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**The Political Economy of the Chinese Onslaught in Africa**

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## **Introduction**

Africa's development and underdevelopment, from the economic, social and human perspectives have been, for decades, tied to the politico-economic decisions of the West. Africa's relationship with the West has been described by many development analysts as extremely detrimental to Africa's development prospects; citing slavery, colonialism and neo-colonialism as the major events accountable for this. This is evidenced by the fact from 1960 to 2008 donors had pumped over US\$ 650 billion in aid into Africa with a corresponding total capital flight from Africa, over that same period, totaling US\$ 844 billion.<sup>i</sup> Knowledge about the extent to which these events have ripped Africa and her citizens off the progress and comfort they deserve coupled with the knowledge about the emergent bi-polarity that has characterized international political and economic praxis; African countries seem to have found economic solace in an incipient economic super power - China. The International Monetary Fund (IMF) Survey online reports that the shifts are so marked that, by 2009, China's share in the sub-Saharan Africa's total exports and imports exceeded that between China and other regions in the world.<sup>ii</sup>

China is currently the second largest economy after United States of America, taking the place of Germany and Japan, with a Gross Domestic Product of \$10.10 trillion in 2010 (Economy Watch 2011). China's impressive economic performance has its roots in the economic reforms, adopted in the 1970s and 80s, all of which constitute products of strong and inspirational political leadership coupled with appropriate political decisions within the context of a highly competitive international politico-economic order. The reforms commenced with the decision of collectivizing agricultural activities followed by liberalization of prices and fiscal decentralization in that order (Economy Watch 2011). As part of the reforms, more independence was granted to state enterprises; giving the managers of these enterprises more authority to operate with little or no political interference.

In addition was the 'Open Door' policy where more privately owned enterprises in the service and light manufacturing sectors were allowed to operate, thereby attracting more Foreign Direct Investment (FDI) (Mwanawina 2008; Economy Watch 2011). China mixed this with some state interventionist approaches. Chang (2007) observes that, China imposed foreign ownership

ceilings and local content requirements that demanded that foreign firms should buy a certain proportion of their inputs from local suppliers coupled with a 30 per cent import tariff to build its industrial base (cited in Osei 2011).

These economic performances have, however, not rendered China any admirable economic character since its per capita income currently stands at a less appreciable level of US\$ 2000 from US\$ 1,740 in 2005. This puts China 107<sup>th</sup> out of 179 countries. A better purchasing power of US\$ 7,800 even though impressive on the average questions China's equitable wealth distribution ability since a chunk of the affluence is concentrated in the cities leaving rural China still poor (Economy Watch 2010). In these regards, it is clear that a country's pattern of economic activities and level of economic development are inextricably linked with an existing political system and economic decisions taken by political leaders (Marx 1859).

With all these good-bad records, China's interest in Africa appears highly unrelenting. According to the New York University Wagner School, Africa received the largest year-on-year increases and showed the clearest growth trend as compared to Latin America and Southeast Asia citing China's foreign aid in Africa as increasing from US\$ 1 billion in 2003 to US\$ 8.5 billion in 2005 and 18 billion in 2007. But the questions always asked as these events spread out are, (1) Why Africa by China? (2) What is the degree of economic relations? (3) What benefits have been accrued? (4) What have been the threats for Africa's development? (5) What are the political dynamics associated with the benefits and the threats?

This paper then attempts to rake out the benefits and the threats as well as the political dynamics associated with the increasing ties between the two regions. Organized into five sections, the first section discusses the motivations behind China's interest in Africa with a comparison between the style in aid delivery by China and that of Western countries. The second section discusses some of the concerns raised, by Western countries, about China's economic and social relations with Africa. This is followed by the benefits and threats associated with Africa's ties with China which are discussed in the third and fourth sections, respectively. The final section discusses the orientations of African leaders towards the economic and social

issues associated with China-African ties, and their implications for Africa's development, after which conclusions are drawn.

### **Theoretical perspectives**

The quest to explain Africa's underdevelopment and the growing inequality gap between African countries on the one side and other countries (both developed and transitional)<sup>iii</sup>, on the other side, has generated two well known fundamental theories, albeit few rarely known ones. First is the modernization theory which finds its roots in the structural functional analysis of social change spearheaded by Auguste Comte's 'consensus universalis' (1830), Emile Durkheim's 'social facts' (1893) and Talcott Parsons' 'pattern variables' (1937).<sup>iv</sup> A combination of weak political and national structures, poor attitudes and behavioral patterns, and the over reliance on superstition and family ties among underdeveloped countries that generate 'cultural lag'<sup>v</sup> between them and developed countries are attributable to their current less admirable developmental state. Providing insights into the political dimension of the modernization theory, Hirschman (1968) argues that underdevelopment in the Third World is largely attributable to an overdose of charismatic leadership and an underdose of skill. Similarly, Das (2003) suggests that underdevelopment occurs when development programmes are implemented with a top-bottom approach coupled with an abuse of state power, thereby excluding the people in any planning and conceptualisation process. Ramphele (2011) also argues that African leadership suffers from a lack of urgency and understanding about just how much the governance system will have to improve if they are to respond to the competitive pressures of the global economy.<sup>vi</sup> Key to this theory is the emphasis on cultural values in the underdeveloped countries as inimical to change. Resting on the assumption that societies are mutually isolated this theory posits internal factors, reinforced by long standing institutional arrangements, as responsible for development and underdevelopment in any given society. The solution to underdevelopment, according to Behrendt (1968), therefore, is the transfer of technology, financial aid, rational ideas and democratization from developed countries to underdeveloped ones (cited in Asamoah 1982). Riddled with such deficiencies as being subjective, ahistorical, ethnocentric, myopic and hypocritical, this theory has received wide spread condemnation by many Marxist-oriented development pundits who subsequently offer an alternative to the explanation of Africa's underdevelopment.

Inspired by Marx's analysis of the patterns of economic relations between the West and other underdeveloped countries, the general notion about the cause of underdevelopment in Third World countries, among Marxists, is the integration of the economies of Third World countries into the orbit of global capitalism. The regressive effect has been a massive economic and social decline through the appropriation and expropriation of capital surplus as well as limiting opportunities for economic advancement in Third World countries (Frank 1971; Rodney 1972; Nkrumah 1965). Such declines create a center-periphery relationship where Third World countries (periphery) are disposed to depend on First World countries (center) for financial, technological and human resources, usually aided by political leaders (Frank 1971). The dependency creates grounds for further exploitation because the diffused technology to peripheral countries, during colonialism, served the interest of the center by suppressing technology of the periphery (Frank 1971). Moreover, the provision of infrastructure, education and new methods of agriculture were needed by the center to exploit the colonies effectively (Asamoah 1982). Fundamental to this theory is the conception of a dialectical<sup>vii</sup> relationship between the development of the First World and the underdevelopment of the Third World. Historically, this dialectical relationship has manifested in three stages namely, merchant capitalism, colonialism and neo-colonialism which Nkrumah (1965) describes as hand maidens of imperialism.

This paper acknowledges the usefulness of these two perspectives and thus resorts a synthesis of them, in agreement with Hoogvelt (1976), that the two approaches are compatible. Putting it concisely, Hoogvelt writes:

Structural and developmental holism is attained by treating them [perspectives] as complementary. The difference in structural complexity between modern and traditional societies and the problems created by the interaction are empirically identifiable in social situations in contemporary developing societies calling for a structural functional analysis. On the other hand, it is the historical Marxist approach which is theoretically equipped to explain the dialectical process of international development that culminated into structural discontinuities in underdeveloped societies. (Hoogvelt 1976:67)

A fusion of these two theories will guide the discussion of the data in this paper. In this regard, this paper argues that Africa's underdevelopment is a direct product of the simultaneous operation of unbalanced economic ties between Africa and economically developed countries with disregard for the economic interest of Africans accentuated by weak and uninformed economic directives among African leaders.

### **Why China's Interest in Africa?**

China's growing interest in Africa is reflected in the view held by Xu Weizhong, Deputy Secretary General of China's Institute of African Studies. He states that "Africa [is] an opportunity and not a burden".<sup>viii</sup> This view is established because China has recognized Africa as endowed with rich natural resources much of which are yet untapped. The minerals and the oil are useful reference points. Africa is undergoing massive infrastructural transformation evident in the long stretch of roads under construction and more particularly those yet to be constructed. In addition, is the large pool of population which constitutes a huge market for the products of Chinese multinational companies. That same pool of human beings constitutes a source of labour force for the many Chinese multinational subsidiaries in African countries.

Another condition which some would describe as unpleasant but which the Chinese regard as an opportunity is the meager inflow of Foreign Direct Investment (FDI). In 2004, Africa received low levels of FDI flows accounting for only 2.2 per cent of aggregate global FDI flows, most of which went into the extractive sectors. Intra-African trade has also remained low constituting 10 per cent of total African trade.<sup>ix</sup> Such conditions signify that there are untapped sector avenues which, even though have perhaps been neglected by the West, the Chinese are making frantic efforts to cash in.

Africa's ecological conditions have remained favorable grounds for the satisfaction of China's economic interests. For example, Nigeria's 33°C-44°C range of humidity and the worsening traffic situation, and the sale of iced products has become a usual economic activity on the streets of cities in Nigeria, most especially Lagos. Such an emergent business activity which requires the use of cooling objects is making the sale of fridges and deep freezers very lucrative. In this regard Haier, China's largest electrical household appliance producer has become a

household name in Nigeria and has ranked first among the top brands in Africa for five consecutive years from 2003.<sup>x</sup>

All these reasons are fused into certain principles that are expected to guide China in her economic and social relationship with Africa. China's diplomatic views used to determine its patterns of economic and social relationship with Africa seem to oppose the views of the United States of America as expressed by Henry Kissinger, its former Foreign Secretary, that "America has permanent interest and not permanent friends". China's position is that "if a country has only interests and no friends, then it will feel very lonely and dull".<sup>xi</sup> Assuming her unique diplomatic orientation, as compared to that of the United States of America, China adheres to the "mutual benefit and common development" concepts of cooperation, in the framework of good faith and an understanding of the host to win the trust of the people. Moreover, from the outset of the 21<sup>st</sup> century, the China African Cooperation Forum has been the winning formula for promoting the rapid development and promotion of Sino-African economic and trade cooperation based on equality and mutual benefit. Guided by these principles, which are translated into standards, the actions of China as it engages in its economic and social relations with Africa will be judged.

### **What is New about the Chinese ties with Africa?**

First, it is crucial to observe that this is not the first time African countries are receiving aid, in all forms, from a donor country. Right from that era when missionaries came to Africa through the incursions and practice of colonial adventurism to the period following the attainment of independence as experienced by most African countries, many kinds of assistance such as the construction of school building, health centers, and the provision of water have been offered (Duignan and Gann 1975). Hence, observing China as it spreads its economic, political and cultural wings and flapping them on the dusty soil of the African continent through their seemingly soothing and much flavoring financial and other forms of assistance does not produce any euphoria.

It is also important to recognize that Chinese economic interest in Africa as very paramount to its current economic activities is not unfamiliar to the African. That is why China would identify

areas where, as far as their knowledge will serve them, investments would meet their economic interest even though, on the surface, Africans would appear to be benefiting. So far, Africans have not and are yet to receive financial assistance in the area of manufacturing-sector development and that is another signal to the African that China's interest is supreme in its economic ties with Africa. Its reason is not strange and new because, visibly, if China should develop the manufacturing sector, it will experience a reduction in the quantity and value of finished-goods exports to Africa. Rather, infrastructure development is on a high scale and it is because of the expectation that it will speed up the process of creating the enabling environment for carrying their business activities. The New York University Wagner School estimated in 2008 that during the period, 2002-2007, 44.5 per cent of aid and investment was directed at the natural resources and agricultural sectors while 43 per cent supported infrastructure development (cited in Lum et al. 2009). These represent the Marxist dialectical process of development and underdevelopment where China's quest to accumulate and appropriate capital, through the sale of finished goods, is done by keeping Africa's manufacturing sector undeveloped (Frank 1971). These also reaffirm the argument that the development of the forces of production like infrastructure and education are to enable China effectively reap enormous economic gains at Africa's expense (Ansa Asamoah 1982). Indeed at a point when the African countries are delaying in the provision of such amenities where the delay can thwart the attainment of China's economic interests, financial aid will be offered to ensure speedy delivery. As an emerging super power whose citizens' purchasing power is increasing, making the demand for oil as sources of fuel for industrial and domestic purposes, China's interest in the growing oil industries of many African countries is understandable. Angola, for example, has become the second largest oil exporter to China, after Saudi Arabia, exporting almost 25 million tons of oil with trade volume with China exceeding US\$ 14.1 billion in 2007.<sup>xii</sup>

Moreover, the initially flavoring nature of the economic ties and, more particularly, the financial aid are not new. The manner with which the current unfavorable economic relationships between African countries and the West started is not different from what China is exhibiting. The free distribution of food items, the cheap sale of certain finished goods like textile and gin and other forms of donations by the West from the era of colonialism up till now are what China is replicating. Consequently, Africa's desire to extricate itself from the precarious box of the near perennial problem of balance of payment deficits and debt burden has not yet been attained.

Even though the indicators above do not call for excitement, a few other unique features about the Chinese economic ties might appear quiet elating. These are found in the patterns and processes with which the aid from China is being offered. Roger Nord, a senior advisor to the International Monetary Fund said that investment from China is a big opportunity for sub-Saharan Africa and it is a good thing. Secondly, China's loan agreements with African countries do not constitute a breach to international loan agreement standards because, as the IMF clearly puts it, the benchmarks in terms of getting fiscal deficits and debt under control are met.<sup>xiii</sup> Thirdly, unlike western countries, "China has never, and will never in the future attach any kind of political [and social] conditions to development projects".<sup>xiv</sup> China is seen also to be doing a much better job of responding to market demands than Western Capitalists. The relatively short span with which Chinese loans are discussed, negotiated and agreed upon as compared to those with World Bank serves as another source of happiness especially since African leaders would be able to swiftly solve some of the developmental challenges confronting their respective countries.<sup>xv</sup>

Despite these elating features there are still sentiments of doubt and fear amidst hope being expressed by people from different backgrounds. These have been influenced by the character, content and intent of the myriad of aids offered by China to Africa. A few are discussed in ensuing paragraphs.

### **Concerns from the West, How Useful?**

The staggering presence of China in the socio-economic milieu of the African continent at a time when Western countries' interest has not waned has sparked many concerns which are currently rolling in. Naturally, the act of raising concerns by the west is not mislaid. The West regards China as a threatening competitor in the resource extraction enterprise in Africa. Hence, the important issues are not the rationale behind the West's concerns, necessarily, but rather the content of those concerns. What then do the elements of the West have to say?

In the first place, the European Union and the United States of America are already worried about the fact that African countries have thrown their doors open to Chinese investors, thus African countries are creating more avenues for exploitation. China has been observed by the

West as thirsty for resources and has been touted by *The Economist*, a business weekly in the West as 'The New Colonialists' (cited in *Corporate Africa* 2008:52).

China has also been criticized by the West about its economic operations with African leaders with little or no democratic credentials. First, China is seen to be engaging with the Sudanese government despite international condemnation of the government's widespread human rights abuses against the Southern Sudanese people. China is also seen to be engaged in economic relationship with Mugabe whose human rights record constitutes nothing but a shaming political character. Lastly, the West is not pleased with China's deep economic relationship with Yoweri Museveni, the Ugandan head of state who is well known for suppressing political opposition.

It is interesting to observe that the West is pouring out such whipping criticisms against China. It is clear that China's relationship with such leaders is quiet misplaced because such leaders will not create the appropriate environment for that which allows the principles of accountability and transparency to be evoked; their absence of which leads to dubious deals between the African leaders and China. But, these essential claims notwithstanding, what moral authority has the West to accuse China of its rather politically unacceptable act and label China the manner they have done if what China is doing is a near carbon copy of what the West has perpetrated for many years? A few of such instances will suffice.

First, the United States of America has been grossly exposed, according to its CIA declassified report, as being the principal actor conniving with disgruntled military leaders to overthrow the then Ghanaian head of state, Dr. Kwame Nkrumah in 1966.<sup>xvi</sup> The same can be said about Iraq when the United States of America once again used the late Saddam Hussein to oust the then Iraqi leader when the latter nationalized the American-owned oil companies operating in Iraq.<sup>xvii</sup> In the Democratic Republic of Congo, the late military leader, Mobutu Seseko was used to oust and kill Patrice Lumumba.<sup>xviii</sup> During the era of the Structural Adjustment Programme, Ghana was touted as a 'star pupil' or at best the most excellent structural and economic reformer by the World Bank and the International Monetary Fund because Ghana had allowed western private investors to establish subsidiaries and purchase defunct state assets coupled with the

trade liberalization policies which Ghana pursued to the letter. Barring the unpalatable attendant social consequences of these policies, what sounds politically interesting is that all these decisions were taken at a time when Ghana was under the rule of a military dictator even when one of the conditions for World Bank/IMF loans and grants was democratization. At this point, as Das (2003) rightly puts it, the formulation and implementation of development programmes which takes a top-bottom approach, riddled with the abuse of state power, were glaring. Nevertheless, the West found that type of rule favourable because any resistance or delay associated with the implementation of the imposed liberal economic policies could be quelled.<sup>xix</sup>

From these examples, it is clear that the Western countries, even though believe and practice democracy, did not bother so far as their economic interests are satisfied at the other country's expense. Indeed the West uses democratization as a condition only when authoritarianism constitutes an impediment to the satisfaction of their economic interest. These instances confirm Frank's (1970) argument that the regressive impact of the integration of underdeveloped countries into the orbit of capitalism is sometimes aided by an existing political system where unchallenged and less transparent decisions by political leaders tend to promote the development of the West.

Looking at these arguments it becomes obvious that the West is exhibiting the highest form of hypocrisy and their claims about China's wrong deeds are rather tinted in the anticipation of a decline in their economic resources to China than the quest to restore the respect of human dignity in African countries. However, the fact that the West's concerns are for parochial and selfish reasons does not make those concerns illegitimate. In this regard, there remains the need for the people of Africa to assess their position in the economic deals with China and project the implications of that position for their progress, freedom and comfort. These can only be done when certain observable regularities (the benefits and threats) are considered.

#### **Degree of Economic and Social Ties between China and Africa: The Benefits for Africa**

China's economic and social ties with Africa have been characterized by, among others, huge investment in the oil and gas industries, establishment of multinational subsidiaries, road

construction, provision of school and health facilities and trade. In 2006, China formulated its African Policy Paper where China-Africa bilateral cooperation focuses in the following thematic areas. The first is the political area which covers high-level visits, exchanges between legislative bodies, political parties and local governments, and cooperation in international affairs. The second is the economic area which covers trade, investment, finance, agriculture, infrastructure, natural resources, tourism, debt reduction, debt relief, investment and multilateral cooperation. The third is the human resource development area with a focus on education, science, cultural, health, technology, media, administrative, consular, environment, disaster mitigation, humanitarian cooperation and people-to-people exchange. The fourth is the peace and security area with a focus on military, conflict settlement, peace keeping, judiciary and police.

On the basis of this framework, the economic ties have expanded to cover some social ties making the relationship rather multi-dimensional. Statistics from Chinese Ministry of Commerce (MOFCOM) show that by 2006 China's investment in Africa, where over 700 Chinese state owned enterprises are operating, had hit US\$ 11.7 billion. This has been a direct result of a US\$ 5 billion development fund sponsored by China Development Bank.<sup>xx</sup>

In Sudan, the Chinese National Petroleum Corporation (CNPC) has established a joint venture with the Sudan National Oil Corporation, Malaysia State Petroleum and Canada SPC known as The Great Nile Petroleum Limited. As part of this, CNPC has been involved in construction in Sudan's oil exploration pipeline transportation, oil refining and the production of petroleum processing, storage and sales. By the end of 2007 CNPC had invested US\$ 7.143 billion in Sudan's oil industry, enabling the country's oil sector to make a significant contribution toward Sudan's economic development.<sup>xxi</sup> In Nigeria, China's third largest oil company, the China National Offshore Oil Corporation (CNOOC) has already bought a 45-per cent stake in a substantial oil field in 2006, worth US\$ 2.7 billion. In November 2007, China's Industrial and Commercial Bank invested US\$ 5.5 billion toward the acquisition of Africa's largest banks including 20 per cent of Standard Bank South Africa's shares.<sup>xxii</sup>

In Zambia, Mwanawina (2008) observes that the total magnitude of Chinese investment and its contribution to Gross Domestic Product and employment is not in oblivion. Mwanawina (2008), however, makes reference to Zambia Development Agency (ZDA) and further indicates that between 1993 and 2006, Chinese Foreign Direct Investment (FDI) pledges amounted to US\$ 378 million across all sectors with manufacturing accounting for 60 per cent. The ZDA data have shown that in 2007 the government of Zambia pledged an amount of US\$ 2,702 million out of which US\$ 1,270, representing 47 per cent was contributed by China.

As far as development projects and strategies are concerned, China's Ministry of Commerce (MOFCOM) states that more than 800 projects ranging from agriculture to infrastructure had been implemented in Africa by 2006.<sup>xxiii</sup> In Nigeria, China has participated in several projects such as building roads, hospitals, railways and a satellite receiving centre in Abuja. A 1,315-kilometer Lagos-Kano railway modernization project worth US\$ 8.3 billion is being constructed by Chinese Civil Engineering Construction Corporation (CCECC). This same corporation is engaged in about 60 other projects in Nigeria with the contract sum valued at US\$ 10.2 billion.<sup>xxiv</sup> The firm has also donated US\$ 10 million to construct "Friendship Bridge Malawi" in the North of over Malawi. A new US\$79 million agreement with Angola to supply equipment for the rehabilitation of the Benguela railway.<sup>xxv</sup> In April 2010, Zimbabwe signed a US\$400 million agreement with China's Sinohydro to expand its Kariba hydroelectric plant to facilitate its economic recovery prospects.<sup>xxvi</sup>

The formation of social capital on the African is explicitly laid on the priority table of the Chinese. China has offered 44 primary schools and gave 65,000 children with the opportunity to receive education with a donated amount of US\$ 50 million.<sup>xxvii</sup> China has also provided 81 rural schools in 38 countries and has offered 2,700 government scholarships to 50 African counties. CNPC has also constructed oil refinery hospitals in Khartoum. The African Division of the Chinese Ministry of Commerce indicated that China has selected 60 malaria control experts and 37 senior agricultural professionals to work in Africa. The division has also organized 239 anti-malarial treatment training classes for 5,931 health workers in 49 African countries. As part of its human resource development efforts, an amount of US\$ 500,000 investment in the training of Sudanese as part of CNPC's personnel training programme. Key among the areas is the field of engineering, its crucial nature for which one can establish because of its great influence to the

development of the oil sector. So far, 1,392 Sudanese have benefited and 93 per cent of local staff in the Great Nile Petroleum Limited is Sudanese.<sup>xxviii</sup>

Ghana has also joined the beneficiaries as far as China's financial assistance to other developing countries is concerned. Against the backdrop of the President's request during his visit to China some financial commitments were made by the Chinese government in September, 2010. The financial aid includes a US\$ 13 billion Chinese loan involving US\$ 3 billion from the Chinese Development Bank to finance oil and gas infrastructure. A second deal for US\$ 9.87 billion was signed with Chinese Exim Bank for road, railway and dam works. In addition to the above-mentioned loans, a 12 million grant agreement was signed to finance an accelerated provision of boreholes in rural communities, to ensure the construction of a modern sports complex in the Cape Coast Municipal Area and the Kotokoraba market also in Cape Coast. The fishing and water sub sector were not left out in project provision activity. A US\$ 20 million interest-free loan has also been signed to facilitate the construction of fish landing sites in selected communities in the Central Region whilst a concessionary loan of US\$ 250 million with an interest rate of 2 per cent has been signed to support an ongoing rehabilitation of the Kpong Water Works. The Chinese Development Bank facility is earmarked towards the Gas Commercialization Project at the western corridor of Ghana and the Industrial Minerals Processing Estate.<sup>xxix</sup> The Democratic Republic of Congo also received a loan of US\$ 6 billion in March, 2011.<sup>xxx</sup>

An examination of the degrees at which the construction of infrastructure and the training of human resource have assumed, it is clear, as modernization adherents will recommend, that there has been a transfer of technology and financial aid. It is, nevertheless, obvious that the other requirements for development including the transfer of rational ideas and democratization, which Behrendt (1968) included in his suggestions, have been overlooked by China. This is explicable within the context of China's principle of equality, as suggested by Guijin (2008), that it never tries to impose its ideas, ideologies and social systems on African countries. The aim of the transferred developmental pre-requisites is to ensure Africa's progression from underdevelopment to development. However, if the African-Chinese economic and social ties a near carbon copy of what had existed between Africa and the West,

then there might be other equally important issues that have the potency to generate retrogression in Africa which deserve consideration.

### **China's Ill-reasons Exposed: The Threats for Africa**

It would have sounded a bit unusual no matter how transparent China wants to be, in its economic relations with Africa, to expressly point to African countries the main reason for its rush to Africa. Concealed as these reasons may be, the implied versions are inherent in the patterns of economic relations and some of the outcomes thereof, as discussed below.

*The Imbalances in the Economic Ties: Who Gains, Who Loses and Where are the Zero Sums?*

Out of a total trade of US\$ 73.31 billion, China exports to Africa totaled US\$ 37.03 billion and import from Africa US\$ 36.28 billion. In South Africa, even though imports and exports increased at the rate of 30 per cent in 2006, the trade balance has favored China. China enjoyed colossal trade surplus from its trade with South Africa with imports from China totaling US\$ 6.128 billion while exports amounted to US\$ 1.837 billion.<sup>xxxi</sup> In Ghana, imports from China between 2006 and 2010 averages US\$711 million whilst exports to China within the same period recorded an average of US\$ 40 million.<sup>xxxii</sup>

In Sudan, the Great Nile Petroleum Limited is riddled with many imbalances. Made up of four petroleum institutions, Sudan's Oil Corporation share is only 5 per cent whilst the Chinese petroleum share is 40 per cent. The remaining institutions are Malaysia Petroleum and Canada SPC with 30 per cent and 25 per cent shares, respectively. With such proportions, Sudan's meager share in the revenue to be accrued from the sale of the petroleum products is apparent-in-anticipation. Indeed, one might argue that China's contribution to the establishment of the Great Nile Petroleum Limited in terms of technology is huge but once again the question we ask is "is this all African leaders could bargain for"?

China's exports to Nigeria include motorcycles, home appliances and mechanical electrical products which account for half of all exports in Nigeria, while Nigeria relies heavily on oil and liquefied natural gas as major export products to China. However, there exists another trade imbalance which is apparent in the terms of the fact that China, in 2007, enjoyed a trade surplus of US\$ 3.25 billion.

In Ghana, Aluworks and many other concerns in the textile and printing industries have had issues with cheap Chinese goods, including aluminium products, onto the market which is threatening the very survival of the manufacturing sector. Practically, these industries stand in danger of folding up and laying workers off.<sup>xxxiii</sup> Thus, as the Marxists will suggest, the relationship between China and Africa is assuming a dialectical character and Africa is bearing the brunt of the unequal trade patterns at the advantage of China.

Perhaps one can single out Zambia whose trade relation with China has been quite beneficial, financially. Zambia enjoyed a trade surplus of US\$ 289 million based on an export value of US\$ 381 million and an import value of US\$ 92 million (Mwanawina, 2008).

#### *The Contradictions and other Social Injustices*

There are a number of clear contradictions in the principles and realities characterizing China's economic relations with Africa. Mwanawina (2008) suggests that there is no evidence of coordination between China and other donor agencies. The Chinese are not part of the framework of donor coordination as they prefer to operate outside that framework meanwhile China is a signatory to the Paris Declaration on aid effectiveness. Yet, this provides an opportunity for Zambia to gain some leverage in dealing with traditional western donors but there is no evidence on the ground to show that this is happening or if indeed there is, it is being used to the country's advantage. Transparency and accountability of Chinese engagement in Zambia is increasingly becoming a source of concern. Moreover, some fears have since emerged in some circles. Mwanawina (2008) notes that the major ones include poor conditions of service accorded to local employees, lack of adherence to safety regulations at places of work and disregard of labour laws and lack of environmental considerations in addition to the proliferation of Chinese casual laborers and Chinese investors who turn out to be petty traders, thereby displacing Zambian who have been active in those areas.

In terms of employment, Tsikata (2011) observes that Chinese investments were not clearly beneficial to Ghana because most employees in Chinese multinational subsidiaries in Ghana are

imported from China. Furthermore, the few Ghanaian employees occupied lower positions whilst the Chinese occupied higher positions.

Clearly, these phenomena are creating inequality gaps which are socially and economically detrimental to Africa enough to show another dimension of the dialectical character which the African-China economic relationship has assumed. These bring into question China's guiding principles of mutual respect and cooperation which are expected to characterize the patterns of economic relations with African countries. What then are the political responses to these apparent contradictions?

### **Orientations of African Leaders towards the Chinese onslaught**

This paper has already established, and for the sake of emphasis, that the relationship between China and Africa can be seen to be presenting very serious and disturbing economic and social issues, some of which are just remixes of Africa's economic woes associated with the ties it had with the West. Evidently, it appears that China is breaching the principles guiding its economic relations with African countries. It is also obvious that Africa is just shifting posts and perpetuating its position as facilitators of development to other countries and not developing relevant mechanisms to reduce its dependency on the so called development partners. The persistence of the dependency syndrome, according to Frank (1970), is a product of political decisions or indecisions and actions or inactions. These political dynamics of the dependency are evident in some attitudes and utterances by some African leaders concerning the interpretations they have given to China's economic relations with Africa.

The Trade and Industry Minister of the Republic of South Africa seem not to be bothered about the increasing rate of entry of China in Africa and their economic machinations toward resource extraction and also appear to disagree with the assertion that China is exhibiting colonial tendencies. In his words:

While to those in the West the growing ties between Africa and China might be alarming, it seems obvious to Africans that these ties cannot be characterized as "colonialist". The aspirations of the Chinese on the continent are no different from those of the US and Europe in trying to

secure supply of resources for industrial input. There is no need to be alarmed by this reality, as China joins the Europeans, Americans and even Indians in investing and seeking resources on the continent.<sup>xxxiv</sup>

Clearly, he refuses to acknowledge the fact that China's actions smacks off a repetition of colonial tendencies in the face of the glaring economic imbalances. This represents sheer disregard for South Africa's foreseeable economic woes as well as the unwillingness to turn the situation into a win-win one. Secondly, putting China in the same category as Europe and America yet refusing to consider China as colonialist render his argument contradictory and exposes his underestimation of the negative effects of colonialism.

In a proactive manner, the Senegalese president has recognized the need for African leaders to be vigilant in ensuring that capital investment in Africa continues to improve the living standards of the majority. However, what seems to be less appreciated is the economic cost of Africa's dependency on luxury goods, even though the goal post is shifting from Europe to China. Abdoulaye Wade openly expresses that "for the price of one European vehicle, a Senegalese can purchase two cars. The proof is in the parking lot at the presidential palace in Dakar".<sup>xxxv</sup> Indeed Africa is not likely to make any economic gain when such arguments are used as one of the basis for making China a preferred partner to Europe and the United States. Indeed, if a Senegalese is now able to purchase two cars from China at the same cost of purchasing from the West, what difference does it make in the reduction of expenditure on the importation of luxury items from trade partners? It does not because the same amount of money has been spent. Clearly, the continuous occurrence of increased importation of Chinese luxury items under the guise that they are less costly is an indication that African leaders have not fully recognized the need to develop technology that would ensure self sufficiency; not only in food supply but also in the provision of finished goods.

Worried about the government of Ghana's delay, amidst the awareness and the willingness in addressing the economic and social threats associated with the high influx of Chinese goods in terms of GDP growth and employment, the Managing Director of Aluworks Limited succinctly expresses his concerns as follows:

Aluworks over the past years have made appeals, petitions and applications to everyone who cares to listen. At this time our applications, with concrete recommendations for countervailing measures, are being attended to at the Tariffs Advisory Board set up by the Ministry of Trade to investigate and make recommendations. They are looking into it but it is taking forever. By the time something comes out of it, Ghana industries will already be on its knees. We need action now.<sup>xxxvi</sup>

Clearly, the feature of weak national institutions and the lack of urgency in responding to the pressures of the competitive global economy, which the modernization theory adherents observe as some of the political factors of underdevelopment in African countries, are displayed here. In these regards, the reactions of the African leaders represent three patterns of leadership deficiency which explains, to a large extent, the high degree of economic threats African countries are currently enduring in their relationship with China.

- Ignorance and unwillingness
- Will without knowledge
- Knowledge with will but without action

These exhibitions by African leaders, as Frank (1971) similarly observes, will not only lead to economic regression in African countries, thereby disposing them to depend on China for financial, technological and human resources, but will also act as an avenue for further exploitation.

## **Conclusion**

It is clear that the economic relationship between African countries and China has become deep-rooted marked by increases in the level of trade since 2000. China's interest in Africa has been fostered by the perception of huge opportunities evident in the availability of natural and human resources, ecological conditions coupled with the reduction of foreign investments inflows and foreign aid. The benefits which have accrued to African countries are quite enormous. The provision of infrastructure, development of human resource through training in areas of health and education, with little emphasis on industrial development, are symptomatic

of this. However, the apparent and potential threats that exist for Africa cannot be overemphasized. They include trade deficits, debt burden, abuse of human rights, collapse of manufacturing firms, loss of employment and contraction in employment opportunities, reduced national revenue, some of which contradict the principles guiding China's economic and social relationship with Africa. The trends associated with the ties between Africa and China are clearly not new; they represent remixes of the relationship Africa had with the West, barring a few marginal and less substantive exceptions, with all its ramifications. In this regard, Africa is seen to be shifting goal posts in its exhibition of dependency toward a new benefactor-exploiter which serves as precursors to its underdevelopment. Evidently, the political undertones to these derailing economic prospects of Africa are obvious. They are expressed in certain inappropriate economic decisions and actions, delays in taking appropriate decisions and the underestimations of the increasing economic challenges associated with Africa's ties with China by political leaders. Hence, as the challenges grow, one cannot explain the economic challenges of Africa without making reference to the growing economic interest of China and the deficiencies characterizing Africa's political institution. It would, therefore, be worthwhile if critical and appropriate decisions by political leaders are taken, and quickly implemented, to consolidate the benefits and reverse the threats associated with the African-Chinese relationship.

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<sup>i</sup> *Business and Financial Times*, December 1, 2010, p.7.

<sup>ii</sup> *Business and Financial Times*, December, 13, 2010, p.7.

<sup>iii</sup> Transitional societies include China and India. Other countries in South-East Asia such as South Korea, Singapore, Malaysia and Taiwan, popularly known as the 'Asian Tigers', also epitomize this category.

<sup>iv</sup> 'Pattern Variables' reflect a behavioral dichotomy among individuals, depending on the social setting, characterized by five sets of opposing behaviors. Hoselitz (1963) applied this idea to explain development and underdevelopment in the First World countries and Third World countries respectively. They include affectivity - affective neutrality, ascription - achievement, collectivity - individualism, specificity - diffusionism and universalism - particularism.

<sup>v</sup> First used by William Fielding Ogburn. Cited in *Encyclopædia Britannica*. Retrieved from <http://www.britannica.com/cultural-lag> on 25th May, 2011

<sup>vi</sup> Cited in *Business and Financial Times*, August 1, 2011, p.1

<sup>vii</sup> The term dialectic refers to a two-way causal connection. What is implied is that the West developed precisely because it was the under development of the Third World, whilst the third became under developed in aiding the ascendancy of the West. See Hoogvelt A.M.M. (1976:67)

<sup>viii</sup> Special Trade Report on China's Legacy and the Sino Marshal Plan for Africa in *Corporate Africa*, 2008, pp.48-50

<sup>ix</sup> Observation made by South Africa's Trade and Industry Minister, Mandisi Mpahlwa, in his report on 'South Africa and China' economic relations. Details in *Corporate Africa*, 2008, pp.52-54

<sup>x</sup> Special Trade Report on China's Legacy and the Sino Marshal Plan for Africa in *Corporate Africa*, 2008, pp.41-42

<sup>xi</sup> Clearly expressed by China's Foreign Minister, Yang Jiechi, and reported by Ren K.E. as part of Nigerian president's tour to China in February, 2008. See details in *Corporate Africa*, 2008, pp.48-50.

<sup>xii</sup> Special Trade Report on China's Legacy and the Sino Marshal Plan for Africa *Corporate Africa* 2010 pp.38-40.

<sup>xiii</sup> See *Business and Financial Times*, October 27, 2010, p.2

<sup>xiv</sup> Expressed by Lui Guijin in *Corporate Africa* 2010, pp.32-33.

<sup>xv</sup> Intimated by the Segalese President, Abdoulaye Wade. Reported in *Corporate Africa*, 2010, pp.30-31

<sup>xvi</sup> See <http://www.assatashakur.org> for details of declassified United States' National Security Council reports on the involvement of the Central Intelligence Agency in the overthrow of Kwame Nkrumah

<sup>xvii</sup> BBC Focus on Africa, October, 2006, p.12

<sup>xviii</sup> <http://elliott.gwu.edu/news/speeches.cfm>

<sup>xix</sup> See Ake Claude. *Democracy and Development in Africa* (1995), p.102

<sup>xx</sup> Special Trade Report on China's Legacy and the Sino Marshal Plan for Africa *Corporate Africa* 2010 pp.32-33.

<sup>xxi</sup> Special Trade Report on China's Legacy and the Sino Marshal Plan for Africa *Corporate Africa* 2010 pp.44-46.

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- <sup>xxiii</sup> Special Trade Report on China's Legacy and the Sino Marshal Plan for Africa, *Corporate Africa*,2010, pp.38-40
- <sup>xxiv</sup> Special Trade Report on China's Legacy and the Sino Marshal Plan for Africa, *Corporate Africa*, 2010, pp.48-50.
- <sup>xxv</sup> *Africa Watch*, January, 2011, p.63.
- <sup>xxvi</sup> *Africa Watch*, January, 2011, p.63.
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- <sup>xxix</sup> *Business and Financial Times*, October 27, 2010, p.2.
- <sup>xxx</sup> *Business and Financial Times*, March 21, 2011, p.21.
- <sup>xxxi</sup> Expressed by the Minister of Trade and Industry of South Africa in *Corporate Africa*, 2010, pp.52-55.
- <sup>xxxii</sup> This was said by the Deputy Minister of Trade and Industry at a dissemination workshop on the analysis of features and patterns of economic relations between Ghana and China organized by the Institute for Statistical, Social and Economic Research (ISSER) and African Economic Research Consortium (AERC) in Accra, May 20<sup>th</sup>, 2011
- <sup>xxxiii</sup> Reactions to influx of Chinese goods as expressed by Mr. E. Akwasi Okoh, Managing Director of Aluworks Limited. Quoted in *Business and Financial Times*, March 7, 2011
- <sup>xxxiv</sup> Special Trade Report on China's Legacy and the Sino Marshal Plan for Africa, *Corporate Africa* 2010, pp.52-55.
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- <sup>xxxvi</sup> *Business and Financial Times*, March 7, 2011. Reported by Yartey Theophilus, pp.1-2