

THE IMPACT OF CHINA'S INTEGRATION IN THE GLOBAL  
ECONOMY: CHINESE SPECIAL ECONOMIC ZONES IN  
AFRICA

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*Nobody ever saw a dog make a fair and deliberate exchange of one bone for another with another dog. Nobody ever saw one animal by its gestures and natural cries signify to another, this is mine, that yours; I am willing to give this for that... But man has almost constant occasion for the help of his brethren, and it is in vain for him to expect it from their benevolence only. He will be more likely to prevail if he can interest their self-love in his favour, and show them that it is for their own advantage to do for him what he requires of them. Whoever offers to another a bargain of any kind, proposes to do this. Give me that which I want, and you shall have this which you want, is the meaning of every such offer; and it is in this manner that we obtain from one another the far greater part of those good offices which we stand in need of.*

— Adam Smith, *The Wealth of Nations*

## **Abstract**

China's rapid economic growth has been one of the most contentious issues in the world economy, where the role of the Special Economic Zones has been highlighted as strategic. This study aims at knowing and analyzing the implementation of China's Special Economic Zones in Africa, motivations, and problems related. This research focuses on understanding why China invests mainly outside instead of investing in its own social, environmental and economic problems. It further aims at checking the impact of the Sino-Africa relationship in issues of diplomacy, trade, development, and if this investment in Africa can be understood as a "modern colonialism".

In the literature review, China's integration models such as WTO accessions and FDI growth are studied. Special Economic Zones definition, evolution and goals are studied, as well as the main drivers of Chinese SEZ in Africa. In the empirical study, we appeal to a qualitative methodology divided into two phases: one based in a document analysis, the other based on interviews to gather opinions from Chinese people "on the ground", with a focus on Angola case.

The conclusions of this study indicate that SEZs play a crucial role in China's integration in the global economy, suggesting that can be understood as a tool to penetrate in other countries and take economic advantage of their role. On the other hand, many scholars argue that China has done nothing but helping others with their knowledge and power.

**Keywords:** Business, Business Administration, China in Africa, Special Economic Zones.

**JEL Classification System:** M0, M1

## Resumo

O rápido crescimento económico da China tem sido um dos temas da economia mundial mais discutidos, onde o papel das Zonas Económicas Especiais tem sido destacado como estratégico. Este estudo visa conhecer e analisar a implementação das Zonas Económicas Especiais da China em África, motivações e problemas relacionados. Esta pesquisa concentra-se em entender porque é que a China investe sobretudo fora, em vez de investir nos seus próprios problemas sociais, ambientais e económicos. Além disso, procura entender o impacto da relação sino-africana em questões de diplomacia, comércio e desenvolvimento, e se este investimento em África pode ser entendido como um "colonialismo moderno".

Na revisão da literatura, são estudados os modelos de integração da China, tais como a adesão à OMC e crescimento do IDE. A definição, a evolução e os objetivos das Zonas Económicas Especiais são estudados, bem como os principais impulsores das ZEEs chinesas em África. No estudo empírico, recorreremos a uma metodologia qualitativa dividida em duas fases: uma baseada em uma análise documental, a outra baseada em pesquisas para recolher opiniões de Chineses "no terreno", com foco no caso de Angola.

As conclusões deste estudo indicam que as Zonas Económicas Especiais desempenham um papel crucial na integração da China na economia global, sugerindo que isso pode ser entendido como uma ferramenta para penetrar noutros países e tirar vantagem económica do seu papel. Por outro lado, muitos estudiosos argumentam que a China não fez nada além de ajudar os outros com o seu conhecimento e poder.

**Palavras-chave:** Gestão, Gestão de empresas, China em África, Zonas Económicas Especiais.

**Sistema de Classificação JEL:** M0, M1

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## Glossary

SEZ	Special Economic Zones
WTO	World Trade Organization
GATT	General Agreement on Trade and Tariffs
FDI	Foreign Direct Investment
ODI	Outward Direct Investment
FIAS	Facility for Investment Climate Advisory Services
FZs	Free Zones
EPZs	Export Processing Zones
FEs	Free Enterprises
WEPZA	World Economic Processing Zones Association
ILO	International Labor organization
FOCAC	Forum on China Africa Co-operation
SOEs	State-owned enterprises
ETCZs	Economic Trade Cooperation Zones
CNMC	China Non-Ferrous Metals Corporation
MOFCOM	Ministry of Commerce of the People's Republic of China
CADF	China Africa Development Fund
SADC	Southern African Development Community
COMESA	Common Market for Eastern and Southern Africa
TISCO	Taiyuan Iron & Steel Company

## **Chapter I - Introduction**

The opening of the Chinese economy started with the Special Economic Zones (SEZ) that were created in 1970 with the aim of establishing free trade zones with a more flexible legislation and tax reductions. This was a way to attract foreign investment, due to the favorable conditions like labor cost and a large consumer market, and to learn technological innovations developed in advanced countries. Though, it was in 2001 that was a strong integration of China in the global economy due to the World Trade Organization (WTO). After the entry of China in the WTO in 2001, there was an evolution of the trade policies in China that were guided to a greater openness and expansion of trade, a high foreign investment and exports.

However, have been emerging several problems in what regards the competitive advantage and the strategy of development of China. There is a focus on foreign direct investment and exports, instead of an attention to the environmental questions, salaries disparities and economic inequalities that can provoke implications in the global economy and frictions with other countries.

It is in this context that there was a growing curiosity in studying the motivations and progress of China's interest in other countries rather than in its own. Therefore, we started to research the growing attention of China in Africa and their relationship. China's role in Africa has many views, the more skeptical believe that China is taking advantage of African resources and market, and occupying the territory of the previous colonialists. On the other side, there are the optimists who believe that China is helping Africa to develop and solve their problems through their knowledge.

Taking into attention the scenario mentioned above, in this project, we aim to understand the implementation of China's Special Economic Zones in Africa, the process, motivations, ambitions, and the problems related, such as the search for natural resources and land possession. Consequently, our research questions and main objectives for this study are the following:

1. Is China taking advantage of their role in the global economy and using soft power strategies in Africa?

2. Which are the main drivers of Chinese Special Economic Zones in Africa?
3. Is China-Africa relationship a win-win cooperation?

We consider this subject relevant since the role of China in the global economy is an increasingly subject of study since China's growth strategies have implications in the international financial market. Despite China's fast economic growth and its importance in the global economy especially after WTO accession, there are still many social, political and economic challenges.

Socially, there was an openness to the world, not only for Chinese society but also for other countries to enter in China. The low initial investment cost and cheap labor make China one of the main foreign investment destinations. However, this led to an accentuation of income inequalities between urban residents and rural and the industrialization also caused problems in the environment.

Politically, there is an urgent need to balance and guide the policies of economic and social development. The high investment of China and low spending on public goods, social security, health care, infrastructure, and education is one of the biggest problems that China faces.

Finally, the factor that we will focus the most and the one that is also unconditionally linked with the other two factors mentioned above, is the economic factor. China has many imbalances in its economy and in the sources of growth that should be moderated to reduce the inflationary pressure and to have a better relationship with other countries creating an economic balance. It was in this context that it was introduced in this study the Sino-Africa relationship, the kind of support and investment that China often offers to other countries instead of focus on its first. It is important, throughout China's integration in the global economy, consider the different kinds of support and understand if this is a way to help other countries to develop or if it is a way to, slowly, take advantage of this economic openness to make some sort of "colonialization" to receive benefits in a long-term exchange.

To answer the research questions, we organized this work in two main parts: the Literature Review and the Findings. The literature review allowed a reflection on the models of China's integration into the global economy; the concept of Special Economic Zones; and the different perspectives regarding the main drivers of China's SEZ strategy in Africa.

After the literature review is outlined and the data is collected we presented the Findings. In this chapter we explain the subject of study, the research questions and the methodological options are applied. We categorized and justify the study and the target chosen, we described the collection instruments, and the data analysis, and finally the results are presented. The study ends with the presentation of the conclusions.

## Chapter II - Literature Review

### 2.1 Models of China's integration into the global economy

*We have to make sure America writes the rules of the global economy, and we should do it today while our economy is in the position of global strength, because if we don't write the rules for trade around the world, guess what: China will.*

Barack Obama

#### 2.1.1 WTO accession: a new economic strategy

China has one of the fastest growing and resilient economies with 6.7 percent GDP growth in 2016 and 6.8 percent in 2017<sup>1</sup>. Although slower than previous years, China is still among the highest of the world's major economies with one of the highest growth rate.

Until 1970, China's economy was closed to other economies and almost entirely dependent on its agricultural sector. Only in 1980, with Deng Xiaoping, the country opened its economy, signed a set of regional trade agreements and sought to attract foreign investment. Later, China sought to join the General Agreement on Trade and Tariffs (GATT) organization and, in 2001, joined the World Trade Organization<sup>2</sup>.

The WTO is “the only global international organization dealing with the rules of trade between nations. At its heart are the WTO agreements, negotiated and signed by the bulk of the world's trading nations and ratified in their parliaments. The goal is to ensure that trade flows as smoothly, predictably and freely as possible. The WTO has many roles: it operates a global system of trade rules, it acts as a forum for negotiating trade agreements, it settles trade disputes between its members and it supports the needs of developing countries.”<sup>3</sup>

According to Rumbaugh and Blancher (2004), WTO accession was decisive in promoting China's integration with the global economy and trading system since included tariff reductions

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<sup>1</sup> Source: Trading Economics.

<sup>2</sup> The WTO came into operation in 1995, replacing GATT in the management and administration of multilateral agreements on international trade.

<sup>3</sup> Source: World Trade Organization.

and improved market access. The authors state that there was an opening of key services sectors such as telecommunications and financial services and new commitments regarding trade-related activities such as national treatment and non-discrimination principles. Plus, China faced a serious commitment to comply with principles and rules of the international trading system that could improve transparency of the domestic policy environment. The authors assert that China's WTO accession most immediate benefit was the increased and easy access to foreign markets, leading to a boost in China's exports in sectors such as textiles.

### **2.1.2 Export-oriented growth model and foreign direct investment**

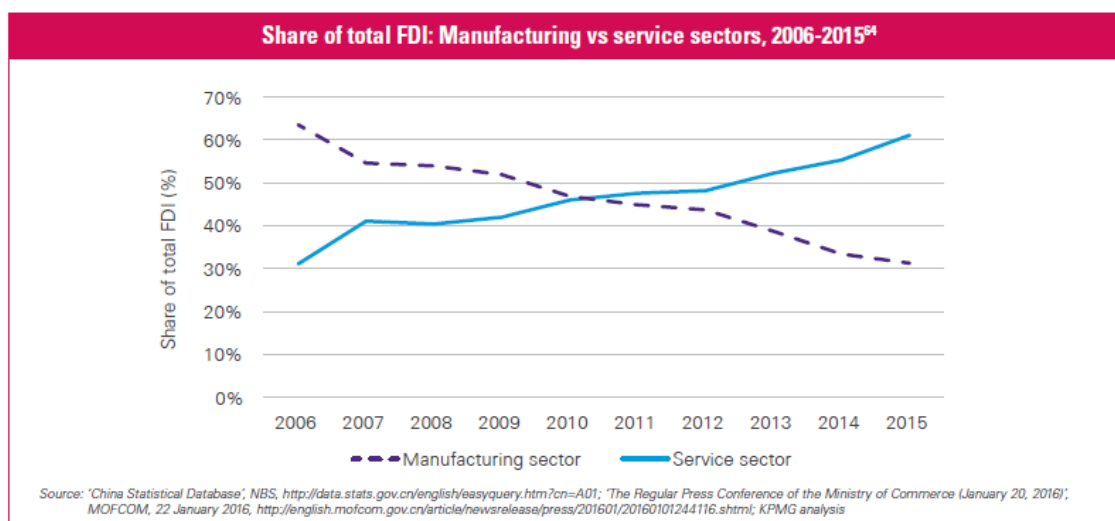
After 2001, China's economy became closer to the global economy, leading to a large flow of foreign direct investment (FDI) and a rapid expansion of exports, especially in manufacturing activities. According to Chen (2009), FDI flows after China's accession to the WTO increased considerably, with a high share in the manufacturing sector and a rapid development of international trade. Whalley (2011) argues that the primary reason for large inward FDI to China was the access to high-quality low-cost labor, which can be used to maximize profits with the combination of foreign technology.

China's economy suffered from serious imbalances that worsened in 2005 because of the *twin surpluses* (Chen, 2009: 8-9) on both capital and current account. The growing surplus in China's current account gave rise to some concern about the possible increase in external imbalances. The *twin surpluses* in China's current and capital account on the balance of payments since the mid-1990s have led to a large increase in foreign exchange reserves. China's surpluses resulted from a steady increase in foreign exchange reserves. Foreign funds obtained through FDI and exports were not fully utilized to buy foreign goods or technology, but rather back to the US market. A surplus is used to describe surplus assets, including income, profits, capital, and commodities. An excess often occurs in a budget, when expenses are less than the accumulated income. But a surplus is not always a positive result, as is China's example. In this case, the unbalanced and uncontrolled economic growth, by accelerating the growth of the money supply, can lead to inflationary pressures.

The current account surplus has declined significantly from its peak in 2007. Ana Maria Santacreu (2016), an economist at the Federal Reserve Bank of Saint Louis, explains that the main factor for the decrease in the current account surplus has been the decline in China's trade

surplus that rose to a high of around 9 percent of GDP in 2007 and was 3.5 percent of GDP in 2015. The economist refers that China's trade surplus decline has been driven by both a decrease in the surplus of traded goods and an increase in the deficit of traded services mainly driven by tourism.

In China Outlook 2016 of KPMG Global China Practice, it is stated that, although the slowdown in economic growth rate, in the stock market and currency volatility in 2015, there was a change in the type of FDI flow into China. There has been an increasing inbound foreign investment activity that has been changing its patterns over the years due to China's efforts to transition into a high-value-added economy that relies more on the services sector and domestic consumption-based growth. As we can observe in Figure 1, in 2015, the service sector surpassed manufacturing as the largest recipient of FDI, with 61.1 percent of total FDI, while FDI into manufacturing went down to 31.4 percent.



**Figure 1-** Share of total FDI: Manufacturing vs service sectors, 2006-2015 (Source: KPMG Global China Practice, 2016: 40)

China is rising as a new economic power due to its extending participation in the global economy, through both inward and outward FDI. The increasing Chinese outward direct investment (ODI) throughout these years raised many interests of the motivations and main drivers of Chinese investment abroad. Many authors defend that China's integration into the global economy may bring some implications in the international political economy.

Kolstad and Wiig (2012) state that Chinese outward FDI is mainly attracted to large markets, countries with large natural resources and poor governance. Authors exemplify this investment behavior with, for example, the case of Africa, and argue that this economic cooperation can lead to severe consequences since China can intensify the resource-related problems. According to the World Resources Institute, China's outward FDI in Africa is increasing rapidly from \$1 billion in 2004 to \$24.5 billion in 2013 (Figure 2), with many investments in extractive industries, such as mining and oil extraction.



**Figure 2-** China's OFDI Stock in Africa (US\$ billion) (Source: World Resources Institute)

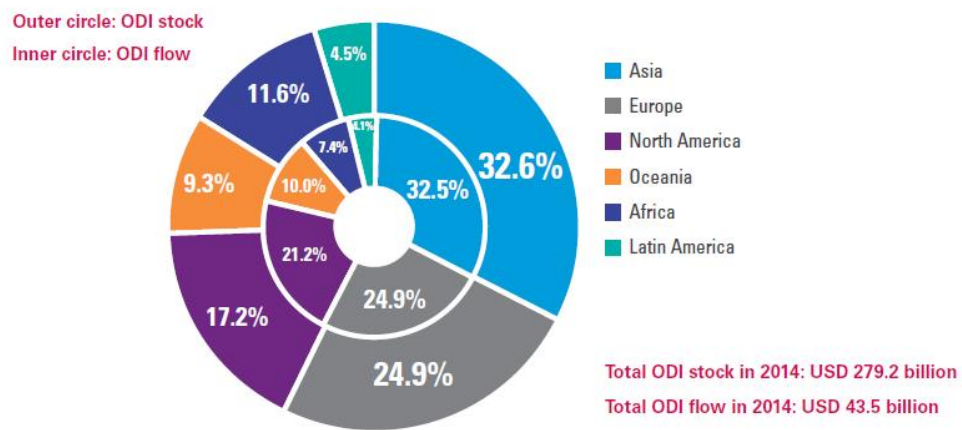
On the other hand, Yang, Cheng, and Lin (2013), through an analysis of the industry distributions of outward direct investment data for 2003–2009, conclude that the main objective of the Chinese economic model does not expand the production overseas but strengthen its industries by learning advanced technologies and having stable supplies.

In the China Outlook 2016 of KPMG, after excluding the ODI flows and stock for Hong Kong, British Virgin Islands and Cayman Islands regions, they present in a graph the top 10 destinations for China's overseas investment in 2014, which include a combination of both developed economies and emerging markets (Figure 3).



## The impact of China's integration in the global economy: Chinese SEZ in Africa

China's ODI flows and stock by region in 2014



**Figure 3-** China's ODI flows and stock by region in 2014 (Source: KPMG Global China Practice, 2016: 18)

Africa, with 11.6 percent of China's ODI flows and stock in 2014 (Figure 3), will be our focus on this research. Throughout this analysis, we aim to understand China's investment motivations in Africa. Although the uneven FDI that reflects the global uncertainty, the evolution of Africa FDI continues to grow, where Asia-Pacific investors take the main role (EY's Attractiveness Program Africa, 2017). China-sourced outward FDI into Africa increased dramatically in 2016, becoming the third largest investor in the continent. According to this report, "since 2005, China has invested in 293 FDI projects in Africa, totaling an investment outlay of US\$66.4billion and creating 130,750 jobs" (EY's Attractiveness Program Africa, 2017:18).

## 2.2 Special Economic Zones

*Until the Nineteen-Eighties, when Deng Xiaoping designated the area as China's first special economic zone, Shenzhen had been a tiny fishing village. Suddenly, eleven million people appeared, seemingly out of nowhere; factories sprang up, often housed in hastily constructed tower blocks.*

Michael Specter

### 2.2.1 Definition

Special Economic Zones have different names and definitions ranging from country, period and researcher. In a general approach, we can say that Special Economic Zones are delimited geographical areas within a country legally granted that have investments, trade, liberal policies and tax incentives to attract foreign companies. It is an economic space with special and less restrictive economic laws that works as a free port conducive to economic cooperation.

Before studying Chinese SEZ in Africa it is important to understand the meaning of SEZ, types, categories, and features. According to the 2008 FIAS report (via Farole 2011: 27), SEZ are broadly defined as “demarcated geographic areas contained within a country's national boundaries where the rules of business are different from those that prevail in the national territory. These differential rules principally deal with investment conditions, international trade and customs, taxation, and the regulatory environment; whereby the zone is given a business environment that is intended to be more liberal from a policy perspective and more effective from an administrative perspective than that of the national territory”.

However, it is difficult to explain SEZ with one single definition, since there are different types, structural features and policy goals. Each economic zone is a result of different geographies, economies, the zone's functions and competitive advantage.

Within the types of SEZ, Farole (2011: 27-29) distinguish the following:

- **Free Zones (FZs)**, the SEZ' oldest type under a bonded warehouse format and located in seaports and airports near the main international transport nodes (an example of a FZs is the Colon Free Zone, Panama);
- **Export processing zones (EPZs)** that appeared in 1950-60 with the intention of accelerating the industrialization, located in developing countries with international trade related to industry (for example, Masa Free Zone, Republic of Korea);
- **Free enterprises (FEs)**, a variation of FZ/EPZ, in which individual enterprises are provided with FZ/EPZs status (example, Mauritius Export Processing Zone);
- **Freeports** that are usually used to describe the known Special Economic Zones and involve many portions of the territory (urban and rural areas) and transport facilities (ports and airports), also include economic regions and the respective activities, population, political and administrative components (example, Chinese SEZ).

Another, but simpler, SEZ definition is the World Economic Processing Zones Association (WEPZA) categorization into wide-area zones and small-area zones. As stated by Farole (2011:30), the difference between both is that *wide-area zones*, unlike small-area zones are bigger than 1000 hectares and have a resident population. The small-area zones are delimited by a fence and only have work dormitories.

SEZ structural features can vary according to the type of zones since each of them has a specific regulatory regime, governance structure<sup>4</sup>, and a physical infrastructure (industrial parks, key transport between the zone and its sources and markets) supporting all the companies' activities, that usually includes real estate, roads, electricity, water, and telecommunications. Farole (2011: 25) argues that the common feature among all SEZ is the benefit of having a "different regulatory regime from that in the rest of the economy".

Special Economic Zones are not a new concept, but a concept in constant evolution throughout the years. It has been a long time since societies started the external trade and the pursuit of strategic locations, secured ports and trade routes. These areas became the so-called *free zones*,

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<sup>4</sup> That varies according to the zone regime, organizational culture, number of existing zones, the role of the private sector in developing and operating zones.

where merchandises circulated free of local prohibitions, taxation, and duties. Many scholars consider that the first approximation of a free zone was in the Island of Delos in 166 B.C. since it enabled free trade conditions.

The EPZ were initially incentives in the transition from the traditional exports for the non-traditional exports. The first programs in free zones were limited, dependent on government's authorization and focused on trade. The turnover was with the introduction of exported-oriented growth model that emerged in the developing and newly industrializing countries of East and South-East Asia along with the development of the industrial estate. There was an economic liberalization that ends with the protectionist policies of the era. By 2003, many zones already employed a million workers, including in high-tech segments of the electrical and electronics industries.

### **2.2.2 Evolution and goals**

Special Economic Zones have a major impact on the world economy and aimed at attracting foreign direct investment. There has been an evolution throughout SEZ concepts and goals. The policy goals are the ones that lead to SEZ creation to increase economic transformation and therefore countries' growth. This way, SEZ are goal-oriented, establishing thoughtful courses of action in pursuit of some stated aim.

Wang (2009) defends that SEZ increase per capita foreign direct investment mainly through foreign-invested and export-oriented industrial enterprises; does not reduce domestic investment and domestically owned capital stock and increase total factor productivity growth. The author says that SEZs bring capital, advanced technology and provide important policy implications for many countries.

Despite policy goals vary between zones and countries, Farole (2011: 25-26) claims that, according to the 2008 FIAS report, zones are created with four main policy goals: attract foreign direct investment, to serve as "pressure valves" to alleviate large-scale unemployment, to support a wider economic reform strategies and as experimental laboratories for the application of new policies and approaches. In this context, the authors state that SEZ can also have two types of benefits: *static economic benefits* and *dynamic economic benefits*. *Static economic benefits* are "short-term through the use of economic zones as instruments of trade and

investment policy (...) are the result of capturing gains from specialization and exchange, and include employment creation, the attraction of the generation of foreign exchange through exports, and the creation of economic value added.” *Dynamic economic benefits* are “long-term (...) and encompass the promotion of non-traditional economic activities, (...) technology transfers, encouragement of domestic entrepreneurialism, and the promotion of economic openness”.

Berthelemy (2011) says that SEZ have similarities with economic processing zones since their aim is to stimulate the agglomeration of new economic activities in a given area by providing infrastructure and other facilities. In both cases, it is expected that this agglomeration will create positive externalities among business that will promote a sustainable diversification process. China has a long and fruitful experience at home with SEZ, which have formed the backbone of its industrial development in the 1980s. Nevertheless, the development impact of such projects is uncertain, given the enclave nature of SEZ and potential limitations such as lack of infrastructure and institutional governance issues.

According to Farole and Akinici (2011), since the mid-1980s, the number of newly-established zones has grown fast in almost all regions, mainly in developing countries. The evolving context of global trade and investment has made some changes in SEZ function with EPZ more open to larger and flexible SEZ models. Farole (2011) states that in 1986, the International Labor Organization's (ILO's) database reported 176 zones in 47 countries; by 2006, it reported 3 500 zones in 130 countries. Despite failing to meet their objectives, economic zones have grown rapidly. Many other zones are contributing to growth in FDI, exports, employment and playing an important role in integration into global trade and economy.

Special Economic Zones started in China and are now moving strongly towards the African continent. According to António and Ma (2015: 85), “under the Beijing Action Plan, from Forum on China Africa Co-operation (FOCAC) 2006, the PRC declared its intention to develop between three and five SEZ on the African continent, to serve as enclaves for Chinese investment in key African states. The first two zones were established in Zambia (mining hub) and Mauritius (Ocean Rim trading hub)” (António and Ma, 2015: 85).

### **2.3 Main drivers of China's SEZ strategy in Africa: Skeptics vs Optimists**

*China's recent moves to establish special economic zones (SEZ) in several African countries can make a significant contribution to industrialization in Africa. But the success of these projects is by no means guaranteed. Meeting the objectives of both China and African countries will require an active partnership and a framework for collaboration that includes engagement from host governments, processes for phasing-in local control, communication and enforcement of standards, and support for integration with local economies.*

Deborah Brautigam, Thomas Farole, and Tang Xiaoyang

There are different conclusions around China's presence in Africa, most of the research publication is oriented towards a win-loss perspective, defending that Africa is being undermined. Many Sino-Africa controversies are related to the fact that China employs prison labor in its construction projects, investments frequently motivated by the exploitation of Africa's natural resources (raw materials and oil). According to scholars, the main drivers of China's SEZ strategy in Africa are the search for markets and natural resources, processing raw materials and exporting. This will allow Chinese enterprises to face Western competition (Zncharaz and Nowbutsing, 2010; cited in António and Ma, 2015).

Ado and Su (2016: 47) points out 3 key questions crucial to understand Chinese SEZs main drivers in Africa and if there is a win-win or win-lose cooperation: "Does China trade with Africa only to exploit the continent's natural resources, and does it have colonial ambitions?"; "Does China care about human rights, and does it use soft power strategies in Africa?"; "Does China favor Africa's industrialization rather than the weakening of local economies?".

China's rapid development has been characterized by a need for natural and energy resources to sustain its growth. One of the main drivers has been the Chinese government's strategic pursuit of resources to ensure raw material supplies for growing energy needs within China to secure imports and commodities for the expansion of its own manufacturing sector. Ado and Su (2016) claim that oil is the main supply of Chinese FDI since out of 56 African countries China has invested in all 45 nations that have large sources of oil, coal, and gas. Chinese

financial engagement in Africa is either in countries with which it has good political relations such as Egypt, Ethiopia, Mali, and Tanzania, or in countries with strategic interests because of their oil and mineral resources, such as Algeria, Angola and Congo, the Democratic Republic of Congo, Nigeria, Sudan and Zambia (Berthelemy, 2011: 29-30).

According to Alden, Large, and Oliveira (2008), the government support for Chinese state-owned enterprises (SOEs) has been important in directing FDI in Africa. Africa is often seen as a place for Chinese companies to gain experience, establish and expand business ventures globally.

Chinese logistics in Africa focuses mainly on supplying infrastructure across Africa that will allow China to connect its industrial production across the continent. Farole (2011) argues that Chinese SEZ in Africa has an important role in integration into global trade and structural transformation, including industrialization and upgrading by contributing to the growth in FDI, exports, and employment. The zones can make a significant contribution to job creation, diversification, and sustainable growth in African and other low-income countries. Deborah, Farole, and Tang (2011) argue that it was a way to China share its model with friendly countries. These zones were intended to help China, allowing the labor-intensive, less competitive, "mature" industries, such as textiles, leather goods, and building materials to move offshore.

Trade between Africa and China began to accelerate in 2000 and, despite the facts about the nature of its commodity-based trading relationship, Chinese governments continue to insist that it is a win-win strategic partnership. China became a major market for key African raw and soft commodity producers, such as Angola, Nigeria, Sudan, Zambia, and the two Congos. Oil is the most significant export, produce almost 100 percent of Angolan exports to China (Alden; Large; and Oliveira, 2008: 11-12).

Besides the demand for natural resources, has been questioned by academics and media whether China may have colonial ambitions toward Africa. From a skeptic approach, this relation can be interpreted as a modern colonization where Chinese businesses have adopted a neo-colonialist approach to resource extraction that includes labor exploitation and deployment of infrastructural projects (Jauch, 2011; via Ado and Su, 2016).

On the other hand, optimists such as Tsao, Lu, and Yeh (2015) defend that China's direct investment in Africa is diverse, complex and does not represent a new colonialism. First, the resource-oriented investments follow large-scale infrastructure construction projects in the host country; Second, private investment from small and medium-sized enterprises is closely linked with local economic activities in Africa.

On the African side, according to Plessis (2016), Sino-African resource-exporter and "donor" relationship it is increasingly important to African countries develop their hard infrastructure and also the capacity to maintain and to expand these projects in the absence of a "donor" state.

Another perspective is the misrepresented information coming from the West. It is important to take into consideration that the information is often prejudicial and generated by Western journalists who are writing for an audience that feels the competitive pressure of the Chinese economic and political power in Africa (Ajakaiye, and Kaplinsky, 2009; via Ado, and Su, 2016).

Chen, Dollar and Tang (2016) say that China's attraction to resource-rich countries is no different from Western investment. However, China's relation with Africa is distinct from those of the West since African are generally quick to criticize the Western assistance and praise the Chinese that, when many partners decreased their aid after the 2008 financial crisis, canceled many debts owed by African countries (at the 2009 FOCAC). Berthelemy (2011) refers that since the end of 2008, Chinese leaders kept their assistance, helped Africa to mitigate the consequences of the global financial crisis giving China an opportunity to consolidate its role in Africa as a major partner and strengthen its diplomatic ties.

Alden, Large, and Oliveira (2008) defend that China's motivation in Africa was not only based on resource needs but driven by the combination of prestigious aid work and geopolitical exigencies. Chinese are aware of the failures of the Western approach. Many researchers like Brautigam (2009) defend that China already took place of many Western players with interest in Africa and that is actually "winning" the economic and political game in the continent. China's well-coordinated trade, investment and aid activities have been helpful in increasing prosperity in Africa.



From an optimistic perspective, China is exploiting the potentialities of mutual cooperation. In fact, China's success in Africa is the product of both parties' interest in mutually beneficial relationships with a non-interventionist stance that includes investment without preconditions non-interference and mutual growth strategy. China's government aid, investments, and infrastructure loans are conducive to African countries' development. The uniqueness of "China's transformation experience with development" or "China Model" can be associated with China's support for Africa's development leads to more recognition for China than from Western countries (Sautman and Yan, 2007; via Tsao, Lu, and Yeh, 2015: 491).

Following Chen, Dollar and Tang (2016), one of the main differences between Chinese and Western investment is that the first is generally indifferent to the recipient countries' property rights, whereas the second tends to stay away from poor governance environments. This means that the share of Chinese investment in poor governance environments tends to be high.

Chinese SEZs in Africa are often seen as a way to achieve "soft power" policy goals presenting results of China's economic development model (António and Ma, 2015). Many authors defend that China is using soft power strategies in Africa to internationalize its practices, values, cultural and position. This "soft power" strategy refers to an indirect influence that a nation applies on the interests of another nation, through cultural or ideological means without using force (Kurlantzick, 2007; cited in Ado and Su, 2016). There is a strategy of non-interference, in which China take advantage of the discord spread in Africa and proposed new perspectives and understanding to African nations, such as Angola, Sudan, Zimbabwe, and Congo.

Another important question is whether China's attitude is helpful in accelerating Africa's industrial development, and to what extent this has impacted local economies. Scholars often question if the Chinese business is harming Africa's local economy and its development. From a business-oriented perspective, Yin and Vischetto (2011) say that China provides goods that Africans need at a lower price than Western-made goods, which positively impacts African's living conditions. A side effect is that the cheap Chinese products (textiles) are competing with locally made goods, and Africans do not have a competitive advantage to face Chinese competitors. Chinese companies are moving African enterprises in local markets while creating jobs for local communities. However, researchers say that this should not be seen as a growing threat to competition in Africa, but as an opportunity for local African businesses to enter into mutually beneficial ventures with China firms (Cheru and Obi, 2011, Brenton and Walkenhorst,

2010; via Ado and Su, 2016). Additionally, China's direct investment in Africa has improved the conditions of the regional economy (Broadman, 2006; Goldstein, Pinaud, Reisen and Chen, 2006; Kaplinsky and Morris, 2009; Wang, 2007; via Tsao, Lu, and Yeh, 2015), has stimulated the diversification and upgrading of Africa's industrial structure and reduced poverty.

However, Chinese foreign aid policy in Africa and its impact is still not understood and widely debated among scholars since China has not developed a coherent strategy of integrating aid and investment. According to Zheng (2016), because of the rising costs of political risk, China will pay more attention to the domestic politics of recipient countries leading to development-oriented cooperation models. Berthelemy (2011) says that China's development assistance has had from its beginning an orientation towards poverty reduction and supported sectors that are under-financed, such as infrastructure.

The remaining question is: Will these benefits of Africa cooperating with China last? Some scholars claim that there are economic advantages only in the short run, leaving Africa's long-term plans at risk. From an opposing perspective, "in an interdependent world, China's involvement could turn out to be a valuable asset for African countries" (Levy, 2011: 188; cited in Ado and Su, 2016).

## Chapter III - Methodology

### 3.1 Context

In this research, we realized that China's rapid economic growth has had major impacts on the world economy and the Sino-African relationship that has developed over the years. We noted some difficulties in understanding the nature of this relationship and the true aims of Chinese SEZ in Africa. It is in this context that the need arises to verify the different points of view regarding the China-Africa relation.

With the intent of achieving the main objective of this research, we formulated one main research question which answer can allow us to reach our purpose: Is China-Africa relationship a win-win cooperation?

Consequently, the purpose of the empirical study is the analysis of how China concretizes its aid to Africa, its evolution and motivations.

We have outlined the following objectives for this empirical study:

1. Understand if China is taking advantage of their role in the global economy and using soft power strategies in Africa
2. Identify the main drivers of Chinese SEZs in Africa
3. Understand the motivations of Sino-African relationship
4. Understand if the Chinese working in Africa have any knowledge of SEZs
5. Identify the business areas in Angola most developed by the Chinese
6. Comprehend the main differences between Chinese and Angolan workers in terms of management

After the literature review, this study followed four different moments, to which corresponded specific objectives. The first stage of the research was dedicated to investigate the subject in academic articles and books, opinions and observations of several scholars. The second and most important step was the interpretation, in-depth analysis of the documents collected and cross-referencing. The third stage, there was a preparation and execution of the interviews to

Chinese working or in contact with Africa (focus on Angola) who collaborated in this study. This fieldwork that enabled us to have a bigger picture of the current reality that constitutes the object of the research study. All the interviews were digitally registered. The four-stage was the collection of the interviews, analysis of the results and complement the conclusions of the information gathered in the documentary analysis.

### **3.2 Target chosen**

The target that was chosen for this project were 20 Chinese and 20 Africans professionals who work or have direct contact with Africa and to perceive their awareness and knowledge regarding the large investment there and Chinese Special Economic Zones.

However, our analysis field was limited to 11 Chinese professionals working or in contact with Africa, mainly Angola. We found it difficult to identify Africans currently working there but we know some Chinese that went to Angola to work so it was easier to get in touch with them. The interviews with the 11 Chinese aimed to understanding the perceptions of Chinese investment in Africa.

The sample used in the research project is a convenience sampling, a type of non-probability sample because it was selected based on intentional choice criteria. According to Carmo and Feereira (2008: 215), in a convenience sampling a group of individuals or volunteers are available. It may be an exploratory study whose results can not be generalized to the population to which the convenience group belongs, but from which valuable information can be obtained. The fact that it is a small sample can be justified by Patton (1990) that says that qualitative research focuses on relatively small samples or even single cases, intentionally selected.

### **3.3 Study characterization**

This study follows a method of historical and descriptive research. According to Carmo and Ferreira (2008: 227-230), historical research involves the study, understanding and explanation of past events, the purpose is to answer the questions raised, the trends of past events that can explain current events and predict future events. The descriptive research seeks to study, and understand the current situation of the object of research. Research data are usually collected through documents and interviews.

To achieve the goals of this research we employed a qualitative methodology to have a better picture of the different opinions regarding China-Africa cooperation and Chinese SEZ in Africa. A qualitative research draws observations, interviews, record and analyzes their contents. The focus of qualitative research is the deeper understanding of problems, certain behaviors, attitudes, and convictions. Basically, investigating what lies behind. The qualitative methodology based on document analysis along with interviews are corresponding elements, in the context of our empirical study, in order to provide a picture as complete as possible of the problematic analyzed. However, we admit that the interpretation presented here about the reality studied is not the only probable one, and another researcher can obtain other results and carry out another analysis in other contexts.

We considered this qualitative research descriptive since it results from the data collected, observations, and written documents in which the researchers analyze the notes taken in fieldwork, the data collected, respecting as far as possible the way in which they were recorded or transcribed.

### **3.4 Instruments of Data Collection**

The data collection allows the identification of the various stages of information gathering that indicate a certain perspective. In this study, we used the documentary analysis and the interview for the data collection.

For the first phase, we opted for documentary analysis that would allow an in-depth knowledge of the question and its various perspectives. In a second phase, we opted for the construction of interviews to obtain the data needed for our study and the information collected.

In order to have a collection of information more enlightening and to perceive the awareness and knowledge of the subject in the study, we opted to use the interviews.

#### **3.4.1 Document Analysis**

Document analysis is “a systematic procedure for reviewing or evaluating documents—both printed and electronic (computer-based and Internet-transmitted) material. Like other analytical methods in qualitative research, document analysis requires that data be examined and

interpreted in order to elicit meaning, gain understanding, and develop empirical knowledge” (Corbin & Strauss, 2008; see also Rapley, 2007; cited in Bowen, 2009: 27).

We choose this method since it is a type of qualitative research that allows a large collection of information and a critical analysis of the relationships between various studies, an exercise that allows the researcher to assess the major issues and debates on a topic. Through documentary analysis, it is possible to access data from documents which are solid materials that permit to search ideas and theories already recorded/produced and understand in which social context they emerged.

According to Bowen (2009), documents witness past events, provide background information and historical insight, it is a mean of tracking change and development. Information in documents helped us to suggest questions and situations that need to be study and to contextualize data collected during interviews. The author highlights some advantages of document analysis method such as efficient method, availability, cost-effectiveness, stability and exactness; and also some limitations such as insufficient detail, low retrievability, and biased selectivity. Frequently, documentary evidence is combined with data from interviews to minimize bias and establish credibility.

We collected the publications related to China's integration in the global economy, Chinese SEZs in Africa, and Sino-African relationship, their cooperation, and investments. The subject studied in this project presents a wide bibliography available in several associations, organizations, journals and institutes, such as Confucius Institute, Centro Científico e Cultural de Macau Library, African Research Institute, South African Journal of International Affairs, Oxford Journals, Cambridge Journals, Euro Asia Journal of Management, Research Gate and others useful tools such as books and papers available in several databases of, for example, Universities that are essential for a better understand in a further level of research. Regarding this diversity of information it is necessary to assess selection criteria, so based on the relevance of the papers' abstracts, the articles were selected and categorized, the key authors' findings, positions and ideas were identified in each article. Finally, the views of each author were analyzed by examining the repetition of select controversies in the literature.

### **3.4.2 Interviews**

Interviews are one of the most widely used methods to gather qualitative information about people's view, experience and feelings.

We used the interview in this project since we are searching for other conclusions whose answers we did not find in the available documentation or did not seem reliable, and we needed to prove it. We focused on informants considered qualified in the field of our investigation. According to Carmo and Ferreira (2008: 145), a qualified informant is a container of relevant information, and it is a filter of the information itself. In a community study, for example, it is critical to cross-reference information obtained from other sources from other sources in order to test their reliability.

In this project, it was conducted a semi-structured interview, with a reduced number of open questions, focused mainly on the personal experience of the interviewee, which leads to subjective responses. At the beginning of the interviews, we started to present the purpose of the study: China's integration in the global economy and the Chinese SEZs in Africa. We also explained that the results of the interviews are subject to data privacy and will be treated in the strictest confidence. They will be used exclusively in a critical qualitative analysis for this project. For this reason, all the questions were written in a way, which is not possible to identify the person who answered them.

In general, we tried to avoid long descriptions and ensure the interview is addressed and answered by the people knowledgeable and aware of the subject in order to provide a reliable answer. As we have been explaining, the target of the research is Chinese working or in contact with Africa (mainly Angola). We did not make any distinction in the workers: gender, age, and professional function.

We sent the interviews by email and after receiving them, we contacted again the interviewees to develop or clarify some responses. To avoid communication obstacles, we accepted answers in Portuguese, English, and Chinese. All the Chinese answers were translated by my friend Zhao Nanan, graduated in Chinese-Portuguese translation.

The interview used is presented in Appendix I.

## **Chapter IV – Findings**

In this chapter, the findings of the document analysis and interviews are described. This part was organized into two main sections: Presentation and analysis of data; and Crossing of data analysis with interviews. In the first section, we proceed to an analysis of the information collected in the documents, and we highlight the main ideas. In the second section, we cross some of this data with the interviews focusing on the research questions.

### **4.1 Presentation and analysis of data**

#### **4.1.1 WTO accession**

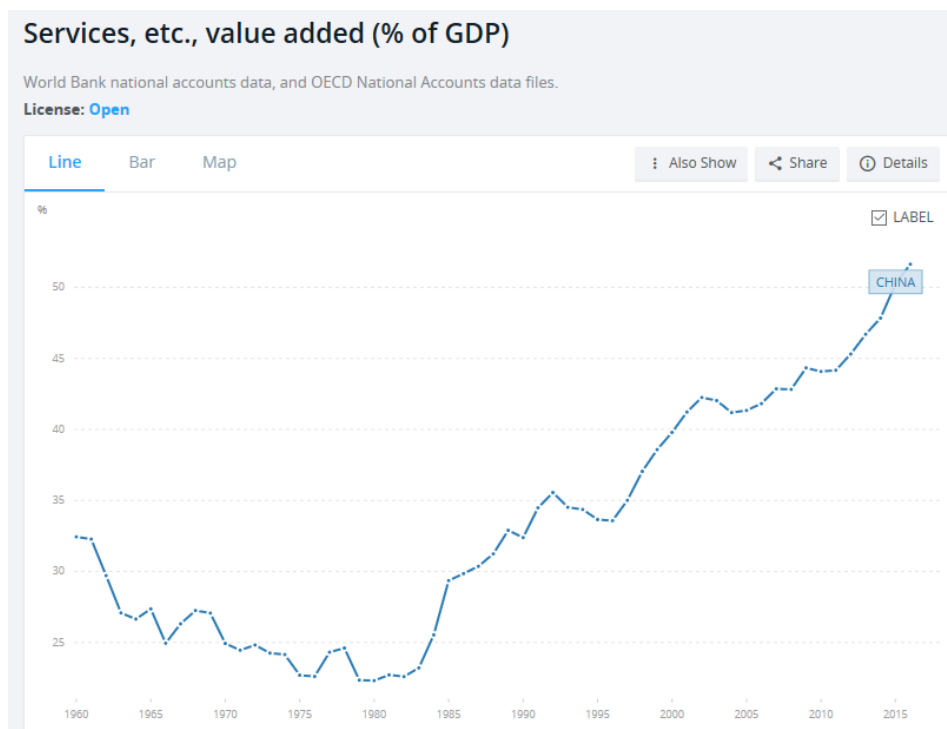
WTO has made it possible for trade policies to move towards China's free trade, market economy, and development strategy. Given the size and growth prospects of China's market, the entry into this organization has influenced not only the country's internal development but also the world economy. To accelerate its economic development and openness to the outside world, a change in China's economic structures was necessary. According to the Figure 4, Figure 5, and Figure 6, the share of industry and services as a proportion of China's total GDP increased from 86% in 2001 (41.2 percent for services and 44.8 percent for industry) to 91.4 percent in 2016 (51.6 percent services and 39.8 percent industry) while the share of agriculture declined from 13.9 percent to 8.5 percent in the same period. This development boosted economic growth, and structural change reflected the positive effect of the WTO entry on the Chinese economy.



# The impact of China's integration in the global economy: Chinese SEZ in Africa



**Figure 4-** Industry, value added (% of GDP) (Source: The World Bank Data)



**Figure 5-** Services, etc., value added (% of GDP) (Source: The World Bank Data)



Figure 6- Agriculture, value added (% of GDP) (Source: The World Bank Data)

Another important fact is the more open and competitive environment that has been felt and continues to be felt in the world economy with China joining the WTO. China has become one of the major driving forces behind the growth of the Asian economies, world economic growth and an essential link in the various production networks. After China's entry into the WTO, its economy experienced a period of rapid growth that had a significant impact on the rest of the world. According to the World Bank Databank, in 2016, China's GDP reached 11.199 trillion US dollars, making it the second largest economy in the world, after the United States. However, due to their levels of production, consumption, imports, and exports, several significant global implications have emerged. China's high trade surplus has led to increasing pressure from its major trading partners for a revaluation of its currency.

#### 4.1.2 Chinese economic model

The accumulation of *twin surpluses* was due not only because of China's inability to direct its considerable domestic savings to the necessary areas of investment but also because of the strategy used, which initially used FDI only for export (eventually becoming excessive) as a

way to create international production networks. In *China's integration with the global economy*, Chen (2009) refers that due to a fear of a current account deficit, FDI inflows were facilitated through export tax cuts and an undervalued exchange rate, since the RMB is not a fully convertible currency.

Still, it is essential to recognize that China has been taken steps to slow growth and to reduce the *twin surpluses*. Export promotion policy declined, and China's efforts to steer its high financial surplus in the international financial system began to increase. The Chinese government began to deal with the obligation of transparency concerning regulations and laws, and there was a substantial improvement in compliance and changes in negotiations and international trade. Bath (2012) claims that, since joining the WTO, the Chinese government has made significant reforms to its legislative system in order to meet all requirements. Also, a public debate begun on critical legal issues and significant changes in administrative approval and licensing system, which plays a crucial role in China's business.

There was a growing investment in China's service sector that explains the considerable change in the way of China is being viewed in the global economy today, from a low-cost labor source to an "end destination" market. Furthermore, manufacturing firms increasingly produce goods with high-quality that meet the demands of Chinese consumers, rather than products of cheap exports.

Chinese economic model focus not only to expands the production overseas but also to strengthen its industries and to have supplies. China looks to reinforce domestic production and productivity by acquiring strategic assets overseas. Contrary to Americans and Japanese, China does not seek for market and efficiency.

Chinese ODI will continue to grow, with investments mainly by private and financial sectors that will support Chinese companies "going out". From 2005, the tertiary industry is the main focus, mostly in the services and consumer-related sectors, such as healthcare, entertainment, and high-tech. The transition of China from an export-led model of growth to one driven by consumption, innovation and services sectors, a shift that is being reflected in patterns of inward foreign direct investment and outward direct investment. KPMG Global China Practice characterizes China's growth as a "two-track" economy. The first track a slowing growth that includes manufacturing and traditional industries (for example, steel, shipbuilding, real estate,

industrial products) that are facing multiple challenges such as overcapacity problems and external shocks. The other, faster growth track that consists of services, advanced manufacturing, and consumer markets, innovation and technology. As shown in KPMG' report, the expectation is that Chinese consumers will become one of the main drivers of China's growth in the future.

In accordance with Alden, Large, and Oliveira (2008:14) "Chinese FDI to Africa appears predominantly resource oriented. In 2004 China became the world's second largest importer of oil after the US, and it sources some 30 per cent of oil imports from Africa. Angola is China's biggest supplier of oil in Africa (...)". The author also claims that "natural resource rich countries continue to be main destinations, with 50-80 percent of Chinese FDI in Africa in natural-resource exploitation and resource rich countries (Angola, Sudan, Chad, Equatorial Guinea, Nigeria, South Africa)" (Alden; Large; and Oliveira, 2008: 14).

#### **4.1.3 Problems and challenges of China's position in the global economy**

China's growth strategies have not only had implications in the country itself but have also manifested themselves worldwide in the international financial market. Despite China's vast and rapid economic growth and its importance in the global economy after WTO accession, some economic and social challenges have emerged:

- High economic growth and concern about the inflation rate, with the consumer price index (CPI) increasing from 1.5% in 2006 to 4.8% in 2007 (Chen, 2009: 9). This led in 2008, the Chinese government to take measures to combat inflation and reorient development policies. China's slowdown in exports and economic growth may reduce inflationary pressure and contribute to economic equilibrium.
- Imbalances in the Chinese economy, mainly an imbalance in the sources of growth, which has been driven more by foreign investment and exports than by consumption. There is a need for China to increase government spending on social services, such as health and education, and reduce the need for precautionary savings by increasing consumption. Thus, it would not only reduce China's dependence on exports for its growth but also reduce the gap between domestic saving and gross domestic investment.
- Increased inequality of income between urban and rural residents. Much of the population still lives in poverty, especially in the countryside. Thus, the challenge is to

reduce the surplus labor of relatively low productivity agriculture and to invest in other activities, especially in services.

- Low initial investment costs and cheap labor make China one of the top foreign investment destinations. Excessive cheap labor then leads several multinationals to take advantage of this situation (and official censorship of the media) to operate under low hygienic conditions, occupational safety or pollutant emission control;
- Worsening environmental problems caused by China's growth and industrialization. The large-scale use of fossil fuels has generated a high level of air and river pollution. To correct the imbalances, the Chinese government must adopt a program capable of achieving more balanced and sustainable growth.
- China's extraordinarily high investment rate, which leads China to increase consumption as one of its objectives. For this, there should be expenditure on public goods, social security, health care, infrastructure, and education.
- Chinese Special Economic Zones is a subject of increasing discussion since some scholars tend to see it as win-win collaborations and others as a new way of colonization.

#### **4.1.4 Sino-African relationship**

The historical background to China's connections with Africa can be only very generally summarized here. The establishment of the recent Sino-African relation dates to the late 1950s, when the focus was mainly on the political development with an open up and reform policy, marked with the Bandung Conference in 1955, the Zhou Enlai ten-country tour to Africa between 1963 and 1964 and the Chinese support of many African countries in their struggle for independence. After this period, there was a focus on win-win economic cooperation and equality that was based on the "Four Principles of Chinese Cooperation with Africa" in the 1980s.

According to Alden, Large, and Oliveira (2008:2), "the example of the Ming Dynasty diplomatic missions seeking trade and recognition on behalf of the Chinese Emperor, as opposed to conquest or occupation—famously Zheng He's seven voyages between 1405 and 1433- continues to be regularly invoked to demonstrate a contrast to European exploration and conquest in Africa. Together with shared colonial experience, it remains an important part of the basis for claims that China is different in the manner in which it relates to Africa." China's

involvement in Africa took different forms, such as support for liberation struggles and aid programmes.

The Sino-African relationship can be divided into five different periods: (1) "Chinese aid to Africa in the context of the cold war and Bandung Conference (1955-1960)"; (2) "Rivalry between China and Soviet Union in Africa (1960-1974)"; (3) "Cooperation between China and the United States and the abandonment of Africa by China (1975-1989)"; (4) "New Chinese interest in Africa (1989-2000)"; (5) "Strategic Partnership in Africa (2000- Present)" (António and Ma, 2015: 81-83).

After the Tiananmen incident in 1989, there was a turning point of the Sino-African relationship, China strengthened its political interest in Africa and embarked on proactive Africa diplomacy. According to António and Ma (2015: 82) China turned to Africa to international support, "once African countries represented more than a quarter of the votes in the General Assembly of the United Nations. Many African leaders joined Beijing's side such as Angola's president José Eduardo dos Santos (...)".

There were many visits to Africa from Chinese officials to strengthen the relationship. Deng Xiaoping keeps with the economic liberalization, and Beijing became more aware of African's market, its products and opportunity of business. In this sense, in 1995 China started establishing enterprises, providing aid and promoting integration and trade. Other important factors that contribute to this relationship success was the diplomatic trip of the president Jiang Zemin to Africa in 1996 and the development of five principles as the basis for the Sino-African relationship: "friendship among countries, total equality between partners, non-intervention in the internal affairs of the other partner, international cooperation and beneficial development for the two parties."

From the 1990s forward, the relationship has been focused on trade and business investments. There are several Chinese companies doing business in Africa, most of them are private and are investing in infrastructure, energy, banking sectors, agriculture, and manufacturing. Chinese diplomacy in Africa moved from a political and ideological approach to an economic approach where the enterprises are more involved.

The Chinese government was keen to address its trade surplus with Africa (import more from African countries). There was a recognition that Africa is a market with great potential, and therefore there was an increased government and enterprise interest in economic engagement, the entry of Exim Bank and the establishment of investment, exploitation and trade centers (Alden; Large; and Oliveira, 2008: 6).

Finally, because of its abundant resources, Africa became a strategic territory for China's economic strategy. In 2000, the launch of FOCAC in Beijing with 44 African countries represented brought a new, stable and long-term partnership.

At the Beijing Summit in 2006, the rise of Chinese SEZs showed a shift in the focus of trade and investment to a more diverse form of engagement with Africa (Alves, 2011: 5). SEZs are frequently seen as an instrument for attracting Chinese investment in Africa and have been targeted at the continent's resource-rich countries, such as Zambia, Nigeria, and Egypt. However, the establishment of the JinFei ETCZ (Economic Trade Cooperation Zone) on the resource-poor island of Mauritius seems to be an exception. In 2007, after the third FOCAC, it was founded the China-Africa Development Fund with US\$1billion of initial funding by the China Development Bank.

More recently, the Sino-African relationship has been accompanied by a grand announcement about the new "age of the dragon" in Africa, leading scholars to suggest that China has exploded into and is now "conquering Africa" (Alden; Large; and Oliveira, 2008: 2).

#### **4.1.5 The establishment of Chinese SEZ in Africa**

The idea of exporting Chinese Special Economic Zones to Africa can be related to the independent initiative of small Chinese enterprises that were investing in the continent, such as the case of China Non-Ferrous Metals Corporation (CNMC) in Zambia in the 1990s, and also similar projects in Nigeria (Alves, 2011: 5).

The companies were Chinese SOEs, so the projects had to obtain the approval of China's State Council, which saw them as an instrument for Chinese enterprises internationalization under the "go global" policy. In 2006, at the third FOCAC, President Hu Jintao announced the official establishment of Chinese SEZ in Africa for mutual development and cooperation, and

determine three to five SEZ as one of the targets of FOCAC's 2006-2009 Action Plan. The Chinese government launched several projects across Nigeria, Ethiopia, Egypt, Zambia and Mauritius which led to a great debate about land expropriation for the construction of the SEZ.

The Ministry of Commerce of People's Republic of China (MOFCOM) has a vital role in the establishment of Chinese SEZ in Africa. According to António and Ma (2015), MOFCOM identifies the Chinese companies capable of implement SEZs plans and the Chinese government encourages development in Africa with support and pilot zones - **Zambia (Chambishi), Zambia (Lukasa), Egypt Suez Economic and Trade Cooperation Zone, Nigeria Lekki Free Trade Zone, Nigeria Ogun – Guangdong Free Trade Zone, Mauritius Jinfei Economic and Trade Cooperation Zone, Ethiopia Eastern Industrial Zone** (Figure 7).

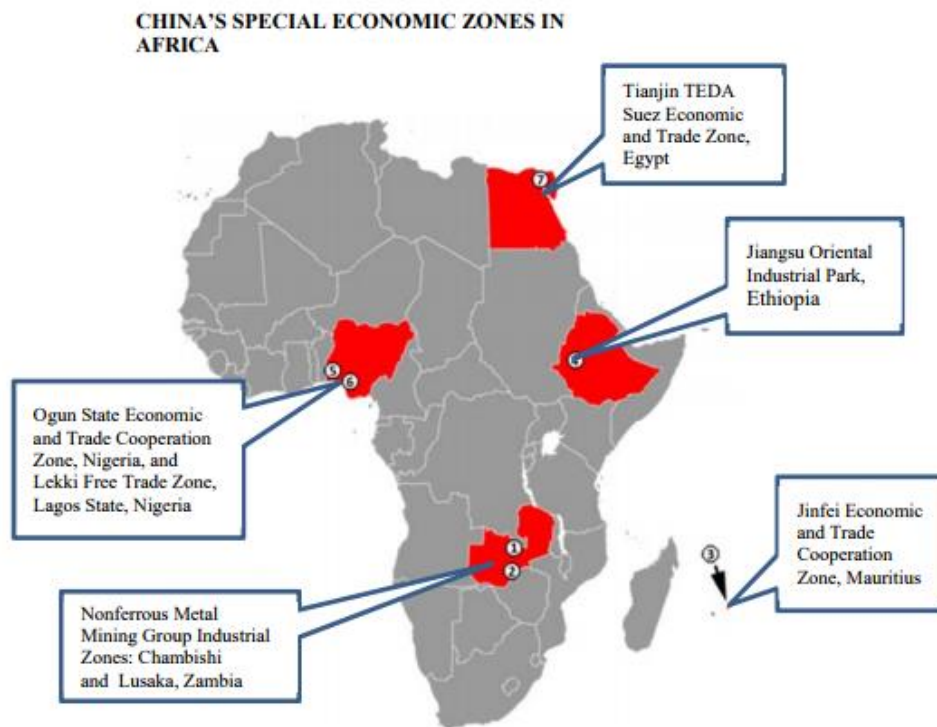


Figure 7- China's Special Economic Zones in Africa (Source: António and Ma, 2015: 86)

Chinese state also supports Chinese companies that invest in SEZs in Africa by “reimbursing half of their moving expenses”; “export and import tax rebates on materials sent for construction”, “ease of access to foreign exchange; “eligibility to apply to MOFCOM's Special



Fund for Economic” and “Technological Cooperation granting a rebate of up to 100% of interest paid on Chinese bank loans for five years” (António and Ma, 2015: 90).

An essential factor that facilitated investment is the role of state-backed Chinese banks that have been funding projects often linked to political aims. The Exim Bank became the world's largest export credit agency with several operations in Africa (Alden; Large; and Oliveira, 2008: 16). Chinese SEZs in Africa receive financial support from China Development Fund (CADF) and Exim Bank, which provide loans, partnership investment opportunities, exports, and construction projects. Chinese developers can apply for grants or loans from EXIM Bank, but they call it development assistance instead of a loan. This development assistance is based on a procedure where “the country seeking financial aid for an infrastructural project becomes a debtor of a Chinese state without receiving any tangible loan” (António and Ma, 2015: 90). Thus, if Chinese SEZ in Africa received concessional loans, the areas subject to African receiving states may have additional indebtedness to China.

The creation of an economic zone can start from the Chinese side, from Chinese company or local Chinese embassy; or at the request of African governments (Alves, 2011: 5). In line with António and Ma (2015: 92-94), the Chinese SEZ in Africa involve three main groups:

7. **Chinese developers.** State-owned and private enterprises from China and the main actors in the development stage. They are responsible for providing the on-site infrastructure, including roads, telecommunications, electricity and water supply; and facilities for administration, commerce, exhibitions, and training.
8. **African governments.** Partners of Chinese firms that regulate the zone's activities and promise to provide incentives for their development.
9. **Chinese government.** Providers of forms of assistance to the Chinese companies to initiate projects (material and networking).

The SEZ development in Africa has been initiated by the Government of People's Republic of China, where the African governments are the recipients of these zones. “These SEZ will require large amounts of investment in infrastructure, both within the zones and linking them to ports and the regional markets (...) The SEZ are positioned to become Africa's new economic nodes, with one established in each region of the continent”. (António and Ma, 2015: 94).

Since Africa recognize their lack of experience, they decided to decrease their role in Chinese SEZ over China. The infrastructure investment in SEZ regions can be considered development assistance or aid, but the type of financing is not clear, it is mainly commercial and focused on attracting FDI.

#### **4.1.6 Chinese SEZ in Africa – a new economic model?**

##### **4.1.6.1 Africa general overview**

Africa, one of the largest continent of the world that hosts a diversity of ethnicities, cultures and languages, is known for its large quantity of natural resources, such as diamonds, salt, gold, iron, cobalt, uranium, copper, bauxite, silver, petroleum and cocoa beans, woods and tropical fruits. Africa's economy consists of trade, industry, agriculture and human resources.

However, Africa is also a poorest inhabited continent with extreme poverty, lack of education and leadership, poor governance, corruption, high unemployment rate, population growth, insecurity, droughts, and famine. Taking this into consideration, we can conclude that Africa has all the resources to grow and become a continent of high commercial importance, but lack of tools. Sub-Saharan Africa presents several economic, growth and development restrictions, such as underdevelopment of domestic capital markets, lack of infrastructures, and ongoing dependence on the export of commodities whose prices and markets are volatile and dependent of the western companies. It is crucial for Africa to remove all these obstacles and, along with the international community, create the necessary conditions to overcome its development and poverty problems.

It is in this context that, as countries pay more attention to Africa potential, there have been a growing political and economic interests in the continent by the leading world powers, such as US, China, Europe and Japan, and also Brazil and India. Recently, China has built stronger ties with Africa nations and became one of the largest trading partners, making high investments in the continent<sup>5</sup> which led to increasing debate about China's role in Africa.

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<sup>5</sup> "\$60 billion of new investment in major capital projects" according to Forbes.

#### **4.1.6.2 The case of Mauritius**

Taking into considering its size, location, and outward economic dependence, Mauritius is a crucial case study to understand China's ambitions in Africa. Mauritius was announced a Chinese SEZ in July 2007 and it was considered a strategic destination for a Chinese investment hub.

Initially, this project started with problems but, in the long term, proved to be a success mostly through the vision, clear objectives and persistence of the Mauritian government. They knew their limitations given the island's disadvantage when compared to other competitors that offered more attractive conditions to China, such as large markets and natural resources.

In spite of lacking natural resources and a large market, Mauritius followed this objective by highlighting its soft infrastructure, social and political stability, an offshore financial center with attractive laws and Mauritian firms are also well integrated into the economies of South Asia, and with a strategic geographic location in the Indian Ocean. Additionally, Mauritius is a member of the Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA).

Alves (2011) claims that five hundred million US dollars in investments were pledged. According to António and Ma (2015: 96), this project "house 40 Chinese business, 5000 jobs for locals and 8000 for Chinese contractors". The infrastructure projects included the construction of a fishing port, a dam, roads.

China Development Bank was the chief financier of the project and Chinese firms, most of the them were from Chinese provincial economy of Shanxi because one of the zone's main investors is Shanxi Tianli Enterprises Group. The investment was focused on manufacturing with specific sectors such as light industrial goods, medicine production, textiles, and electrical goods. According to António and Ma (2015: 97), "in October 2006, Tianli proposed the development of an integrated industrial zone in Mauritius, after which the Mauritian government ignited the process of establishing the Chinese SEZ in Mauritius at the FOCAC III meeting in Beijing In December 2006". There was an agreement between Tianli and the Mauritian government in March 2007 with the establishment of an SEZ that became known as the Tianli project. Initially, the SEZ was to be exclusively for Chinese investors, a request by

the Mauritian government. Mauritian government was responsible for providing the infrastructure (roads, water, electricity, communications), while Tianli would oversee developing the onsite infrastructure over the following five years. Government's aim for this project was to become a service bridge between Asia and Africa.

This project was not always linear and stopped between 2007-2008. The project was unblocked following President Hu Jintao's intervention to rescue the project in February 2009. There was a close follow up by Shanxi provincial government that demonstrated a serious commitment of China to ensure the SEZ success.

Given that, according to António and Ma (2015: 98) "two major SOEs from Shanxi Province joined Tianli in early 2009, as master developers of the SEZ project in Mauritius: Taiyuan Iron & Steel Company (TISCO), currently the world's largest producer of stainless steel, whose turnover is double the GDP of Mauritius; Shanxi Coking Coal Group, a major coal producer in China, whose turnover is 150% larger than the GDP of Mauritius. TISCO, Shanxi Coking and Tianli are registered in China as the JinFei Investment Company, hence the SEZ name change from Tianli to JinFei. These three companies joined CADF; the fourth equity partner registers in June 2009 in Mauritius under the name of JinFei Economic and Trade Co-operation Zone with financial capital of \$80 million". (António and Ma 2015: 96-98).

Against all odds, Mauritius SEZ proved to be a success, making the most out of its soft infrastructure, without giving too many concessions and focusing its ambition not only in attracting investment and economic partnerships but to turn the island into a business platform between Asia and Africa (Alves, 2011).

We consider the Mauritian project a good demonstration of a serious commitment of China and positive coordination between political authorities and commercial agents to guarantee the SEZ's success. Unlike other SEZs in Africa, this project proved to be more than economic gains for Chinese companies; it shows that Chinese SEZ in Africa are not only about market and resources access.

#### **4.1.6.3 Motivations of Chinese cooperation in Africa**

There are different theories and opinions, from one side there are the optimists and from the other side the more skeptical. Skeptics believe that China is interested merely in African wealth and market to dispose of its products and that is taking the place of the former colonists; once satisfied, China will abandon Africa. Optimists consider that China has played a very positive role in Africa, helping African countries by investing in development and transferring knowledge.

Despite the different opinions, many studies have argued that Sino-African cooperation is mutually advantageous (Aguilar and Goldstein, 2009; Carolina and Murphey, 2009; Jing, 2009; Wu and Cheng, 2010; Zhao, 2008; via Ado and Su, 2016). China increasingly presence in Africa possibilities a development and new kinds of cooperation and strategic partnerships by transfer their “know-how”, the tools, that will aid many countries to solve their problems.

China, like any other donors, follows its own economic interests but also want to expand its engagement to other countries in the continent outside natural resources, one example of this is the Mauritius project. Interests of China and Africa have been reunited through win-win business partnerships with benefits such as additional revenue, improved infrastructure and a boost in African social and economic development. Plus, China is a member of the United Nations Assembly, which makes it an ally and allows many African countries to access an intermediate voice to make their concerns heard.

Still, Africa needs to be aware and analyze the developmental role of emerging Asian investments carefully, since it can determine its fate. China's increasing presence in Africa can be seen as a new trend toward the process of the re-colonization of the continent that started with the Chinese SEZ set up in Africa. The Chinese aid is a subject in constant debate and has different views, not only between Chinese and African but also within African people. The absence of visionary African leadership, the relationship with the emerging Chinese power would turn out to be colonialism by invitation.

However, unlike the western partners, China has continued to invest in large projects considered risky. Thus, China's success as a developing country in reducing poverty and achieving economic growth makes it an attractive partner for African countries. This provides the

opportunity for Africa to learn from the Chinese experience both concerning policies and business practices. Regarding the long-term possibility of this win-win perspective, it is not clear whether China's engagement will improve Africa development. We believe that China has both long-term ambitious and strategic approach to Africa.

Currently, there has been growing attention to China's interests and activities in Angola, yet the terms and implications of this cooperation remain unclear. There has been a need to investigate this collaboration and interests in the immediate and long-term since Angola is one of the main oil suppliers, with many construction and retail projects.

Chinese expansion model involves political network and cultivating relations of strong economic dependence. In this sense, one of the primary studies focused on understanding international relations, the extent of Chinese "soft power" in Africa, and China's rise as a global power. China coordinates politics, finance, and business to be able to offer attractive packages deals.

## **4.2 Crossing of document analysis with interviews**

In this section, to complete the documentary analysis (secondary source), we did a content analysis through interviews (primary source), and presented the results obtained from the interviews. The collected sample provides insightful information that enables us to understand the Chinese perceptions of the Sino-African relationship, their awareness of the Chinese SEZs in Africa and China's growing investment in Angola.

However, we want to underline the fact that many of the answers obtained were not valid or meaningless. This may have happened due to lack of knowledge or unavailability of information sharing with us.

### **4.2.1 Respondent Profile**

All respondents are Chinese, most of them female and the age ranges from 25 to 35 years. The professional functions are mostly translators or business developers, and the most mentioned companies were CITIC Group, Sinohydro Construction Angola and import and export companies.

#### **4.2.2 Categorization Matrix**

To synthesize the categorical analysis and to present some conclusions from the interviews, we developed a categorization matrix, in Figure 8.

Categories	Subcategories	Respondents	Frequency of occurrence
I – Sino-African relationship: win-win cooperation?	Favorable opinion (shared interests)	R1, R2, R3, R4, R5, R6, R7, R8, R9, R10, R11	11
	Political cooperation	R4, R8, R10	3
	Infrastructure projects development	R1, R3, R5, R7, R10,	5
	Increased opportunities and profits	R3, R4, R5, R6, R8, R11	6
	China technical and financial assistance	R1, R3, R5, R6, R8, R1	6
II- Chinese SEZ in Africa	No awareness	R1, R4, R8, R9, R10	5
	Awareness	R5, R2, R3, R6, R7, R11	6
III- Business in Angola	No experience	R8, R9, R10	3
	Experience	R1, R2, R3, R4, R5, R6, R7, R11	8
	Construction sector	R1, R2, R3, R4, R5, R6, R7, R8, R9, R10, R11	6
IV- Management Differences	Differences in the way of working	R1, R2, R3, R5, R6, R7	6
	Cultural differences	R7, R9, R10, R11	4
	Able to overcome the differences	R4, R5, R7, R10, R11	5
	Not able to overcome the differences	R2	1

**Figure 8-** Categorization matrix [self-constructed]



## **Category I**

### **Q1: In your opinion, is the Sino-African relationship a win-win cooperation? Why?**

This is the most critical question in this study that allows us to have a broader idea about the interviewees' opinion regarding the Sino-African relationship if it is a win-win or win-lose cooperation.

It can be seen that all interviewees have a favorable opinion and all believe that this cooperation has shared interests. More than 50% of them consider that this cooperation brings new opportunities and higher profits for both sides and China's technical and financial assistance which they believe that are crucial for Africa's development.

China is criticized for seeking to finance countries with natural resources. China cooperation in Africa is an example of that, and it is often seen as a new trend toward the process of the re-colonization of the continent. On the other hand, according to the interviewees and scholars, in the absence of African leadership, this relationship with China may become or be seen as colonialism by invitation. China's success as a developing country in reducing poverty and achieving economic growth becomes attractive and a credible business partner to the African continent. As mentioned by the interviewees, it is a way to Africa learn from the Chinese experience regarding policies and business practices. This is one of the most important reasons for Africa to welcome Chinese investment.

Regarding the long-term viability of the win-win perspective, it is still not clear since China has both resource ambitions and strategic approach to Africa. It is early to conclude whether China's growing interest in Africa will create a new model of relations, a win-win business partnership, fair and balanced.

## **Category II**

### **Q2: Do you have any knowledge of the Special Economic Zones in Africa? Where?**

#### **a. If yes, do you know any Chinese company located in a Special Economic Zone? Which?**

We found this question interesting to understand if Chinese (in contact with Angola, for example) are aware of the Chinese SEZs existence in Africa, and if they can name some. As it is presented in categorization matrix, from a sample of 11 interviewees, only six are aware of Chinese SEZs in Africa. From this scenario and according to Power and Alves (2012), we can conclude that societal interests have been limiting Chinese knowledge on Angola.

However, the ones that are aware gave us some examples of companies such as PowerChina, Sinohydro, CITIC, and SEZ such as Special Economic Zone of Luanda-Bengo, Luanda-Bom Jesus and Mar Grandioso

Most of the companies mentioned are construction companies, for example, CITIC, Sinohydro, and Zhongji Holding Group.

## **Category III**

### **Q3: Did you already have business with/worked in Angola?**

#### **a. In which sector?**

The categorization matrix gives the information that almost every respondent has working experience in Angola, mainly in translation in construction companies.

Chinese financial aid has had implications for Angola's development, many infrastructural projects contributed to the economy reintegration, increasing of electric and fiber-optic connectivity, the mobility of people and goods. According to Aberg (2010: 64), "oil-for-infrastructure arrangement makes Angola avoid the problem of debt-servicing and overcomes the problem of creditworthiness as the credit lines are reimbursed with oil".

Also, the presence of Chinese companies potentiates Angolan job creation and linkages with the rest of the economy. Oil-for-infrastructure arrangement redistributes Angola's oil wealth, and natural resources can be efficiently utilized when coordinated by the Chinese that has good management skill and is able to implement projects quickly.

**Q4: Are there many Chinese companies in Angola?**

**b. In which sectors?**

The primary goal of this question is to realize the increase of Chinese companies in Angola and the knowledge of the same.

Most of the interviewees know many Chinese companies in Angola. They mention the following sectors: construction, transportation, decoration, import, retail, service, power industry, and infrastructure.

**Category IV**

**Q5: Which are the main differences in Angola in terms of management?**

Here we find the results for the main difference between China and Angola way to do business. Many Chinese answered that there are several differences in the way of working since Angolan workers have lack of technical, organization and persistence. Some of the interviewees also referred that there are cultural differences, normal between such different continents, that need to be respected.

**Q6: Were you able to overcome the differences? How?**

This question aims to understand Chinese willingness to meet and interact with the Angolan people. We observed that all interviewees criticize the Angola way of working, saying that it is inefficient, slow, complicated and bureaucratic. They also state that there are some cultural differences they face in everyday life.

Despite all the differences, in general, the interviewees were able to overcome these differences, looking for ways to turn situations around, such as understanding cultural differences and training local people.

Nevertheless, we have noted that these obstacles are overtaken by the Chinese, above all because they focus on the large salaries they receive for working in Africa; and because they are the ones who are responsible for the projects (some superiority).

#### **4.2.3 Final Notes**

With the interviews we conclude that, in general, Chinese consider the Sino-African relationship a cooperation of shared interests that increases new business opportunities and knowledge. Although more than half have knowledge, we were surprised by the lack of Chinese SEZs in Africa awareness.

To better understand the data collected in the interviews it is important to have some background history regarding China-Angola relations. The Angolan civil war ended in February 2002, not long after the first FOCAC Summit in October 2000. It was in this context that Angola's need for physical reconstructions, especially in infrastructure, found the right source of financing in the Chinese. This was made available due to China's search investment in countries with natural resources, energy supply and oil production. The Chinese *modus operandi* fitted with Angola's needs at a time when the Angolan government seemed unable to attract non-oil investment into the country or to maintain international donors and partners. The economic and political objectives seemed like a "perfect marriage of convenience". Thus, the implications of the Chinese loans are visible beyond the economy since the internal political struggle remains intense, reflecting the fight for the appropriation of rents coming from the joint ventures allowed by the Chinese loans.

China-Angolan cooperation is often seen as a perfect match since in return for oil China offers development opportunities. Still, Angolan leaders need to negotiate harder and not get stuck in a comfortable position of dependence, so they do not rely on Chinese finance and implementing capacity while reimbursing services with oil.

Concluding, there is a need to expose more elements of this relationship and to incorporate them into Chinese public knowledge, including Angola's wealthy society and culture. An improved public knowledge could assist in shaping future bilateral relations in a more balanced way.

## The impact of China's integration in the global economy: Chinese SEZ in Africa

The questions that remain are: What implications will the financial assistance extension have on Angola's economy? Do Chinese workers know the motivations and long-term impacts of the investment in Angola? China-Angola relationship has both political and economic interest, and the success behind China's assistance in Angola is partly explained by a "perfect marriage" of mutual interests.

## Chapter V – Conclusions

This research studies a specific reality – The Chinese Special Economic Zones in Africa. The aim of this research is to understand three aspects: whether China is taking advantage of their role in the global economy and using soft power strategies in Africa; which are the main drivers of Chinese Special Economic Zones in Africa; if China relationship is a win-win cooperation, does China trade with Africa only to exploit resources and if the investment is a “re-colonization” of the continent.

With this approach, we can conclude that China's economic strategy towards Africa has both pros and cons and, in order to improve, there must be a higher social and cultural involvement. In order to draw conclusions of this investigation, research questions will be answered below.

### **RQ1: Is China taking advantage of their role in the global economy or using soft power strategies in Africa?**

The impact of China's integration in the global economy is a subject under-research, so the bibliography about this topic is increasingly growing. There have been emerging not only opinion articles but also papers of scientific rigor. The topic of study is an object reflected worldwide, for example in UK, USA, and China, where authors like Chen, John Whalley, Daniel Large and Alden Christopher are names of reference.

Through the findings (Chapter IV), we can conclude that China followed two main models of integration in the global economy: WTO accession; and export-oriented growth and foreign direct investment. Both strategies have made it possible China's “going out”, with free trade, market economy, and development strategy. There was an openness to the outside world and a growing investment through FDI to create an international network. It is possible to notice that China's position in the world had shifted away from self-reliance and into an interdependent phase.

We recognize China's efforts to slow growth and a change in the economic model not only focus on the production overseas but also to strengthening its industries and having supplies. However, the strategy to acquire assets overseas led to criticism over China's use of soft power

over Africa because of its resource oriented nature. An example of this is Angola being China's biggest supplier of oil in Africa.

Throughout the document analysis, we also highlight some problems and challenges of China's positions in the global economy (section 4.1.3), such as imbalance in the Chinese economic growth; low initial investment costs and cheap labor; environmental problems; high investment rate; and international collaborations seeing as a new way of colonization.

There were significant changes in China's economic policy initiatives to facilitate its transition into a high value-added economy. It was provided support to upgrade and develop traditional manufacturing sectors. It has emerged a focus on the quality of growth to achieve a more balanced development and opening to the global market. There was a shift in the economic growth model from exports to consumption and innovation that it is reflected in the patterns of FDI and ODI. After that, and taking into consideration Africa's case, we also denote a change from a global brand strategy to a networking strategy. This was a strategic turning point in China's influence in Africa from aid and trade-oriented approach to a resource-based investment approach.

In our opinion, soft power is difficult to prove, but China is trying to influence Africa through multiple means including cultural ones. China's engagement in Africa is summarized as a combination of Chinese domestic dynamics, desire to expand into new markets and international political factors. Even though, the primary driver has been the Chinese government's strategic pursuit of resources to ensure raw material supplies for growing energy needs because of China's position as a center of global manufacturing. Central government support for Chinese SOEs has been essential to direct FDI in Africa since it is the right place for Chinese companies to gain experience and expand business venture globally.

## **RQ2: What are the main drivers of Chinese Special Economic Zones in Africa?**

As mentioned previously, to get to this topic it is necessary to know the Sino-African relationship over the years (4.1.4), understand the establishment, progress, and outcome of SEZs (section 4.1.5); and the motivations of Chinese cooperation in Africa (4.1.6.3).

We conclude that China is developing a new economic model based on SEZ programs both national and international. These programs are of various types, sizes and with many commercial, industrial and technological motivations. China perceived SEZs as an economic growth tool and a way to invest globally in various economic cooperation zones.

Despite Chinese SEZs developed many projects, job opportunities, new knowledge, good practices and objectives, China is gradually “manipulating” Africa, the new infrastructures and businesses. This can be a vicious cycle since the Chinese, by starting their lives and investing in their property in Africa, may no longer return to China, they may not abandon what they have built in Africa.

To research the main drivers of Chinese SEZs in Africa is crucial to study the Mauritius case (section 4.1.6.2). Unlike other SEZs in Africa, Mauritius resulted from the convergence of geopolitical and political motivations of both sides. This choice highlights the fact that China is not only taking into consideration economic factors, but also other unexpected opportunities. This results in more partners attraction, proactive and faster development in Africa.

Chinese SEZs in Africa promote economic diversification. Many succeed, but others may fail due to poor governance. China is helping African countries to develop manufacturing production into the global economy with reduced tariffs on exports. The question that arises is: Do African countries want more SEZs? We believe that many African countries queue to have SEZs because it is often seen as an instrument for attracting new investors and more development in countries in need of good leadership.

The interviews (section 4.2.2, category II) allowed us to conclude that many Chinese who have recently been to Africa are little aware of the Chinese SEZs in Africa. We also noticed that the Chinese do not mix with population, they make a life of their own, there is no mixing of cultures. We believe there is a selection of people and the Chinese system draws the people who want in Africa. Therefore we considered essential to study the nature of this “blind aid”, the interest for each Africa's region. It is in this context that we found relevant to study Angola case in order to focus on a specific zone of investment. The SEZ that are already certificated are not in progress and Angola is an investment in progress. In this study, we were able to present how Chinese start SEZs in Africa and what the Chinese and the Africans think about it.



**RQ3: Is China-Africa relationship a win-win cooperation?**

China in Africa is a subject of much criticism and is often considered a "re-colonization" of the continent (section 4.1.6.3). The Sino-African relationship has many background history, moving from a political and ideological approach to an economic approach. Currently, it is a relationship focused on trade and business investments. There are many Chinese companies doing business in Africa and investing in infrastructure, energy, banking sectors, and manufacturing. The relationship success is mainly due to the combination of Chinese government determination to address its trade surplus and the demand for investment and aid for the development of Africa.

China's presence in Africa remains controversial. Publications on China in Africa are frequently oriented toward win-lose findings because of China's need for African's natural resource; China's interest in Africa is often compared with the European exploration and conquest in Africa. There are suggestions that China trade with Africa only to exploit natural resources and that the investment is a "re-colonization" of the continent, that is partly embodied by the Chinese SEZ set up in Africa. Nevertheless, the absence of a strong leadership resource-orientation in Africa turns out to be favorable for both parties. China's success as a developing country an important reason for Africa to welcome Chinese investment. This makes China an attractive and reliable business partner for African countries that follow similar development paths (Ado and Su, 2016). It is often considered as an opportunity for Africa to learn from the Chinese experience.

In this research, and according to the respondents (section 4.2.2, category I), this relationship is classified as a win-win cooperation with shared interests, a beneficial partnership to both parties. China can continue to expand its business, and Africa receives investment, new projects, development, and know-how. Despite the risk that Aguilar and Goldstein (2009) named "Chinisation of Africa", there is a Chinese promotion of the concept of a "like minded ally" that describes the perception of African feeling comfortable in dealing with China that understands their history and needs (Yin and Vaschetto, 2011).

Still, it is difficult to draw any firm conclusions regarding whether China in Africa is a "re-colonization" of the country. While many Western partners still consider Africa a risky place to make investments, China continues to invest in many projects. This has led to an increasing

trust from African's leaders and appreciation toward the Asian rescuer. We believe that Africa needs to diversify financing options from infrastructure projects to ensure less reliance on a single partner and therefore less risk of economic downturns negatively affecting long-term infrastructure projects. We also consider that China gradually realizes that the massive infrastructure projects are becoming too expensive and some inefficient, which may lead the emerging aid more development-oriented

Finally, after linking the Chinese SEZs in Africa (section 4.1.5) and the motivations of Chinese cooperation in Africa (section 4.1.6.3), we can conclude that Chinese SEZ and its investment increase both economic and social development, and therefore new opportunities for Africa. We conclude that Sino-African relationship is a win-win cooperation but we doubt it will continue to be in the long term. China's direct investments in Africa are complex, and therefore it is difficult to judge the long-term effects.

## **5.1 Validity and Reliability**

Throughout this project, there was validity and reliability of the study. The internal validity, the correspondence between the results and the reality, was assured in different ways using several researchers, sources of data, different methods, and by checking if the data collected were in accordance with the participants perceptions. The reliability was ensured through a detailed description of how the study was carried out, which implies not only an explanation of the assumptions and theory underlying the study itself but also a description of the data collection process and the way how we get the results.

## **5.2 Limitations**

### **1. Lack of publication on the subject**

The difficulty of leading research in Africa, to collect accurate and current data from businesses. Chinese businesses are often unwilling to provide data related to their activities. As a consequence, there are many questions about China's presence in Africa that are yet to be answered. The current knowledge makes it hard to provide certain facts about China's motivations in Africa.

## **2. The interviews were limited to Chinese perceptions**

African people in contact with this reality may have different perceptions that would have a crucial contribution to this research.

## **3. The absence of field contact and observation**

To complement the research, it is essential to be in direct contact with this reality, to observe and to find trustful Chinese people working in firms, for example, to have an honest and face-to-face conversation with them. However, the language can be an obstacle.

## **5.3 Further research**

In order to overcome the limitations of this project and have a more fruitful investigation it should be explored the following:

- Interviews with Africans in contact with this reality, with Chinese SEZ in Africa.
- More recent, empirical and evidence-based studies. Many publications are based on the author's own view.
- Micro-level studies focused on what local African enterprises have gained from the cooperation.

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## Appendix I – Interview



My name is Beatriz Martins and I am a student of the master's degree in Business Administration at ISCTE Business School. For my final project, I am studying China's integration in the global economy and the Chinese Special Economic Zones in Africa. Since you have direct contact with the environment in study, I am inviting you to participate in this research project by answering the following interview that only takes 5 minutes of your time. The interview is anonymous, so all information will remain confidential. If you choose to participate in this project, please answer (in Chinese, English or Portuguese) all questions as honestly as possible. Thank you for your time and collaboration.

Nationality:

Age:

Gender:

Job function:

Company/organization:

- 1) In your opinion, is the Sino-African relationship a win-win cooperation? Why?
- 2) Do you have any knowledge of the Special Economic Zones in Africa? Where?
  - a. If yes, do you know any Chinese company located in a Special Economic Zone? Which?
- 3) Did you already have business with/worked in Angola?
  - a. In which sector?
- 4) Are there many Chinese companies in Angola?
  - a. In which sectors?



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- 5) Which are the main differences in Angola in terms of management?
  
- 6) Were you able to overcome the differences? How?