

China and Africa

Model of South-South Cooperation?

Richard Asante

Abstract: Chinese officials often claim that their country's massive involvement in Africa is an example of "South-South cooperation" with tremendous potential to unlock Africa's development prospects. They maintain that China's economic involvement in the continent is less exploitative and more relevant to local needs than the North's. Starting from a relatively small amount of investment in the early 1990s, China has become Africa's biggest economic partner. Yet, as the United Nations Conference on Trade and Investment (UNCTAD) and other studies have shown, Chinese trade and investment in Africa are reproducing African countries as exporters of raw materials and importers of manufactured goods. This paper deconstructs the uncritical view of China's development cooperation with Africa as "South-South" cooperation, highlighting its potential tensions, incongruities, downsides, and dilemmas. It demonstrates both good and bad news. Recent data show that despite the slowdown of the Chinese economy and slump in prices of certain raw materials, the total value of China-Africa trade is on the rise, with Africa's

Richard Asante is Senior Fellow and Lecturer at the Institute of African Studies, University of Ghana, Legon. His mailing address is: Institute of African Studies, University of Ghana, P.O. Box LG 73 Legon, Accra, Ghana. He can also be reached at Richasagh@yahoo.com or Rasante@ug.edu.gh.

© 2018 World Century Publishing Corporation and Shanghai Institutes for International Studies
China Quarterly of International Strategic Studies, Vol. 4, No. 2, 259–279
DOI: [10.1142/S2377740018500124](https://doi.org/10.1142/S2377740018500124)

This is an Open Access article, copyright owned by the SIIS and WCPC. The article is distributed under the Creative Commons Attribution 4.0 (CC BY-NC) Licence. Further distribution of this work is permitted, provided the original work is properly cited and for non-commercial purposes.

exports to China growing rapidly, indicating a narrowing gap between imports and exports in the bilateral trade. However, whether this phenomenon is sustainable remains in doubt. Dynamics of the boom and bust cycles of commodity markets, limited diversification, domestic institutional constraints, limited tariff exemptions and rising debt on African countries can all compromise the recent progress in China-Africa trade and exacerbate their asymmetrical relationship, reproducing the trade pattern between the West and African countries.

Keywords: China-Africa relations; South-South cooperation; “neo-imperialism;” “resources-for-infrastructure.”

The Chinese government has always claimed that their official policy and position toward Africa is based on a reciprocal model of “South-South cooperation,” underpinned by equality, common development, and a “partnership of equals.” It is often argued that this aid-trade-investment approach helps to leverage donor-recipient cooperation and leads to win-win development and self-reliant development, particularly among low-income developing states.¹ Moreover, China’s commitment to non-intervention in African domestic affairs and its determination to build partnerships based on equality and mutuality appear less exploitative and more relevant to local needs than the North’s approach to Africa, and thus has tremendous potential to unlock Africa’s development prospects.²

Drawing on multiple data sources including interviews, archives and second-hand materials, this paper argues that the consequences of growing Chinese involvement in Africa are actually quite mixed. While there are positive signs that the trade gap between both sides is narrowing, there are questions about its sustainability. Although China has expanded trade relations with non-resource-rich countries, its imports from Africa are still dominated by natural resources and exports by manufactured products with limited diversification and technology transfer. Besides, the impact of rising debts on African countries could have dire consequences on the

¹Ron Matthews, Ping Xiaojuan, and Ling Li, “Learning From China’s Foreign Aid Model,” *The Diplomat*, August 25, 2016, <https://thediplomat.com/2016/08/learning-from-chinas-foreign-aid-model/>.

²Interview conducted at the Chinese Embassy, Accra, March 2018.

sustainability of the limited progress achieved thus far, turning the China-Africa relationship into a form of “neo-imperialism.”

China-Africa Relations as a Case of South-South Cooperation

As an indicator of third-world solidarity, South-South cooperation can be traced back to the historic Asian-African Conference, or Bandung Conference, held in Indonesia on April 18–24, 1955, to promote political self-determination, mutual respect for sovereignty, non-aggression, non-interference in internal affairs, and equality, as well as the establishment of the Non-Aligned Movement (NAM) in 1961 — at the height of the Cold War — by Third-World countries. The movement advocated that developing countries should abstain from allying with either of the two superpowers, the United States and the U.S.S.R., and should instead join in supporting Third World countries and colonies struggling for national self-determination against colonialism and imperialism.

Based on shared historical experiences of colonialism and slavery and common development challenges, Third World countries sought to build relations based on the principles of non-interference in domestic affairs, peaceful coexistence and mutual interest. Influenced by Dependency Theory, South-South cooperation in the 1970s was articulated in the United Nations, leading to the establishment of the Special Unit For Technical Corporation among Developing Countries (TCDC) within the United Nations Development Program (UNDP), which was renamed the Special Unit for South-South Cooperation in 2004.³ The ideas and principles of South-South cooperation was articulated as part of the conversations and dialogue for a new international order and a search for a “third way,” culminating in a report entitled “North-South: A Programme for Survival,” or the Brandt Report, developed by Willy Brandt’s Independent Commission on International Development Issues. The report expressed concerns about the prevailing economic system, particularly economic disparities between the North and the South. It called for sweeping changes to the global economy, making it more democratic, fair and equitable, and emphasized

³Kojo S. Amanor and Sérgio Chichava, “South-South Cooperation, Agribusiness, and African Agricultural Development: Brazil and China in Ghana and Mozambique,” *World Development*, Vol. 81 (2016), pp. 13–23.

the urgency of redistributing incomes towards developing countries. The Brandt Report was critical of the Bretton Woods institutions and formed the bases of the Buenos Aires Plan of Action in 1978 as well as the 1981 Lagos Plan of Action of the Organization of African Unity.⁴ The latter was a blueprint formulated and adopted by African leaders at Lagos, Nigeria, in 1980, to demand reform of the international trade and aid system, to redress trade imbalances between the North and the South, and to promote an economic strategy that would facilitate collective self-reliance for Africa's economic and social development.⁵ Among other things, regional integration and self-reliant development were considered as key to countering the dominance of multinational corporations over developing economies and to cushioning the shocks of the world economic crisis in the 1970s.⁶

Indeed, the global economic recession and crisis of the 1970s had devastating consequences on developing economies, particularly those in Africa. Dubbed "the lost decade of African development," the 1980s saw a major shift from the previous state-led development strategy to neo-liberalism as a panacea to economic crises. Neo-liberalists argued that the dominance of the state rather than the market had created distortion of the economy, and that national governments should be held responsible for those inappropriate policies. As a result, the existing state-led paradigm was discredited, the framework of the New International Economic Order (NIEO) contested, and the North-South dialogue on the NIEO weakened.⁷

Despite the dominance of neo-liberalism as well as the negative impact of various structural adjustment programs (SAPs) on

China and Africa
have been strong
advocates for
South-South
cooperation.

⁴Ibid.

⁵Richard Asante and Kojo Opoku Aidoo, "Human Security in Africa," in Takyiwaa Manuh and Esi Sutherland-Addy, eds., *Africa in Contemporary Perspective: A Textbook for Undergraduate Students* (Accra: Sub-saharan Publishers, 2013), pp. 248–265.

⁶Ibid.

⁷Giovanni Arrighi, "The African Crisis: World Systemic and Regional Aspects," *New Left Review*, Vol. 15 (May–June 2002), pp. 5–36; and Amanor and Chichava, "South-South Cooperation, Agribusiness, and African Agricultural Development: Brazil and China in Ghana and Mozambique."

Africa, policy makers and scholars in Africa and other developing countries such as Brazil and China continue to advocate South-South cooperation as a way to counter over-dependence on Washington and Northern multinational corporations. China's emergence as a rising global power helped it to forge a new strategic partnership with Africa in 2000 under the auspices of the Forum on China-Africa Cooperation (FOCAC). Afterwards, regular summits were held in 2006, 2009 and 2012, and a historic one in South Africa in 2015. Furthermore, the rapid rise of emerging economies, particularly the BRICS countries (Brazil, Russia, India, China and South Africa), has triggered renewed debate on the relevance of South-South development cooperation for Africa in the 21st century. The debate is further boosted by the impressive statistics on trade and flows of foreign direct investment (FDI). It is estimated that the share of developing countries' participation in FDI has grown from 6 percent in 1980 to 31 percent in 2012. Similarly, trade among developing countries has expanded from 8 percent of global trade in 1980 to 27 percent in 2010.⁸ In 2012, official development assistance (ODA) from the Organization for Economic Cooperation and Development's Development Assistance Committee (OECD-DAC) countries fell by 6 percent.⁹

The deepening and expansion of the 2008 global financial crisis largely discredited the neo-liberal, American-style development model, and sparked the intellectual community into discussing the "Chinese model" as an alternative to the American one.¹⁰ Since then, it has been argued that the West is no longer a dependable trade and development partner, and the election of Donald Trump in 2016 — together with his anti-globalization and protectionist policies under the "America First" doctrine — further highlights the relevance of South-South cooperation.

⁸Sachin Chaturvedi, "Growing Dynamism in South-South Co-operation," in *Development Co-operation Report 2014: Mobilising Resources for Sustainable Development* (Paris: OECD Publishing, 2014), pp. 51–58.

⁹Adriana Erthal Abdenur and João Moura Estevão Marques Da Fonseca, "The North's Growing Role in South-South Cooperation: Keeping the Foothold," *Third World Quarterly*, Vol. 34, No. 8 (September 2013), pp. 1475–1491; and Cheryl McEwan and Emma Mawdsley, "Trilateral Development Cooperation: Power and Politics in Emerging Aid Relationships," *Development and Change*, Vol. 43, No. 6 (November 2012), pp. 1185–1209.

¹⁰Choo Yong Shik, "A Chinese Model for National Development," in Bae Jung-Ho and Jae H. Ku, eds., *China's Domestic Politics and Foreign Policies and Major Countries' Strategies toward China* (Seoul: Korea Institute for National Unification, November 2012), pp. 19–54.

The enormous potential for a new form of South-South cooperation has been recognized by the African Union (AU) where a high-level working group of the AU Commission has been set up to advance closer Sino-African relations.¹¹ Founded in October 2000, the FOCAC sets a good example for such South-South cooperation by a constructivist approach which posits that in today's changing global system, win-win outcomes can be best achieved and augmented through enhanced diplomatic dialogue and constructive multilateral interaction. Since its establishment, the FOCAC has offered China and Africa an institutional framework for seeking mutually beneficial outcomes and developing their strategic partnership. Today, the FOCAC has become the key linking China and Africa together in pursuit of achieving the Chinese Dream of national rejuvenation and Africa's dream of poverty reduction, greater self-reliance, and economic development.

Debating China's Economic Clout in Africa

The rise of China as the second largest economy in the world and Africa's biggest trading partner since 2009 has shifted the global geopolitical landscape. The increasing Chinese presence in Africa has attracted considerable debate among scholars and development experts. While there is broad consensus among scholars that China's growing economic influence in Africa exerts significant impact on Africa, opinions are divided on the exact consequences that China's presence will bring to the political, social and economic development of the continent.

Accommodationist scholars tend to view China's presence in Africa in quite positive terms, even as a blessing. They observe that China's engagement in Africa can be beneficial both to China and to African countries,¹² that there is tremendous opportunity for African development such

¹¹Garth Shelton, "The FOCAC Process and Sino-African Strategic Partnership," *China Quarterly of International Strategic Studies*, Vol. 2, No. 2 (2016), pp. 259–276.

¹²Jean-Claude Berthelemy, "China's Engagement and Aid Effectiveness in Africa," African Development Bank Working Paper No. 129, June 23, 2011, <https://www.afdb.org/en/documents/document/working-paper-129-chinas-engagement-and-aid-effectiveness-in-africa-23697/>.

as expanding market for exports from African countries,¹³ and that China's presence is at least an alternative to the U.S. hegemony in Africa.¹⁴ Other scholars see China's activities in Africa as more problematic. In their eyes, Chinese presence has intensified the scramble for African resources,¹⁵ and reinforced the old patterns of trade where Africa mainly played the role of a producer of raw materials, with little or no added value.

Africa is blessed with enormous untapped natural resources that allow for cooperative interdependence for countries in dire need for natural resources. Economically, China needs Africa's raw materials for its emerging industries and sustained growth and Africa needs to sell these raw materials to China for its continued growth; politically, both China and Africa are committed to seeking revision of the global institutions that constrain economic prosperity in the developing world.¹⁶ Such mutual need fosters interdependence. However, it does not guarantee win-win development. As Christopher Clapham observes, "far from providing any new model for Africa's involvement in the global economy and political system, China's role has been precisely to reinforce the old one." He further argues that African leaders have welcomed and accommodated China because the relationship fits so neatly into the familiar patterns of rentier statehood and politics with which Africa's rulers can maintain themselves.¹⁷ Some other scholars also believe that "Chinese-African economic relations are widely unbalanced and tend to replicate Africa's asymmetrical relationship with

¹³Jörg Mayer and Pilar Fajarnes, "Tripling Africa's Primary Exports: What, How, Where?," *Journal of Development Studies*, Vol. 44, No. 1 (2008), pp. 80–102.

¹⁴Horace Campbell, "China in Africa: Challenging US Global Hegemony," *Third World Quarterly*, Vol. 29, No. 1 (2008), pp. 89–105.

¹⁵Howard French, *China's Second Continent: How a Million Migrants are Building a New Empire in Africa* (New York: Knopf Publishers, 2014).

¹⁶Richard Asante, "China's Security and Economic Engagement in West Africa: Constructive or Destructive?," *China Quarterly of International Strategic Studies*, Vol. 3, No. 4 (2017), pp. 575–596; and Shelton, "The FOCAC Process and Sino-African Strategic Partnership."

¹⁷Christopher Clapham, "Fitting China In," in Chris Alden, Daniel Large and Ricardo Soares de Oliveira, eds., *China Returns to Africa: A Rising Power and a Continent Embrace* (London: Hurst and Company, 2008), p. 364.

the West,"¹⁸ and that the asymmetrical relationship will further reinforce Africa's marginal place in the global system.¹⁹ To them, failure to adequately deal with the shortcoming might turn the relationship into a new form of "neo-imperialism," replicating past patterns of extraction and exploitation in new guises.²⁰

In fact, China's policy towards Africa is based on constructive pragmatism and is both action-oriented and functional, thus it can provide a shield against exploitation by wealthy, industrialized nations and against the negative consequences of globalization; it also offers a realistic alternative to North-South trading patterns that have dominated global trade since the colonial era. Advocates of the China-Africa economic partnership often point to the FOCAC, an institutional mechanism and political foundation of China-Africa relations, as a good example of South-South cooperation.²¹ In addition, the elevation of the China-Africa relationship from "strategic partnership" to "comprehensive strategic and cooperative partnership" is a clear indication of prioritization of China's relationship with Africa, and a step forward in strengthening South-South cooperation. Nevertheless, the much-touted benefits of South-South cooperation often underestimate the unequal power relationship, especially with regard to China's emergence as a global power, both economically and politically, and its expanding geopolitical influence.²²

The ever closer
China-Africa
economic
partnership triggers
much debate among
scholars and
practitioners.

¹⁸Denis M. Tull, "China's Engagement in Africa: Scope, Significance and Consequences," *Journal of Modern African Studies*, Vol. 44, No. 3 (2006), pp. 459–479.

¹⁹Ivar Kolstad and Arne Wiig, "Better the Devil You Know? Chinese Foreign Direct Investment in Africa," *Journal of African Business*, Vol. 12, No. 1 (2011), pp. 31–50.

²⁰Ana Garcia and Patrick Bond, eds., *BRICS: An Anticapitalist Critique* (London: Haymarket Books, 2015); and Tukumbi Lumumba-Kasongo, "China-Africa Relations: A Neoimperialism or a Neocolonialism? A Reflection," *African and Asian Studies*, Vol. 10, No. 2/3 (2011), pp. 234–266.

²¹Interview at the Chinese Embassy, Accra, February 2018.

²²Tull, "China's Engagement in Africa: Scope, Significance and Consequences"; and French, *China's Second Continent: How a Million Migrants are Building a New Empire in Africa*.

Behind all the simplified characterizations is a reality that is far more profound and complex.²³ This paper utilizes more recent data to illuminate this complexity. While China touts its policy approach towards Africa as constructive, functional or action-oriented, aiming at win-win results in achieving the “shared destiny” and common development objectives with Africa, sober thinking and practical steps must be employed to realize those grand goals.

The China-Africa Economic Partnership Revisited

As noted previously, theoretically, South-South cooperation provides a shield against exploitation by industrialized nations and a realistic alternative to North-South trading patterns in favor of developed countries. Such economic and trade exchanges are underpinned by a division of labor where African countries specialize in the production of raw materials for export and import manufactured goods from developed countries. This pattern of trade has dominated global trade since the colonial era and is often blamed for Africa’s underdevelopment. Naturally, African countries expect their trade with China to bring win-win results and offset the asymmetrical and exploitative North-South economic exchanges.

In retrospect, Africa’s trade with China began to increase sharply in the late 1990s. From close to zero in 1998,²⁴ African exports to China increased to about \$50 billion in 2008, while China’s exports to Africa has risen 15-fold.²⁵ In 2009, China replaced the United States as Africa’s largest trading partner. Trade and economic cooperation has been further uplifted

²³Many scholars have observed the complex nature of the China-Africa relationship. See, for example, Chris Alden, *China in Africa: Partner, Competitor or Hegemon?* (London: Zed Books, 2007); Deborah Brautigam, *The Dragon’s Gift: The Real Story of China in Africa* (Oxford: Oxford University Press, 2009); Fantu Cheru and Cyril Obi, *The Rise of China and India in Africa: Challenges, Opportunities and Critical Interventions* (Uppsala: The Nordic Africa Institute, 2010); Simplice A. Asongu and Gilbert A. Aminkeng, “The Economic Consequences of China-Africa Relations: Debunking Myths in the Debate,” *Journal of Chinese Economic and Business Studies*, Vol. 11, No. 4 (2013), pp. 261–277; and Richard Asante and Emmanuel Debrah “China and Africa Relations: Making Their Lunch or Eating It?,” *Journal of African Political Economy and Development*, Vol. 2 No. 1 (December 2017), pp. 3–25.

²⁴Berthelemy, “China’s Engagement and Aid Effectiveness in Africa.”

²⁵*Ibid.*

since the establishment of the FOCAC. In 2014, the volume of China-Africa trade was US\$222 billion, 21 times that of 2000, and stock investment in Africa was over US\$30 billion, more than 60 times that of 2000.²⁶ In 2016, the largest exporter to China from Africa was Angola, followed by South Africa and the Republic of Congo; South Africa was the largest buyer of Chinese goods, followed by Egypt and Nigeria.²⁷

Recent statistics (January to December 2017) indicate that “the import and export value of China-Africa trade amounted to US\$170 billion, up 14.1 percent year on year, 2.7 percent points higher than the general increase of foreign trade in the same period.”²⁸ More specifically, “China’s exports to Africa reached US\$94.74 billion, up 2.7 percent; China’s imports from Africa reached US\$75.26 billion, up 32.8 percent; the trade surplus was US\$19.48 billion, down 45.2 percent year on year.”²⁹ The upward trend in exports from China to Africa is a result of the increase in the shipbuilding, railway and aeronautics sectors, which rose by 200, 161, and 252 percent respectively.³⁰ The increase in imports is believed to be the result of a recovery in the prices of certain raw materials, particularly hydrocarbon.³¹

The amount of Chinese investment to Africa has also been on the rise, although the number is still quite small, accounting for little over 5 percent of total FDI inflows into the region in 2015.³² Based on data from China’s Ministry of Commerce, FDI flows from China to Africa peaked in 2008 and then in 2013, and have been slowing down considerably since then.

²⁶Interview at the Chinese Embassy, Accra, March 2018.

²⁷Raziah Athman, “Africa-China Trade Grows by 19 percent in 2017,” *Africa News*, August 4, 2017, <http://www.africanews.com/2017/08/04/africa-china-trade-grows-by-19-percent-in-2017/>.

²⁸MOFCOM, “Statistics on China-Africa Bilateral Trade in 2017,” Chinese Ministry of Commerce, January 26, 2018, <http://english.mofcom.gov.cn/article/statistic/lanmubb/AsiaAfrica/201803/20180302719613.shtml>.

²⁹Ibid.

³⁰Raziah Athman, “Africa-China Trade Grows by 19 percent in 2017.”

³¹Ibid.

³²Chen Wenjie and Roger Nord, “Reassessing Africa’s Global Partnerships: Approaches for Engaging the New World Order,” The Brookings Institution, January 11, 2018, <https://www.brookings.edu/research/reassessing-africas-global-partnerships/>.

Nonetheless, Africa's appetite for Chinese investors is still high. In the meantime, Chinese loans to Africa continues to grow. For example, the volume of Chinese loans to Kenya is six times larger than that of France, the country's second-largest creditor.³³ Today, China is already Africa's largest creditor, accounting for 14 percent of sub-Saharan Africa's total debt stock.³⁴ As noted, two-way trade increased by more than 21 times that of the year 2000 and stock of investment by more than 60 times, both of which are likely to grow with the surge in Chinese private investment and implementation of projects such as export diversification in Africa through Special Economic Zones (SEZs), as well as other infrastructure programs particularly under the Belt and Road Initiative (BRI). According to incomplete statistics, within 7 months after the conclusion of the FOCAC Johannesburg Summit in December 2015, China and Africa had signed 243 cooperation agreements of various kinds, involving a total of US\$50.7 billion, including US\$46 billion of Chinese direct investment in and commercial loans to Africa, accounting for 91 percent of the total value of the agreements.³⁵

Most analysts believe that increased trade and bilateral interaction between China and Africa have been beneficial to both sides.³⁶ This view is shared by the International Monetary Fund (IMF), African Development Bank (AfDB), McKinsey report (in both 2017 and 2018), the China-Africa Initiative, and Afrobarometer report in 2016. According to the IMF, Africa's increasing growth rate over the past two decades is largely due to increased commodity demand from China. The China-Africa Initiative and McKinsey also report that Chinese investment in Africa increasingly contributes to job creation, skills development, and the transfer of new technologies. Thus far, China's 28 strategic sectors have cultivated over 160 flagship multinational

³³Ibid.

³⁴Ibid.

³⁵"Vice Foreign Minister Zhang Ming and Others Hold Joint Press Conference on the Outcomes of the Coordinators' Meeting on the Implementation of the Follow-up Actions of the Johannesburg Summit of the Forum on China-Africa Cooperation," Ministry of Foreign Affairs of the People's Republic of China, August 2, 2016, http://www.fmprc.gov.cn/mfa_eng/wjdt_665385/wshd_665389/t1386946.shtml.

³⁶Shelton, "The FOCAC Process and Sino-African Strategic Partnership."

enterprises that benefit from commercial contracts via foreign aid projects, especially in Africa.³⁷

Public perception of Chinese investment in Africa has also been positive. 56 percent of respondents in the Afrobarometer survey considered China's development assistance as doing a "somewhat" or "very" good job of meeting their country's needs. Across 35 countries, 69 percent of respondents say China's economic activities have had "some influence (27 percent)" or "a lot of influence (42 percent)." 90 percent in Mali, 87 percent in Gabon, 81 percent in Cameroon and 80 percent in Niger are of the opinion that China's economic influence have had "some" or "a lot" of influence on their country.³⁸ Favorable perceptions of China are driven mostly by Chinese investments in infrastructure/development and business, as well as the low cost of products.³⁹

In a similar vein, 63 percent of Africans say China's influence is "somewhat" or "very" positive, and 15 percent "somewhat/very negative." Favorable views are most common in Mali (92 percent), Niger (84 percent), and Liberia (81 percent). Positive influence of Chinese investment could be linked to significant investments in non-primary industries such as clothing, food, transport, building, tourism, power plants, and telecommunications in South Africa, Ghana, Senegal and Tanzania.⁴⁰ Chinese enterprises have played a positive role through transferring technology and are more active than other enterprises in regional trade. Thus, trade with China could contribute to the quality and diversification of African exports.⁴¹ Notably, both the China Africa

Most African people view China's economic engagement in Africa positively.

³⁷Matthews *et al.*, "Learning From China's Foreign Aid Model."

³⁸Mogopodi Lekorwe, Anyway Chingwete, Mina Okuru, and Romaric Samson, "China's Growing Presence in Africa Wins Largely Positive Popular Reviews," *Afrobarometer Dispatch*, No. 122 (October 2016), http://afrobarometer.org/sites/default/files/publications/Dispatches/ab_r6_dispatchno122_perceptions_of_china_in_africa1.pdf.

³⁹Ibid.

⁴⁰Harry G. Broadman, *Africa's Silk Road: China and India's New Economic Frontier* (Washington D.C.: World Bank, 2007).

⁴¹Ibid.

Initiative and 2017 McKinsey report reveal that, contrary to the view that China seldom invests in the manufacturing sector, a large number of Chinese firms are in the manufacturing sector, particularly in the textile and apparel industry; many set up export platforms in East Africa to take advantage of the preferential trade regimes granted by the United States and the European Union (EU) to African countries.⁴² The 2017 McKinsey report also points out that more than 10,000 Chinese-owned firms are operating in Africa, about a third of whom are involved in manufacturing, mostly as small and micro businesses.⁴³

Despite the rapid growth in bilateral trade and Chinese investment in Africa, there remains the issue of sustainability as to how far this upward trend will go. Some analysts suggest that China's growth is rebalancing away from investment toward domestic consumption, which may lead to a drop in China's imports of commodities. That is not good news for Africa's commodity exporters and oil producers.⁴⁴ In fact, the IMF has already observed that Africa's decade-old trade surplus with China has turned into trade deficits as lower growth in China curbs import demand.⁴⁵

China's preferential trade policy allows for tariff exemptions on a number of products exported by eligible African countries.⁴⁶ China exempted the tariff on 97 percent of the commodities exported to China from the 31 least developed African countries. However, the policy is tailored to African export capacities,⁴⁷ thus the benefits for Africa has been modest. Besides, the persistence of tariff escalation and tariff peaks may

⁴²Broadman, *Africa's Silk Road: China and India's New Economic Frontier*; and John Henley, Stefan Kratzsch, Mithat Kulur, and Tamer Tandogan, "Foreign Direct Investment from China, India and South Africa in Sub-Saharan Africa: A New or Old Phenomenon?" World Institute for Development Economics Research, <https://www.wider.unu.edu/publication/foreign-direct-investment-china-india-and-south-africa-sub-saharan-africa>.

⁴³Ibid.

⁴⁴Chen and Nord, "Reassessing Africa's Global Partnerships."

⁴⁵Jaroslav Wiczorek *et al.*, *Regional Economic Outlook: Fiscal Adjustment and Economic Diversification* (Washington, DC.: International Monetary Fund, 2017).

⁴⁶Ali Zafar, "The Growing Relationship Between China and Sub-Saharan Africa: Macroeconomic, Trade, Investment, and Aid Links," *The World Bank Research Observer*, Vol. 22, No. 1 (Spring 2017), pp. 103–130.

⁴⁷Adam Minson, "China's Preferential Trade Policy for Africa," *China in Africa*, No. 1 (February 2008), <http://www.cebri.com.br/midia/documentos/313.pdf>.

limit increases in the value-added content of Africa's exports to China.⁴⁸ China often ties commercial loans to the exclusive use of Chinese companies and materials instead of open tenders, which also compromises the benefits for Africa.

As it is, the issue of China's commercial loans and rising debt incurred by African governments has become a major public policy concern.⁴⁹ The IMF has been concerned about rising debt in Africa and is reluctant to grant loans to countries with unsustainable debt profiles. China offers an alternative for countries to get loans in a much easier and quicker way than the World Bank and IMF. Yet some studies suggest that China's engagement in Africa has substantially impaired efforts to ease Africa's debt burden with grave consequences for poverty reduction and sustainable development. Even worse, the implementation of the BRI and other China's commercial loans may increase Africa's debt burden.⁵⁰ It is argued that Chinese loans will put many African economies into jeopardy and undermine their efforts to reduce poverty. The drastic slowdown in growth of commodity export from Africa is reducing the feasibility of large infrastructure projects while the rising debt levels are likely to curb Chinese appetite for future project financing. As reported in *Foresight Africa 2018*, "public debt in the median sub-Saharan African country rose from 34 percent of GDP in 2013 to an estimated 53 percent in 2017, and debt service as a share of revenue has doubled."⁵¹ Debt servicing accounts for more than 60 percent of government revenues in oil-producing countries like Angola, Gabon, and Nigeria.⁵²

⁴⁸Zafar, "The Growing Relationship Between China and Sub-Saharan Africa: Macroeconomic, Trade, Investment, and Aid Links"; and Broadman, "Africa's Silk Road: China and India's New Economic Frontier."

⁴⁹UNCTAD *Economic Development in Africa: Debt Dynamics and Development Finance in Africa* (New York: United Nations, 2016).

⁵⁰John Hurley, Scott Morris, and Gailyn Portelance, "Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective," Center for Global Development Policy Paper 121, March 2018, <https://www.cgdev.org/sites/default/files/examining-debt-implications-belt-and-road-initiative-policy-perspective.pdf>.

⁵¹Chen and Nord, "Reassessing Africa's Global Partnerships."

⁵²*Ibid.*

Yet others contend that Chinese financing, including loans, has not had an adverse effect on the reduction of African over-indebtedness under the heavily indebted poor countries (HIPC) initiative, although a risk of excessive debt still exists in some countries.⁵³ Some maintain that debt relief granted or promised by China will help to offset the debt burden.⁵⁴ Research shows that poverty and unemployment are major problems in Africa; many African countries could not meet the Millennium Development Goals (MDGs) targeted on poverty reduction.⁵⁵ In this sense, China's financial assistance is crucial to Africa's sustainable development. China has a record of canceling debt to Africa's poorest countries. Between 2000 and 2009, it canceled US\$2.8 billion of debt owed by 35 African countries. China and Africa have agreed to implement the China-Africa poverty reduction plan dubbed the "Happy Life" project, which involves about 200 poverty reduction programs focusing on women and children in Africa. To achieve this goal, China has promised to cancel outstanding debts in the form of bilateral governmental zero-interest loans borrowed by the least developed African countries by the end of 2015.⁵⁶

In addition to grants, interest-free loans, and concessional loans, China's aid model also covers "Other Official Funding (OOF)," economic diplomacy initiatives undertaken by various government departments, including commerce, agriculture, international affairs and defense. For instance, between 2010 and 2012, China provided technical and on-the-job training for almost 50,000 people from poorer countries, including the provision of about 300 training programs for 7,000 agricultural officials.⁵⁷

⁵³Helmut Reisen and Sokhna Ndoye, "Prudent versus Imprudent Lending to Africa: From Debt Relief to Emerging Lenders," OECD Development Center Working Paper No. 268, <https://www.oecd-ilibrary.org/docserver/242613675043.pdf?expires=1533138846&id=id&accname=guest&checksum=5031E8FB15E30B6EBB951735181C8243>.

⁵⁴Wang Jian-Ye, "What Drives China's Growing Role in Africa?" IMF Working Paper, October 2007, <https://www.imf.org/external/pubs/ft/wp/2007/wp07211.pdf>; and Gernot Pehnelt, "The Political Economy of China's Aid Policy in Africa," Jena Economic Research Papers 2007-051, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1022868.

⁵⁵Asante, "China's Security and Economic Engagement in West Africa: Constructive or Destructive?"

⁵⁶Ibid.

⁵⁷Matthews *et al.*, "Learning From China's Foreign Aid Model."

In addition, China promised to carry out agricultural development projects in 100 African villages to raise rural living standards, and to send 30 teams of agricultural experts to Africa. However, most of the promises have yet to see their full implementation and impacts.

Over the past decades, Africa has been lagging behind other developing regions in terms of infrastructure development, particularly in road, rail and telephone density, power generation capacity and service coverage.⁵⁸

The AfDB estimates that “the road access rate in Africa is only 34 percent, compared with 50 percent in other parts of the developing world, while transport costs are 100 percent higher.”⁵⁹ At the same time, “only 39 percent of the African population has access to electricity, compared to 70–90 percent in other parts of the developing world;” Africa’s power connectivity is 39MW per million inhabitants, the lowest among developing regions, and “more than 30 African countries experience recurrent outages and load shedding, with opportunity costs amounting to as much as 2 percent of the total annual value of the economy.”⁶⁰ According to some analysts, the lack of quality infrastructure in Africa holds back per capita economic growth by 2 percent points each year and firm productivity by 40 percent.⁶¹ The World Bank estimates that Africa needs US\$93 billion investment per year to meet its infrastructure requirements, accounting for

China has yet to fulfill its promises to Africa on development aid.

⁵⁸UNCTAD, *Economic Development in Africa: Debt Dynamics and Development Finance in Africa*.

⁵⁹Albert Mafusire, John Anyanwu, Zuzana Brixiova, and Maurice Mubila, “Infrastructure Deficit and Opportunities in Africa,” *The African Development Bank Group Economic Brief*, Vol. 1 (September 2010), https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/ECON_percent20Brief_Infrastructure_percent20Deficit_percent20and_percent20Opportunities_percent20in_percent20Africa.Vol_percent201_percent20Issue_percent202.pdf.

⁶⁰*Ibid.*

⁶¹Alvaro Escribano, J. Luis Guasch, and Jorge Pena, “Assessing the Impact of Infrastructure Quality on Firm Productivity in Africa,” World Bank Policy Research Working Paper 5191, January 2010, <https://openknowledge.worldbank.org/bitstream/handle/10986/19901/WPS5191.pdf?sequence=1&isAllowed=y>.

25 to 36 percent of the GDP of low-income countries and 10 to 12 percent of the GDP of lower middle-income countries and resource-rich countries.⁶²

Despite the huge deficit in infrastructure, private sector investment and participation in infrastructure provision in Africa remains low.⁶³ In 2015, the AfDB initiated the infrastructure fund *Africa 50*, in order to mobilize over US\$100 billion for infrastructure development from the stock market, African Central Bank reserves and African diaspora. Many African countries have also taken measures to encourage participation of the private sector in national and regional projects in such fields as energy, water, transport, information and communications technology.⁶⁴ However, progress has been very slow.

It is in this context that Chinese investments in infrastructural development have become important. Key infrastructure projects include the Nairobi-Mombasa high-speed line and the links between Tanzania, Kenya, Uganda, Rwanda, and South Sudan. Such projects facilitate regional integration and help increase cross-border trade. Chinese firms involved in the African construction sector tend to do well because of their access to cheap capital, low-cost labor and cheap building materials, and, most importantly, thanks to the political support from the Chinese government.⁶⁵

One of the key approaches China uses to fund infrastructure in Africa is through “oil for infrastructure” deals — the so-called “Angola model.” Africa is blessed with abundant untapped natural resources but lacks the capital to exploit them. China, on the other hand, has the capital and technology but lacks the natural resources and desperately needs them to feed its manufacturing industry. Against this backdrop, a loan is negotiated to finance an infrastructural project and repayment of the loan is made in terms of natural resources such as oil or cocoa beans. China hails this barter system as an example of economic complementarity between China and

⁶²“Private Participation in Infrastructure Database,” World Bank, <http://ppi.worldbank.org/>.

⁶³Mafusire *et al.*, “Infrastructure Deficit and Opportunities in Africa.”

⁶⁴UNCTAD, *Economic Development in Africa: Debt Dynamics and Development Finance in Africa*.

⁶⁵Chen Wenjie, David Dollar, and Tang Heiwai, “Why is China investing in Africa? Evidence from the Firm Level,” The Brookings Institution, August 2015, <https://www.brookings.edu/wp-content/uploads/2016/06/Why-is-China-investing-in-Africa.pdf>.

Africa, “mutually beneficial” to both parties.⁶⁶ For through such deals, African countries are able to invest in projects where the traditional partners such as the IMF, World Bank, and Western energy firms have declined to invest out of environmental and other concerns.

Yet this “Angola model” has come under heavy criticism⁶⁷ and is blamed for entrenching the traditional division of labor where Africa is basically a raw material provider. The environmental and social consequences of lasting extraction of resources are also a serious issue.⁶⁸ However, infrastructure for oil deals are not new. Such deals have often been used over the past two decades and proven workable.⁶⁹ In the 1970s and 1980s, China also used resource-backed loans to foster its own development, such as leveraging its natural resources (oil and coal) to attract a US\$10 billion loan from Japan. Through this arrangement, Japanese firms (transport corridors, coal mines, power grids) built new infrastructure for China.⁷⁰ Based on China’s own experience, it is argued that such deals are a fast and promising way for Africa to bridge its infrastructural gap.

Since the beginning of the 21st century, China has demonstrated its capacity in infrastructure building through resources-for-infrastructure deals, stimulating economic growth and development. However, critics have expressed reservations about the risks and hidden costs associated with Chinese investments, including the resources-for-infrastructure deals and their negative impact on

China’s resources-for-infrastructure approach may generate social and environment risks to Africa.

⁶⁶Cosima Cassel, Giuseppe de Candia, and Antonella Liberatore, “Building African Infrastructure with Chinese Money,” Barcelona Graduate School of Economics, June 22, 2010, <https://www.barcelonagse.eu/tmp/pdf/ITFD10Africa.pdf>.

⁶⁷Asante and Debrah, “China and Africa Relations: Making Their Lunch or Eating It?”; Richard Asante, “Breaking the Barriers to Africa’s Development? The Prospects, Opportunities and Challenges of China’s Approach to Development in Africa,” in Munyaradzi Mawere ed., *Underdevelopment, Development and the Future of Africa* (Mankon, Bamenda: Langaa RPCIG, 2017).

⁶⁸Ibid.

⁶⁹Brautigam, *The Dragon’s Gift: The Real Story of China in Africa*.

⁷⁰Ibid.

human rights, democratization process, good governance, environment, labor laws, and economic dependency.⁷¹ China's engagement in Africa is often considered to be driven primarily by its strategic search for raw materials.⁷² As aptly put by Lamido Sanusi, former director of the Nigerian National Bank, "China takes our primary goods and sells us manufactured ones. This was also the essence of colonialism."⁷³ This type of economic exchange may reinforce African economies' dependence and specialization in natural resources and undermine their efforts at industrialization. For example, African countries have been decimated by relatively cheap "Made in China" products, particularly in Ghana, South Africa, Zambia and Nigeria, where the thriving local textile industries have been flooded with cheap textiles that destroy the domestic market.

Other observers, however, regard such criticism as largely exaggerated, because in most cases, there is little evidence of competitive manufacturing capacity in African countries. Instead, they argue that "the central challenge to Africa's diminutive industrial capacity is from globalization in general, rather than specifically from China."⁷⁴ In addition, Chinese exports to Africa greatly benefit consumers who cannot afford higher-cost imports from other parts of the world. By all means, China has greatly helped with the economic development in resource-rich countries like Angola and Sudan on the basis of mutual respect and win-win results.

Critics also contend that those resources-for-infrastructure deals pose major risks of environmental damage. As a developing country, China has kept a poor environmental track record both at home and abroad. Worse yet, the enforcement of new regulations introduced by the Chinese

⁷¹Asante and Debrah, "China and Africa Relations: Making Their Lunch or Eating It?"; Asante, "Breaking the Barriers to Africa's Development?," in Mawere, ed., *Underdevelopment, Development and the Future of Africa*.

⁷²Raphael Kaplinsky and Mike Morris, *Dangling by a Thread: How Sharp are the Chinese Scissors?* (Brighton: Institute of Development Studies, 2006); and Helmut Asche and Margot Schüller *China's Engagement in Africa: Opportunities and Risks for Development* (Eschborn: Deutsche Gesellschaft für Technische Zusammenarbeit GmbH, September 2008).

⁷³Thierry Vircoulon and Victoria Madonna, "China and Africa: The Honeymoon Is Over," Institut Français des Relations Internationales, July 2015, <https://www.ifri.org/en/publications/editoriaux/actuelles-de-lifri/china-and-africa-honeymoon-over>.

⁷⁴Martyn Davies et al., *How China Delivers Development Assistance to Africa* (Stellenbosch: Centre for Chinese Studies, February 2008).

government has forced some Chinese state-owned enterprises (SOEs) to relocate to Africa where environmental standards are relatively weaker.⁷⁵ The Merowe Dam Project in Sudan, with serious environmental consequences, is a case in point. Fortunately, there is evidence that China has placed more attention to such environmental concerns. Under the auspices of the FOCAC, China has published many environmental guidelines for its African projects concerning pollution control, biodiversity conservation, protection of forests and fisheries, and wildlife management. Nevertheless, it will take time for Chinese companies to fully abide by those guidelines while they are in operation.⁷⁶

Conclusion

Africa has had close trade relationships with Europe and North America during the 20th century. Yet the trade and economic exchange pattern has never been regarded as mutually beneficial, a major reason for Africa's underdevelopment. Africa has played a subordinate role by specializing in the supply of raw materials to the industrialized North and importing from them manufactured goods. South-South cooperation and exchanges have been recognized as key to shielding developing countries against such exploitation and other negative impacts of globalization. As a good example, in 2015, the leaders of China and Africa upgraded their relationship from strategic partnership to comprehensive strategic and cooperative partnership, further strengthening their political equality and mutual trust, economic cooperation for "win-win" results, exchanges and mutual learning between their civilizations, mutual assistance in security issues, as well as solidarity and cooperation in international affairs.

Since 2009, China has become Africa's biggest economic partner. It is widely expected that trade and economic exchanges will be mutually beneficial to both China and Africa. So they are to a large extent. As of January 2018, the volume of China-Africa trade was up by 14.1 percent than the previous year — China's exports to Africa rose by 2.7 percent while its imports from Africa increased by 32.8 percent.⁷⁷ China's financing of

⁷⁵Asante and Debrah, "China and Africa Relations: Making Their Lunch or Eating It?"

⁷⁶Cassel *et al.*, "Building African Infrastructure with Chinese Money."

⁷⁷MOFCOM, "Statistics on China-Africa Bilateral Trade in 2017."

infrastructure projects has contributed much to addressing crucial bottlenecks to industrial development and structural transformation in Africa. As the middle class in China and Africa continues expanding, African export opportunities to China are increasing as well.

However, there remain some concerns or potential problems with the pattern of trade and economic exchanges between the two, especially with the resources-for-infrastructure deals. Most African exports to China are fuels, metals, or other natural resources. Progress towards diversification has been slow despite the growing Chinese presence in Africa's manufacturing sector. Many of China's pledges to meet local labor and environmental standards as well as to support export diversification in Africa — mainly through the establishment of SEZs — have yet to be fulfilled. There are also concerns that China's commercial loans may put African countries into a debt crisis some day. Until all these concerns and problems are effectively addressed, the economic partnership between China and Africa will continue to be under question as a tested model of South-South cooperation.