
TOTAL	302.307684	44	6.87062918	R-squared=	0.0810

GROWTHRATEAV~H	COEF.	STD. ERR.	T	P> T	[95% CONF. INTERVAL]	
SHAREWITHCHINA	1.478723	.7595154	1.95	0.058	-.529857	3.010432
_CONS	3.417035	.5546716	6.16	0.000	2.298433	4.535637

Table 6 shows the regression analysis between the average growth rate and the trade share with China. As indicated the constant is 3.417035 and the slope is 1.478723 which means as China trade increases with 1 unit the growth rate will increase by 1.478723, which means that trade with China positively affect the growth rate in the countries involved with.

## **Country studies**

### **Chinese strategies affecting Chinese relations in Sub-Saharan Countries:**

As stated by Jaffrelot, China represents Beijing consensus as an alternative to the Washington. This invisible strategy of China in Africa, offers a “package of military, diplomatic and economic support to influence the major strategic directions of world politics” (Niquet, 2006). Also, this strategy played a role of seduction to isolate Taiwan through influencing African countries, which represents more than one third of the United Nations members. There has been a grave diplomatic battle between China and Japan over the votes of the Africans which indicates that African countries are of great importance to the people’s republic of China. Another dimension to the invisible strategy in Africa is the attempt of the Chinese to weaken western powers, primarily the United States and its partners, in all circumstances where the interests of Beijing are at risk” (Niquet, 1998). Thus, it is pronounced that China is trying to maximize its benefits by achieving win-win situation through the intensification of trade, multiplication of high level visits and the defense of the role of Africa in the international arena (Duarte, 2012).

A striking feature of China-Africa relations is through organizing the Forum on China- Africa Cooperation (FOCAC) to maintain constructive dialogue and strengthen the bonds between them. In this regard, China pledged in FOCAC in 2006 create a development fund and to forgive the African debt that amounted to be 1.4 billion dollars.

Furthermore, Esteban (2010) stated that countries with strong long relation with China tend to exhibit positive feelings towards Chinese presence than those countries which don't have such relation with China. Esteban, in his qualitative paper examined how Equatoguinean people believe that the Chinese played an important role in the development of their country "after their independence so they exhibit positive feelings which has only recently been eroded by certain events".

### ***A. The Case of Equatorial Guinea***

I will take the example of Equatorial Guinea because they have strong-long relation with China dates back to 15 October 1970. Numerous cooperation programs fostered the relation between China and Equatorial Guinea, exhibited in various constructed facilities, such as "the ministry of communication, building the bata broadcasting station, the hydroelectric plant of Bikomo, whose maintenance is still in the Chinese hand, fuel tanks and a loading platform at the Bata harbor, and the 89kilometers long road between Nkue and Mongomo (the most important of the country at that moment).

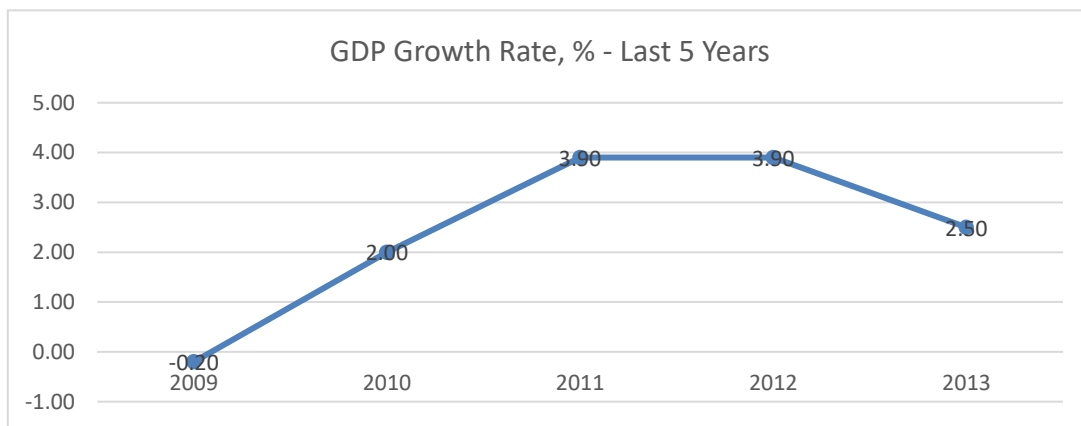
In July 1972, 5 million euros was given to Equatorial Guinea by China, sent medical teams, awarded scholarships to study in China and conducted agricultural cooperation (Ministry of foreign affairs of the people's republic of China, 2003). Because of this intensive kind of developmental cooperation in addition to the Chinese assistance to Equatoguinean with food and clothes in times of need. The Chinese comparative advantage in construction and medical services helped them in increasing their presence in Equatorial Guinea in both sectors, particularly during the last two years. Regarding the political dimension, China is using its soft power toward African nation to gain their support in the international arena,



on the other hand, authoritarian regime, such as Macias in Equatorial Guinea placed great importance on China to benefit from its veto power in the Security Council.

To strengthen its position in the Equatorial Guinea, “China supplied weapons to the National guard built the Kugu Military Academy , and provided instructions for military officers” (Esteban, 2010). The positive image of China in the eyes of the Equatoguinean remained positive till mid-2000s, when Chinese increasing presence in the country began to raise tensions and fears of local population.

*Graph 4: Equatorial Guinea GDP Growth rate in the last 5 years*

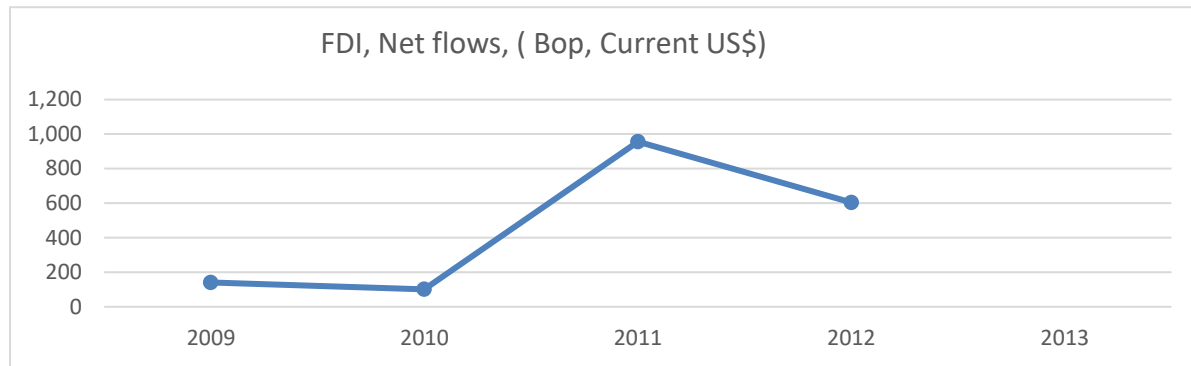


Source: IMF, African Department Database, September, 2014.

There were many Chinese companies in Equatorial Guinea, such as China Dalian International, the China National Machinery and Equipment Import and Export Corporation, the Heilongjiang East Co., Huaweiz hongxin and CENEC, those companies failed to provide locals with job opportunities. Instead these companies brought chines workers, especially in the construction firms. This attitude created frustration among locals who can't find jobs in their countries. That's why Africa is considered a good option in the eyes the Chinese leaders as well as Chinese workers who are willing to embark on the African dream because “with wages, often

less than 150 dollars per month in the farms and factories, and with the excess manpower in the coastal cities of China, Africa seems to be the land of dreams” (Micheal, 2008).

*Graph 5: Shows Equatorial Guinea FDI of the last 5 years*



Source: IMF, World Economic Outlook (WEO) database, September, 2014.

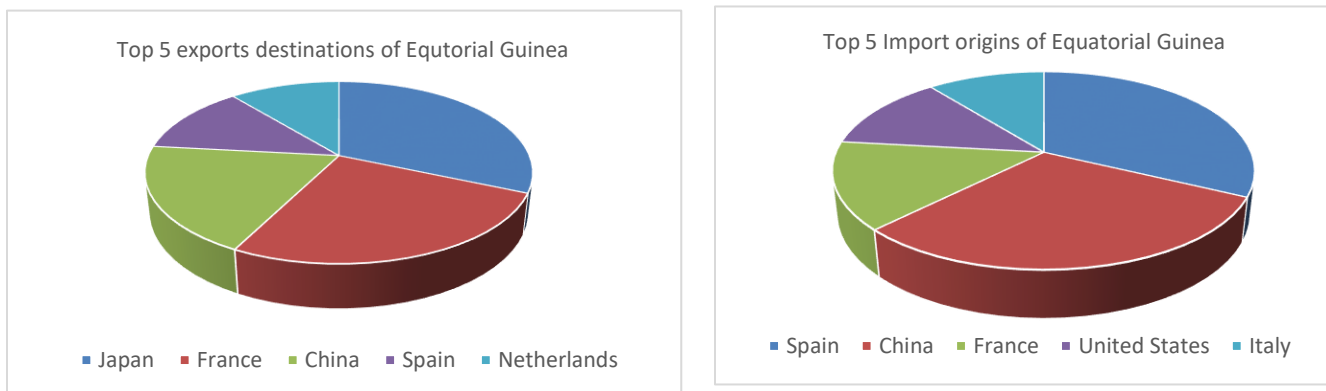
The low share of the local workforce is attributed to the lack of local skills, yet this practice is against the local laws that states that “foreign national must not constitute over 10 percent of their employees” (Esteban, 2010). Yet there are many complaints regarding the working conditions in the Chinese companies, especially the construction companies, such as low salaries, long working hours and lack of skills. The literature attributed these unfair practices to “Chinese labor culture or to stage of socioeconomic development”

“Equatoguinean workers reported that Chinese and African culture share disregard for human rights and therefore the working conditions offered by their companies don’t match those of western companies, other local employees of Chinese construction companies argue that being from a developing country, and Chinese companies couldn’t afford the same benefits for their employees as the companies from the developed countries”

Despite the fact of imposing sanctions on Chinese companies because of labor laws violation, Equatoguinean authorities seem to do so to calm social discontent and only when necessary. Chinese immigrants have also opened family businesses which facilitate Equatoguinean access to services such as health care, telecommunications, photocopying and repair of household appliances.

The bilateral cooperation between China and Equatorial Guinea intensified particularly in two dates, first August 1996, when Beijing fostered its relations with Equatorial Guinea to secure its supply of oil and timber to promote Chinese companies in other sectors, such as construction and infrastructure. The second major date was August 2006 when Export- Import Bank of China gave Malabo, the capital of Equatorial Guinea, a 2 billion dollars loan”. This loan to be repaid in oil and to be spent mainly in Chinese products and projects contracted to Chines companies.

*Graph 6: Top 5 import and Export Destinations of Equatorial Guinea*



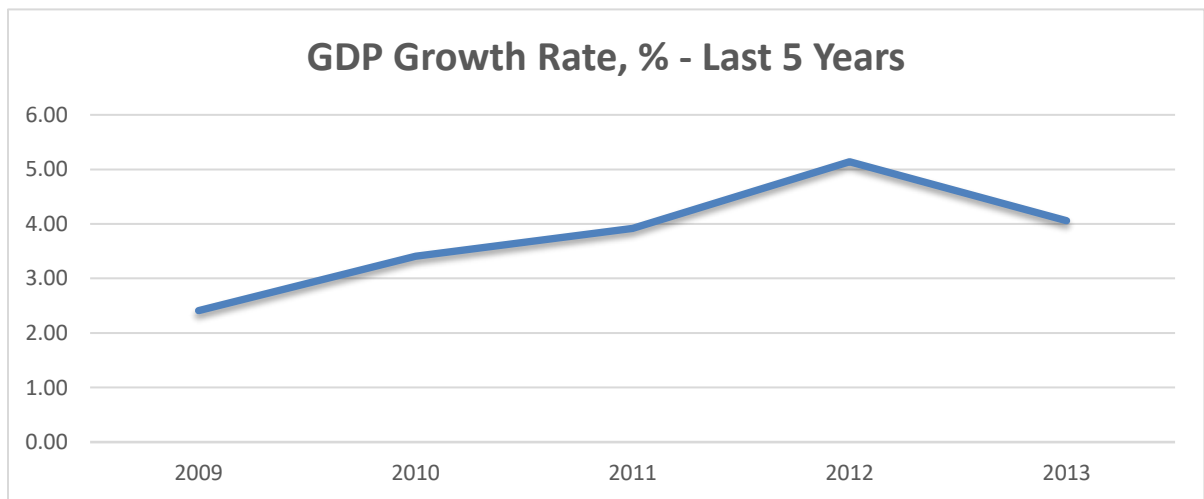
Source: IMF, African Department Database, September, 2014.

## **B. The case of Angola**

Since 2002, Angola sustained a peaceful period after having the most protracted conflicts in Africa. Since this time, Angola has become one of the most successful economies in Africa. Angola has experienced unprecedented growth rates fuelled by high oil international prices and robust growth in the oil and non-oil sector as well.

With end of the war, post-conflict reconstruction has become the top priority for the Angolan government. In this regard, China played a huge role in rebuilding Angola through financial and technical assistance that undertook 100 projects in various fields, such as water, telecommunication, energy, fisheries, health and public works. The Angolan president described the Angolan – Chinese relations as being “mutually advantageous” partnership that were “pragmatic” and has no “political preconditions” (Campos & Vines, 2006).

*Graph 7: Angola's GDP Growth rate in the last 5 years*



Source: IMF, African Department Database, September, 2014.

March 2004 marked the growing relations between China and Angola in which Exim Bank pledged US\$ 2billion on oil-backed loans to help Angola rebuild the shattered infrastructure throughout the country. Since then, the partnership between China and Angola strengthened

through bilateral visits of important state officials that led to signing various political, economic, social and cultural agreements. The loan will be disbursed over 12 years and has a 3 year grace period at a deeply concessional interest rate. The loan has two phases, with US\$ 1 billion assigned to each.

The first phase involved various areas, such as energy, water, health, communication and education. Seven large Chinese firms were involved that conducted 50 projects across the country. The rehabilitation of 371 kilometers road between Luanda and Uige was the largest projects. Also, the priority was given to the health sector in which health centers and provisional and municipal hospitals were rehabilitated. The education sector receive a lot of attention through rehabilitating the primary, secondary and poly technics school. On the agricultural level, the irrigation system was rehabilitated and new agricultural machinery was acquired.

*Table 7: projects financed by Exim Bank of China (Phase I)*

Sector	Number of Contracts	Total Value (US\$)
Health	9	206,100,425.42
Education	8	217,158,670.63
Energy and Water	8	243,845,110.58
Agriculture	3	149,753,214.00
Transport	1	13,840,468.00
Social Communication	1	66,905,200.00
Public works	1	211,684,100.65
Total	31	1,109,287,188.28

Source: Angolan Ministry of Finance (2007)

The second phase tend to finance 17 contracts that involves 52 projects with main focus on telecommunications and fisheries.

*Table 8: projects financed by Exim Bank of China (Phase II)*

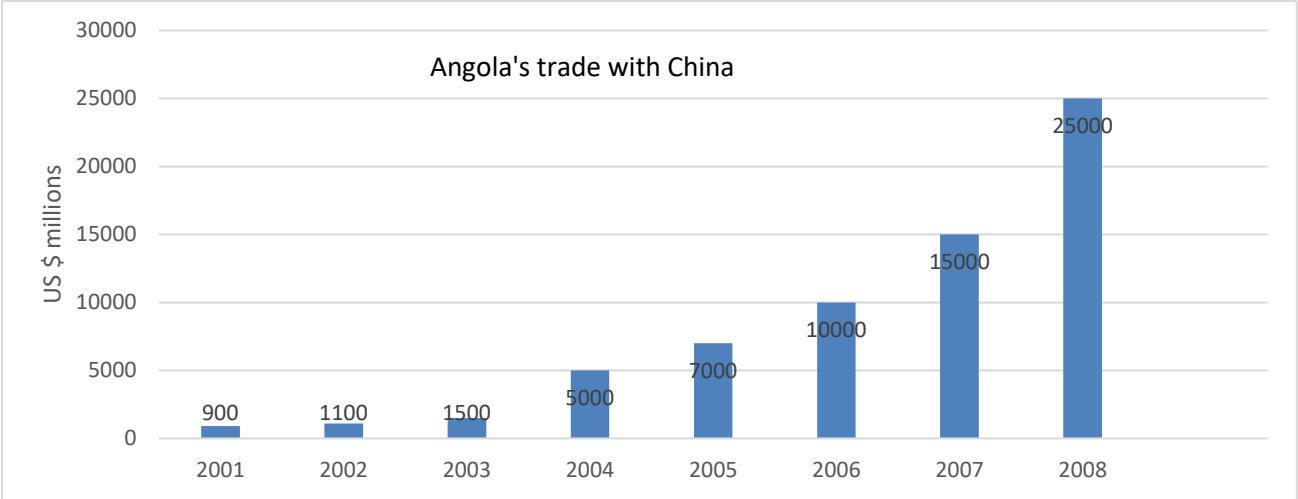
Sector	Number of Contracts	Total Value (US\$)
Health	1	43,805,500
Education	3	229,642,314
Energy and Water	3	144,902,615
Agriculture	1	54,006,958
Fisheries	3	266,847,509
Post and Telecommunications	4	276,307,189
Public Works	2	89,490,000
Total	17	1,105,002,085

Source: Angolan Ministry of Finance (2007)

In 2007, another oil- backed loan of US\$ 2 billion was successfully made in Luanda and signed by the Angolan Finance minister. The new line of credit will be directed to the education and health through building schools and hospitals as well as investing in energy and water sectors and these will constitute 100 projects. The condition of this loan is much more relaxed as the interest rate is less and the repayment period is longer. The Angolan government prepare a proposal, identifying their priority projects to be presented to a joint committee of the ministry of finance and the Chinese Ministry of foreign and commercial affairs. In the past, China was suggesting the area of development where it has the know-how, especially in telecommunications and fisheries, yet having recently emerged from war they consider every project a priority. In doing a project, the Chinese government proposes three to four companies that are supervised by third party not funded by the credit line (Campos & Vines, 2008)

The operation of the loan is like a current account, when the project starts, Exim bank starts to disburse the money into the accounts of the contractors. The Angolan government will repay the loan after the completion of the project. The proceeds from the oil under this agreement will be deposited into an escrow account in order for the debt service to be deducted.

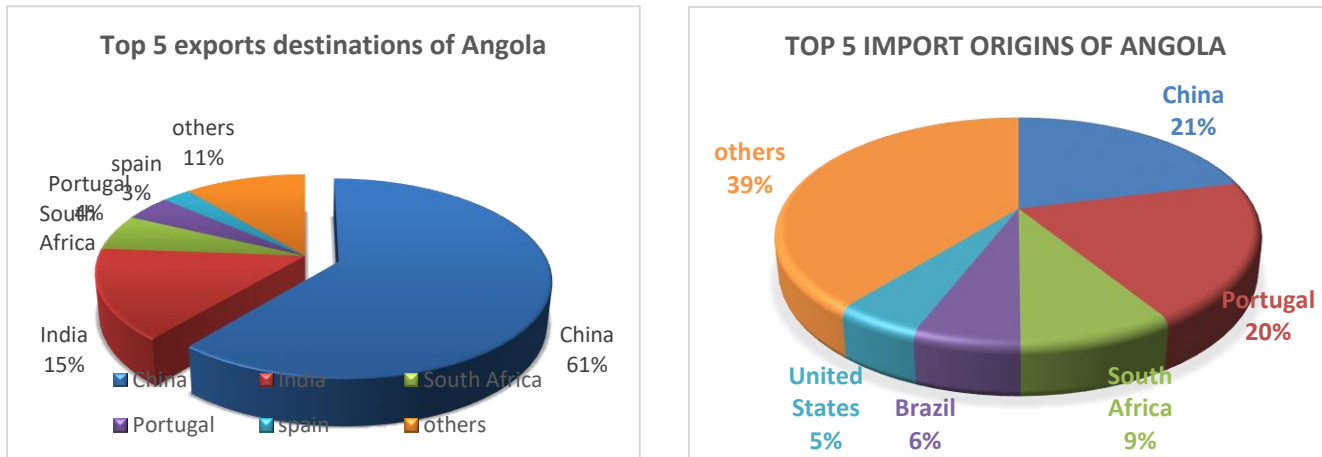
*Graph 8: Angola's trade with China*



Source: IMF, African Department Database, September, 2014.

The trade relations between China and Angola has increased significantly, throughout the 1990s the trade volume ranged from US\$ 150 million to US\$ 700 million. In 2000, trade volume exceeded US\$ 1.8 billion reaching US\$ 7 billion by the end of 2005. A year later the trade has doubled reaching US\$ 12 billion, making Angola the first trade partner of China in the African continent. Crude oil constitutes 95 percent of the Angolan total exports with China the main importer of its oil.

*Graph 9: Angola's Top 5 export and import Destinations*



Source: IMF, African Department Database, September, 2014.

### ***C. The Case of the Democratic Republic of Congo***

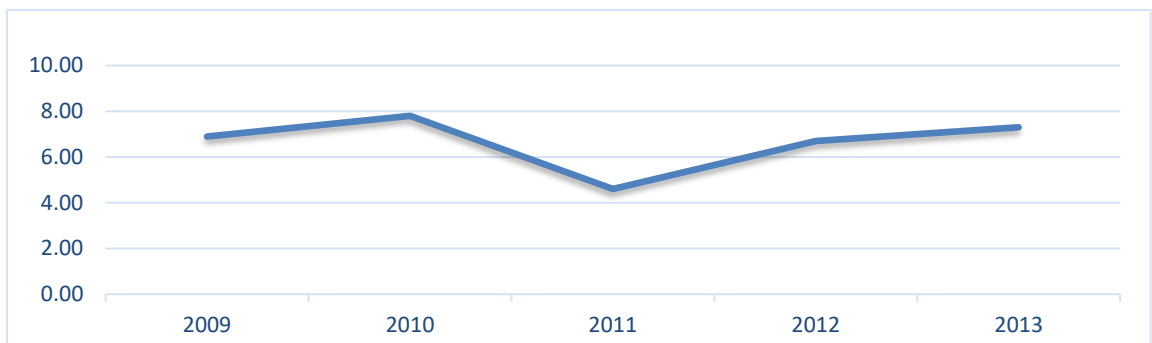
Congo is the world's largest cobalt producer, with a third of total reserves and has huge copper reserves, making it one of China's main development partners on the continent. The Republic of Congo is one of African countries that experienced massive economic relations with China because Congo is endowed with significant oil and mineral resources while China is hungry for raw materials to sustain its economic growth.

Trade relations between the two countries dates back to 1963, during this period, China helped Congo in establishing the first textile factory in the country which marked the transformation of the Congolese economy from agricultural based economy to an economy dependent on industrial processing. China also supported the trade sector by helping establishing the national bureau of commerce that built up shops in the country's main towns that sold Chinese manufactured products in low prices.



As for infrastructure, China helped the Congolese building the first football stadium where the first African athletic game were held in 1965, also helped constructing the parliament building in 1980s. In addition, China involved in constructing the Moukou koulon electricity dam in Bonenza District which supplied the electricity to the south.

*Graph 10: Congo's GDP Growth rate in the last 5 years*



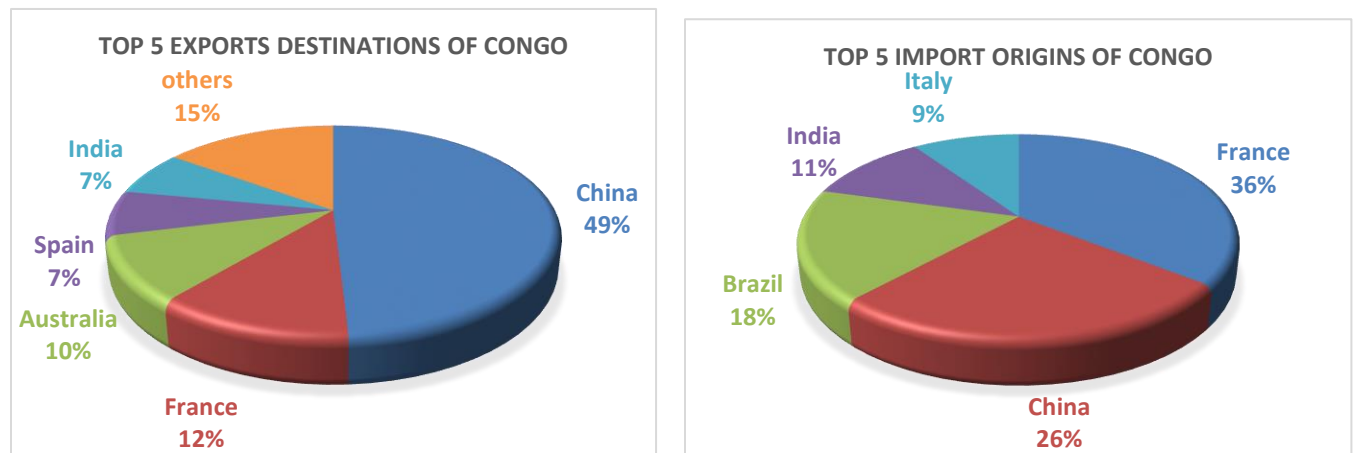
Source: IMF, African Department Database, September, 2014.

The beginning of 2000 marked an increasing trade relations with China (Bazika, 2009). In 2007, the Democratic Republic of Congo's state copper company signed a massive resource-for infrastructure deal with a consortium of Chinese companies. This deal was the first of its kind, it worth more the Congolese state budget, with an aim to transform the country (Global witness, 2011). Under the deal, China will provide \$ 9 billion to finance nationwide construction of railways, roads, schools, dams, hospitals and mine development. In return, Congo will provide China with copper and cobalt from mines in the south eastern province of Katanga.

This deal is seen to be win- win, reflecting the Chinese principle of mutual benefit. The deal is one of several initiatives supported by the Chinese state to invest in Congo. For instance, China is involving in telecommunication, defense and mining investment. In the telecommunication field, Huawei the Chinese company and China international

telecommunication Construction Corporation are constructing telecommunication networks in Kinshaen. In the mining field, several Chinese SMEs companies hold mining joint venture in Congo where they're the most significant operators in the mineral sector.

*Graph 11: Congo's Top 5 export and import destinations*



Source: IMF, African Department Database, September, 2014.

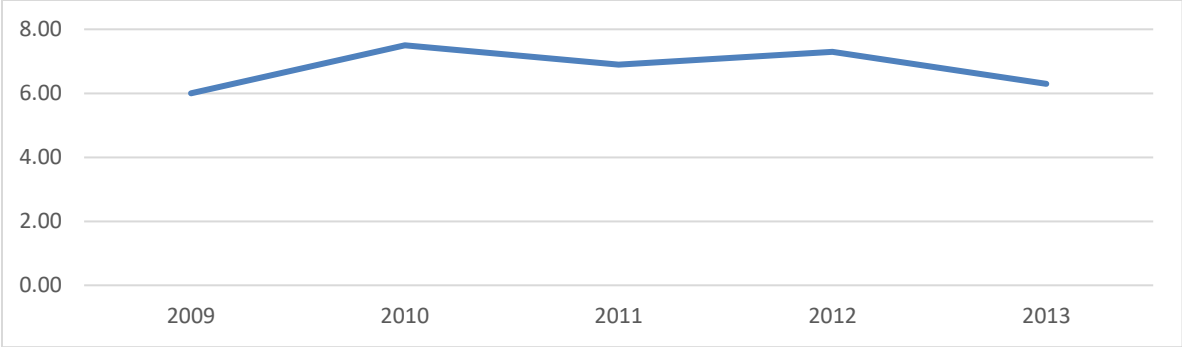
#### ***D. The Case of Zambia***

Despite having rich mineral wealth, Zambia is one of the least developed countries in the world. Zambia's significance to China is mainly attributed to the Zambian mineral wealth. The relation between Zambia and China went through 3 stages. The first stage was from 1949 to 1979 in which China provided assistance to liberation movements in order to gain independence at the same time African countries supported China in the international arena that allowed China to establish diplomatic mission. Consequently, the ideology and the political factor were the elements that governed the Chinese- African relations.

The second period was from 1979 to 1999 which was characterized by focusing on economic and political cooperation. The economic cooperation was manifested in the provision of traditional aid to preferential loans, contract bidding for construction and direct investment in Africa (Mwanawina, 2008).

The third period was from 1999 to the date. This period witnessed the formation of the Forum on China-Africa Cooperation (FOCA) in 2000 that lay the foundation of China- Africa relations based on the principles of mutual trust, economic win-win cooperation, political equality and cultural exchange.

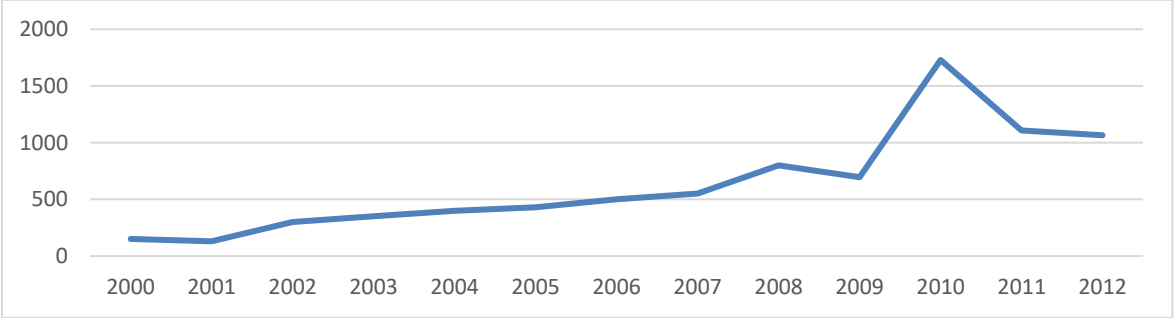
*Graph12: Zambia’s growth rate in the last five years*



Source: IMF, World Economic Outlook (WEO) database, September, 2014.

Foreign direct Investment (FDI) has increased significantly by an annual average of 150% from US \$ 40 million to US\$ 1066 million in 2010 as a result of liberal economic policies and the government efforts to attract investment. The graph shows how investment increased after 2005 as a result of increased investment in the mining sector due to commodity price increase driven by China and India increase demand.

*Graph 13: Zambia’s FDI*

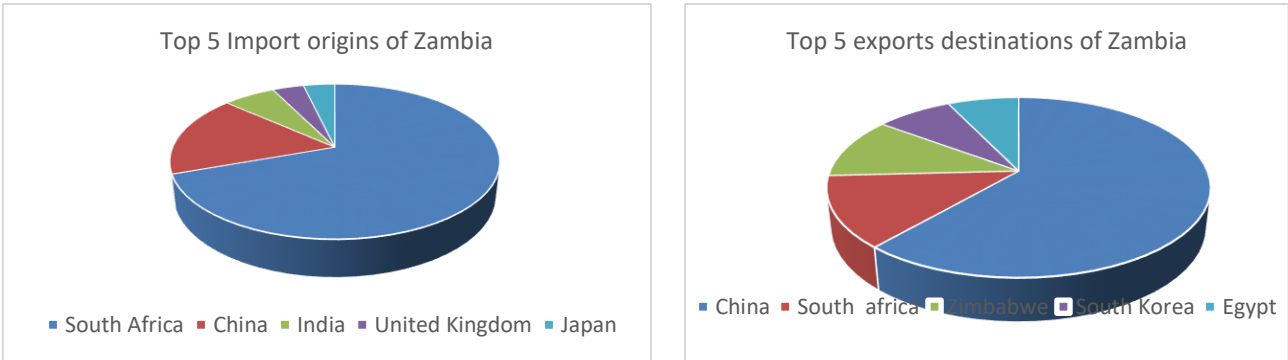


Source: Bank of Zambia

Unlike the western donors, China economic relations with Zambia is at a bilateral level and undertake projects that others donors aren't interested in. In general, the Chinese investment are welcomed by the Zambian government, yet some fears have surfaced. Poor conditions of services offered to local employees, lack of environmental considerations and disregard of labor laws are the main concerns regarding the proliferation of the Chinese labors and Chinese investors.

As for the trade, trade between China and Zambia has increased significantly, in 2006, exports to China accounted for 10% of Zambia's total exports. The main catalysts for export growth are the raw materials in the form of base metals, composed of unprocessed mineral products (ores), copper and cobalt. Zambia exports to China mineral products, metal products, textiles, leather and wood products, yet Zambia's imports from China are much smaller compared to exports at only 3% (Mwanawina, 2008)

*Graph 14: Zambia's top exports/imports destinations*



Source: IMF, African Department Database, September, 2014.

### ***E. The case of Nigeria***

Although China formally established diplomatic relations with Nigeria in 1971, the last decade witnessed intensive economic relations between China and Nigeria. Between 1999 and 2006, diplomatic high level visits were recorded, for example, in 2006, during the visit of the Chinese foreign minister, a memorandum of understanding was signed by the two governments on establishing a strategic partnership. In this regards, the Nigerian officials specified the sectors that would be the foundation for investment which are the petroleum, power, manufacturing and telecommunications sectors. As a result of the Chinese pursuit to secure a steady supply of oil, the petroleum sector became the center of the investment strategy. Consequently, China identified the main goals of the government's policy toward Nigeria as: 1) to increase the Chinese presence in the Nigerian oil sector 2) to expand the Nigerian market for the Chinese manufactured goods 3) benefit from its presence in Nigeria to enter the ECOWAS 4) to increase the presence of the Chinese multinational companies ( Zheng and Egbula, 2011).

*Table 9: Major agreements between China and Nigeria*

Type of agreements	year
Agreement on Trade, Investment Promotion and Protection	2001
Agreement on Consular Affairs	2002
Agreement on Tourism Cooperation	2002
Agreement of South- South Cooperation among China- Nigeria and FAO	2003
Memorandum of Understanding on a strategic partnership	2006
Memorandum of Understanding on Peace Cooperation	2010

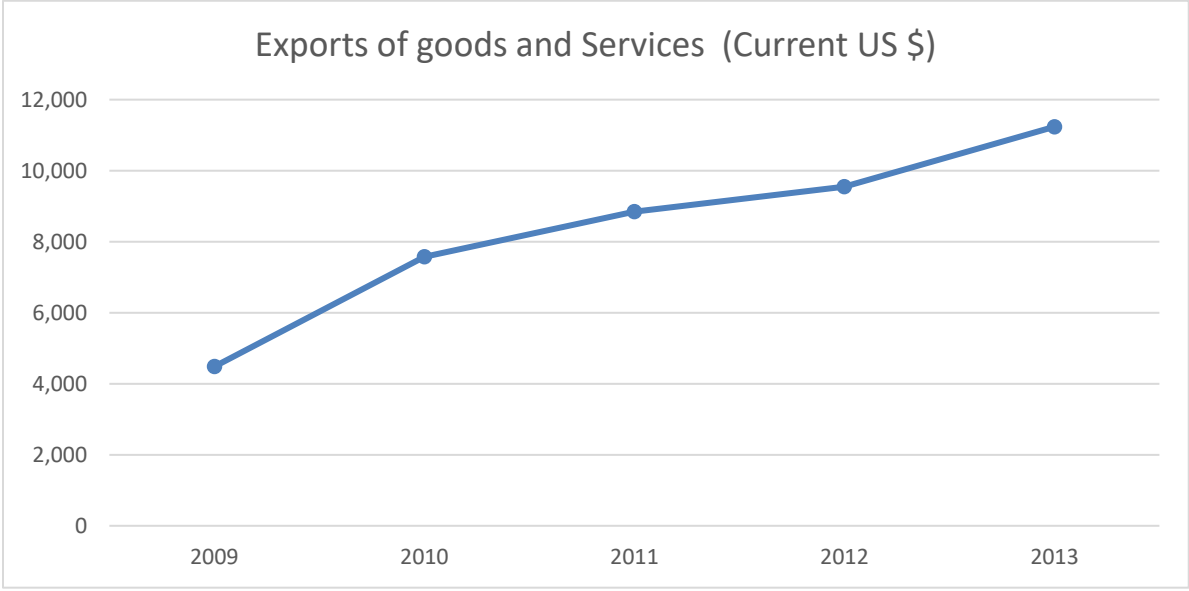
Source: Chinadaily,17/04/2006, [www.chinadaily.com.cn/China/2006-04/17/content\\_569613.html](http://www.chinadaily.com.cn/China/2006-04/17/content_569613.html)

Source:Allafrica,10/01/2010,<http://allafrica.com/stories/201001110775.html>

Qusegun Obsanjo’s approach to China was characterized by “oil for infrastructure”, based on awarding oil contracts in exchange for infrastructure projects. This reflected the Nigerian dire need for improved infrastructure coupled with increasing frustration of the western conditions over giving aid.

Since 2001, bilateral trade relations has significantly increased when the agreement on trade and investment promotion and protection was signed. Trade volume between the two countries reached US \$ 17.7 billion in 2010, nearly one third of the trade between China and West Africa. Although Nigerian exports has been doubled, it hasn’t kept up with the growth of the Chinese exports to Nigeria. 87% of the Nigerian exports to China are oil and gas, while Chin exports to Nigeria machinery, equipment and manufactured goods.

*Graph 15: shows the Nigerian exports of goods and services*



Source: IMF, African Department Database, September, 2014.

Having massive reserves of oil along with its investment incentives, Nigeria managed to attract the eyes of the Chinese investors. China’s bulletin of overseas Investment reported that between

2003 and 2009, Nigeria has become the second destination of the Chinese FDI after the South Africa. In this period, Chinese FDI stocks in Nigeria amounted to be 1.03 billion, while it reached US \$ 9.3 billion for the continent.

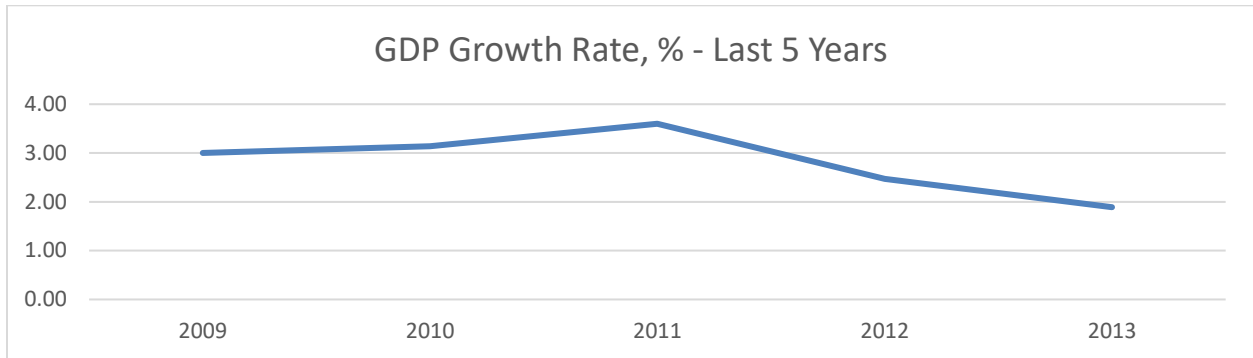
Thirty Chinese joint ventures have been established, working in oil and gas, construction, services, technology and education sectors. Analyzing the Chinese presence in Nigeria, one could find that private Chinese enterprises are investing on agro-allied industries, manufacturing and communications, while Chinese public FDI are directed toward infrastructure, power and transport.

### ***F. The Case of South Africa***

As South Africa is one of the leading economy in the continent, China, the largest developing country has formed a unique and strong partnership with South Africa. 1998 marked the intensification of bilateral political engagement that paved the way for the current relationship. During this time, Mandela made the first official trip accompanied by the head of state as a result series of bilateral agreements and declarations have followed. In 2000, President Jiang Zemin signed the Pretoria Declaration whose main focus was on establishing a bi-national commission with a more commitment to improve conditions conducive to mutual benefit manifested in expanding trade and investment, especially in the areas of mining, manufacturing and natural resources. The relations reached its peak at the second bi-national commission in 2004 to that of a “strategic partnership”. As part of this strategic partnership, market status has been granted to China that is considered an important step that narrowed the parameters to pursue certain kinds of trade disputes in terms of World Trade Organization (WTO) criteria which coincided with the opening negotiations for a free trade agreement with the Southern African Customs Union. This resulted in intensifying interaction and consultation

between the two governments as well as taking steps to promote agricultural exports and education (Alden and Wu, 2014).

*Graph 16: South Africa Economic growth rate- in the past Five years*

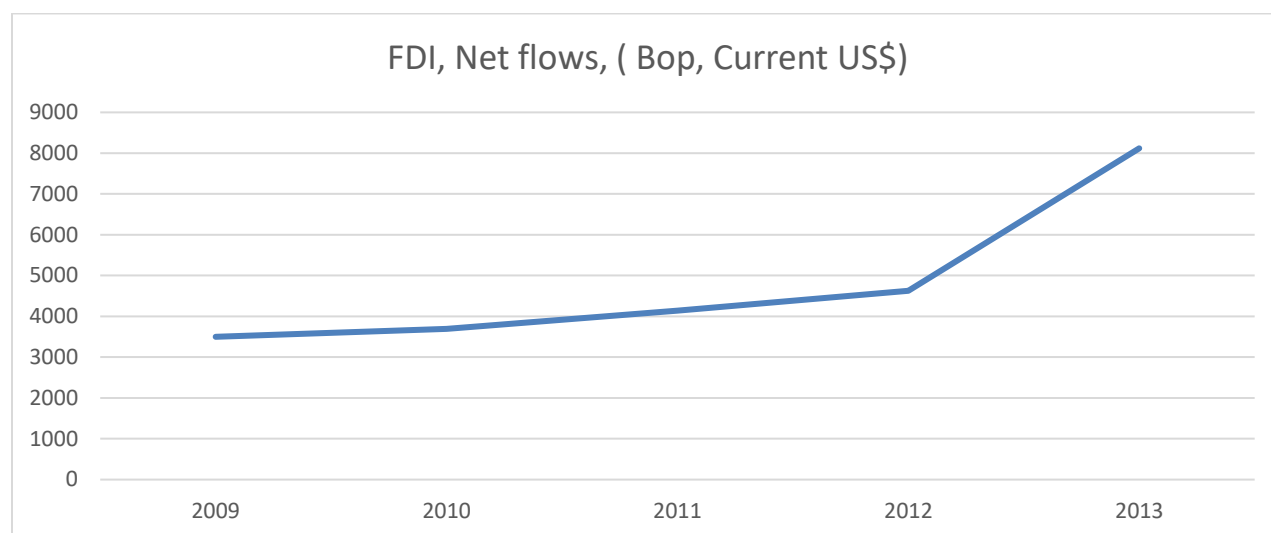


Source: IMF, African Department Database, September, 2014.

China- South Africa economic relations has significantly increased over a short space of time, reaching its peak in 2008 when China became South Africa's primary import and export trade partner. Moreover, by 2011 China's total foreign trade with South Africa has surged to an annual growth rate of 77% (\$45 billion). Alden and Wu (2014) stated that although bilateral trade points to upward trajectory, inconsistencies in the data remain a challenge for analysts. Those inconsistencies is attributed to technical and political factors, smuggling, currency fluctuations and the role of intermediaries such as Hong Kong.



*Graph 17: South Africa FDI, Net Inflows*



Source: IMF, African Department Database, September, 2014.

The trade has flourished under Zuma administration, partially due to the global contraction resulted from the financial crisis in 2008. In 2009, South Africa experienced a 32.8% drop in imports from major important economies such as the EU and OECD. In this context, China became the largest bilateral trading partner of both South Africa and the region.

South Africa generally experiences trading deficits with most regions of the world, due to the high imports of value-added products and fuels as well as the decline in commodity exports. In 2012, South Africa total exports estimated to be \$ 78.7 billion while imports estimated to be \$ 93.6 billion. It has been identified that the increase in imports from China as a contributor to South Africa's growing trade deficit as China accounts for 10% of South Africa's total imports in 2010.

*Table 10: South Africa's top 10 imports from China in 2012*

Top 10	Product	2012 value in (\$000)
1	Automatic data processing machines, optical readers	1183539
2	Electric apparatus for line telephony	844131

3	Printing machinery	404 913
4	Footwear- outer soles and uppers of rubber	360859
5	Electric instantaneous water heaters	227646
6	Rice	222557
7	Footwear-upper of textile mat	210663
8	Self-propelled bulldozers	203661
9	Trunks, suitcases, camera cases and handbags	181064
10	New pneumatic tires of rubber	177688

Source: International Trade Centre, <http://www.intracen.org/>

Apart from trade balance, there are concerns about the structure of trade. China mainly imports minimal value added products from South Africa (such as agricultural products and minerals), on the other hand South Africa imports Chinese manufactured products, it imports a variety of value added products from China such as Clothing, motor vehicles, printing machinery and data processing machines (Alden & Wu, 2014).

### ***G. The Case of Sudan***

China is considered a home to almost half of the world's 45,000 biggest dams, as it embarks on a push to export its hydropower know-how to developing countries, even if it contends with environmental standards (Oster, 2007). With a capacity of 1250 megawatts and cost of \$ 2 billion, the Merowe Dam will more than double Sudan's power generation and is expected to provide electricity to Khartoum, Port Sudan, and Dongola.

The story began in late 1990s, when Sudan authorities approached Canada, European and Arab countries in search for Funding the construction of the dam but in vain. The Sudanese government was in jeopardy of its debt service to the World Bank and the International

Monetary Fund. Yet, China decided not to share the Scruples of western financiers and gave fund to the Merowe Dam in 2002. China Exim Bank agreed to support the dam with \$ 520 million, becoming the main foreign financier of the project. The dam has been built by the China International Water & Electric Corporation and the China National water Resources & Hydropower Engineering Corporation. Although it was thought that the project will end poverty in Sudan, the dam had massive social and environmental impacts, regarding the resettlement of the people in the Nile Valley and the negative impacts of the ecological life. The Chinese traditional response to these allegations is that China does not interfere in the domestic affairs of other countries. According to the Chinese African Policy of 2006,” China respects African countries’ independent choice of the road of development and will increase assistance to African nations with no political strings attached”.

Apart from being the first engineer in the region, China National Petroleum is the largest shareholder and controls the Sudanese energy sector as it is the main investor in Sudanese oil production. In 2004, WTO stated that oil exports to China accounted for 64% of Sudan’s total oil exports (Looy, 2006).

Both China and Sudan benefit from this relationship as China is diversifying its oil resources and become less dependent on other oil-producing countries. On the other hand, Sudan is benefiting by finding a reliable economic partner that doesn’t question its political situation.

*Graph 18: Sudan Economic Growth Rate in the past Five years:*



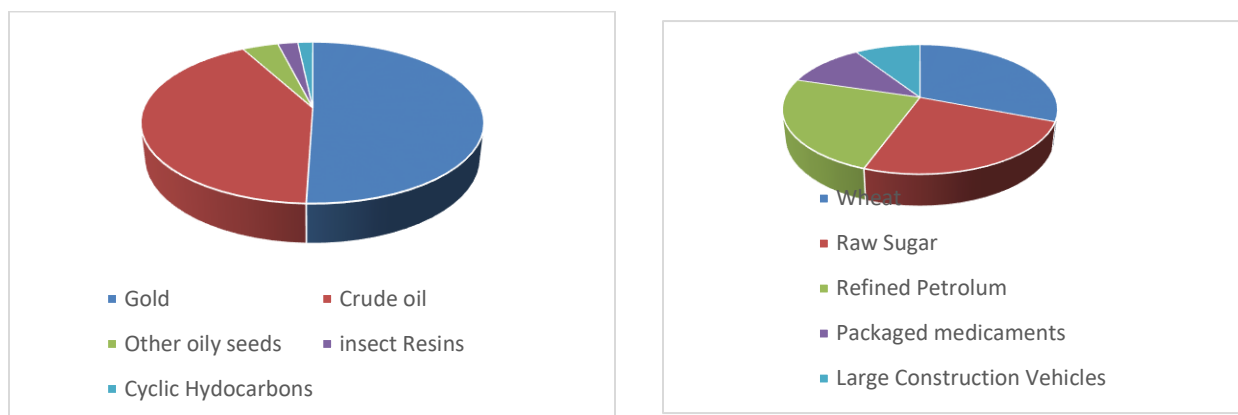
Source: IMF, African Department Database, January, 2015.

South Sudan gained independence from Sudan in July 2011. Most of the oil production capacity is now in South Sudan, but the country is landlocked and remains dependent on Sudan because it must use Sudan's export pipelines and port. Disagreements over oil revenue sharing and armed conflict have curtailed oil production from both countries over the past few years.

National oil companies from Asia dominate the oil sectors of Sudan and South Sudan. The China National Petroleum Corporation, India's Oil and Natural Gas Corporation, and Malaysia's Petronas hold large stakes in the leading consortia operating oil fields and pipelines. National oil companies Sudapet (Sudan) and Nilepet (South Sudan) also hold small stakes in operations.

South Sudan has experienced frequent disruptions to production over the past few years. In January 2012, the country voluntarily halted its production because of a dispute over transit fees with Sudan. South Sudan's production was partially shut down again at the end of 2013 because of civil conflict.

*Graph 19: Major 5 products exported by Sudan*    *Graph 20: Major 5 products imported by Sudan*



Source: IMF, African Department Database, January, 2015.

China is by far the leading export destination for crude oil from Sudan and South Sudan. In 2013, Sudan and South Sudan's crude exports accounted for 2% of China's total crude oil imports, down from 5% in 2011 (US Energy Information Administration, 2014).

## Discussion of Winners and Losers

The results of the data support the findings of many writers who concluded that over the past decade, the signs of China's economic expansion in Africa are increasingly manifest to be converted from a marginal player to be the major economic partner to many Sub-Saharan African countries (Zafar 2007, Mckinnon 2010 and Alden 2012). This strategy has triggered from the Chinese need to maintain the unmatched record of sustained growth that started since the onset of the Chinese economic reform in 1978. The reform that transformed the Chinese economy to be one of the leading economic power in the world, that's why Africa has strong and increasing importance to China to secure the Chinese needs of resources and commodities for the expansion of its manufacturing sector ( Schiere and Walkenhorst 2010).

Price and Elu (2010) showed that Chinese economic policies with Sub-Saharan African countries has changed than before; the relation first was mainly based on cold –war ideological motivations but after the Chinese reform in 1979 the Chinese- African relations emphasized trade, investment and other commercial activities (Zafar, 2007). Following the Chinese reform, China encouraged Chinese firms to increase their presence in Africa and other developing countries, to the extent that the trade volume has dramatically increased between 2000 and 2007 from \$ 7 billion to \$ 59 billion (Yu, 2009, Price and Elu, 2010). Price and Elu (2010) questioned whether the African trade openness with China catalyzes the African growth rate through Chinese technology transfer that increases firm level productivity in the manufacturing firms. Price and Elu’s (2010) data showed that trade with China appears to lower firm TFP in the garment sector and increase it in the metals and machinery sector. According to their paper, Chinese FDI has sector specific effects, in which trade with China has negative effects on the African garment sector but positive and significant effect on the metal and machinery sector which is consistent with China’s aggressive mineral security policy. The policy that encourages Chinese FDI and technology transfer flows into the Sub-Saharan African metals and machinery sector so as to optimize domestic production of minerals needed for Chinese mineral security (Elu and Price, 2010). Consequently, their results suggest that except for metals and machinery sector there is no productivity enhancing technology transfer.

The data results suggest that the resource seeking motive is one of the China’s determinant to invest in Sub-Saharan African countries. One will notice that China tends to trade and invest more with oil producing countries as well as resources- rich African countries. When we look at Sub-Saharan African countries that have intensive relation with China, we will find that those countries have abundance of natural resources or has strategic locations (Table 1). For example,

Angola's first trade partner is China and it exports petroleum oil and petroleum gases, Benin has also oil, copper and raw cotton that it exports to China, Congo's first trade partner is China and it exports to China oil, cobalt and gold. We will find also that major trade countries are in the coast, such as Angola, Namibia, Mozambique and Guinea. The t-test, in Table 3, shows that countries who are intensively involved with China have growth rate between 3.77% and 6%, while countries with no trade with China their economic growth is between 2.3% and 4.5%. Cheung et al. (2012) showed that the effects of natural resources on China's investment decisions are especially visible after the adoption of the "Going Global" policy in 2002. "Stepping out" or "Going Global" policy positively affects China's decisions to invest overseas to support economic development and sustain Chinese economic growth. Consequently, China's overseas investment plays up the procurement of natural resources to meet its domestic demand influenced by its strong economic growth (Cheung, 2012). That's why, China's recent economic involvement with Sub-Saharan countries is perceived to follow the state driven strategy of giving infrastructure in return for natural resources. For example, between 2001 and 2007 Foster et al. (2008) gave examples of some Chinese financed infrastructure projects in Africa that were paid for by natural resources. Crokin et al. (2008) and Cheung et al. (2012) mentioned that the strong link between infrastructure assistance and resources rich countries is that "it is often the most resources rich states that are in dire of infrastructure development and support". Cheung et al. (2012) mentioned that not only China is involved with African countries in terms of outward direct investment (ODI) and trade but they are also involved in terms of contracted projects which includes building of high ways and roads, bridges, schools, shopping centers, housing and office building, water conservancy, dams and power plants. The arrangements of contracted projects began in 1970 and steadily increased over time. It showed a significant jump in 2000 after (FOCAC), and recently, Africa has

become China's second largest engineering contract market. This information supports the data results that shows as a result of Chinese increasing demand of natural resources, China increases its economic relation with resources- rich African countries which positively affect their economic growth. Therefore, the country's factor endowments determines whether China is going to invest or not.

The data shows that the strong engagement of trade, investment and development cooperation links between China and African countries doesn't benefit all sectors and countries. Schiere and Walkenhorst (2010) showed that 70 percent of Africa's exports to China come from only four countries (Angola, the Democratic Republic of Congo, South Africa and Sudan), those countries are heavily dominated by raw materials, notably petroleum, cooper, cobalt and cotton. On the other hand, Elu and Price (2010) investigation of whether trade with China enhances productivity transfers to the manufacturing firms in African countries, using micro- level data for manufacturing companies in five African countries, showed that there is no relationship between productivity enhancing FDI and trade with China. Their paper also showed that there is no effect on the growth rate of total factor productivity, because total factor productivity has a great effect on economic growth and living standards in the long run. Based on that, they concluded that trade with chine hasn't contributed much to improvements in the living standards of African countries (Schiere and Walkenhorst, 2010).

Anshan (2007) pointed that China provided billions of dollars of aid for free to Africa from 1956 to 1978 despite the Chinese precarious economic situation. Yet, China realized that aid alone would not be the appropriate solution to transform the reality of the African poverty. Thus, starting 1980 China began to introduce new forms of aid to help the Africans depend on themselves such



as preferred and discounted loans, cooperatives and joint ventures for projects in Africa. Preferential loans helped African nations to use money effectively, while cooperatives and joint ventures helped new technology and management practices to be brought to projects in Africa. The initiative of China's new aid policy helped more than fifteen African countries and sped up the cooperation between the sides.

In 2006, it was estimated that \$ 55.5 billion was the trade volume between China and Africa, with \$ 28.8 billion estimated to be African exports to China. Mutual benefits has been portrayed in the growth rate of African countries as a result of the massive economic relations between the two entities. China seeks to deepen the economic relations with Africa by "opening its markets to Africa by lifting the tariffs on number of items (from 190 to over 440) exported by countries in Africa that are least developed and have diplomatic relations with China". Noteworthy that China has never used aid commitments to intervene in the African internal affairs, in fact it helped reduce and relieve African economic debt. In 2006 at Beijing summit of China- Africa Cooperation Forum "China waived all debt from government interest free loans due at the end of 2005 for 31 heavily indebted African countries.

Science and technology is another field of cooperation between Africa and China. Although refused by western countries, technical assistance and cooperation in science is an area of collaboration. For example, China is helping Nigeria in launching a communication satellite in which China provided Nigeria with the necessary technology for launching, on orbit service and even the training of Nigerian command and control operators. Also, China is helping African engineers with new technology that assists with the best use practices of seemingly exhausted oil fields (Anshan, 2007).

The demand of China for raw materials and energy enabled Africa to fully utilize its natural resources by benefiting both the African suppliers and the Chinese buyers. This led raw materials prices to be stimulated, causing African development to be accelerated through increasing the income of the rich-resources African countries. For example, the outstanding debt of Nigeria has been paid off and Sudan transformed from being oil net importer to being oil net exporter.

The presence of over 800 Chinese enterprises play an important role in enhancing the autonomy of the African countries by putting a stop to the longstanding hold that the west has imposed over trade in commodities between Africa and the rest of the world.

## **Conclusion**

The volume of trade between China and Africa witnessed large increase from 2000 to 2007, it increased from 10 to 70 billion dollars during this period. The sector that Chinese is heavily invested in is the black gold. Africa provides China with third of its oil needs, consequently Chinese oil companies have large presence in these countries and they are well represented.

The data showed that China, since 2002 has become the second largest importer of the African oil also the data of the world bank shows that since 2007 ,China become the first largest importer of the African oil .

Angola and Nigeria are the largest oil exporters to China, and we note that Gabon and Equatorial Guinea are also increasingly privileged places especially in relation to the production of oil. Besides oil, China concentrates on exploiting raw materials and minerals such as uranium, lead, iron, gold, phosphate, cobalt, copper, cotton and bauxite that is so important for Chinese economic growth. For instance, Democratic Republic of Congo

exports 85 % of its cobalt to China, and almost all of Zimbabwe's tobacco production is exported to China (Journal de Noticias, 2009)

China has opened up new economic, political, diplomatic and strategic avenues for African states, yet it isn't limited to the African leaders but it also down to Africans, both people in power and the man on the street to negotiate on their terms, identify priorities and leverage opportunities to further their own interests. The question is does China offer a new model of development, the literature review reveals that contrary to the prevailing views, China isn't offering a model for development, although China is making it possible for the Africans to visit, study and work in China, it is not asking or requesting other countries to emulate it or support its values.

Since early 1990s, China's economic miracle was mainly based on clear political goals and strong regulation of foreign investment through which China managed to leverage natural resources low labor costs to develop its economy. Yet are the Africans willing or interested in following the same course, the literature review can't exactly determine but it shows that one thing African states can learn through China, it is how to imagine their own future, explore new possibilities, and engage with the rest of the world while retaining control over the conditions of those engagements. Also, the Africans have found in China a genuine alternative to the western donor bloc (Peter, 2007).

Despite the good intentions declared by the Chinese, the problem is that these relations are based upon highly uneven levels of development and very different capacities to benefit from such interactions and 'cooperation'. This pronounced inequality in capacities will result in China making very much greater gains from what it obtains from

Africa, even if this is undertaken 'fairly' and with some generous gestures. Africa may indeed receive (some) quantitative returns, but it is China that will achieve the further vast qualitative transformation of its economy using the material and financial resources it gains from Africa.

The relations between China and Sub-Saharan Africa shows that there are opportunities as well as challenges. As we have seen in the paper, the opportunity lies in the China's willingness to involve in the infrastructure development that in the real term opened up the geographical spaces in Africa, causing some improvements in the standards of living and quality of life which in turn contribute to the economic development of Sub-Saharan Africa. Schoeman (2008) mentioned that opportunities isn't confined to oil-rich countries instead African countries with factor endowment of agricultural production could break into the market of agricultural production commodities dominated by Canada, Australia and Argentina, giving example of Mozambique, Tanzania and Malawi, through agricultural cooperation with China.

On the other hand, China- Sub-Saharan Africa relations faces many challenges. The first challenge is the Chinese rise as a superpower which tends to spread values in realm of environment, governance and politics, such as workplace safety, environment degradation, corruption and undermining democratization and human rights as a result of its non-interference policy. Another challenge for Sub-Saharan Africa especially oil-rich resources countries is to be confined with the Dutch disease that prevent countries from achieving economic diversification as a result of its resources drainage. Consequently, it is crucial for African countries to wisely and effectively use the proceeds of their natural

resources to maximize their wealth. Consequently, what is really needed to sustain China-African Countries relations is to understand the needs of local communities and implement strategies that have win-win results for both Chinese enterprises and local communities.

## REFERENCES

- Alden, C. (2012). China and Africa: A Distant Mirror of Latin America.
- Alden, C., Wu, Y. (2014). South Africa and China: The making of a partnership. SAIIA Occasional paper No 199
- Anshan, L. (2007). China and Africa: Policy and Challenges. China Security, Vol. 3 No. 3 Summer 2007, pp. 69-93. 2007 World Security Institute.
- Bazika, J. (2009). The impact of China's Trade Relations in Africa. The Case of the Republic of Congo. AERC Collaborative project.
- Brooks, P (2007). Into Africa: China's Grab for Influence and Oil. The Heritage Foundation., <http://www.heritage.org/research/lecture/into-africa-Chinas-grab-for-influence-and-oil?ac=1>
- Campos, I., Vines, A. (2008). Angola and China: A pragmatic Partnership Center for Strategic and International Studies.
- Cheung, Y.-W., de Haan, J., Qian, X. W., & Yu, S. (2011). China's outward direct investment in Africa. Hong Kong Institute for Monetary Research, Working Paper 13/2011, Review of International Economics.
- China and Congo: Friends in Need (2011). A report by Global Witness on the Democratic Republic of Congo.
- Egbula, M., Zheng, Q. (2011) China and Nigeria: A powerful South- South Alliance .West African Challenges.
- Duarte, P. (2012). The road to El Dordo: China Discovers Africa. Boletim Meridiano 47 vol.13, n.131.
- Ekwe, Herbert (2011). Readings: Essays on African politics, Genocide, Literature. (Daker and reading: African Renaissance).
- Elu, J. U., & Price, G. N. (2010). Does China Transfer Productivity Enhancing Technology to Sub-Saharan Africa? Evidence from Manufacturing Firms. African Development Review/Revue Africaine De Developpement, 22587-598.
- Esteban, M. (2010). A Silent Invasion? African Views on the Growing Chinese Presence in Africa: The Case of Equatorial Guinea. *African & Asian Studies*, 9(3), 232-251. doi:10.1163/156921010X515941

Esteban, M. (2009). The Chinese Amigo: Implications for the development of Equatorial Guinea. *China Quarterly* 199 667-85

FOCAC statement 2006, "Address Hu Jintao President of People's Republic of China at the Opening Ceremony of the Beijing Summit of the Forum on China- Africa Cooperation.

FOCAC statement 2009, Address Web Jiabao on Building the New Type of China- Africa Strategic Partnership.

Frankel, J.A, Romer, D. (1999). Does Trade Cause Growth? *American Economic Review* 89, No.3: 379-99.

George, S. (2011). The Dragon's Gift. The Real Story of China in Africa. 45(6), 870-872. doi:10.1080/00343404.2011.585841

Ghartey, E.E (1993). Causal Relationship between Exports and Economic Growth. *Applied Economics* 25: 1145-52.

Gill, B., HaoHuang, C., Morrison, J. (2007). Assessing China's Growing Influence in Africa. *China Security*, Vol.3 No. 3, pp. 3-12. World Security Institute.

Goldstein, A., Pinaud, N., Reisen, H., Chen, X., (2006). The Rise of China and India: What is in it for Africa? Paris: Organization for Economic Cooperation and Development.

Gu, J. (2009). China's Private Enterprises in Africa and the Implications for African Development. *European Journal Of Development Research*, 21(4), 570-587

Hanusch, M. (2012). African Perspectives on China-Africa: Modelling Popular Perceptions and Their Economic and Political Determinants. *Oxford Development Studies*, 40(4), 492-516.

JornalDeNoticias,[http://jn.sapo.pt/Paginainicial/Mundo/Interior.aspx?content\\_id=1221377](http://jn.sapo.pt/Paginainicial/Mundo/Interior.aspx?content_id=1221377),2009,Accessed 22 jul.2011.

Kaplinsky, R. Morris, M. (2006). Dangling by a thread: How Sharp are the Chinese Scissors? Institute of Development Studies.

Kaplinsky, R. Morris, M. (2008). Do the Asian Drivers Undermine Export- Oriented Industrilzition in Africa? *World Development*, Vol. 36, No. 2, pp. 254-73

Looy, J. (2006). Africa and China: a strategic partnership? African Studies centre, Leiden.

- Li, P. (2010). Chinese Investment in Zambia's Copper Industry. The South African Institute of International Affairs.
- Lucy, C., Burke, C., Davies, M (2008). China's Role in the Development of Africa's Infrastructure. SAIS working paper in African studies 04-08, The Johns Hopkins University, Baltimore, MD
- Makarvin, B. B., & Shariff, I. (2010). China and Africa: A Symbiotic Relationship?. International Journal Of Applied Economics And Econometrics, 18(2-3), 134-147.
- Maswana, J. (2009). Can China Trigger Economic Growth in Africa? An Empirical Investigation Based on the Economic Interdependence Hypothesis. Chinese Economy, 42(2), 91-105.
- Mawnawina, I. (2008). China-Africa Economic Relations: The Case of Zambia. African Economic Research Consortium.
- McKinnon, R. I. (2010). China in Africa: The Washington Consensus versus the Beijing Consensus: Review. International Finance, 13(3), 495-506.
- Michel, S. (2008). When China met Africa , foreign policy.research library core
- Ministry of Foreign Affairs of the people's Republic of China. Equatorial Guinea: bilateral relations. In Ministry of Foreign Affairs of the People's Republic of China. 12 October,2003. <http://www.fmprc.gov.cn/eng/wjw/zjg/fzs/gjlb/2974/default.htm>.
- Mohan, G. & Lampert, B. (2012). Negotiating China: Reinserting African Agency into China- Africa Relations. African Affairs, 112/446, 92-110
- Montinari, L., & Prodi, G. (2011). China's Impact on Intra-African Trade. Chinese Economy, 44(4), 75-91.
- Naidu, S. Davies, M (2006). China Fuels its Future with Africa's Riches.
- Niquet, Valerie (2006) .La strategie africaine de la China. Politique etrangere.[http://www.diplomatie.gouv.fr/fr/IMG/pdf/0805\\_La\\_strategie\\_africaine\\_de\\_la\\_Chine\\_de\\_Valerie\\_Niquet.pdf](http://www.diplomatie.gouv.fr/fr/IMG/pdf/0805_La_strategie_africaine_de_la_Chine_de_Valerie_Niquet.pdf). Accessed 22 jul ,2011
- Nye, Joseph (2004) .soft power- The means to success in World politics. Public Affairs. New York
- Nye, Joseph (2005). "The rise of China's soft power". Wall Street Journal Asia, Belfer Center for science and international Affairs. [http://belfercenter.ksg.harvard.edu/publication/1499/rise\\_of\\_Chinas\\_soft\\_power.html](http://belfercenter.ksg.harvard.edu/publication/1499/rise_of_Chinas_soft_power.html). Accessed 07/06/2012



Ogunkola, E.,O., Bankole, A., Adewuyi, A. (2008). China –Nigeria Economic Relations. African Economic Research Consortium.

*Rangasamy, L., & Swanepoel, J. (2011). China's Impact on South African Trade and Inflation. Development Southern Africa, 28(1), 141-156.*

Schiere, R. (2010). Building Complementarities in Africa between Different Development Cooperation Modalities of Traditional Development Partners and China. African Development Review/Revue Africaine De Developpement, 22615-628.

Schiere, R., & Walkenhorst, P. (2010). Introduction: China's Increasing Engagement in Africa: Towards Stronger Trade, Investment and Development Cooperation. African Development Review/Revue Africaine De Developpement, 22559-561.

Schoeman, M. (2008). China and Africa: Whose Challenge and Whose Opportunity? *Africa Spectrum*, Vol. 43, No. 3 (2008), pp. 403-413 Published by: Institute of African Affairs at GIGA, Hamburg/Germany Article Stable URL:<http://www.jstor.org/stable/40175257>

Struye,T. (2010). Offensive Chinoise en Afrique. ChaireInBevBillet-Latour Progrmme Union Europeene-Chine. UniversiteCatholique de Louvain. Louvain.

Van der Walt, L. & Smichdt, M. (2007). Africa: China, the new imperialist power? *Alternative Liberton*

Viewpoint: Africa must do more to profit from China (2012).BBC News.

Villoria, N. (2009). China's Growth and the Agricultural Exports of Sub-Saharan Southern Africa. *European Journal Of Development Research*, 21(4), 531-550.

Yang, J., Yang, W., Li, M., & Wang, X. (2013). Complementarity of China-Africa Agricultural Products Trade: Trends and Challenges. 8(1), 86-97.

Yin, J. Z., & Vaschetto, S. (2011). China's Business Engagement in Africa. *Chinese Economy*, 44(2), 43-57.

Zafar, A. (2007). The Growing Relationship between China and Sub-Saharan Africa: Macroeconomic, Trade, Investment, and Aid Links. *World Bank Research Observer*, 22(1), 103-130. Vol. 22, No. 1 Published by: Oxford University Press Article Stable URL: <http://www.jstor.org/stable/40282338>