China-Africa's Emerging Economic Links: A review under the Core-Periphery perspective

Maswana, Jean-Claude
Kyoto University

28. October 2007

Proceeding for the Annual Conference of the World Association for the Political Economy (WAPE)

October 27-28, Shimane, Japan

China-Africa's Emerging Economic Links:

A review under the Core-Periphery perspective

by

Jean-Claude Maswana, PhD

Graduate School of Economics

Kyoto University
Japan

Contact:
Office
Graduate School of Economics
Bunkei-To Blg Room 306
Yoshida-Honmachi, Sakyo-ku, Kyoto 606-8501 Japan
Phone/Fax: +81.75.753.3521

I. Introduction

International development literature has been dominated by concurrent schools of thought ranging from the neo-liberal's market dogma to the Marxist dependency interpretation. Dependency theorists (Gunder Frank, Wallerstein, Prebisch) explain the economic development of a state in terms of external political, economic, and cultural influences on national development policies (Sunkel, 1969). It follows that dependency theory assumes that economic domination runs across north-south geoeconomic patterns. However, what the world is witnessing since the emergence of China as a global trade heavyweight is its unusual position within the center-periphery framework. That is, particularly in its economic and trade relations with Africa,[1] China does not fit the theoretical concept of center country, nor does it any longer fit the standard periphery nation.

As regards Africa, China represents its third-largest market and accounts for 14 percent of African countries' total exports in 2006 (compared to 1 percent in early 1990s). In addition, it has become the third-largest source of Africa's imports, accounting for 9 percent of the import total (compared to 3 percent a decade ago). Not only has demand from China helped support primary commodities prices, it has also depressed Africa's import prices, which has ultimately contributed to the recent African economic growth.

While not a new phenomenon, China's involvement in African affairs has changed over time. At the time of the 1955 Bandung Conference, the China-Africa relationship was anti-US, hegemonic, and anti-imperialist, a stance that led to China's involvement in and support of liberation struggles in many African countries. Nevertheless, this link involved no significant trade flows, nor could it trigger African development. However, since Beijing's late 1990s announcement of its "going global" policy, which includes large firms expanding their exploration into investment opportunities in Africa, a new, economically focused trend has emerged. For example, in November 2006, at the Beijing summit of the Forum of China-African Cooperation, China expressed its commitment to win-win perspectives in its economic exchange with Africa. Yet the capitalist mode of production is often characterized by increasing tensions and divides because, in theory, core countries, as owners of capital, have built-in advantages over periphery nations and workers. However, this inequality does not in itself lead to exploitation: it is the essential foundation that makes exploitation possible. Therefore, it must be asked whether it is truly possible for China to treat Africa in a nonexploitative way. Moreover, how should the emergence of China in its relationship with Africa be interpreted within the center-periphery discourse, and how can the dialectic relationship evolve into an acceptable development outcome for both sides?

To address these questions, this essay relies heavily on both the dependency and imperialism theses,[2] and attempts to explain current China-Africa relations by examining

[1] Africa in this paper refers to the sub-Saharan African region.

[2] The Marxist theory of imperialism explains dominant state *expansion,* while the dependency theory explains *underdevelopment.* In other words, Marxist theories explain why imperialism

the patterns of their interactions. The central thesis is that the China-Africa economic links represent a distinct south-south dialectic relation, which is taking place in an emerging new global economic configuration marked by a technology gap. Because technology is a key factor in changing the economic process of production, only changes in the economic foundation can transform and move the entire relationship away from the conventional dependency system and closer to the emerging, yet undefined, Beijing Consensus (Ramo, 2004).

An appreciation of the above dialectic is of academic and political interest, particularly for Marxist dependency theorists; most particularly, because recent discussion on the China-Africa economic links has often overlooked the technological gap that may account for much of Africa's inevitable dependency. Thus, analyzing the development of relations between China and Africa in the light of this technological gap is a crucial priority for modern dependency thought. Only by careful analysis of the relations through such a lens can the common interests in both Africa and China be made clear, thereby laying the foundation for unity between them in confronting the global system that ties them together.

The rest of the paper is organized as follows. Section 2 presents an overview of center-periphery theories in a global economic integration context. Section 3 then outlines the economic characteristics of the China-Africa link, after which Section 4 seeks evidence of dependency features within this connection. Finally, Section 5 concludes the paper by exploring relevant issues pertaining to better management of the dialectic relations between capital and labor both between China and Africa and within the latter.

II. Brief review of dependency theories

Neoclassical thought, in all its variations, sees the process of international trade as a path to increasing wealth for the countries involved, which also means that the resultant economic growth is beneficial to all (Pareto optimal) even if the benefits are not always equally shared. However, whereas it is true that trade can create an aggregate increase in wealth, in a world of mobile capital, wealth gain is in no way automatically distributed evenly between trading partners. Rather, as Karl Marx pointed out in the nineteenth century, capitalism is inherently contradictory in its creation of two primary classes—the capitalists who own the means of production and the proletariat who must sell their labor to survive. Thus, as Marx argued in *Das Capital*, accumulation of wealth at one pole is inherently a simultaneous accumulation of misery at the opposite pole. This viewpoint has since been extended into the arena of international trade and development by dependency theorists.

One seminal assumption of dependency theory is that the interdependent relations between two or more economies take the form of dependence when some countries (i.e., dominant nations) can expand and be self-sustaining while other (dependent) countries can do so only as a reflection of this expansion, which may affect their immediate development either positively or negatively (Dos Santos, 1970). Therefore, dependence is not simply an external relation between a dependent economy and its capitalist metropolis. Rather, it has

occurs, while dependency theories explain its consequences (Milios, 2007). This difference is significant in the framework of the present paper.

the most profound and far-reaching ideological and psychological manifestations in the form of inferiority complexes and assimilation of the metropolitan ideology and development theory (Frank, 1972). Hence, development and underdevelopment constitute simply the two opposite poles of one and the same process: development of some nations (i.e., the imperialist countries) presupposes, or even causes, the underdevelopment of dependent countries, which are subjected to imperialist exploitation (Milios, 2007) through international trade. Most particularly, since many developing nations currently lack an intercountry market place, their economies rely heavily on the economies of more advanced societies, which in turn gives Western societies great control over the less developed nations' economies.

Another tenet of the dependency literature, the Prebisch-Singer hypothesis, insist on the persistent deterioration in the net barter terms of trade between primary products and manufacturing, based on the assumption that the relative price of primary goods to manufactured goods should decline in the long-run (Prebisch, 1950; Singer, 1950). The net barter terms of the trade index are calculated as the ratio of the relative change in the price of the exported goods and services basket to that of the corresponding import basket (of one country). Through capitalist control of world commodity markets, the index is expected to continually deteriorate, making it hard for countries in the periphery to emerge economically.

Specifically, according to the international division of labor in a capitalistic framework, dependent states focus on supplying cheap minerals, agricultural commodities, and cheap labor while serving as repositories for supply capital, obsolescent technologies, and manufactured goods. These functions orient the economies of the dependent states toward the outside; that is, the allocation of the money, goods, and services that flow into these states is determined by the economic interests of the dominant states not the dependent state. Not only does this division of labor ultimately explain poverty, but there is little question that capitalism regards this division as a necessary condition for the efficient allocation of resources. The most explicit manifestation of this characteristic is in the doctrine of comparative advantage.

It is important to note that today dependency is taking place amid powerful transnational institutions that are both setting international trade rules and supervising transactions flows. Thus, the bilateral center-periphery relationship is also affected by capitalist influence on transnational institutions (e.g., the WTO, IMF, UN, World Bank) and its direct power on the periphery. Indeed, Werner and Trefler (1997) argue that, together with the removal of Keynesian state regulation, the rising *integration* of world markets has brought with it a *disintegration* of the production process, in which manufacturing or services activity abroad is combined with that performed at home. As a result, companies are now finding it profitable to outsource increasing amounts of a production process that can as easily take place overseas as domestically. It follows that this global fragmentation of production, splitting of production process into discrete activities across countries, represents a shift in capital-labor relations, which are no longer mediated by the state. The implication is that global production rather than exports would better explained today's center-periphery rapport.

In addition, Burbach and Robinson (1999) point especially to this dispersal of manufacturing capacity to developing countries as being among the forces eliminating the structural divide between the center and the peripheries. That is, worldwide convergence through the global restructuring of capitalism means that the geographic breakdown of the world into north-south and core-periphery, while still significant, is diminishing in importance. Such a change at the infrastructural level implies corresponding changes at the superstructural and technological levels. In fact, the most critical aspect of this entire dependent relationship could well be technological dependence.

Because of the vital role of technology in the life of any nation, its control, whether direct or indirect, implies effective dominance of all other aspects of national life. Moreover, Darity and Davis (2005) argue that technology transfer is just one more area through which the center consolidates its economic and cultural domination over the periphery. In moving away from the rather traditional view of technology as a global, and thus exogenously determined, public good, the new growth theory embraces dimensions of technology that may differ across countries. Thus, as the other means of production, the control of technology or its exclusive mastery by one class or country can also justify uneven development.

In the above respect, Vernengo (2004) observes that at the core of the dependency relation between center and periphery lies the inability of the latter to develop an autonomous and dynamic process of technological innovation. As a result, centre countries control technology and the systems for generating it, once again putting technology at center stage. Nor can foreign capital solve this problem, since it leads only to limited transmission of technology not to the process of innovation itself.

This dependent relationship spans the economic and cultural spheres, especially in former colonies in which the values of the colonizers have been internalized and have grown deep roots. In such contexts, industrialized countries' interests have developed powerful local constituencies solidly bound by ideological umbilical links. As a result, the freedom to explore alternative paths to development has been narrowly confined for most developing nations (Chamarik and Goonatilake, 1994). Thus, cultural dependence has its roots in the very economic relationship that forms the so-called economic structure of a dependent society. Because, as Hegel (1991) noted, a system of ideas is only a reflection of mans' social activities not reality itself, by controlling economic activities and participation in the formation of the social structure, Western imperialists can control the ideas generated in the dependent country.

A final noteworthy factor is that dependency theory assumes that such economic domination runs across north-south geoeconomic patterns. However, as already pointed out, since its emergence as a global trade heavyweight, China has come to represent an unusual position within the center-periphery framework. That is, China does not fit the theoretically constructed pattern of either a center or a periphery nation, particularly in its relations with Africa.

III. Recent developments in China-Africa economic relations

Over the last decade, growth rates in Africa have accelerated for the first time since the early 1970s thanks to China-driven commodity prices. This factor has made China's involvement in Africa over the past decade one of the most significant recent developments in the region. Above all, over the last decade, China has become one of Africa's most important partners for trade and economic cooperation. Not only did trade (exports and imports) between Africa and China increase from US$11 billion in 2000 to US$56 billion in 2006, but the share of Africa's exports to China rose from 1.3 percent in 1995 to 9.3 percent in 2004. Admittedly, this latter was accompanied by a significant decline in African exports to OECD countries during the same period; nevertheless, an estimated 70 percent of Africa's $435 billion world trade is still with the EU compared to only 10 percent with China (Lammers, 2007).

The profile of goods traded in the China-Africa relationship has also changed. Whereas during the 1980s and 1990s, China exported mostly clothing, footwear, and light manufactured goods, during the first five years of the twenty-first century, it has shifted toward higher technology exports, like electronic goods and machinery, which now account for close to 50 percent of its exports (World Bank, 2007). In turn, China's imports from Africa are primarily crude oil, iron ore, cotton, diamonds, and other natural resources and primary goods. Thus, for those African countries without much oil or many raw materials to export, trade with China is less mutually complementary, which results in a rise in their trade deficit (Guixan, 2006). According to the World Bank (2007), noncommodity exports from Africa to China are insignificant, accounting for less than 10 percent of African exports. These exports—which include textiles and apparel, processed food, and small manufactured goods—tend to be technologically simple and are either intermediate inputs, as in the case of textiles, or finished consumer goods.

Recently, China has been further diversifying into the apparel, food processing, telecommunications, and construction sectors. However, Chinese FDI in Africa is still comparatively small since Africa accounts for only 3 percent of China's outward FDI (Economy and Monaghan, 2006). Nevertheless, even though Chinese investments are concentrated in only a few African countries, China´s FDI stock in Africa reached US$1.6 billion in 2005, with Chinese companies present in 48 African countries, of which Sudan is the largest recipient and ninth largest recipient of Chinese FDI worldwide (UNCTAD, 2007).

This Chinese influx definitely benefits African economies. Most especially, commodities used in manufacturing, such as oil, copper and platinum, are surging because of demand from China and other Asian nations. Consequently, copper prices have increased sixfold since a 2001 low, topping $8,000 per ton in some recent trading, and platinum prices have tripled over the same period. At the same time, the availability of Chinese motorcycles, air conditioners, T-shirts, and kitchen utensils has meant lower consumer prices across the continent, while in South Africa, two companies are planning to introduce Chinese automobiles to the bustling domestic market at discount prices (Timberg, 2006)

In January 2006, the Chinese government released its official African Policy which specifically "encourages and supports Chinese enterprises' investment and business in Africa, and will continue to provide preferential loans and buyers' credits to this end" (China's African Policy, 2006). In this regard, China announced new infrastructure projects, including dam construction projects in Ghana and Mozambique and a communication satellite in Nigeria. This latter, launched in May 2007, is expected to offer telecommunications, broadcasting, and broadband multimedia services for Africa throughout the next 15 years. China, which expects annual trade with Africa to total $100 billion (£53bn) by 2010, has long said that it wants its growing trade relationship with Africa to benefit both sides equally. Thus, the Chinese government promotes business ties with Africa by providing information, coordination mechanisms, and financial assistance for Chinese companies and investors in Africa (Gill and Reilly, 2007). For example, Chinese construction firms operating in Africa receive export credit for feasibility studies, government guarantees for bank loans, export credits for financing the operational cost of projects, and lines of credit for capital goods and machinery. Such government support was listed by Chinese firms as the second most important factor in their decision to invest in Africa, following the pursuit of new markets.

In 2000, the first Forum on China-Africa Cooperation (FOCAC) founded the China-Africa Joint Business Council, which provides government support for investment by Chinese enterprises in African countries and establishes an array of economic partnerships. At the 2006 FOCAC, China pledged $3 billion in preferential loans and $2 billion in export credits to African states over the next three years, created a special fund of $5 billion to encourage Chinese investment in Africa, and established the China-Africa Joint Chamber of Commerce (Gill and Reilly, 2007). China also pledged to cancel African debt, increase from 190 to over 440 the number of export items to China receiving zero-tariff treatment from the least developed countries in Africa with diplomatic ties to China, set up 10 special agricultural technology demonstration centers in Africa, and increase the number of Chinese government scholarships to African students from the current 2,000 per year to 4,000 per year by 2009.

As regards trade issues, China's African Policy (2006) announces that the Chinese government is taking steps to adopt more effective measures to facilitate African commodities' access to the Chinese market. It also asserts that China will fulfill its promise to grant duty-free treatment to some goods from the least developed African countries with a view to expanding and balancing bilateral trade and optimizing trade structure.

Financial transactions, although still insignificant, are also increasingly taking the stage. For instance, in December 2006, Standard Chartered, one of the largest foreign banks in Nigeria with 6,000 employees in Africa, launched the China-Africa Trade Corridor, a bundle of services for Chinese SMEs bidding to "go global." Standard Chartered has already drawn up detailed plans to tap into the estimated $50 billion in annual trade between China and Africa, which has proven a boon to Chinese companies striving to sate the country's appetite for natural resources **(**Kleinman, 2007). Late in October 2007, the Industrial and Commercial Bank of China (ICBC) purchased a 20% stake in the South Africa's Standard Bank (Africa's largest bank by assets) in a $5.5 billion deal; making the operation the biggest foreign investment ever by a Chinese bank. Since Standard Bank has a presence in 17 other African countries, ICBC is going to access new channel and local expertise to facilitate further penetration into African economies.

Despite the numerous Chinese-originated initiatives, the African economic and trade structure is still clearly neocolonial or Europe oriented. As a result, emerging structural change (although still insignificant) is already engendering tensions with elites based on neocolonial interests versus those promoting the mounting Chinese links, including the Chinese operating locally in Africa. Officially, about 15 percent of the total overseas Chinese workforce is currently serving in Africa, with, as of 2005, approximately 35 percent employed in manufacturing and close to 30 percent in construction (Gong, 2007).

Although there is some evidence that the economic activities of Chinese entrepreneurs can make a positive contribution to local development, the presence of Chinese firms is bringing about fierce competition because most African producers simply cannot undercut Chinese production costs and prices and compete with Chinese companies even in Africa's domestic markets. Even worse, Chinese firms are being accused of dumping practices. At the same time, local retailers are faced with rapidly increasing business competition from expatriate Chinese traders (Brautigam, 2003). In addition, Chinese firms are sharply competitive with one another, which forces them to cut costs by lowering wages and working conditions and safety standards (Gill and Reilly, 2007). One result of this latter has been frequent strikes at Chinese construction and manufacturing firms in Africa. In fact, the South African textile industry is complaining that the large influx of cheap Chinese textiles, clothes, and shoes has caused unemployment and the closedown of local factories. In addition, such influx of affordable Chinese textiles has resulted in intense competition for South African textile export in third market (Guixan, 2006).

Above all, globalization and rapid capital mobility has changed the bargaining positions of labor and capital. While the position of Chinese capital has been strengthened—if under pressure, it can seek opportunities outside Africa—labor has been placed in a weakened position. For example, when the US-sponsored African Growth and Opportunity Act (AGOA) came into effect in 2000, a considerable number of Chinese textile companies established themselves in Africa to exploit the preferential access to the US market that AGOA conceded to certain African products, including clothing and textiles. However, in recent years, American demand for African textiles has plunged in favor of even cheaper clothing made in China; and by 2005, Africa-based Chinese companies were already relocating their production back to China (IMF, 2005). In the process, tens of thousands of workers in, for example, South Africa, Zimbabwe, Lesotho, and Kenya, lost their jobs (Tull, 2006). South Africa alone recorded a 45 percent decrease in clothing exports. As a result, its trade deficit with China widened. Thus, the structure of South Africa's trade relations with China mirrors the wider problem of Africa's unbalanced trade relations in that 90 percent of South African exports to China consist of raw materials (Tull, 2006).

Conversely, China's contribution to the expansion of the business network in Africa can be felt across the continent. Specifically, as shown by Brautigam (cited in Lammers, 2007), expanding Chinese business networks in Africa can serve as a catalyst for local industrial development, as in the case of the West African cotton growers who have benefited from increased exports to China. Nevertheless, most observers today share the concern that by purchasing raw materials from the African continent and selling value-added products back, China's increased involvement will create an unfavorable trade balance for many African countries.

Together with its intention to facilitate trade, improve access to natural resources, and recycle its massive foreign exchange reserves into profitable investments overseas, China has started an active aid program to Africa. For instance, in 2002, China provided $1.8 billion in development aid to its African allies. China has also used debt relief to assist African nations, effectively turning loans into grants. Besides writing off $1.2 billion in African debt in 2000 and forgiving another $750 million in 2003, since 2000, Beijing has taken significant steps to cancel the debt of 31 African countries (World Bank, 2007). Also, in September-October 2007, in the largest deal with an African country, China signed, via China Exim Bank and China Development Bank, respectively, a US$8.5 billion and US$5 billion loans to the Democratic Republic of Congo (DRC) to develop mines and build infrastructure.

Although China's financing infrastructures in Africa helps in removing one of the major obstacles to the region's economic growth, like assistance from nearly all aid-giving governments, it is tied to certain political and strategic interests—for example, dissuading governments from providing diplomatic recognition to Taiwan (Lancaster, 2007). In the same token, even though the growth of Chinese export credit in Africa provides African governments with alternative sources of finance and helps diversify trading partners for countries that have tended to remain stuck in old colonial patterns, China's foray into Africa—notably that for natural resources—has prompted accusations of modern day colonialism. The validity of this capitalist exploitation perspective is examined in the next section in the light of dependency theories.

IV. Diagnosing the dependence hypothesis in China-Africa relations

This analysis is carried out in two stages. First, it compares the prominent features of the China-Africa relationship against the much-cited center-periphery characteristics. Second, in a comparison of the technological components in the two regions, it searches for any indication of an alternative channel for unequal development and explores possible avenues for Africa to escape the dependency trap.

Politico-economic channel of dependency

Table 1 compares the Chinese approach to Africa with the traditional dependency of African links to world capitalist nations in general. This comparison raises the following question: Does the entry of China into Africa represent a structural and fundamental transformation of the standard dependency features?

First, in the area of trade composition, there is little evidence of a significant change in the export/import patterns. For instance, South African President Thabo Mbeki has warned the continent about the danger of replicating its historical relationship with its former colonial powers by simply exporting raw materials to China while importing Chinese manufactured goods. The lack of economic structural reconversion does not support the long run economic growth that the continent badly need. Primary commodities will eventually run out, leaving the continent without any viable alternative. Further, as asserted by dependency theories, reliance on export of primary commodities does not expand the value added of exported products, which thus prevent countries from generating rapid economic growth similar to China's current experience.

Table 1. China-Africa approach vs. standard center-periphery theory

	Dependency aspects	China's approach	Standard approach
1.	African export composition & terms of trade (TT)	Primary commodity exports/capital good imports TT (+)	Primary commodity exports/capital good imports TT (-)
2.	Investment ownership	Mainly state-owned enterprises	Mainly private enterprises
3.	Power relationship (cooperation type)	South-south (equal, partners)	North-south (unequal, subordination)
4.	Technology and labor	No substantial training	Limited in-house training
5.	Superstructure (political) /ideology (elite links)	Commonalities, less pressure	Interferences/conditionalities
6.	Financial-monetary dominance	Low	High (PEG/de facto dollarization)
7.	Perception of the African market	Potential market	Economically marginal

Whereas state-owned enterprises concentrate on market penetration and apparent good will, in recent years, some Chinese private investors have displayed typically capitalistic and exploitative behavior. For instance, when the quotas on Chinese exporters were lifted in January 2005, African clothing and textile exporters that had benefited from the AGOA were severely hit.

Further, even though it is true that Africa is supplying China with cheap minerals and is serving as a repository for manufactured goods, because China itself is a cheap-labor country, the expected supply of cheap labor and agriculture commodities commonly found in dependency-relationship barely apply in this case. Moreover, there is no evidence that Africa is serving as the repository for surplus capital.

In addition, China's tremendous economic growth has been accompanied by an unprecedented improvement in Africa's net barter terms of trade (106.6 points as compared to the base year 1995; UNTCAD, 2006), which contradicts one core element of dependency theory, the Prebisch-Singer hypothesis of a persistent deterioration in the net barter terms of trade between primary and manufactured products.

However, because Africa's exports to China are mostly limited to capital-intensive commodities, the possibility that textile imports from China will undermine African job markets and the effects of Africa's creating jobs in China cannot be ruled out. Given that Chinese firms often import their own labor, which limits spillover effects in African economies, such job creation, despite its roots in legitimate market competition, may result in unequal development between the two regions.

Second, China's role in post-war African settings operates largely through state-owned enterprises and other companies rather than NGOs, and through businessmen, engineers, and laborers rather than development consultants and volunteers. Indeed, Servant (2005) argues that because Chinese traders and retailers investing in Africa are heavily subsidized by state-owned enterprises with low capital costs and low profitability margins, they tend either to own equity in the resource or pursue long-term supply contracts and have different risk profiles from typical capitalists. As it is, this way of doing business by Chinese firms is seen by experts , particularly Lyman (2005), as a challenge to the way that US firms have operated and for that reason China's investments represent a new approach to business.

Two-thirds of China's imports from Africa are from oil, and China's major oil companies are state owned. Therefore, these companies act as an extended arm of the Chinese government, which supports their overseas activities through diverse instruments. For example, Chinese oil firms have easy access to cheap capital and state-directed lending through the China Development Bank and the China Export Import Bank (Evans and Downs, 2006). Hence, these Chinese firms evidently have different priorities vis-à-vis profitability, growth, and economic development.

Third, Africa is still largely linked to the colonial ruling capitalist classes in their antagonism and struggle with the laboring classes. Moreover, as Lammers (2007) observes, China's approach to Africa is a continuation under new circumstances of the Five Principles of Peaceful Coexistence adopted at the 1955 Bandung Conference. That is, it is a policy based on noninterference and respect for sovereignty, equality, and mutual benefit. Pursuing the above stance, during the Forum on China-Africa Cooperation (FOCAC; Beijing, 4–5 November, 2006), China adopted a declaration that proclaimed "a new type of strategic partnership."

One indication that China is trying to deepen its partnership with Africa in its global economic quest is evidenced by the shift from fulfilling simple need to supplying China with the raw materials to set up joint global capitalistic firms targeting the world market. For example, at the Beijing summit, China and South Africa concluded a deal to establish a joint company to expand ferrochrome production with the clear intention of making money rather than supplying metal to China. At this time, the chairman of the South African partner was quoted as saying that "Sinosteel is a trading organisation, and Tubatse Chrome will be a profit-driven company. If China offers the best price we will sell it to China, but we will sell to wherever we can get the best price" (Manji and Marks, 2007). In contrast, it is unlikely that European capitalists would consider going global with African firms, so, given China's willingness to facilitate the entry of African companies (African Policy, 2006), African firms are actively seeking business opportunities in China.

Fourth, **t**here are also concerns about some Chinese-funded projects in which the percentage ratio of Chinese expatriates contracted (labor and enterprises) to locals is as high as 70 to 30 percent. This practice does not help Africa in terms of increasing the availability of a skilled labor force. Indeed, overall, rather than investing heavily in training and education of African workers, Chinese firms tend to rely on their own low-cost labor. This lack of Chinese investment in indigenous manufacturing, coupled with low production of intermediate goods in Africa, has generated fears of deindustrialization. As a result, this practice impedes employment opportunities, technical skills transfer, and spillover effects from Chinese investment. Such an approach is also unlikely to assist growth in Africa's private sector, either technically or financially (Rocha, 2007).

In addition, African labor unions and workers' condition have already been badly damaged by the 1980s' structural adjustment programs and have become further enslaved within the neoliberal self-imposed framework of NEPAD (the New Economic Partnership for African Development). By accepting these two capitalist credos, African states have damaged their labor unions and retreated from what Marx viewed as the state's role—namely, to give a political form to economic institutions and production relations. As a result of this latter, the economics of capital cannot be isolated from the transformation of class relations and of states. Moreover, without state mediation in the face of continuously weakening labor unions, there would also have been no reason, on the part of Chinese capitalism, for China to contribute to increasing labor productivity and to force the pace of technological progress. Therefore, it can be argued that, partly as a result of the antilabor policies initially implemented, the Chinese approach differs little from that of capitalist firms.

In this respect, it should also be noted that the progress of the capitalist economies resulted from the historical interaction of capital accumulation and profit maximization, on the one hand, and the increased—and state-mediated—social power of the workers' movement, on the other (Massarrat, 2003). It is this conflict between the economic forces of production and the social relations of production that drives the basic development of capitalist society.

Fifth, **t**he onset of the African economic crisis at the beginning of the 1980s triggered attacks on the social policies of the post-colonial state under pressures and conditionalities that are absent from China's pragmatic aid. This attack on the social sectors was carried further and transformed into a dogma in the context of the IMF/World Bank's structural adjustment programs.

Thus, the emerging China-Africa links challenge the shared belief spread by the World Bank and IMF as a range of neoliberal economic policies that are often implemented under heavy conditionality. It is therefore no wonder that China's achievement—the lifting of 400 million people out of poverty in two decades without externally enforced structural adjustment programs—has bolstered African countries' optimism that that the Western model is not sacrosanct and they too can devise their own development paths and (Lammers. 2007).

Indeed, Blazquez-Lidoy et al. (2004) point out that perhaps the most important aspect of the Chinese development model (i.e., the Beijing Consensus) is an approach to global relationships that seeks, in multinational relationships, a new global order founded on economic relationships, one that still recognizes politico-cultural differences and variations in regional and national practices within a common global framework. Such an approach also differs from the standard center-periphery characterized by permanent interference in the periphery's economic affairs. Rather, China has constantly repeated its policy of noninterference in internal political affairs. In fact, one major irony is that China has been widely criticized for abiding by its noninterference principle throughout the Darfur (Sudan) crisis. China's non-interference stance does not fit into the conventional control mechanism of local elites by core countries. Very often the local elite (as intermediary between the dominant core capitalist class and the local workers) often collide with international capital at the expense of domestic workers. China is dealing with the local elite not through forceful domination but through the consensus-based means of economic and diplomatic leadership. Although China is sending profit-seeking firms that behave capitalistically in Africa, there is no evidence that China is trying to set up a *clientelist* club like the infamous French *Francafrique* network. In addition, Chinese leaders have repeatedly said that their aid program is *not* a form of charity but is based on "mutual benefit."

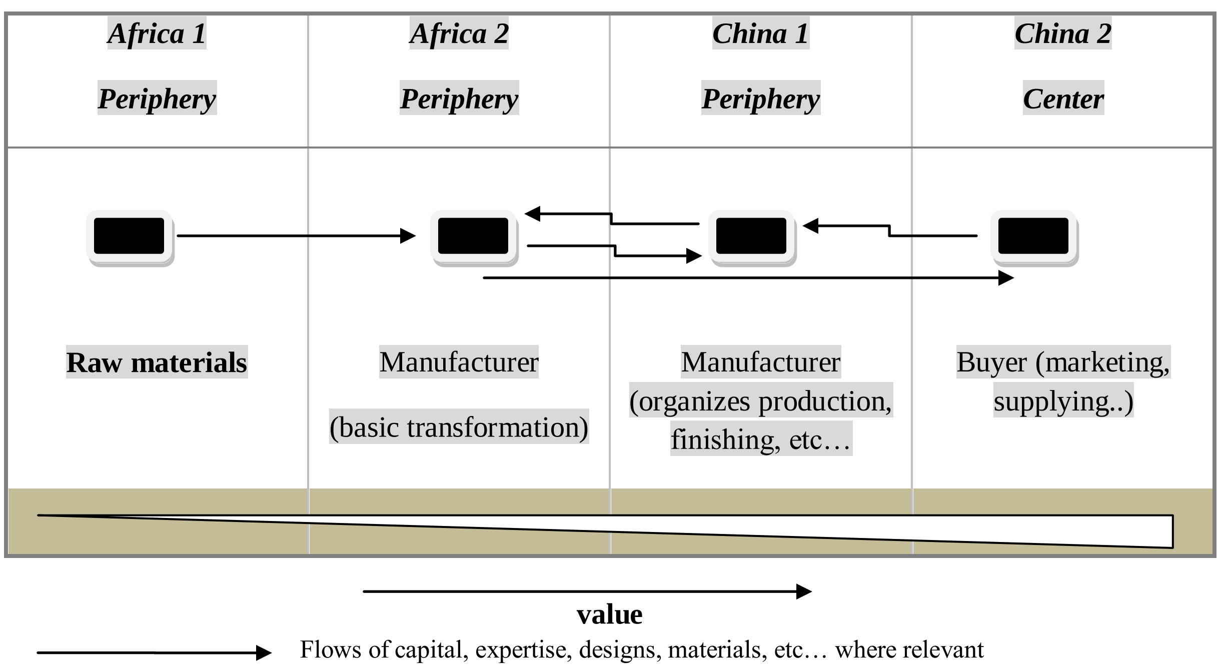
Furthermore, contrary to the European political and ideological control of African economies and despite China's early links to African revolutionary struggles, there is still no evidence that China is trying to build military bases or stage military coups against African governments. Growing Chinese investments in Africa should have gone alongside with increasing military presence as a means of preserving potential risks of expropriation/nationalization and preventing any challenges. China's lack of military presence proportional to its investment and interest in Africa could be seen as a new feature in global economic links.

Sixth, imperialistic exploitation does not operate without the control of money. In other words, typical center-periphery capitalism is inconceivable without its financial medium and channels. As yet, however, China is not influencing the monetary policy of any African countries it is linked to, nor is it either trying to establish its own version of CFA currency or encourage the official or parallel *reminbization* of African economies. Likewise, African countries are not (yet?) stuck into Chinese related debt burden, which would otherwise provide China with opportunities for imposing the kind of structural adjustment policies on Africa. Besides, China's influence inside those multilateral institutions behind economic and development agenda (i.e. IMF, World Bank, WTO) in Africa is very limited.

Seventh, unlike advanced capitalist economies, China certainly does not regard Africa as an economically marginal region but rather sees it as a potential future market for consumer goods. Contrary to European tendency to view Africa as a mere source of raw material and a sort of humanitarian market where only NGOs are interested in, China is actively investing in huge infrastructure projects that have been neglected by both bilateral and multilateral donors. Chinese firms are actively involved in creating/expanding markets for their products in Africa; an attitude which contradicts the lack of interests by western multinationals that see African market as either too small or lacking potential demands required for a fast return on investment.

In sum, the overall evidence fails to support the idea that China's involvement in Africa is of a center-periphery type. Of course, areas such as trade composition, labor issues, and the China-Africa production structure require further examination because the production structure can also explain the asymmetric distribution of value between the two regions. As Figure 1 shows, what is crucial for Africa is the shift from its traditional raw material exports into a basic manufacturing integration in its integration with China. So far economic linkages between the two regions are limited to cross-border flows of raw materials, which is knows for insignificant externalities and value creation. Only making the continent into Africa2, manufacturer can further deep integration' (institutions that facilitate trade, exploit externalities and correct market failures) and allow valuable feedback and externalities, regardless of whether china is a Center or still a periphery. The relationships between local producers and global lead firms in the value chains can include a whole range of relationships, spanning from arm's-length or market-based relationships to hierarchy.

Figure 1. China-Africa model of global commodity chains



Source: adapted from Henderson et al., 1998, 2001.

As Figure 1 also illustrates, because of the increasing integration of the production process, individual firms incorporated into such a system have no room within it for the autonomous action central to the potential for technological upgrading and, thus, for sustained economic development (Henderson et al., 2001). Moreover, shifting the manufacturing division of labor is likely to hurt the subsequent economy in the production network. That is, when low-productivity countries catch up, the large shifts in the international division of labor and changes in their own economic structures that rich countries' sometimes fear (van de Klundert and Smulders, 1996) may be realized. For instance, European capitalists have had to resort to corruption, military presence, military coups, and support for fake democratic process in such countries as Togo, Gabon, Cameroon, the DR Congo, and Nigeria.

Technological channel of dependency

Whether the ongoing economic process that is being largely driven and directed by Beijing will result in changes to Africa's technological capabilities is as yet unclear. To date, the African side has seemed to place little emphasis on technological issues, in part to protect its workers and create jobs. To illustrate the technological and innovation gap between Africa and China, Table 2 lists the rate of patent applications filled in select African countries versus those in China during the 1997–2004 period. It is apparent that, in contrast to the exponential expansion of patent applications in China—from 24,774 in 1997 to 130,384 seven years later—Africa has experienced no change.

Table 2. Patent applications filled (resident and nonresident)

Country/Organization	*1997*	*1998*	*1999*	*2000*	*2001*	*2002*	*2003*	*2004*
China	24774	47396	50044	67548	63450	80232	105317	130384
African Intellectual Property Org.	261	261	65	297	67			
Kenya	62	33	55					
Madagascar			47	103	34	26	22	38
Mauritius	15	15						
Malawi	28	20	1	20	313			
Zambia			39		31			

Source: World Intellectual Property Organization, WIPO 2006

Despite the Chinese government's pledge to take a positive attitude to transferring technologies suitable for African countries, African dependency results naturally from the still-growing technological gap and international division of trade. Nevertheless, even though not of China's making, this situation is one that China can help improve. That is, as China grows, its comparative advantage may well shift away from products of very low skill intensity; however, Africa could only jump successfully into that niche if it actively engages in an appropriate (i.e., tough not advanced) technological catch-up. It requires a significant level of absorptive capacity on the part of local suppliers and a complex process to internalize disseminated knowledge.

Because the center-periphery economic relation is rooted in geography and technology, the best way to deal with a complex historical setting is to modify both the geographic and the technological rapport. The policy rubric that responds to this new consists of taking advantage of emerging complementarities with the global scale production networks. Specifically, skill-intensive African firms must identify new niche markets and products in China, improve their competitiveness, and gain access to new Chinese markets exactly as done by the Chinese computer manufacturer, Lenovo, which has its executive headquarters in North Carolina, USA.

V. Concluding remarks

This essay has explored the validity of Marxist dependency theories in the context of the emerging China-Africa trade and economic relations. Whereas dependency theory assumes that economic domination runs across north-south geoeconomic patterns, this discussion has shown that the China-Africa economic links represent a distinct south-south dialectic occurring in an emerging new global economic configuration marked by a technology gap. Therefore, the discussion fails to support the idea that China's involvement in Africa is of a conventional center-periphery type; which suggests the existence of nonexploitative, tough dependent, trade features. This dependence implies that external factors and decisions (included those related to China) also determine the real level of development in the Africa.

Also worth mentioning is that for the first time Africa is drastically shifting its trade pattern away from its colonial framework: it too is becoming linked to a rapidly changing economy. Such a shift means that China's own constant economic and social structural changes make it easy for Africa to adjust to the emerging new global economic order.

At the same time, the China-Africa relationship is marked by unavoidable dialectic tensions like labor and competition issues. Even though synergies can be created by considering China's legitimate interests in Africa and Africa's own legitimate rights, no matter how well-intentioned China is, Africa must still generate its own technological capacities and rid itself of its legendary rampant corruption. Thus, both sides must admit that there will be no long-run benefit unless each contributes to the emergence of a new economic configuration that is deeply rooted not in mutual but in common or joint interests. In this respect, the China-South Africa deal to set up a joint company to expand ferrochrome production represents a large step forward.

As in any dialectic relationship, success in the China-Africa endeavor must be won as the result of social struggle, which implies that as a continent Africa must become stronger and make itself more attractive, not only as a source of raw materials but overall as a market and partner. The world is no longer clearly divided into center and periphery nations, or at least that description of world economic relations and development perspectives no longer holds in the form put forward by Presbich, Gunder Franck, and others. Rather, the China-Africa relationship presents a case of intersystem dependency that should be both the future framework for the China-Africa relationship and the new direction for further research in dependency theories.

References

1. Blazquez-Lidoy, J., Rodriguez, J., and Santiso, J. 2004 Angel or Devil? Chinese Trade Impact on Latin American Emerging Markets, Centre for Latin American University of Georgetown University, October 4th 2004
2. Brautigam, D. 2003. 'Close encounters: Chinese business networks as industrial catalysts in Sub-Sahara Africa', *African Affairs* 102, 408: 447–67.
3. Burbach R. and Robinson, W.I. 1999. The Fin De Siecle Debate: Globalization as Global Shift. *Science and Society*, 63:1, 10-39, at 27-8.
4. Chamarik S. and Goonatilake S. 1994. *Technological independence - The Asian experience*. United Nations University Press, Tokyo
5. China's African policy. 2007. Ministry of Foreign Affairs of PR China. http://www.fmprc.gov.cn. Accessed 20 June 2007.
6. Darity, Jr W. and Davis L.S. 2005. Growth, trade and uneven development; *Cambridge Journal of Economics*, 29, 141–170
7. Dos Santos, T. 1993. The Structure of dependence; in Mitchell Seligson and John T. Passe-Smith, eds., *Development and Underdevelopment: The Political Economy of Inequality*, Lynne Renner Publishers, 195-221.
8. Economy, E. and Monaghan, K. 2006. The perils of Beijing's Africa strategy. International Herald Tribune, November 1, 2006, http://www.iht.com. Accessed 27 June 2007.
9. Evans, P., and E. Downs. 2006. Untangling China's quest for oil through State-backed financial deals. Washington, D.C.: Brookings Institution Policy Brief 154.
10. Frank, A. G. 1972. Economic dependence, class structure, and underdevelopment policy," in Cockroft, Frank, and Johnson (eds.) *Dependence and underdevelopment in Latin America's political economy*, Garden City, NY, Anchor/Doubleday, pp. 19-20.
11. Gong S. 2007. Chinese Workers in Africa: working conditions and potential conflicts; Globalization-Africa Paper No. 80. http://www.globalization-africa.org. Accessed 20 June 2007.
12. Guixan, L. 2006. Economic and Trade Relations between China and Africa Anchored on Mutual Benefit and Win-Win Cooperation. Address by Ambassador Liu Guijin at the South Africa at the African Business Leaders Forum 2006); October 19. http://www.mfa.gov.cn. Accessed 18 June 2007.
13. Hegel, G.W.F. 1991. *The philosophy of history*. Buffalo, NY: Prometheus. (Original work published 1892)
14. Henderson, J. Dicken, P., Hess, M., Coe, N.M. and Yeung W.C.H. 2001.Global Production Networks and the analysis of economic development, GPN Working Paper 1, Manchester University.
15. IMF. 2005. Regional Economic Outlook Sub-Saharan Africa. Washington, DC
16. Kleinman, M. 2007. Business profile: Shattering the glass ceilings in China; Telegraph. http://www.telegraph.co.uk. Accessed June 16, 2007
17. Lammers E. 2007. How will the Beijing Consensus benefit Africa? The Broker, Issue 1.
18. Lancaster C. 2007. Africa: The Chinese aid system, Centre for Global Development, June 27. http://www.cgdev.org. Accessed 24 June 2007.
19. Lyman, P. 2005. China's rising role in Africa. Presented to the U.S.–China Commission, July 21. Washington, D.C.: Council on Foreign Relations.

20. Massarrat, M. 2003. The capitalist world economy: the symbiosis of capital accumulation and power imbalance. *A critique of Ernest Mandel's* late capitalism. www.iisg.nl. Accessed 15 June 2007.

21. Milios J. 2007. Capitalism, imperialism, development: a marxist discussion. Association for Heterodox Economics Conference 13-15 July, 2007. http://www.uwe.ac.uk. Accessed 25 July 2007.

22. Prebisch, R. 1950. The economic development of Latin America and its principal problems. *Economic Bulletin for Latin America*, 7, 1-12.

23. Ramo, J.C. 2004. The Beijing Consensus, Notes on the New Physics of Chinese Power, the Foreign Policy Centre.

24. Rocha, J. 2007. A new frontier in the exploitation of Africa's natural resources: the mergence of China; in Firoze Manji and Stephen Marks (eds). *African perspectives on China in Africa.* Fahamu – Networks for Social Justice Cape Town, Nairobi and Oxford, pp. 15-34

25. Servant, J. C. 2005. China's Trade Safari in Africa. Le Monde Diplomatique. May 12.

26. Singer, H. 1950. Comments to the terms of trade and economic development. *Review of Economics and Statistics*, 40, 84-89.

27. Sunkel, O. 1969. National development policy and external dependence in Latin America," *The Journal of Development Studies*, 6, 1, 23-48

28. Timberg, C. 2006. In Africa, China Trade Brings Growth, Unease; *Washington Post,* 13 June. www.washingtonpost.com. Accessed 28 June 2007.

29. Tull. D.M. 2006. China's engagement in Africa: scope, significance and consequences. *Journal of Modern African Studies*, 44, 3, 459–479.

30. UNTCAD. 2007. Asian foreign direct investment in Africa; Press Release, 27/03/07. http://www.unctad.org. Accessed, 24 June 2007

31. van de Klundert T., Smulders S. 1996. North-South knowledge spillovers and competition: convergence versus divergence. *Journal of Development Economics*, 50, 213-232

32. Vernengo M. 2004. Technology, Finance and Dependency: Latin American Radical Political Economy in Retrospect. Department of Economics Working paper Series, Working Paper No: 2004-6, University of Utah

33. Werner A. and Trefler D. 1997. Increasing returns and all that: a view from trade, University of British Columbia and University of Toronto, 1997.

34. World Bank. 2007. The growing relationship between China and Sub-Saharan Africa: macroeconomic, trade, investment, and aid links; The World Bank Research Observer, 22, 1.