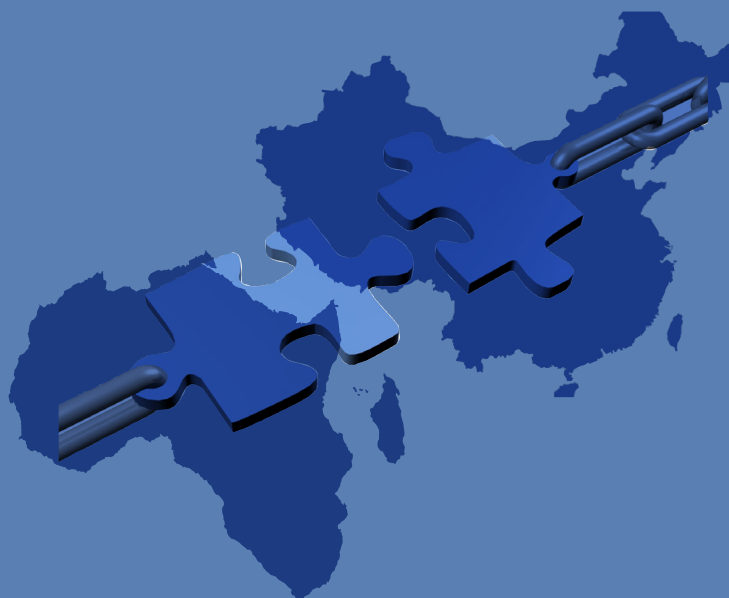




Economic Commission for Africa (ECA)  
Sub-regional Office for West Africa (SRO-WA)

# **New Trends in Triangular and South-South: Africa's Strategy toward China and its implications for West African Countries**



*Papers Presented at the Adhoc Experts Group Meeting on South-South Cooperation  
held from 21 to 22 September 2010, Lome-Togo*



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ECA-WA/NONREC/2010/03

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# Foreword

This publication entitled "New Trends in Triangular and South-South: Africa's Strategy towards China and its implications for West African Countries" consists of papers presented at an Ad Hoc Group of Experts Meeting organized by the Economic Commission for Africa, Sub-regional Office for West Africa in Lomé, Togo from 21 and 22 September 2010. The meeting discussed relations with China and proposed common strategies for West African countries in their relationship with the former. In particular, it identified strengths, weaknesses, opportunities and challenges for the sub-region's engagement with China, and suggested approaches for West Africa to take advantage opportunities for cooperation with the Chinese in various fields. It is generally accepted that the economic performance of China's progress in economic and diplomatic relations worldwide had strengthened its involvement worldwide and in Africa. The meeting concurred that the presence of the Chinese offers good prospects for the countries of West Africa. It is also recognized the constraints and challenges which this relationship unleashes on the continent. The papers in this publication not only provide an overview of the China-Africa cooperation in key areas but also outline proposals for a sub-regional strategy in cooperation with China. The publication offers both national level and sub regional strategies to fully optimize on the ever-growing engagement with the Chinese. The conclusions of the meeting were used to develop these strategies. Importantly, publication calls for ECOWAS to take the lead in assisting member States to agree on a sub-regional framework to serve as reference for the definition, development and implementation of their cooperation with China

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Director  
ECA Subregional Office for West Africa

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The publication was compiled with the assistance of Prof. BIAO Barthélémy, who synthesized the contributions from the expert group meeting and aligned the recommendations and conclusions. The contribution by colleagues in SRO-WA, Emile Ahohe, Joseph Foubi and Daniel Gbetkom and of all Staff in SRO-WA in the compilation of the publication is gratefully acknowledged.

# Introduction

Relations between China and Africa which were essentially ideological in nature during the cold war period have undergone a rapid expansion in the recent past as a result of the strong growth and economic boom which have given fresh momentum to China's arrival on the international scene. The stakes involved in China-Africa cooperation have provided a platform for debate which will be analysed in this publication with a view to enabling African countries in general, and West African countries in particular, to identify the strengths and weaknesses in this relationship as well as the opportunities and risks involved.

During the cold war, the isolation of Taiwan and alignment with Communist and Socialist-type policies constituted the principal orientations of Chinese foreign policy. Consequently, China-Africa cooperation was mainly political in character, backed by military and financial assistance, and accompanied by limited trade relations. This form of cooperation was relatively successful in the post-cold war period, targeting countries with rich reserves of strategic materials and other minerals, and including the involvement of China in the infrastructural and agricultural development of the target countries.

However, it was mainly in the wake of the China-Africa Cooperation Forum held in Addis Ababa, Ethiopia in December 2003, that relations between Africa and China began to spread into all sectors of activity, especially the trade sector, with the introduction of a tariff exemption programme covering 25 African countries and 190 products. The trend intensified since the China-Africa summit of November 2006, at which significant developments were announced, namely, doubling of Chinese aid by 2009, compared to 2006 levels; three billion US dollars in preferential loans; two billion export credits; and five billion US dollars of Chinese investment promotion funds in Africa. The two parties also restated their commitment to deepening cooperation links along "win-win" lines, based on unconditional political equality, mutual trust, sincerity and disinterest.

In West Africa, cooperation with China assumed special significance following the organisation of the first ECOWAS-China Economic and Trade Forum in Beijing in August 2008. The forum led to the institutionalisation of a consultative platform for regular meetings on the promotion of foreign direct investment and trade relations between ECOWAS and China. The platform has become a framework for the deepening and monitoring of cooperation links between the two parties.

The progress recorded by China on the international scene in general and in Africa in particular, has gone in tandem with outstanding economic achievements which, over the last few years, with annual growth rates of more than 10%, have not only launched China into the league of major world markets, but also identified it as one of the most important world exporters. At the same time, cooperation between Africa and China has assumed greater dimensions with Chinese trade and investment in Africa in particular, growing at a



spectacular rate. Consideration of a few characteristic factors will help to highlight these trends.

In the trade sector, China-Africa relations are dominated by imports of a limited number of African products of an essentially strategic nature, such as petroleum and other raw materials, while Chinese exports to Africa are manufactured goods, especially consumer end products such as textiles, shoes and furnishings. Strong Chinese demand for raw materials opens up an opportunity for Africa by virtue of the guarantee which it offers in terms of greater quantities of African products at higher prices. However, Chinese exports compete with those African countries exporting the same goods. In the same vein, while the low prices and accessibility of Chinese goods are perceived on the one hand as instruments for poverty reduction, on the other, they also constitute a threat to local industries and employment.

Chinese aid to Africa is perceived more as a support to Chinese trade, even in fragile States, rather than in the light of the political considerations of yesteryears. As a result, Chinese direct investment is increasingly directed towards the strategic sector of mineral research as the support for raw materials development, and towards the construction and management of factories and reinforcement of the infrastructural network.

In political terms, while some protagonists in the debate on China-Africa cooperation are of the view that, in their relations with Africa, the Chinese “turn a blind eye” to issues of governance and human rights, others believe that the Chinese detect opportunities where Western enterprises hold back for fear of difficulties. Chinese enterprises appear more willing to invest in difficult countries or areas, including fragile States, because they are less wary of taking political risks.

The other criticism levelled at Chinese aid is the use of predominantly Chinese labour in Chinese projects and programmes in Africa, which is seen as a threat to local employment. There is also mention of environmental risk, and the lack of transparency in revenue declaration and utilisation by the petroleum, mineral and other raw material-producing countries.

All in all, the Chinese breakthrough on the world scene and its growing implantation in Africa would appear, at first sight, to open up a promising perspectives for West Africa in terms of the induced and multiplier effects of the new strategic and economic orientations of the countries of this sub-region. However, in order to enjoy these effects, the countries have an obligation to examine and exchange information on the whys and wherefores of the new Chinese policy towards the African continent, and formulate a harmonised approach in this regard. Policy harmonisation is all the more necessary since the countries themselves have, for several years, been committed to an integration process which they are seeking to reinforce.

It is against this backdrop that the ECA Office for West Africa, in implementation of its work programme, organised an ad hoc meeting on “New Trends in South-South and Triangular Cooperation: Africa’s Strategy toward China and its Implications for the West African Countries” in Lomé, Togo, on 21 and 22 September 2011. The objective of the

workshop was to discuss and formulate common strategies for the West African countries, governing their relations with China. Specifically, the participants were required to identify the strengths, weaknesses, opportunities and challenges facing the sub-region in its relations with China, and to formulate recommendations thereon for the consideration of the West African decision-makers.

The meeting involved the presentation of papers which were followed by discussions and recommendations from the participants, and was attended by representatives from Burkina Faso, Côte d'Ivoire, Ghana, Liberia, Mali, Senegal, Sierra Leone and Togo. Resource persons with experience in international cooperation, and specifically, in China-Africa relations, were also participants at the workshop.

During their deliberations, delegates expressed appreciation to the ECA Office for West Africa for its initiative in organising this important meeting on a subject of major and current concern, namely, relations between Africa and China. Through this initiative, the Office was providing the Member States and their experts with a forum for knowledge-sharing on this burning issue, and for the harmonisation of their viewpoints with the aim of ensuring the accrual of maximum benefits to them, both individually and collectively, from their cooperation relations with China.

Delegates were unanimous in acknowledging that Chinese intervention in Africa is not neutral, but rather, rooted in the ulterior motives and strategic interests of China as a result of the country's recent economic breakthrough. Consequently, despite the "win-win" approach advocated by both sides, relations between Africa and China reflect an imbalance, in the absence of a clear, coherent and coordinated strategy on the part of the African States themselves enabling them to engage China in a proactive manner.

They also observed that, despite the efforts deployed at sub-regional and continental levels, negotiations between China and individual African countries remain fundamentally bilateral. Such negotiations are essentially dominated by Chinese support based on Chinese interests and enterprises.

After a detailed examination of the benefits and risks as well as the challenges to the West African countries in their relations with China, the experts formulated the following recommendations:

- African countries must put in place a sub-regional and continental cooperation framework for relations with China which will constitute a reference point to guide member States in their negotiations with their Chinese partners, based on the EPA negotiating mechanisms, for example. The framework should include a system for the monitoring, control, evaluation and assistance of Member States, driven by the African Union Commission at the continental level, and by the ECOWAS Commission at the West African level. It should also include a minimal number of common provisions applicable not only to China, but also to Africa's traditional partners;

- Strategic partnership with China should focus in the medium term, on Africa's industrialisation needs in relation to the relocation of Chinese enterprises to the African continent. In this regard, West African countries should facilitate the installation of Chinese enterprises and guarantee them supplies of raw materials, while leaving to China the responsibility for promoting the end products on the national and world markets;
- The issues of competition and the risk to local industries created by Chinese products should be addressed priority short-term issues during negotiations. A protection package for local enterprises should be envisaged, based on the approach adopted by China itself before its opening up to the outside world;
- West African countries need to reinforce and coordinate their quality control mechanisms for consumer products such as pharmaceuticals, in order to protect their people from the risks associated with certain Chinese products of inferior quality;
- Since Chinese labour and the issues of technology transfer and capacity building in Africa are the weak links in relations with China, it will be necessary to enforce national labour laws in cooperation projects with China, emphasising the need for training and the employment of greater numbers of local workers and entrepreneurs in Chinese interventions in the sub-region;
- It is also necessary to build the negotiating capacity of African stakeholders for the purposes of negotiations with China in order to ensure that the countries benefit more from their relations with China: through familiarisation with the procedures and rules of engagement of the Chinese party;
- The issue of the reduction of the quantities of supplies from China used in Chinese-sponsored development projects should be tabled by the African countries during negotiations;
- Supplies and the issue of sub-contracting to local enterprises should be a priority concern in order to induce greater impact on the economies of the Member States;
- West African countries should draw on the experience which has enabled China to achieve the impressive performances in the sectors of agriculture and the processing of agricultural products which have enabled it to feed its enormous population.

In conclusion, the delegates unanimously acknowledged that cooperation with China is beneficial to African countries in general and West African countries in particular. However, they proposed that the States should negotiate and introduce certain conditions aimed at redressing the balance of this cooperation with a view to achieving the "win-win" approach so strongly advocated by both parties. They also emphasised the need to improve production capacity in order to enable them to benefit fully from their relations with China. Finally, the experts proposed that these recommendations should be submitted to the ECOWAS Commission for consideration.

This document is a collection of papers presented at the meeting. The recommendations in this publication are designed as advocacy tools directed at Member States, sub-regional organisations, development partners, and as a reference document for the definition of the positions to be adopted by the West African countries in their cooperation relations with China.

# Chapter 1: Background to and New Trends in China-Africa Cooperation

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## Introduction

“China is seeking to establish and develop a new type of strategic partnership characterised by equality and mutual trust on the political level, and cooperation on a “win-win” basis on the economic level”. Such were the principles enunciated in the White Paper published by Peking in 2006, which justify our taking a critical look at this point in time, at the track record and new directions of China-Africa cooperation.

Historians agree that as early as the XVth century, China had led large-scale maritime expeditions to the east coast of Africa (Somalia, Kenya and Zanzibar), which enabled it to establish strong trade relations with this region of the continent. Today, China’s extraordinary progress on the economic front goes hand-in-hand with its ascendancy on the international scene, and most particularly in Africa.

Against this backdrop, this paper presents a brief summary of China-Africa cooperation viewed from a historical perspective, with the aim of providing African countries in general and West African countries in particular, with a firm foundation for the elaboration of future strategic options for the development of these cooperation links. In furtherance of this objective, the paper demonstrates firstly, that China-Africa cooperation is of time-honoured standing, with multi-form stakes, and secondly, that China-Africa cooperation today bears the hallmark of an economy-driven renewal.

## I. China-Africa Cooperation: Time-Honoured Cooperation Links with Multi-Form Stakes

Geopolitical stakes were, in the past, at the very core of China-Africa cooperation. However, aid for development has assumed an increasingly prominent place in China’s engagement in Africa.

### *I-1. The Geopolitical Stakes*

In the mid-1950s, African countries and China established closer links based on a shared past as entities under foreign domination. From time immemorial, China has been the object of the desires of Western powers: England, France, Germany, Russia, the United

States, and especially Japan. By the beginning of the 20<sup>th</sup> century, the Chinese Empire was no more than a collection of semi-colonial lands disputed by these powers. This foreign domination was pushed to its furthest extreme by Japan which, up till the Second World War, went to greater lengths to invade and subjugate the Chinese Empire. The African countries for their part had undergone years of slavery, the slave trade and colonisation. These phenomena were mitigated only at the end of the Second World War which marked their accession to international sovereignty.

The historical similarity of their foreign domination led China and Africa to establish links of solidarity informed by a common resolve to fight the powers of imperialism. The Bandoeng Conference of 1955 was the first tangible manifestation of this solidarity. The conference, which was convened at the initiative of five Asian countries, namely, Burma, Ceylon, Indonesia, India and Pakistan, was attended by six African countries, including the two major African countries of the time, Egypt and Ethiopia. The official declarations emanating from this conference highlighted the compelling need for Asia to help Africa, on the grounds that they were “sister continents”. In practical terms, China assumed the leadership of this militant solidarity in support of the struggle against imperialism and domination (ECOWAS, 2006).

For China, Bandoeng represented the ideal means by which, on the one hand, to manifest its support for the countries involved in the struggle against colonial domination, and on the other, to establish its burgeoning diplomatic presence in the international arena. This budding cooperation between Africa and China now took on the form of reciprocal political support on international issues, and also, financial support from China in the form of aid for development. While China has been unwavering in its support for decolonisation (financial and logistical assistance to the National Liberation Movements in Angola, Zimbabwe, Algeria and Egypt), Africa for its part, helped to swing the vote for the international recognition of China within the UN (vote of African countries in support of the recognition of China by the UN at the expense of Taiwan - October 1971).

Recent trends in this form of political cooperation attest to a deepening of consultative interactions and cooperation between China on the one hand and the African Union (AU) and the African sub-regional organisations on the other. China gave financial aid and equipment for AU peace-keeping operations in Sudan and Somalia. In West Africa, an ECOWAS delegation conducted a working mission to China and exchanged views with their Chinese Departmental counterparts on ways and means of strengthening cooperation links (Foreign Policy Review dated 05/07/2007 accessed on 23 August 2010).

## *I-2. Chinese Aid for Development in Africa*

In addition to the traditional group of donors of Public Aid for Development (PAD) there is a growing trend towards the assertion of emerging countries on the international scene as the new donors for countries which are poorer than they, and in particular, the African countries. Prominent among these donors is a core group of four countries, namely, Brazil, India, China and South Africa. China's PAD, since the 1990s should be viewed from a strategic perspective as combining prormatism with the need to supply the demands created by the spectacular economic growth which has characterised it as an emerging

country. This, it has achieved by securing and diversifying the supply lines for its raw material needs, especially in petroleum, and by seeking external outlets for the marketing of its industrial and technological products (DZAKA, 2008). The strategy is simple – China provides aid and receives in return a contract to exploit natural resources. (ZHONGXIAN ZHANG, 2006).

Although the unavailability of statistics on Chinese aid remains a problem, from the African end, it is estimated that the continent receives 44% of Chinese PAD, amounting to an annual total of 1 to 2 billion US dollars (CHAUVET and YANITCH, 2007, p.23). The major beneficiaries of this aid are Angola, Equatorial Guinea, Gabon, Nigeria and Congo-Brazzaville - a list which attests to the primacy given to petroleum-producing countries.

The debt relief granted to African countries is a recent example of Chinese PAD to Africa. In the period from 2000 to 2002, China cancelled arrears of debt totalling 10.5 billion yuan (1.3 billion dollars), and for 2006, announced the cancellation of 10 billion more yuan-worth of debt owed by the 33 heavily indebted and developing African countries with which it maintains diplomatic relations. WANG et al (2008). A few years ago, some authors were of the view (NIQUET 2006; CHAPONNIERE, 2007) that by the end of the 2000s decade, China, which is already a major donor, could become the premier bilateral donor for Africa, boosted by its fabulous foreign exchange reserves which are currently estimated at more than 1,500 billion USD.

The Chinese institutions involved in the financing and management of aid are the following:

- The Ministry of Foreign Affairs;
- The Ministry of Trade (MOFCOM);
- China Export – Import Bank (EXIMBANK), established in 1994;
- China Development Bank (CDB), also established in 1994;
- China Export and Credit Insurance Corporation (SINOSURE);
- Local communities;
- Chinese Youth Volunteers, an organisation which was recently incorporated into the Chinese PAD institutional framework in Africa.

According to some analysts, one of the reasons why China is a useful partner for Africa is the fact that the decision-making process is less time-consuming in Peking than in some Western countries and international agencies. Unlike China, the latter tie their aid to conditions relating to transparency, the respect of human rights and of democratic principles. (e.g. Angola Sudan).

The main issue arising in connection with Chinese PAD in Africa is the extent to which it contributes to the development of the beneficiary countries in general and the petroleum and mineral-producing countries in particular. DZAKA (2008) tries to address this concern by demonstrating the mitigated impact of Chinese PAD to the ECCAS petroleum-producing countries. He demonstrates that Chinese PAD to Central Africa contributes to sustainable development of the receiving countries by stimulating their growth through the boom in their exports of raw materials (especially petroleum). However, the impact of

Chinese investment in Central Africa in terms of environmental conservation and the social responsibility of enterprises remains comprehensively negative. Notwithstanding the mitigated impact of Chinese PAD, economic considerations are at the core of the renewal of China-Africa cooperation.

## II – China-Africa Cooperation: The Economic Basis for Renewal

The sheer volume of trade between China and Africa places the economic considerations at the core of their cooperation links.

### *II-1 Trade Volume and Emergence of Economic Considerations*

The volume of trade between China and Africa is substantial and expanding fast. It involves trade flow on the one hand, and investment and migration on the other.

#### **A- Trade**

According to Chinese figures, total value of trade between China and sub-Saharan Africa, which was worth 817 million dollars in 1977 – exceeded 10 billion dollars in 2000, and 18.5 billion in 2003.

**Table showing trade figures between China and some African countries in 2003 (in billions of USD)**

Country	Exports	Imports	Total
South Africa	2.02	1.84	3.86
Algeria	0.64	0.09	0.73
Angola	0.14	2.2	2.34
Benin	0.47	0.07	0.54
The Congo	0.06	0.81	0.87
Egypt	0.93	0.15	1.08
Morocco	0.69	0.16	0.85
Nigeria	1.78	0.07	1.85
Sudan	0.47	1.44	1.91
Other	2.93	1.52	4.45
Total	10.13	8.35	18.48

**Source:** Ministry of Commerce of the People’s Republic of China, 2004

It is clear that China imports more from countries with substantial natural resources than it exports to those countries, with the exception of Nigeria in 2003. Chinese imports



from Angola, the Congo and Sudan consist mainly of mineral products. The reason why Nigeria is an exception to this rule is that its huge market provides an opportunity for the marketing of Chinese manufactured products. Nigeria in fact, functions as the channel through which to access the wider ECOWAS market.

China has, at this point in time, become Africa's third trade partner, after France and the United States. Sino-African trade follows the traditional model according to which Africa exports energy and raw materials (minerals, precious stones, wood, cotton, fishery products) and imports consumer products, machine tools and textiles. In addition, Africa provides China with an outlet for its telecommunications and textile products.

Trade between Africa and China is similar in composition to trade between Africa and its other major partners. This similarity in the breakdown of trade exchanges suggests that the development of Sino-African trade reflects in the main, the comparative advantages of the two partners, based on their respective levels of economic development, rather than any unilateral interest manifested by China in the exploitation of Africa's natural resources. WANG and BIO-TCHANE (2008).

## **B – Chinese Investments and Migration**

In addition to its exports of manufactured products to Africa, China invests massively in the construction of infrastructures such as hydroelectric and telecommunications installations, highways, railroads and gas pipelines. According to certain analysts, China, in its global investment strategy, increasingly negotiates with African countries in terms of development projects.

In addition to offering trade opportunities, Africa appears to represent a special target for Chinese investment. Since it is less averse to risk-taking, China intervenes in regions where the security of its investments is less certain. In 2004, Chinese investment in Africa since 1979 had attained the cumulative amount of 923 million dollars. The level of investment for 2005 alone stood at 175 million dollars. According to the Chinese Ministry of Trade, in 2005, Africa absorbed nearly 3% of overall Chinese direct investment abroad (DIA), more than 70% of which went into the mining sector, inclusive of petroleum. In the sectors concerned, China invested massively in deposits of raw materials (copper, nickel, iron, bauxite or uranium), and increased the number of its partnerships with a view to ensuring regularity of supply. With 60% of African wood being presently exported to China, forestry is also included in the framework of the Chinese policy on the exploitation of raw materials.

Public works are another major area which attracts Chinese investment in Africa. The construction of infrastructures has for long been one of the instruments adopted by China in furtherance of its strategy of maintaining close ties with the African continent. China has built and continues to build congress halls, Presidential residences, conference centres, stadiums, cultural or youth centres and factories for its African partners.

The Chinese presence is also manifest in the agricultural sector. Chinese companies purchase land, thereby contributing to the development and modernisation of agriculture.

Examples of this policy in action are to be found in Zimbabwe, Mozambique, Senegal, Tanzania, Kenya, and Côte d'Ivoire. However, production from these exploitations is mainly earmarked for the Chinese and Western markets.

The establishment of the Chinese in the rural areas of Africa has not been hitch-free because 60% of the African population lives in the rural areas and depends on the land for its income and survival, at a time when climate change aggravates the risk of food crises. (DIOP 2010).

Migration, because it goes hand-in-hand with trade and investment, is becoming an increasingly important channel for economic relations between China and Africa. It is difficult to evaluate the number of Chinese nationals resident in Africa, but it is an acknowledged fact that they are many, with pockets of concentration in Angola, Zimbabwe and along the coast of West Africa.

The volume and diversification of Sino-African trade demonstrate the fact that economic considerations are now at the very core of the outlook for Sino-African cooperation.

## II-2 Economic considerations and the outlook for China-Africa cooperation

Reciprocal trade between China and Africa is, at present, a major determinant of their economic growth. There is a resultant need to explore the possibilities and limits of a win-win partnership.

### *II-2-1 Reciprocal Trade and Economic Growth*

On the one hand, China needs Africa to supply its huge demand for raw materials. On the other, the presence of China in Africa in general and in West Africa in particular opens up an opportunity for Africa which, however, is not risk-free.

#### **A- Chinese Economic Growth and Demand for Raw Materials**

Sino-African cooperation is predicated on China's need for the natural resources with which Africa is endowed, in order to feed its rapidly expanding industrialisation projects. Petroleum, precious metals and wood are its main targets.

Energy dependency has become a major concern for Beijing. In 2005 for example, energy imports represented 45% of total petroleum consumption. In the past, China relied on three main suppliers, namely, Indonesia, the Sultanate of Oman and Iran. However, it should be recalled that the main objective of China remains the diversification of its energy sources and the building up of direct investment opportunities in this sector. Opportunities in this regard may be considered from two angles: the realisation of prospection projects through the instrumentality of joint venture arrangements or the acquisition of deposits with the aim of reducing dependency on the energy market.

In view of the control exerted by the United States over all the countries of the Middle East, with the exception of Iran, it is only natural that Africa should have become such a desirable target for China in its efforts to achieve its energy objectives. In 1997, the leading petroleum company in China, China National Petroleum Corporation (CNPC), as part of a consortium involving a Malaysian and a Canadian company concluded an agreement with a Sudanese company for petroleum prospection and exploitation in Sudan. Although it is difficult to determine the total value of Chinese investment in petroleum projects in Sudan, it is generally agreed that the country is a special partner of China's in this domain. Indeed, 60% of Sudan's petroleum production and a quarter of petroleum production in Angola is exported to China.

The other African sources of petroleum supplies to China are Equatorial Guinea, Egypt, Nigeria, Congo-Brazzaville, Gabon, Cameroon and Chad. China accounts for a substantial percentage (between 20 and 30%) of global demand for the principal metals, namely, iron ore, copper, aluminium, nickel and zinc. This already high level of demand is in sharp increase. It is estimated that Chinese consumption of steel alone rose by 20% between 1992 and 2002, while average global consumption steadied at 4 %.

### **China-Africa Relations: Opportunities and Risks for Africa**

Africa needs investment capital and technology in order to improve its infrastructures and revitalise and modernise its economy. In this regard, Chinese investment in Africa in all sectors contributes to the growth of the wealth of the African countries, driven by the rise in world prices of raw materials since 2000. Although through its financial support and contribution to the exploitation of raw materials in the African countries, China contributes to their growth, the opportunity thus created is not risk-free in terms of the production and processing capacity of the countries in question.

In trade terms, China exports manufactured goods to the African countries and imports mainly raw materials. Chinese exports therefore weaken the local industrial fabric and upset trade channels. Even though some writers maintain that this trend is merely a reflection of the comparative advantages of each of the partners, the competitive strength of Chinese manufactured goods as compared to that of local African products remains a real cause for concern for policy makers in the area of industrial development. This is particularly true of the textile, leather, clothing and shoe industries.

For the petroleum and mineral-producing countries, the Chinese presence has substantially boosted earnings. However, the risk they run in real terms is that of creating a rent-based economy around the exploitation of raw materials, a situation which would limit the impact of their earnings in terms of improving the living standards of their populations and achieving sustainable development.

With regard to sustainable development, the Chinese are frequently criticised for not taking any account of environmental issues in their exploitation of the agricultural sector and the extractive industries, as well as for failing to comply with international standards in these sectors, at the risk of creating major damage in the long term.

Similarly, the execution of major public works projects has endowed a number of African countries with modern infrastructures. However, these projects are mostly executed with the use of Chinese labour, to the detriment of African employment needs. Where local labour is used, working relations tend to be difficult.

A further negative aspect of China - Africa relations which is frequently referred to is its lack of concern for the issues of good governance and respect of human rights. China is accused of hiding behind the principle of non-interference to lend its support to States which have scant regard for good governance and respect of human rights.

### *II-2-2 The Outlook for West Africa: Possibilities and Limitations of a Win-Win Partnership*

As stated in the excerpt from the Beijing White Paper referred to in the introduction to this paper, China claims today to be promoting a win-win partnership with Africa. Nonetheless, there can be no doubt that the partnership is at present, unequal. This imposes on the African countries in general, and the countries of West Africa in particular, the need to formulate a common regional strategy.

#### **B- An Unequal Partnership**

Is Africa in general and West Africa in particular, really benefitting from its cooperation with China? Is it possible to speak of a win-win partnership as their relations presently stand? It is difficult to respond to these questions in the affirmative, given the low competitiveness of the African economy and the absence of technology transfer.

##### *1. Low Competitiveness of the African Economy*

The capacity of a State or group of States to weigh in the balance of international economic relations is dependent upon a number of parameters, including population, size, economic performance, membership of a large and influential economic or geographic grouping (such as the European Union). Africa fails to comply with any of these criteria. Africa's weakness on the international scene is a condition of its underdevelopment which limits its competitiveness and reduces it to the level of a rent-based economy geared towards the exportation of raw materials.

##### *2. The Absence of Technology Transfer*

Cooperation with China fails to induce in favour of technology transfer. This is attributable to at least two reasons. Firstly, there is the existence of a cultural and linguistic barrier. This creates a disparity which impedes communication – without which technology transfer between the Chinese and African cultures remains problematic. The cultural and linguistic barriers are further compounded by the absence of real political will on the part of the Chinese to effect technology transfer in favour of the Africans. It is a fact that Chinese companies almost always use Chinese labour in virtually all areas of their interventions (civil engineering, computer technology, electronics etc.).

In light of the above, it is clear that the “new type of strategic partnership” so frequently referred to in official speeches is, as matters presently stand, more of an unequal partnership for the African countries than a truly win-win arrangement, further justifying the need for a common regional strategy.

### **C- The Need for a Common Regional Strategy**

There is a need for all African countries in general and West African countries in particular, to formulate a common policy towards China. This is all the more important since all moves towards the institutionalisation of China-Africa relations have been more at the initiative of the Chinese. The situation calls for a coordinated response from the African countries.

#### *1. Current Moves toward the Institutionalisation of Relations: the China-Africa Forum*

Since 2000, Peking has put much effort into the creation of Sino-African institutions. The first forum on China-Africa cooperation was held in Peking in 2000. Since then, the forum has been organised every three years, to address an agenda which is as much political as it is economic. The Action Plan adopted at the conclusion of the second meeting of the forum (Addis Ababa, 2003) set the objectives of Sino-African cooperation for the period from 2004 to 2006 within the framework of political and economic support to NEPAD (New Partnership for Africa's Development).

The Beijing summit of November 2006 set itself the objective of doubling bilateral trade between Africa and China in order to attain the level of 100 billion dollars by 2010. The determination of China to establish closer links with Africa was materialised by the publication of a document establishing the basis for the “new type of strategic partnership” which accompanied the White Paper on “China's policy towards Africa”. In these documents, the Chinese Government highlights the principles of “win-win” partnership and egalitarian relations. A regional West African strategy is the necessary response to this declared intention on the part of China to structure its relations with Africa, if China-Africa cooperation is to make headway.

#### *2. The Way Forward: A Common Regional Strategy*

For China, the stakes involved in China-Africa relations are clear: to secure diplomatic support on the international front, guarantee its energy security, and expand export outlets for its enterprises. These are long-term stakes. China is aware that in order to attain its objectives, it must obtain the natural resources which it needs from Africa. It is creating the conditions which will give it access to these resources.

For its part, Africa in general, and West Africa in particular, needs China in a number of areas: aid, direct foreign investment, purchase of raw materials and construction of infrastructural projects. In order to optimise the Chinese contribution in all these areas, under conditions which are conducive to their development, African countries must formulate common regional strategies.

The implementation of such strategies requires their incorporation into the agendas of the RECs, and the organisation of consultations aimed at defining a common platform on those aspects of cooperation which are deemed crucial to Africa's development. Guidelines for discussion will be explored in this paper, with a view to establishing the priorities for such a platform.

In the areas of aid and technical assistance, China could contribute, within the framework of regional projects, to the creation of specialised regional centres of excellence (e.g.: agronomic and technological training centres and universities). In the area of infrastructure, it could, under acceptable economic conditions, contribute to the integration process through the construction and interconnection of railway, road and telecommunications networks. Finally, direct foreign investment from China must be delocalised in nature and not tied to the exploitation of different kinds of raw materials. In other words, training, infrastructure and industrialisation must be given special consideration within the framework of a common regional strategy for cooperation relations with China.

## Conclusion

The longstanding solidarity between “foreign-dominated countries” which, from a historical viewpoint, was at the origins of China-Africa cooperation, has gradually given way to economic considerations which are crucial to the development of either side. Africa in general and West Africa in particular, must therefore necessarily formulate a common regional strategy aimed at mobilising, under the most favourable conditions, in order to optimise the Chinese contribution to those sectors which are vital to their integration and development.

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# Chapter 2: Chinese Diplomacy: Foundations, current status, lessons to be learnt and outlook for West Africa

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## Summary

Relations between China and Africa which were initially of only marginal importance have developed within the space of a decade, with Africa in the role of “object”. However, in response to an impressive Chinese display of agility and adaptability in both the public and private sectors, African authorities began to feel the need to consolidate collective guidelines which would position Africa in the role of “subject” within this relationship. Under the conditions of special State-to-State relations, a transformation of this nature can best be achieved through the adoption of simple, functional diplomatic strategies, while relations between private Sino-African stakeholders can no longer be marginalised in view of their importance and independence from State control.

In the light of this new-found awareness, there was a pressing need, at the sub-regional level, to structure the new trend in South-South and triangular cooperation towards the inclusion of emerging countries such as China. Bilateral and multilateral diplomacy was no longer adequate to the task of addressing complex geoeconomic and strategic issues in the best interests of the African peoples. The consequences in terms of the prosperity, security, sovereignty and independence of Africa and its sub-regions is contingent upon collective decision-making within the African sub-regions – hence the importance of pre-emption and initiative within the West African context.

African countries can no longer allow individual preference to govern their bilateral relations or permit deficiencies in their collective organisation in defence of their short, medium and long-term interests. The adoption of sub-regional approaches and collective strategies in both the public and private sectors could place each of the African regions in a position of negotiating strength within which they are characterised as a new, non-aligned force, committed to the defence of the interests of the African peoples. This can only be achieved through the prior adoption of internal diplomatic positions, backed by collective compliance with common decisions. Only by adopting positions agreed at the regional level can Africa seize the opportunities opened up by the new and complex forms of strategic diplomacy and alliances which are emerging, and which include increasingly “bi-triangular” solicited or unsolicited forms of triangular cooperation.

To this end, diplomatic dialogue must be institutionalised. Prior exchange of information between the parties concerned, adoption of a common front in negotiations, joint representation, and negotiated decision-making are a few of the options for intelligent diplomacy between Africa and China. Common political will at regional level and collective responsibility underpinned by peer-review could create the enabling conditions for agile diplomacy at the continental level. The triangular approach to South-South relations could in fact create leverage. However, attention must be paid, as a matter of renewed priority, to the need to create a new social contract aimed at reducing inequalities in Africa, and at adopting new cooperation strategies with emerging countries, especially with China. The transition to complex-free relations between Africa and China must be premised on four interdependent principles as follows:

- i. “Contractual solidarity” in favour of non-aligned power;
- ii. Professionalisation of pragmatic diplomatic dialogue;
- iii. Institutionalisation of Afro-centric bilateral, trilateral and multilateral diplomacy;
- iv. Establishment of a common regional observatory to anticipate and redress the imbalances of agile diplomacy and make progress on the basis of intelligent diplomacy.

In this regard, there is a need to establish endogenous rules aimed at achieving collective effectiveness in attaining objectives which build for the future, rather than for bureaucratic ends. Top priority must be accorded to the development of productive technological capacity rather than the sale of raw materials. Every country without exception must manifest its commitment to the preservation of ecological balances. Finally, there is an overriding need to ensure that the succession of palliative democracies on the continent do not stand in the way of the political resolve to ensure citizen participation in decision-making, especially as pertains to the restructuring of future Africa-China relations.

With the direct or indirect participation of citizen counter-power in diplomatic negotiations, Africa could open up a “*fourth way*” rooted in transparency and accountability. This will involve the organisation of institutions with the aim of establishing a network of non-aligned forces conducive to the conduct of *neutrally agile* diplomacy. There is a need to redress the imbalances of China’s agile diplomacy in Africa, and in West Africa in particular. It is to be hoped that this fresh opportunity will be seized by the African decision-makers, whose collective behaviour is all too often reminiscent of sleight of hand rather than genuine direct or indirect involvement of the private sector, the civil society and the people in decisions relating to emerging countries, including China.

Africa, and more specifically, the West African region, is faced with the double imperative of reviewing and understanding the changes in its South-South relations, using that constructive approach known as the “*win-win*” approach. Future Africa-China diplomatic relations must be based on a form of triangular cooperation in which the principle of “*contractual solidarity*” will provide the flexibility needed to build the capacity of poorly industrialised countries for absorption and negotiation from an advantageous position. Consequently, the thrust of African diplomacy, and specifically of West African diplomacy, must be to demonstrate extreme agility in extending its negotiating margin.

## Introduction: Opportunism in Diplomacy does not pay

Familiarisation with the details of Chinese diplomacy in Africa leads the subject to challenge the principles of development economics and of orthodox liberal thought. What is the real use of developing relations between nations if the endeavour fails, in the final analysis, to improve the overall well-being of the people of those nations? Is it a given that accumulation of capital and wealth creation must necessarily involve hostilities and balance of power issues? What powerful alternatives exist based on the political will to effect historic change by achieving alternative development based on the “win-win” approach? New forms of South-South diplomacy do exist, and they are worth examining.

Diplomacy can be defined succinctly as “a body of rules and customs governing relations between nations”, with the nation being represented by the State. Diplomacy is therefore the assumption of responsibility, by a specific sector, for the policies commonly assigned to Diplomats, which, at the level of Government, is usually represented by the Minister of Foreign Affairs or Cooperation. Since it also involves relations between the individuals representing the States, the forms which such individual relations may take are also put to use in defence of individual or common interests. Such relations may entail role-playing for the purposes of dialogue, or negotiation, in which roles cleverness, astuteness, deception, finesse, tactics, strategy, bluff, intimidation, threat, violence and force may work interdependently or side by side, sometimes against the best interests of the people.

China and many other emerging countries do not abide by the precepts of the institutions ascribing to the Washington Consensus, which is a development model designed for rich countries by the economists of rich countries, and which some countries have implemented in Africa, with no adaptation, based on a single model for all developing countries. The success of the emerging countries which have been able to open up gradually without sacrificing the emergence of their local productive capacities, is attributable mainly to their institutions, and their ability to sense and anticipate the strategies of unregulated market fundamentalists, as though market forces could provide sustainable solutions to wealth creation by the poor without State intervention (BROAD et CAVANAGH, 2008). Fortunately, not all countries applied the precepts of the famous Washington Consensus. If for no other reason than this, China deserves all the attention and respect it can get from Africa.

The dead-end approach which consists of advocating more aid and more trade, whereas the enabling conditions for production and job creation are yet to be put in place, or whereas in certain cases, they have simply been dismantled, raises the issue of the development strategies and models adopted by the African countries between 1950 and 2000. African strategies from 2000 to 2010 do, in fact seek to find internal solutions to the challenges confronting the continent (MBAYE, 2009). In view of the failure of orthodox economic development theories, strategies and methods, it is clear that Africa is still viewed as an adjustment variable. It is up to the African decision-makers to collectively adopt a different position by regulating offer in order to bring the negotiating margin down to the level of the African countries.

The decision-makers' Africa is experiencing great difficulty in implementing the collective political and economic decisions of its decision-makers. Aligning with the strategies of other countries even when they work against the interests of the African peoples raises the issue of inter-State relations which is the cornerstone of Chinese diplomacy in Africa. The question is whether non-interference in the internal affairs of African countries really, in the short, medium and long-term, leads to development based on properly controlled and distributed economic growth. Can the consequences for the environment or the marginalised populations be sacrificed solely in order to supply the needs of China, which is seeking to diversify its energy supply sources? Must China be allowed to turn Africa into a one-way market on which it can dump its surplus production of cheap manufactured goods, or to use the continent as a transit camp through which it rotates its massive reserves of migrant labour, and where the Chinese migrant worker fills up job vacancies and builds up savings in Africa in order to prepare for a better life in China<sup>1</sup> (DUPRE et SHI, 2008)? What happens to the Africans in such a situation? Is there in fact a sufficiently targeted diplomatic strategy to facilitate negotiations with China and the emerging countries within the framework of a new form of triangular diplomacy between the countries of the South and those of the North? Regrettably, there is not.

The solutions to the problem are not simple, and in fact, are yet to be identified. However, the task will be facilitated by a clearer understanding of the new trends in South-South and triangular cooperation. Through the study of the key elements informing Chinese diplomacy, its evolution, successes and failures, it will be possible to work out the way forward and to envisage the outlook for West Africa, and in more global terms, for Africa.

It is advisable in this regard, to redress the imbalances created through agile Chinese diplomacy, in wealth creation and redistribution in China, and partially in Africa. It should be noted that these imbalances are not necessarily attributable to China alone: the responsibility is shared. The failure of the African counterpart to anticipate, and its lack of boldness could, in time, impede the emergence of an authentic common strategy based on regional integration, especially if no solution is found to problems such as group indiscipline, Africa's infantile disease, which stand in the way of the implementation of collective decisions.

West Africa must seek a way forward, having arrived at a level of awareness calling for pragmatic measures rather than observation. The issue to be addressed is that of identifying what needs to be done to enable the region to enter into negotiations with emerging countries, and with China in particular, on an equal footing, and with a real chance of success, despite its handicaps in terms of economic power, organisation and institutional structures.

This will not be possible without the participation of stakeholders who have previously been excluded from the decision-making process, such as the private sector, citizen counter-power organisations, or indeed the general public. After all, the grant of a 50-year lease of land for the exploitation of its mineral resources is granted at the expense of

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1 Dupré M., Shi W..2008. La présence chinoise en Afrique de l'Ouest : le cas du Mali et du Bénin, Document de travail, Agence Française de Développement, août ; il est possible de noter la multiplication des entreprises chinoises dans les deux pays mentionnés.

part of the population concerned. Involving them can only facilitate new forms of social cohesion and contribute to wealth creation/distribution. Careful examination of the following questions indirectly constitutes a start to the search for a solution to the issues under consideration: How did diplomatic relations between China and Africa shift from disinterested to interested diplomacy? How did post-Bandoeng China succeed in lifting the majority of its population out of poverty despite the multiple problems arising as a result of the transition from inter-dependence to interdependence-based relations? Part of the answer may be found in the evolution of the ideological dogma underlying the welfare society into pragmatic political voluntarism for the purposes of shared wealth creation.

The major challenge lies in the almost obsessive need of the Peoples' Republic of China to secure its supplies of needed resources. The diplomatic approach adopted by China places a premium on a lack of transparency. However, alternative forms of diplomacy possibly based on the principle of "contractual solidarity" (AMAIZO, 2010) might be preferable. In that case Africa and especially West Africa, must respond to the imbalance created by China's agile diplomacy by reorganising and institutionalising new forms of operationally disciplined and verifiable regional diplomacy which incorporates such modern concepts as trilateralism within the South-South cooperation framework.

All these arguments illustrate a common point, namely, that opportunism in diplomacy is unproductive, especially if linked to financial offers of aid, themselves premised on opportunistic considerations. The marginalisation of Taiwan has long been the cornerstone of Africa's strategy on China. The decision of many African countries to withdraw from Taiwan and join the Peoples' Republic of China at its express request, and in some cases, under barely-concealed threat, bears testimony to Africa's opportunistic tendencies of the past, which could, should they persist without the backing of a common strategy on the part of those officials responsible for African diplomacy, rob them of all credibility and of their negotiating power. Africa needs to review its collective strategy and abandon individual strategies. It could, for instance, adopt a position of "agile neutrality" and must learn to ensure information-sharing between its States, without omitting to include the private sector and the general public in this exercise.

Every West African country must be capable of answering the principal questions hereunder, and undertake to coordinate their national and regional positions in order to avoid such examples of diplomatic opportunism as the choice between Taiwan and the Peoples' China based on the interests of the moment, which constitutes a major constraint for collective action.

What are the tangible benefits obtained by those countries which opted in favour of either Taiwan or the Peoples' China? Have those countries which chose or abandoned either country been subject to intimidation, particularly in terms of gifts, credits, projects or budgetary support? Is diplomatic opportunism rewarding? What are its limits, and what advantages and disadvantages does it bring to West African countries?

## I. The transition from disinterested to interested diplomacy

Chinese policy today reflects the continuing policy of the Chinese State in favour of a deepening and expansion of its relations with Africa. These cooperation links are defined by the operability of relations between the so-called non-aligned States of the Independence years. Diplomatic relations of those times were at best friendly and frequently based on dogmatic perceptions of the Third World concept. Political considerations were prioritised to the detriment of the economy which was marginalised. State interventionism posing as voluntarism yielded questionable results for the public in terms of wealth creation.

These diplomatic links were aimed at strengthening the network of partners suffering the effects of military hegemony and the political and economic interference of a group of States frequently identified as “Western”, even though they also intensified their networking with the developing countries. While it is clear that solidarity expressed in terms of aid for development is conditioned by mercantile or trade considerations in one form or the other, it must be acknowledged that China does endeavour, in its own way, to draw Africa towards a strategy of influence in favour of the emergence of a new world order not dictated by the West (JIANG, 2007: 26). African leaders limited their response to this aspect of Chinese diplomacy to a sort of passive neutrality which meant that they only reacted to proposals from the Chinese, making no attempt to anticipate, organise or even formulate proposals which would primarily serve the public interest. This attitude has changed in the last few years with the decision of many African countries to consider China as the defender of less developed and less influential countries, particularly within the United Nations framework.

Partnership with China which was not really sought after by Africa at the beginning of the decade from 1960 to 1970 opened up new perspectives for China in the decade from 2000 to 2010. It enabled China to improve its ranking in the world in terms of balance of power and influence. Most importantly, their cooperation provides diplomatic leverage in support of the strategic positions and interests of both China and Africa when treated as negligible by the world powers. Their collaboration is growing, and assuming multiple and diversified dimensions in the two major sectors of politics and trade. China remains for the time being, the only developing and non-aligned country with a seat on the United Nations Organisation (UNO) Security Council, with a right of veto.

It is therefore difficult to separate Sino-African diplomacy in the economic and trade relations of the two parties from their geopolitical and geoeconomic management relations. Diplomatic relations have expanded exponentially in the last ten years, adopting a broad, multidimensional approach. This approach combines traditional bilateral State-to-State relations with new and modern forms which explicitly or implicitly involve the Chinese private sector (BEURET, MICHEL, WOODS, 2008). Other forms of cooperation such as multi-bilateralism, involve partnerships between several countries from the same region or from several regions of Africa in project and programme implementation. The approach based on *regional homogeneity* is not perceived as a priority issue in view of the operating methods of the African leaders themselves. This was the strategy chosen by India, which

overestimated the real will, discipline and organisation of the African States for the purposes of achieving rapid regional integration.

Another unusual form of triangular cooperation involves teaming up with one African country which acts as the locomotive or entry point to the continent, in partnership with another African country which has regional clout (Mbaindiguim Guemdje. A, 2007). South Africa is a case in point. In West Africa, the so-called bi-triangular approach has not met with much success. Bi-triangular diplomacy is where, for example, China and Nigeria, under the terms of a State-to-State agreement, undertake a project, and where, as a result of this new association, private Chinese interventions or a third South State (South Africa, for example) becomes involved in the project to ensure its successful completion within the West African region. Such unusual partnerships are neither institutionalised nor structured – hence the urgent need to achieve regional coherence in order to control such agile approaches, especially where certain Western countries attempt to get involved, sometimes successfully, as was the case in the Democratic Republic of the Congo<sup>2</sup>.

The multi-bilateral approach demands strong discipline on the part of the African authorities, without which they could arrive at the negotiating table with no negotiating powers. Even the multilateral approach has taken on a new dimension in the light of the privileged position of China as a member of the UN Security Council, where it frequently ends up supporting or abstaining from voting on a Resolution if there is any indication that the Western countries intend to interfere in the internal affairs of another sovereign State, barring a case of global threat. It should, for example, be recalled that China maintained a position of “active support” to Sudan, and supported the Western intervention forces against the terrorism of the Taliban in Afghanistan. Chinese diplomacy in Africa is more than dynamic – it is agile. Africa’s diplomacy, divided as it is between 53 countries or between overlapping regions, has difficulty in organising itself or imposing the discipline which would enable it to effectively confront issues or genuinely defend the interests of the African peoples, and not just those of the leaders of the African States. Chinese diplomacy on the other hand is multidimensional, presupposing that Africa will organise in order to speak with one voice on all major issues. That one voice can no longer be reduced to “the lowest common denominator”, or else negotiations will run the risk of being concluded at the expense of the best interests of the African peoples.

Chinese diplomacy is in a state of rapid change, subtly and systematically defending the objectives of the Chinese society in terms of internal organisation and cohesion. Such considerations are, to all intents and purposes absent in most African countries taken individually, and even more so in West Africa or in the African regional economic communities. The agility of Chinese diplomacy is exemplified by such instances as the organisation of Sino-African summits; of forums to examine Sino-African cooperation; numerous visits paid by high-ranking Chinese authorities to Africa; the frequency with which African Heads of State visit China; the presence of huge numbers of rotating migrants in Africa; and the ease with which Africans are issued visas or scholarships to study Mandarin. However, although this new form of agility has yielded remarkable results for the

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2 A certain number of contracts have been won by Chinese enterprises which often prefer to team up with French enterprises operating in the public works sector, to which they sub-contract work.

Chinese in terms of trade and diplomacy, it must be said that for Africa, the results are well below expectations. The power of both Africa and West Africa on the scale of world power remains marginal.

It is important to take note of and correct the numerous anomalies in the agile diplomacy of China towards the African countries. In fact, while the Chinese strategies correspond to set objectives, and straddle the entire continent, the African approach remains fragmented. The qualitative expansion of Sino-African trade is not free of the fundamental problem underlying the relations of dependency between Africa and its former colonial authorities, namely, advocacy of a policy of neo-liberalism and the opening up of African markets without prior preparation. The objective is, as much as possible, to avoid the transfer of technically enabled productive capacity to Africa, while at the same time neutralising the emergence of endogenous industrialisation in Africa through the importation of cheap industrial products. Limiting wealth creation and sharing in Africa is the unspoken principle informing the agile Chinese diplomacy of the last ten years. The practices of the industrialised countries during the post-colonial period which were not essentially any different were masked by diversionary diplomatic tactics. It should be noted that African diplomacy and West African diplomacy in particular, has usually been content to maintain this situation. There is a need for West Africa to organise, in order to avoid being caught in the trap of the diplomatic delaying tactics of all industrial powers, whether traditional or emerging.

Easy access to so-called “turnkey” projects run by Chinese workers who return to China after having accumulated savings in Africa, and who are denied even the most basic labour rights, has progressively led African diplomacy in general to accept project proposals which, under normal circumstances, if the real representatives of the African peoples had been involved in the decision-making process, should never have seen the light of day. This was the case for some projects which have done nothing to reduce pollution in Africa, as well as others which have increased dependency on Chinese labour, and yet others which continue to raise the level of Africa’s indebtedness at a time when the continent has finally been granted debt cancellation in acknowledgement of the fraudulence of the system used in the calculation of interest rates. China’s authorisation, allowing a limited selection of African products - generally unprocessed – to be imported duty-free, is a ploy to obfuscate African initiatives which seek to enforce its prerogatives and organise collectively. China-Africa interdependence which was minimal during the period from 1955 to 2000, accelerated abruptly, with Africa featuring less and less as the “*object*” within the relationship. West Africa must take accurate note of this development and institutionalise these relations in order to ensure that Africa once again becomes the “*subject*” of its own history, and master of its destiny, for the increased wellbeing of its peoples, present and future.

New forms of Africa-China interdependence must therefore be reexamined with great attention to all its nuances, taking due account of the interests of future generations of Africans and the need for control of mineral resource-related and ecological issues. Chinese diplomacy towards the Third World is no longer the diplomacy of disinterestedness of the Bandoeng non-aligned movement of 1955, but in fact a form of diplomacy based on self-interest, in the face of which Africa must learn to defend its own interests. There is a need for Africa to collectively identify its interests and establish reliable institutions, adequately endowed with resources which are “*unrelated to the prevailing situation*”, in order to posi-



tion itself to handle this diplomatic mutation. It is important for Africa to take charge of all areas of activity which can be carried out endogenously by its own population, failing which, it runs the risk of being swallowed up by a new form of dependency, as opposed to organising a new form of interdependence (AMAIZO, 1998).

West African countries must accept the fact that diplomacy is not an annex to economic affairs, and therefore that the West African region has no option but to adopt a self-interested diplomatic stance.

The questions arising in this connection relate to the level of awareness on the part of the individual countries and calculation of lost earnings occasioned by the diplomacy of disinterestedness which has prevailed for so long in relations between Africa and China. Each West African country must decide on the approach to be adopted in its relations with China in the light of the differences now being introduced through bilateral and trilateral diplomacy.

## II. Post-Bandoeng relations: from inter-independance to interdependance

More than 60 years after the meeting of non-aligned countries of the so-called Third World in Bandoeng, Indonesia in 1955, at which high-ranking Chinese leaders shook hands with African leaders for the first time, solidarity between China and Africa has progressed from formal to pragmatic engagement. The main reason for this change was the acknowledgement by China itself of the dogmatic errors which had prevented wealth creation and sharing under Mao Zedong. Every Chinese national can clearly recall the famine of the years from 1958 to 1962, which led to the deaths of between 20 and 40 million Chinese (CHANG ET HALLIDAY, 2006). The Cultural Revolution and State-controlled management of a society which was “closed” to the outside world were denounced immediately after the death of Mao.

Following the failure of the “Great Leap Forward” of the Mao years and its decimation of the Chinese population (XIZHE, 1987), the country opened up gradually to outside influence. The resultant agglomeration of mainly industrial skills, and the modernisation effort prevailed over the old dogmas. The “Great Leap Forward” represented an economic policy which broke with the classical industrial development pattern modelled on the Russian example, which had been in force in China since 1957. It sought, through coercion of the mass of the population and through propaganda, to realise a dream based on grandiose infrastructural projects, expansion of industrial structures regardless of market realities and needs, and increased agricultural production through the collectivisation of production. The undertaking failed (SANJUAN, 2007), almost reducing China to the level of a failed State in the period from 1970 to 1980.

The ideological myth of a wealth-creating Third World only really ended with Deng Xiaoping and his successors. 2006 was the 50th anniversary of the establishment of diplomatic relations between China and Africa, and should also be considered as marking the renaiss-

sance of that diplomacy and the emergence of a new Sino-African diplomacy, although the renewal was already palpable in the facts. As early as 1971, Africa had supported China's bid for full membership of the UN Security Council<sup>3</sup>. More recently, the choice of China as host country for the 2008 Olympic Games or for World Expo 2010 was only made possible by African support<sup>4</sup>. Relations between the two sides have progressed from the ceremonial diplomacy of the post-Bandoeng period to one of well-identified interest, formalised in the Chinese foreign policy White Paper on Africa in 2006.

With the eclipse of ideology, the future of Chinese leaders became closely linked to their wealth-creating capacities, and their ability to regulate wealth distribution within the country in the fairest possible manner. China's rise to economic power has gone hand in hand with its rise as an industrial nation. With the 2008 financial crisis which sounded the death knell of liberal excess and deregulation, Chinese policy in Africa was once again the "autonomous pole" in global relations (JIANG, 2007: 12). To this extent, China could only welcome the increase in the number of developing countries, especially from Africa, which have gained admission to the UN Security Council. The next step is to increase the weight within this body, of those countries which can offer a different and alternative option to that advocated by the Western industrialised countries, which collectively refuse to amend their world view of wealth at the centre, with poverty remaining on the fringes (AMIN, 2008). This vision of selective wealth creation is challenged by China. If it maintains its diplomatic coherence and the vast financial resources generated by its record-breaking growth rate, Chinese diplomacy in Africa will entail persuading African countries to become stakeholders in the new world order which will emerge peacefully, in view of the interdependence of the world today. It remains to be seen if the African leaders will see things in the same way!

The foundations of Sino-African relations can be traced back to the proclamation of the Peoples' Republic of China on 1<sup>st</sup> October, 1949, as the first communist country in Asia. These relations cannot be dissociated from China's will to assert its presence both on the international scene and in comparison to other Socialist and Communist experiments, especially in the Soviet Union – an approach which resonated with certain countries. In line with this historic trend, Sino-African relations are built upon four main pillars which reveal the multidimensional permutations of current Chinese diplomacy.

- China's will to create a third way based on partnership with the "non-aligned countries of the Third World" was placed in abeyance while the cold war and dogmatic bipolarism dominated. Africa was divided between the two poles, with countries like Benin experimenting with both approaches, and recording scant success in terms of wealth creation. It was only at the end of the cold war and the admission of China to the United Nations in 1971 that

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3 26 of the 76 countries which voted in favour of the New China's accession to the UN were African. China was not able to win all the African votes. However, this blocking "minority" was legally enough to ensure Taiwan's accession to the United Nations.

4 Xinyan, L. 2009. "Chine/Africa: half a Century of Friendly Cooperation", China.org.cn, 16 September, see <<http://fr.cctv.com/program/journal/20090916/102145.shtml>>, retrieved 8 August 2010.

the “*fishing*” for African votes began (BERGERE, 2000). However, as soon as China entered the UN, many African countries chose opportunistically, and sometimes under threat and intimidation, to align their foreign policy with that of the former colonies or of the wealthy Western countries;

- After the collapse of the Communist system in the Soviet Union (USSR) in 1991 closely followed by the neutralisation of the popular uprising at Tian’anmen in China in 1989, no one was prepared to be the international scapegoat. China chose to establish new links with the African continent, by means of short and frequent visits paid by its leaders, who had to monitor domestic upheavals at home while advocating the “*Chinese*” way outside;
- The first official document on “*Chinese policy towards Africa*” would appear to have been presented by Li Zhaoxing, the Chinese Minister of Foreign Affairs, on 12 January 2006 (JIANG, 2007: 8) during a visit to Africa. The document underscores the principles of non-aggression and pacifism, under the expression “*friendly cooperation*”, as well as the independence and unity of China, as encapsulated in the “*principle of a single China*”. The strong Third-worldly position of President Gamal Abdel Nasser’s Egypt from 1956 onwards led to mutual recognition between Egypt and the Peoples’ China. This was the prevailing atmosphere at the inauguration of the “*Peking Forum*” of 2000, manifesting Sino-African cooperation with what remained of the former Bandoeng Third World.
- The publication of a White Paper in 2006 defined the new strategic diplomatic partnership between China and Africa. The paper states that “*China is seeking to establish and develop a new type of strategic partnership characterised by equality and mutual trust on the political level, and cooperation on a win-win basis on the economic level*”. This approach, which proved disastrous during the “*Maoist*” or “*Communist*” years, is rooted in a so-called “*win-win*” spirit informed by five cardinal principles based on respect for political inter-independence and economic interdependence (AMAÏZO, 1998). The five principles are the following:
  - Peaceful coexistence;
  - respect of sovereignty and territorial integrity;
  - non-aggression;
  - non-inteference in internal affairs;
  - equality and mutual benefit.

Consequently, and with all due regard for coherence, China systematically abstains from interfering in the internal affairs of African countries. It also endeavours, at the international level, to induce the international community to adopt the same approach, and refrain from adopting such positions when issues are presented for the consideration of the Security Council. The Chinese authorities make an exception in the case of actions carried out against world terrorism.

It is virtually public knowledge that the West African countries, without in fact being aware of the fact, have opted for a diplomatic strategy based on inter-independence, jealously protecting their national integrity, and rejecting all political interference in their internal affairs. However, this approach appears to have become counter-productive within the framework of their relations with China, at to militate against the achievement of regional integration.

Every African country must organise consultations to determine whether they should move in the direction of interdependent diplomacy and, as a result, adopt a collective approach in all its relations with and in cooperation links to China. The question is whether any of the countries in the West African sub-region are prepared to make concessions to this end.

### III. Between ideological dogma AMD wealth creation

The criteria for good governance and democracy, contrary to what the rich Western countries say, as they apply them to Africa as a geometric variable, are absolutely not a conditionality for the establishment of diplomatic relations with China or of eligibility for Chinese aid or loans. On the one hand, these criteria can be seen as determining criteria for the creation of a strategic alliance at the expense of the Western industrialised countries. On the other, however, the approach which advocates total freedom for African leaders in the establishment of their own priorities in the light of their needs, culture and social and economic realities is consistently criticised as constituting an “incentive to bad governance<sup>5</sup>”. The response to this accusation can be found in a statement by the former President of the Peoples’ Republic of China. Jiang Zeming, which says: “No country has the right to impose its social system and ideology on others, and still less, indiscriminately level accusations in matters which are their internal affair<sup>6</sup>”.

The choice of not aligning with the positions of the rich Western countries tends to assign full responsibility for their actions to the African leaders who must therefore learn to learn from their own mistakes in order to move forward. China cannot be cast in the role of scapegoat in the medium-term. Noone will be able to say in 50 years’ time that China imposed any form of conditionality on Africa. On the other hand, there are many instances in Africa where there is no accountability to the public for decisions which are taken together with China, particularly where such decisions are taken at the public expense. This is why independent strategic advisory institutions, counter-power organisations and institutions must necessarily be the focal point of an institutionalised system of dialogue to identify the advantages and disadvantages of the choice of working with China or other emerging countries. In West Africa, for example, the results of palliative democracy and orthodox economic models designed to create palliative, non-independent economies in order to destroy the cohesion of the African societies suggest the need for alternative new forms of wealth creation are emerging (AMAÏZO, 2010).

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5 G. D. 2009. The principles of Sino-African cooperation, in AllAfrica.com, see < <http://fr.allafrica.com/stories/200907300641.html> > retrieved, 8 August 2010.

6 G. D., op. cit.

However, the resistance and avoidance strategies of the former colonial powers should never be underestimated, as they seek to organise a sort of “common policy” backed by a common diplomacy in order to remain economically competitive in the face of the rise of Chinese power in Africa, and particularly in their former private reserves. The French Minister of Foreign Affairs, Bernard Kouchner openly promoted this diplomatic option according to which some countries, particularly French-speaking countries could have difficulty in choosing their camp. He suggested, at a press conference of the Associated Diplomatic Press in February 2010, which is drawn from a group of “former European colonial powers and the United States”: “In Africa, we, certainly the English and the French, need a common policy. It could, in fact, include not only the Portuguese and the Belgians, who are former colonial powers, but also the Americans”<sup>7</sup>. This comment reveals diplomatic fear, thinly disguising the purpose behind the privileged European position on the continent, as soon as a new development partner, albeit as simple and unobtrusive as Chinese nationals tend to be, surfaces on the African economic and political horizon (BANGUI, 2009).

There is implicit acknowledgement of the will to organise collectively in order to resist Chinese competition on the African market. This is nothing less than a geoeconomic defence strategy on the part of the Western countries. As a result of its vast reserves of foreign currency and its almost insatiable need to ensure its own supplies of raw materials, China needs to establish outlets on a continent which has become a dumping ground for Chinese enterprises and a job creation centre for individuals who are unable to make a living in China. Furthermore, infrastructural construction projects in Africa are carefully chosen in order to facilitate economic activity, but also to facilitate transportation of raw materials to the ports, thereby reducing import costs for the Chinese, as well as the cost of bringing in Chinese products to the very heart of Africa. What is needed is not a direct confrontation between the former colonial powers and China on the African continent, but rather a voluntarist approach in which no “former colonial power” can succeed on its own. As a result of this new imbalance and the slowdown triggered by China’s emergence in Africa, Bernard Kouchner clarified the spirit of this new official diplomatic approach, reminding the Western group that “we must put in a high level of performance and refrain from being confrontational in any way. This is not a battle with the Chinese to prevent them from stealing Africa from us, but rather a positive step which we can only take together”<sup>8</sup>.

It is clear that the West African countries run the risk of being pressured into choosing between the two sides. If there is no consultation at the regional level, and no internal discipline, it will be difficult to prevent some countries from “going it alone”, thereby weakening the group dynamic, and as a result, limiting the gains in terms of regional integration. However, there is the possibility that new initiatives will emerge within the framework of an original triangular approach. China has many attributes which would enable it to win most of the markets. Most equipment contracts advertised by the African Development Bank and won by France are increasingly being awarded to China simply

7 AFP. 2010. “Africa: “Common Policy” of the Europeans and Americans toward China, recommends Kouchner “, AFP, 8 February 2010, reproduced on MediaCongo, see < <http://www.mediacongo.net/catafp/afshow.asp?doc=CNG.850b60273a084f2d21a6d24518c7d764.2a1&prov=afp> >.

8 AFP, op. cit.

because its terms are more competitive than those of other countries (AMAÏZO, 2010b). The same French Minister, still in defence of his own interests, and expressing some concern, declares: “If we do not maintain our close (...) economic links with China, things could become very difficult for us”. The future could therefore become difficult for the less competitive countries. In this regard, West Africa, and Africa as a whole, must no longer fall into the strategic error of opportunistically choosing the wrong side (AMAÏZO, 2006). Decisions must no longer be taken without, on the one hand, consultation with and the active participation of the private sector and the general public, and on the other, without a vision of their medium and long-term outcomes. Failing this, and if the discipline of regional integration is not respected, Africa will, in the next ten years, be caught in the vise of those which will, through diplomacy, have “usurped” ownership of its mineral resources through non-transparent contracts, besides finding itself encumbered with an exploited and poorly paid work force.

This is a far cry from the Chinese ideological dogma of yesteryears. It is clearly a new approach to the transfer of wealth originating from the African countries. China, like other industrialised and emerging countries, needs Africa’s resources. These countries are organising, through a subtle use of palliative democracy, or by advocating the principle of “non-interference”, in order to gain access to these resources, through competition; using delay tactics; through the corruption of less visible corruptors; through errors committed by the Africans themselves; through land appropriation by means of unfair contracts. This new interested form of diplomacy can only succeed in Africa, and particularly in West Africa, if institutionalised counter-powers do not exist or are too weak. Alternative diplomacy must be premised on a sound knowledge of partners organised into North-South, South-South or triangular networks. The most important point is to make wealth creation the focus of all concerns. However, this must not be a one-sided exercise, conducted at the expense of the African peoples.

Having embraced certain ideological dogma, each country needs to assess the measure of the dead end into which it has led so many of the countries in the sub-region in terms of endogenous wealth. West African countries must therefore adapt their diplomatic approach to their specific local wealth and job creation capacities. Embassies must accord a higher level of priority to the function of economic counsellor, and propose solutions to the problems of job creation and productive investment at the sub-regional level. Proposals formulated on a consultative basis must be put forward with a view to anticipating the neutralisation strategies of partners other than China, and with the aim of defending the interests of the general public within the framework of regional projects or national projects covering the regional market.

Which are the countries which run a system in which the Economic Counsellors in the Embassies work together, exchanging roles, particularly with emerging countries, and specifically with China?

#### IV. Resource security and transparency: the “contractual solidarity” option

China, which is totally dependent on energy for its development, must secure the supply lines from its major suppliers, several of which are in Africa. Chinese adherence to the principle of non-interference in the internal affairs of the African States has always been backed by a policy of gaining access to petroleum at all costs. In West Africa, Nigeria was one of the first to grant drilling rights for bloc OML 130 in the Akpo oilfield<sup>9</sup>, thereby marking the inception there of the Chinese concept of permanent, uninterrupted supply which is only one aspect of a vast continent-wide plan for access to mineral resources, pending the development of an alternative energy source such as solar energy. The entire strategy is anchored in a policy of peaceful non-aggression which was not the policy adopted by the Western countries which are motivated by an aggressive mercantilism, destructive of values, culture and local socio-economic organisation.

The priority concern for China, as for all countries seeking to achieve economic sovereignty, is therefore to develop capacity internally, and its network of allies externally, against a world-wide backdrop of multiform hostility and servitude. A former American Deputy Secretary of State, Richard Armitage, once described China as an emerging country endowed with “growing capacities” as a “power” and defining itself as a “global national force” with the “intent and capacity to promote its interests through the exploitation of its strengths and power” (ARMITAGE, 2005).

This new power also finds expression in the industrial sector and has led China to seek and find, by all possible means, outlets for its surplus industrial production. This initially consisted of cheap, sub-standard goods, but now increasingly, on the strength of a disciplined Chinese workforce, comprises cheap manufactured goods of internationally acceptable standard, frequently more affordable than those available in Africa. This has been made possible through the application of economies of scale at the expense of a relatively small workforce, although there is growing agitation in favour of salary increases and of middle class aspirations<sup>10</sup>. However, the rise of the middle class in China and the serial creation of millionaires, outrageous consumerism and the widening of the inequality gap could in time, make internal modifications to Chinese policy, with inevitable consequences for the African continent.

The majority of African countries individually and collectively continue to base their growth on an unbalanced trade in raw material resources in return for manufactured goods, all too often omitting to create an enabling environment for entrepreneurship based on transaction costs. The ranking of most African countries at the bottom of the latest best countries for business list is a serious indictment (IFC/WORLD BANK, 2010). The growing social discontent could perhaps pave the way to people-based alternatives if they are not subjected by force to self-censure (COMARROFF J. & J., 2010).

9 Ministry of Foreign Affairs of the Peoples’ Republic of China, information dated 12 February 2006, see  
<<http://www.focac.org/fra/zt/dfzcyj/t230927.htm>> retrieved 8 August 2010

10 Jean-Christophe Servant, “Mirage of the African Middle Classes”, in *Le Monde Diplomatique*, August 2010, pp. 18.

Paradoxically, on the diplomatic front, this translates as the frantic efforts to secure resources, naturally targeting the African continent with its vast natural resource reserves. West Africa would therefore be well advised to:

- Update the mapping of its natural resources;
- Conduct a needs assessment on China, emerging countries and the industrial countries in particular;
- Regulate and then “rationalise” access to the raw materials leaving Africa without being processed or creating decent jobs.

The liberation of the Chinese economy had already begun under the rule of Mao Zedong who was however, dogmatically opposed to the accumulation of capital, thereby disabling the very source of wealth creation and economic growth. However, Deng Xiaoping understood the benefits which would accrue from seizing the opportunity created by the existence of a cheap, exploitable workforce from the rural areas and by turning its workers into support agents to Chinese industrial competitiveness. This measure yielded enormous gains in terms of productivity, however, the new-found wealth, which was partially recycled into the infrastructural sector and accompanied by an adjustment of wage levels, remained volatile, creating intermittent pockets of unemployment, and an unprecedented level of migration between the rural areas and the industrial zones.

All these developments took place at the expense of democratic rule, and above all, of concern for the less privileged. It is this system of governance, reliant on a strong centralised State, which continues to develop, at enormous social cost to rural and urban workers, especially women and girls, which Africa would have difficulty in copying (SCHAEFFER, 2010). Nonetheless, important lessons can be learnt about capital accumulation strategies and skills agglomeration in the service of the community.

This system of integration and realignment between the central State, decentralised authorities and the private sector, which could serve as an example for West Africa. Institutions could be created to deliberate regularly on the creation of new urban areas on the basis of skills and human resource availability on the one hand and of local raw materials on the other. This form of pragmatic China-West Africa cooperation could enable both parties to seize available opportunities, limit constraints on both sides, and offer mutual and reciprocal benefits to both. The will of China to deal on equal terms with African partners with little economic clout, is an asset which should provide leverage for economic growth and job creation.

To achieve this end, there must be coherence and group discipline among the West African countries for the purposes of joint implementation of cross-cutting urban agglomeration-based projects and programmes. Triangular diplomacy could, in this context, provide leverage, since the intervention of other African or emerging countries with the aim of helping to achieve an objective mutually agreed by China and West Africa can only serve to promote new forms of African rebirth which all too often exist only in theory, rather than materialising as concrete projects underpinned by a common pragmatic policy influencing both diplomatic and economic affairs. This represents the Africentric approach to cooperation (ASANTE, 2003), leading the way to the creation of an alternative and



pragmatic paradigm of “*contractual solidarity*” proposed as one of the alternative solutions to the impacts created by the economic crisis of 2008 (AMAÏZO, 2010 : 101).

It is worth recalling that on the military front, China has built small arms manufacturing factories in Sudan, Zimbabwe and Mali. Contracts for the supply of military equipment have officially been concluded with Angola, Botswana, the Comoros Islands, Republic of Congo, Eritrea, Ghana, Namibia, Sierra Leone, Sudan, and Zimbabwe (NIQUET, 2006). The amounts involved are substantially less than those involved in direct or indirect transactions with the industrialised countries. However, it is in the area of military training that the objectives of this subtle form of assistance can be called into question, given that the criteria for cooperation are the total absence of political conditions and refusal to interfere in the internal affairs of the African States. The role of China in the slowdown in realising effective democratic rule in Africa premised on the principle of “*the truth through the ballot box*” could, in fact, not be neutral. It would be preferable for Africa to pay more attention to the construction of processing plants for its raw materials, implementing thereby, the decision, dated July 2004, of all the African Heads of State, making the development of its productive capacity Africa’s priority objective<sup>11</sup>. It is in this area that intelligent decision-making is necessary at the regional level, presupposing mutual information-sharing and collective decision-making with a view to achieving job creation and peace protection through the creation of decent jobs.

The point at issue is to discover whether Africa is bold enough to assimilate China’s power strategy based on non-alignment with Western industrial powers, and to position itself to choose new forms of regional cooperation based on bi-, tri- and multilateralism as the power factor. Since China’s diplomatic “*soft power*” (NYE, 2005) appears to play such a decisive role in Africa’s adoption of the Chinese approach, Africa needs to remember that this power is anchored in capabilities acquired through control of productive capacity and productivity. It is productivity which is responsible for China’s military power, in addition to the availability and flexibility of its human resource base. Soft power is first and foremost an advanced and modern form of diplomacy informed by the principles of non-interference, non-intervention, mutual respect of sovereignty and peaceful conflict resolution. Africa has long been a proponent of these principles, but has failed in the last fifty years to increase its industrial capacity due to numerous strategic errors and ill-founded exogenous advice. Strategic decision-making must necessarily be Afro-centric, and reliant on local reinvestment within the framework of social responsibility of enterprises (AMAÏZO, 2010).

In an interdependent world it is no longer useful to accede to the status of world power. What is important is networking capacity and skills agglomeration based on group discipline which underpin the modern principle of agile diplomacy. This form of diplomacy is characterised by:

- “*Contractual solidarity*” as the basis for non-aligned power;
- Professionalisation of pragmatism-led diplomatic dialogue;

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11 Amaïzo, Y. E., Atieno, R., McCormick, D. and, Onjala, J.. 2004. The African Productive Capacity Initiative (APCI), From Vision to Action, Policy Paper, UNIDO, Vienna, 262 p.

- Institutionalisation of bilateral, trilateral and multilateral diplomacy premised on the principles of Afrocentricity;
- Establishment of a common regional observatory designed to anticipate and redress the imbalances of agile diplomacy, proceeding thereafter on the basis of intelligent diplomacy.

Security of the resources of the sub-region calls for increased effort to achieve greater transparency in accounting and the award of contracts. Each country in the sub-region must legislate into existence the principle of “*contractual solidarity*” according to which available resources are automatically directed into priority areas and support activities for the greatest number of the population.

Is contractual solidarity possible? If it is, how do the States organise in order to effectively actualise the concept? A regional observatory will help monitor the success of the project.

## V. Agile neutrality: A network of non-aligned powers

The objective pursued by the principles informing China-Africa diplomacy is premised on the existence of a mobile international balance of agglomerated forces. This balance cannot exist in a uni- or bipolar world environment, as a result of power imbalances. With the emergence of the emerging countries, it is possible to set up networks of coalitions, institutionalise compensation of interests, and share influences without allowing the exercise to work exclusively to the detriment of poorly industrialised countries. These countries must absolutely organise and adopt the group discipline which will help to neutralise the complicity between the world powers. It will in fact impose healthy competition between the world powers, thereby boosting the negotiating power of the weaker groups whose restored negotiating margin can only be permanent if they organise collectively and enforce group discipline.

The main reasons for West Africa’s weak diplomatic capacity are poverty or isolation, failure to anticipate events and internal discipline. This region of Africa cannot afford to enter into negotiations armed only with the value of its raw materials which fluctuate, driven by the vicissitudes of prices fixed on foreign markets. This underscores the need to move towards counterweight diplomacy (AMAÏZO, 2010b) through crisis prevention and economic connections. In counterweight diplomacy risk is redistributed differently, alliances are varied and zones of influence delimited in a manner which is not inimical solely to the interests of West Africa and its peoples. The complexities of diplomacy should not be allowed to mask the importance of the institutional organisation needed for its control.

West Africa, like the rest of Africa, must found its diplomatic interventions on the principles of balance, anticipation, vigilance and mobility. Only then will West Africa’s renewed diplomatic agility enable it to redress the imbalance of China’s agile diplomacy. Sustainable peace in the current context of globalisation and strategic stakes can only be achieved through a balance of forces. In practical terms, this means working towards a permanent adjustment of “*situations*” in order to avoid trends which, in the short, medium and

long term, run contrary to the win-win approach. Such “*situations*” include the stalemates which make up such a large part of African diplomatic relations, and which are often the result of wrong strategic decisions and the consequence of diplomatic score-settling based on the experience of opportunistic behaviour and diplomatic betrayal on the part of certain highly influential countries.

China should therefore be required to provide some guarantees with regard to its diplomatic position in the period from 2030-2050, and to perhaps sign a *contractual solidarity* pact between South countries, guaranteeing peace between them, while mutually undertaking to make a genuine effort to effectively ensure the transfer of technology-based, job-creating productive capacity in favour of Africa. Collective decision-making must progressively become the norm, despite world-wide incertitude which could force governments to review and harmonise their assessment of the realities of the situation at the regional level. The absence of effective collective diplomatic organisations in West Africa must not be allowed to dilute responsibility or cause interminable delays in the decision-making process. By adopting a mechanism based on *regular accountability* to the citizens, it is possible to limit diplomatic vulnerabilities through diplomatic solidarity.

Effective diplomatic relations with China presuppose transparency in the relations between the economies of the African sub-region in question. Cooperation with China frequently involves the introduction of a barter system for goods which are not directly monetised. In negotiations with such a powerful partner, Africa in general and West Africa in particular, cannot base its negotiating capacities on the principle of regular public accountability for actions carried out with Chinese partners, whether in the public or the private sectors. Are African leaders prepared to opt for non-aligned diplomacy? If the response to this relic of the 1955 Bandoeng conference is positive, the organisational mode needed hinges on networking.

West Africa can therefore only establish its non-aligned power network by putting together information and structuring the procedure for a common decision-making process. African countries must address this issue and declare their official position. A peer control mechanism could perhaps be set up to monitor progress with this new approach in agile diplomacy while also helping to correct any mistakes or deviations from the original objectives.

## VI. Towards the introduction of agile diplomacy in West Africa

The effectiveness of the presence of Chinese nationals in virtually all sectors of economic life in Africa can hardly be called into question. This new presence is part of China's strategy of adherence to the principles of independence and non-alignment in the face of the community of Western industrial powers. This Chinese stand has made it – sometimes reluctantly – the advocate of the former Third World countries to the United Nations Security Council. It also conditions its interventions on international crises issues (Iraq, Sudan, Zimbabwe, etc.). China's interest in Africa is undeniable; however, Africa must not show credulity in the face of any aspect of China's highly successful diplomacy in Africa.

From the African viewpoint, it is important to speak of “Africa-China” relations rather than “China-Africa” relations as a way of reflecting awareness of the huge imbalance in power, economic matters and particularly in trade, where some African countries of a certain type misguidedly continue to give credence to the magical properties of turnkey projects in which the beneficiaries do not take ownership of technology transfer. Instead of placing a premium on productive capacity, too many African leaders, responding to pressure from African business which benefits from these market imbalances, fall into the mistake of accepting trade arrangements in which Africa fails to build the industrial base for its future competitiveness by too often making concessions, in concluding business contracts, on the issues of skills, knowledge and technology transfer, as well as reinvestment in the local economy.

In short, it is often for the sake of facility and perhaps through ignorance and a lack of negotiating skills that bad political and economic decisions are taken which cannot later be corrected at the diplomatic level.

### *VI-1 Agile Diplomacy*

Africa needs to adopt a policy of agile diplomacy. To this end, four principles must be adopted within the regional integration and cooperation framework. The process could be extended to cover bilateral trade relations or trade with other South countries within the framework of a dynamic and expanded South-South cooperation framework. In the case of West Africa, Africa-China agile diplomatic relations could be based on at least four precepts which must necessarily be encapsulated in a contract and subject to control by a peer review mechanism.

- Diplomatic crisis management in common;
- Vigilance and creation of a common West African observatory backed by a peer control/sanction mechanism to ensure the quality of this vigilance, with the participation of the private sector, institutional counter-powers and the civil society in the decision-making process;
- Political will using strength in association with bi, tri or multilateral diplomatic partners; and

- Imposition of indispensable group discipline at the regional level through control/sanction measures which are automatically applicable and not influenced by political considerations which, as a result of endless African confabulations, end up bending the very principles informing the system, and representing mediocrity in diplomacy, which does little credit to the African intelligence. Ceiling and floor criteria governing application of the equivalent financial sanctions need to be defined and corrective measures put in place.

### *VI-2 : The Non-aligned Power Network Option*

All diplomacy is premised directly or indirectly on power. In the case of poorly industrialised countries, even the joining of forces between countries with little influence is not always enough to create a sufficiently powerful dissuasive power, especially in the economic sector. However, networked organised power can constitute a multiform lever. West Africa must therefore work towards the networking of its negotiating power, since Africa has never, in the history of humanity aggressed anyone. This power network emanating from the conclusions of the 1955 Bandoeng conference is in the process of changing. The non-aligned diplomatic approach needs to evolve in consonance with geoeconomic imperatives, and offer pragmatic solutions. Inevitably diplomatic alignments will be made in line with State interests. Diplomacy based on dynamic, modular and circular neutrality must inform a global strategy. In short, this form of diplomacy is agile and capable of expanding negotiating margins. Six precepts are applicable in this regard:

- The necessary reorganisation of collective power, especially in cases where an agglomeration of poorly industrialised countries leads to the kind of negotiations in which the minority side transforms into a “*blocking*” power as a result of its internal discipline and faithfulness to its commitments<sup>12</sup>.

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12 Les Echos. 2010. “ China is at odds with its best friend Africa “, in the Wall Street Journal reprinted in Les Echos, dated 11 August 2010, <<http://www.lesechos.fr/info/analyses/020715108940-lachine-est-en-froid-avec-son-meilleur-ami-africain.htm>> retrieved, 11 August 2010.

Angola is the most important partner in Africa, with a volume of trade valued at more than 12.8 billion \$US in 2009. This amount is down 33% compared to 2008, mainly because:

1. More than 70,000 Chinese workers (marking an increase) are thought to have emigrated to Angola in hopes of earning higher incomes than in China, and
2. Chinese enterprises import Chinese workers, refusing to use local labour, thus creating the conditions for growing discrimination against Chinese nationals who are beaten up or kidnapped;
3. The liberation movement of the Cabinda enclave which has been demanding independence for the region, regularly claims responsibility for attacks against the Chinese, and adopts this tactic as a means of not openly attacking the policy of the central government in Luanda;
4. The Angolan government has failed to meet its commitments, and there are numerous and lengthy delays in repayment of the loans granted by China to Angola (at least 6 billion euros). This slows down implementation of ongoing projects initiated by the two countries;

This situation has led China to change options elsewhere, especially in Iran, Brazil and Venezuela. Angola appears to be under pressure to choose between China and giving preference to European and American investors who in 2010 were prepared to buy back a sovereign debt of 1.5 billion \$US.

- Agile neutrality and strategic alliance, which presupposes that at some point, choice is conditioned by the will to remain in power permanently or otherwise;
- Productive capacity-based trade, which presupposes an enlightened vision of the Africa of the future for which investment in productive capacity should provide employment in both present and future;
- Discipline and honesty between Africans in order to ensure that common positions adopted during collective negotiations are maintained. However, early warning and observation institutions must be put in place to provide independent and accurate forecasts on the authorities in power;
- “Contractual solidarity” which remains the guarantee of the proper contracting of operations, and ensures transparency and the monitoring of outcomes with a view to establishing good practices;
- Cultural bridging as an alternative means of creating universal values, and ensuring that the process is not a one-way affair.

In the final analysis, the ability to collectively say “NO” is the real test of strength of poorly industrialised countries and enables them to organise in defence of their long-term interests. Diplomacy based on agile neutrality should pave the way for the creation of a multidimensional network in which Africa will not be placed at the crossroads of a cold war based on the geoeconomic allocation of raw materials. Otherwise, diplomatic opportunism will prevail, as is presently the case in Angola<sup>13</sup> which is subject to pressure, intimidation or exogenous extortion.

The collective “no” as a negotiating position develops gradually, in situations where the options offered by the so-called “poor and uninfluential” countries are taken into due account. This approach could eventually erase the silent diplomatic humiliations regularly endured by Africa (TRAORE, 2010). The so-called poor nations do in fact have power, but it is contingent on their determination to stop acting in isolation. Moreover, their collective position must be prepared, taking proper account of the need for pragmatism, discipline, fulfilment of commitments undertaken and diplomatic agility. However, it is important that those countries which, as a result of their mineral resources wield a lot of influence, should also effectively fulfil their role in the regional integration process. It must be clearly understood that the collective stand calls for medium and long-term solidarity even on the part of those countries which are expected to fulfil the role of “regional locomotive”.

### *VI-3 : Concretising Diplomatic Dialogue*

The objective in this regard is to change the propensity for bureaucracy and most importantly, for the destruction of all initiative and boldness in the diplomatic arena. The solution lies in the adoption of more pragmatic strategies, and in ensuring that the factor of innovation is taken into account during promotions, rather than continuing to apply

13 Les Echos, op. cit.

the criteria of seniority or diversity of positions previously occupied. Rejection of agile diplomacy will only result in making African diplomacy gradually outdated and incapable of objectively placing square pegs in square holes, missing opportunities and incapable of adopting an innovative approach to diplomacy. Five precepts have been identified in this regard:

- Avoid language which will not lead to pragmatic results and job creation;
- Systematically introduce the principle of reinvestment of part of the benefits reaped in Africa into the negotiations;
- Limit secrecy in civil transactions, particularly with reference to mineral resources;
- Encourage transparency and participation of institutionalised counter-powers by reviewing the approach which sees the civil society only as “*the opposition*” rather than enlightened partners, including those living abroad;
- Build skills and professionalism in the diplomatic missions and create sections in the missions to represent the private sector and civil society associations.

#### *VI-4 Institutionalisation of Tri-multilateralism and Multilateralism in Diplomacy*

Many members of Africa’s diplomatic corps have been trained in the handling of bilateral and multilateral issues with State institutions. With the arrival of China whose private sector operators sometimes arrive in Africa without informing the public sector, there is a need to review the functioning of the continent’s diplomatic corps and introduce innovations into the many permutations of which multilateral relations with China is capable. The following are the five principles which must be held in this regard:

- To prepare working methods in West Africa which involve the restructuring of the strategic and practical justifications informing coherent and collective decision-making at the regional level; the approach adopted must be increasingly diversified in order to enable it to cover negotiations on both South-South and North-South cooperation. Bilateralism, triangularism, bi-triangularism, multilateralism and multi-bilateralism or multi-trilateralism are approaches which could bring a whiff of modernism into negotiations, especially as these new forms of relations are not solely applicable to inter-State relations;
- To institutionalise negotiations so that they are conducted on specific dates and in compliance with regularly evaluated contracted commitment modalities which may be updated to include mutually agreed sanctions in the light of peer evaluation findings;
- To propose a compensation system designed to redress the imbalance of power between “*important countries which are the economic locomotive of the sub-region*” and less sub-regionally influential countries. The system will take the form of a solidarity mechanism operating according to previously

determined modalities and less according to the principle of consensus favoured by the political approach;

- To formalise the principle of regional, common regulation through community regulation and the introduction of a sanctions system between, and operated by peers;
- To place greater emphasis on the obligation of upstream responsibility and effectiveness in negotiations with China and other emerging countries, with a view to improving consultations on the formulation of regional strategies in a response to politicisation, budgetary intimidation and the principle of non-interference.

If Africa aims to advance the cause of regional integration, it must review its rigid diplomatic approach to negotiations and privilege geoeconomic considerations above geopolitical ones. It is necessary in this connection to note that external legitimacy is becoming increasingly important in an interdependent world where governance at sight is no longer an option but is rather perceived as a strategic management error on the part of the States. Geoeconomics at the sub-regional level must be properly understood in order to bring more solid arguments to the negotiating table. Creation of what is known as a negotiating margin must become the watchword at the sub-regional level.

Regional integration can no longer be based on rousing slogans and resolutions which are only superficially and partially implemented. New forms of cooperation presuppose reactivity and informal discipline in the implementation of common decisions. Will the African countries and the countries of the West African region in particular, be able to adopt the principle of agile diplomacy by consensus and institutionalise triangular cooperation? Triangular cooperation covers a wide range of forms, with multi-trilateralism at the extreme end of the range, and excluding those special forms which could work against Africa's interests.

Can the countries systematically compartmentalise their approach, differentiating between trilateralism and triangularism, as the interests of the people demand?



## Conclusion: Creating a negotiating margin

The transition to Africa-China relations based on an equal footing must be informed by four interdependent principles:

- “*Contractual solidarity*” underpinning non-aligned power;
- Professionalisation of pragmatism-driven diplomatic dialogue;
- Institutionalisation of bilateral, trilateral and multilateral diplomacy encapsulating the principle of Afro-centricity;
- Creation of a regional common observatory to anticipate and redress agile diplomacy imbalances and move forward on the basis of intelligent diplomacy.

The adoption of a position of “*agile neutrality*” should not prevent the African authorities from introducing the principle of twinning between rural areas which is an arrangement under which Africans are sent into Chinese rural communities for short periods in order to learn agricultural production techniques and better practices in relation to medicinal plants or Chinese medicine. However, the “*Peoples’ Republic of China must (not) promote its own development model which is based on the deliberate separation of economic development and political reform within the framework of the survival strategy of authoritarian regimes*” in Africa.

In this regard, it is important in the pursuit of set objectives, to lay down endogenous rules which will promote the search for collective effectiveness for the welfare of future generations of Africans rather than bureaucratic concerns. Top priority should be given to the development of technology-based productive capacities over trade in raw materials. In addition, no country can afford not to demonstrate its commitment to the conservation of ecological balance. The succession of palliative democracies in the African continent should in no way affect the political determination to ensure citizen involvement in the decision-making process, especially where it concerns the future of Africa-China relations and placing them on a fresh footing (AMAÏZO, 2010c).

Africa could open up a “*fourth way*” in diplomatic relations, rooted in transparency and the principle of accountability if, directly or indirectly, it involves citizen counter-powers in diplomatic negotiations. Correction of the imbalances created by China’s agile diplomacy in Africa and in West Africa in particular, will then be transformed into pockets of opportunity. It is to be hoped that these fresh opportunities will be seized by the African decision-makers whose collective behaviour is still too often reminiscent of sleight of hand rather than genuine direct or indirect involvement of the private sector, the civil society and the people in decisions relating to emerging countries, including China.

Africa, and more specifically, the West African region, is faced with the double imperative of reviewing and understanding the changes in its South-South relations, using that constructive approach known as the “*win-win*” approach. Future Africa-China diplomatic relations must be based on a form of triangular cooperation in which the principle of “*contractual solidarity*” will ensure the flexibility needed to build the capacity of poorly industrialised countries for absorption and negotiation from an advantageous position.

The issue which remains to be addressed is that of those criticisms which stigmatise China as being solely concerned with the defence of its own interests in its exploitation of Africa's raw materials as long as Africa fails to bring to the negotiating table proposals which would defend the interests of its own peoples. It should, however, be recalled that in 2010, Chinese imports of petroleum from Africa stood at approximately 13% as against imports by the United States and the European Union which are estimated at 30%. Chinese investments in Africa represent no more than 1/16<sup>th</sup> of the investments of the industrialised countries of the North<sup>14</sup>. Therefore it is up to Africa to devise a modulated balance which will primarily serve the interests of its peoples. Only by the creation of a negotiating margin which opens up the decision-making process to the people can strengthen and legitimise the geoeconomic and geopolitical position on the continent. Africa can then complete its diplomatic mutation and improve the chances for the success of an African renaissance.

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14 AFP, 2010. "China's Présence in Africa: Peking responds to its critics", AFP in Romandie News, 7 March, see < <http://www.romandie.com/infos/news2/100307045546.dmjtxx2a.asp> > retrieved 11 August 2010.

## Annex or Post Script

### *Principal issues requiring a consensus in West Africa*

It would be advisable for the countries of the West African sub-region to find concrete responses to the following questions:

- Is diplomatic opportunism rewarding? What are its limitations and what are the advantages and disadvantages it brings to the West African countries?
- In the choice between triangular and trilateral diplomacy, what is the approach adopted by each West African country in its relations with China?
- The diplomatic approach based on inter-dependence in relations with China is proving increasingly counter-productive, and works against regional integration. Which countries are prepared to choose interdependence-based diplomatic relations and thereby accept the need to review their rules of subsidiarity and anchor the new ways and alternatives in a collective approach to diplomatic and cooperation relations with China?
- In view of the weakness of endogenous wealth creation capacity in Africa and the continued implementation of policies which are geared towards draining wealth from Africa, are there any countries in the sub-region whose Embassy Economic Counsellors work collectively, sharing roles with emerging countries and with China in particular?
- Is every country in the sub-region able to vote the principle of “contractual solidarity” into law, thereby opening up the possibility of direct, automatic transfer of earnings from trade between China and the sub-region to priority areas benefitting the greatest number of citizens. In practical terms, this will involve legislation on “contractual solidarity” and establishment of a regional observatory to monitor progress. Do any West African countries run such a system, even at an embryonic stage?
- In order to organise a collective approach to diplomacy and encourage the emergence of effective diplomatic relations between West Africa and China, it is important to ensure transparency in those trade and cooperation links based on barter. Are West African countries ready to set up a non-aligned power network? Is it conceivable that a peer review mechanism will be put in place to ensure the success of this new approach to agile diplomacy while at the same time helping to correct any mistakes or deviations from the original objectives?
- Regional integration must be committed to the new forms of cooperation, which presupposes responsiveness and regional discipline. Can the African countries, and especially the West African sub-region institutionalise triangular cooperation? Parallel forms like trilateralism and even multi-trilateralism must be weighed in the balance in terms of their defence of African interests, and specifically the public interest. Can African countries

systematically make a distinction between trilateralism and triangularism on the basis of Afro-centricity?

- The African renaissance is contingent upon the renaissance of its diplomacy. This presupposes the existence of a self-sustaining and efficient modular and adjustable system of consensual balance. It is by maintaining this disciplined approach that a negotiating margin could emerge, which though apparently weak, does in fact represent a “blocking minority” in cooperation negotiations with a giant like China or other world powers. This new active form of negotiation demands transparency, trust and regular information-sharing in order to facilitate in an agile manner, the development of a negotiating margin, and above all, offer Africa a chance to recover its position as a respected partner whose views matter. Can West Africa remain on the sidelines in this process?

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# Chapter 3: Chinese aid, trade and investment: Opportunities and challenges for West Africa

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## I. Introduction

In recent years, China has become an important economic and trade partner of West African countries and Africa as a whole. The outward incursion into Africa has been made possible by the rapid economic advances made by China with record annual rate of growth of over 10%. With the consistent impressive growth rates recorded in the last decade China is now emerging as the second largest economy after the US.

The resurgence of interest of China in Africa has attracted a lot of international attention; some critical likening it to another form of post- colonial raw material grabbing spree, while other commentators see it as providing an alternative economic opportunity for Africa's development away from the old western world. The "increased presence of China in Africa would appear, at first glance to open up encouraging prospects for West African countries in terms of the induced and multiplier effects of the new strategic and economic orientations of Chinese policy."

However the issue is how do Africans themselves see this new development? Is China's advent into Africa providing new prospects and opportunities for West Africa's development? Certainly there is the need for West African's to examine closely the issue by exchanging views on the nature, scope and dynamics of all aspects of the conduct of Chinese foreign policy towards Africa as reflected in the three areas of aid, trade and investment. The refreshing thing about China's involvement with Africa is that it has no colonial antecedents. It is in this regard that we find the ECA initiative in organizing this encounter of experts to "assess the progress, constraints and prospects for cooperation between the countries of the West African sub-region and China with a view to proposing a consensual approach for the sub-region in its relations with China" quite timely and relevant.

Our presentation "Chinese aid, trade and investment: Opportunities and Challenges for West Africa" is divided along the following sections: After the introductory Section, we have Section 2 on Chinese Foreign Aid; followed by Section 3 on Investment; and section 4 deals with Trade; while sections 5 and 6 are on Opportunities and Challenges; a proposed strategy for West African countries to adopt is spelt out in section 7; and the final section gives the Summary and Conclusion.



In the presentation the approach adopted is to present information and data on Africa generally but with special emphasis on West Africa where data is disaggregated and available.

## II. Chinese Aid Policy

### (a) Evolution

Chinese aid policy towards Africa generally and West Africa in particular, over the last fifty years has not been uniform it has varied and evolved depending on the prevailing domestic political, ideological and socio-economic situation in China. In studying the evolution of Chinese aid policy to West Africa *between the period 1960 and 2010* three periods could be distinguished (Xiaoyun):

#### (i) The period 1960s-70s: The Immediate post independence -Cold war Era of Political Aid & Export of Ideology

During this period Africa had been core to China's foreign policy focus. This was the era of rhetoric of revolution, anti-colonialism and third world solidarity. Political ideology was the priority; support for liberation movements in Africa was high on the agenda.

Aid to Africa became a tool to promote this foreign policy objective. During this period Chinese aid was in the form of economic aid, development projects and technical assistance to friendly countries in West Africa including Ghana, Guinea and Mali as well as military assistance to liberation movements.

#### (ii) The period Mid 70s to late 90s - Adjustment and Reform

This was a period of introspection and political consolidation following the end of the Cultural Revolution and after the death of Chairman Mao Zedong in September 1976. Following this period of heightened instability and uncertainty over leadership and the launch of the economic reform program in December 1978, China rather focused on managing its own domestic reform rather than expending large amounts of resources and funds to Africa. During this period it was reported that Chinese aid to Africa was at a minimum.

#### (iii) The period Late 90s to 2010: Resurgence of Aid and Cooperation

The success of China's development programs In the early 1980's led to the entrenching of economic reform, market opening and liberalization. From 1998 Chinese firms began to look outward and establish an international footprint. Africa with its abundant and untapped natural resources quickly became a significant recipient of outbound Chinese investment. Subsequently Chinese foreign policy came to be adapted to this new reality. From the late 1990's, the Chinese leadership began to pay more attention to Africa. Africa

was elevated in priority and this resulted in the creation of a new vehicle called the Forum on China-Africa Co-operation (FOCAC) in October 2000 in Beijing, to project Chinese foreign policy objectives toward Africa.. Since then three summits have been held in Addis Ababa 2003, Beijing 2006 and Cairo 2009. FOCAC has become the institutional mechanism for China-Africa multilateral engagement on the basis of a new type of strategic partnership whose features included “political equality and mutual trust, economic win-win cooperation and cultural exchanges”.

### *(b) Types of Aid*

China’s bilateral aid to Africa and West African countries reflects broad sectoral approach in its coverage and cuts across infrastructure, education, agriculture, health, etc and on the whole covers areas ignored by the traditional donors. China’s aid normally takes the following forms: – Grant aid, Interest-free and Concessional loans, debt relief, personnel training and technical assistance.

#### **(i) Grant aid**

Grant aid is specifically extended for social welfare projects (like hospitals, schools, and housing), material assistance, technical assistance and personnel training. Before establishment of FOCAC in 2000 China’s bilateral aid was minimal. Since then China’s development assistance to West Africa has gained momentum. Hundreds of cooperation and assistance agreements have been signed over the past years and major project-based assistance commitments have been announced. In 2002 it was reported that China’s total aid and economic support to Africa including West Africa for that year reached \$1.8 billion (Davies et al.). According to the Chinese government sources, up to 2006 it had given about \$6 billion in aid to Africa - and this excludes debt relief. In the area of technical assistance, as far back as 2004 China’s African Human Resources Development Fund had provided training in China to 9,400 Africans and a further 3,800 places were planned for the successive two years. China has provided technical assistance to African countries in the form of training of more than 600 teachers and more than 15,000 Chinese doctors have worked in 52 African and West African countries.

#### **(ii) Interest-free& Concessional loans**

These categories of loans are primarily granted for infrastructure projects, while concessional loans have a strong focus on the profitability of projects. In cases where a concessional loan is extended from China, EXIM Bank - the only provider of Chinese Government concessional loan ensures that Chinese contractors must be awarded the infrastructure contract. In principle concessional loans are used also for procuring equipment, materials, technology and services, with no less than 50 percent of the contract’s procurement coming from China.

In recent years the following major loan commitments among others have been made to African and West Africa countries:

- In 2009 at the Cairo FOCAC, China announced a \$10 billion concessionary loan commitment to African Countries
- In 2006 the concessionary loan commitment was \$5 billion.
- \$1 billion special loan for small and medium sized African businesses established.

During the period 2000-2008, the EXIMBANK and China African Development Fund (CADF) are reported to have financed 46 major projects in Africa, nine of which were projects in five West African countries namely Benin-1, Togo-2, Ghana-2, Mali-1, and Nigeria-3 (Davies et. al). Among the West African projects were:

- The disbursements in 2007 of \$562 million soft loan(\$263.5 million) and buyers credit (298.5 million) given to Ghana for construction of 400 mw Bui dam;
- The disbursement in 2006 of \$2.5 billion concessionary loan to Nigeria for Dam construction and power project at Mambila plateau.
- The granting in 2006 of a \$1 billion soft loan to Nigeria to repair old rail lines and supply new rolling stock and equipment

In all cases, the preferred method of disbursing aid from the Chinese point of view is in kind rather than in cash. This essentially ensures that money stays within the Chinese system. It also ensures that aid-financed projects, as much as they are developed in consultation with recipient country, still remains at the discretion of the Chinese government, especially in terms of the contract tendering process.

### (iii) Debt relief

China's debt relief in Africa has been mostly the cancellation of interest free loans, and to a lesser extent the write-off of concessional loans. By relieving African governments of the principal (and interest) payments of preferential loans, these effectively are converted into grant aid.

Recent Debt reliefs given by China include the following (Davies et al):

- At the 2006 Summit in Beijing President Hu Jintao announced that China would cancel 168 interest-free government loans amounting to \$1.3 billion due at end-2005 owed by 33 of the heavily indebted and least developed countries in Africa with diplomatic relations with China.
- The exact amount of bilateral debt that has actually been cancelled to date is difficult to approximate but according to an IMF working paper since the inception of FOCAC China had granted debt relief of \$1.3 billion to African states. It is estimated that a total of \$260 million had been forgiven by June 2007 to 8 least developed countries in Africa including: Mali, Senegal, Togo, Guinea all in West Africa. Ghana in 2007 also benefited from debt relief to the tune of \$24million.

### *(c) Characteristics of Chinese Aid*

From the African perspective, Chinese aid to Africa can be characterized by the following four attributes (Davies et al; Xiaoyun):

- China's aid is targeted towards broader strategic objectives, among them the development of links with African countries including resource-rich African economies and politically strategic countries.
- Absence of Conditionality: China's "no-conditionality" attached to development assistance as Chinese aid provides possible way of developing self driven agenda for African countries (strategic for aid effectiveness)
- Linkage of aid with development of infrastructural projects often related to extraction and export of minerals and oil.
- Low Transaction cost of aid arising from less complicated procedures, no expensive studies, no costly consultancy etc.

On the whole it must be mentioned that West African countries have benefited significantly from Chinese development assistance in the form of grants, technical assistance, concessional financing and debt relief since inception of FOCAC. Although the level of aid from China compared with that from the Western countries is still relatively low, Chinese aid is different as it covers all the key development sectors and in addition it is complementary as it covers other areas the traditional donors do not cover.

## III. Foreign Direct Investment

Before 2000, Chinese foreign direct investment (FDI) in Africa had been sporadic and insignificant. However following the government's 'go global' strategy initiated in 2001 and directed at the corporate sector, there has been rapid growth of Chinese foreign direct investment and entrepreneurship in many West African countries, sometimes through large firms (such as in infrastructure projects), and in other cases through smaller scale initiatives.

### *(a) Differences between Chinese and Western FDI*

In general, Chinese FDI is qualitatively different in kind from European and North American sourced FDI in the following ways:

- Chinese investment in Africa comes mainly from firms which are either wholly- or partially state-owned unlike historically, Western and Japanese FDI in Africa which come from privately-owned corporations whose focus are on profit maximization, generally with relatively short time-horizons.
- The Chinese unlike Western firms have support of the home government in many ways such as access to very low-cost capital, and hence operate with much longer time-horizons.

- Chinese private investments are either explicitly or implicitly associated with achieving strategic objectives, often those which are focused on long-term access to raw materials, and are closely linked to Chinese aid.

### *(b) Size of Chinese FDI*

Data on Chinese FDI in Africa unlike trade where there is extensive data (particularly in relation to aggregate flows, and flows over time); however is limited. In part this is because FDI is inherently difficult to measure and raises a number of questions. In particular, it is not clear how much of Chinese economic activity in West Africa comprises FDI, how much is a result of winning commercial tenders, how much is linked to Chinese aid and how much is part of integrated production networks between Chinese and African firms.

In spite of this difficulty it is estimated that Chinese FDI in West Africa and Africa as a whole is increasing steadily and was estimated at a total of \$1bn by mid-2005, up by \$125m in the first six months of 2005 alone (World Bank) In the first half of 2009 it is estimated to have gone up by \$552 million (Baldauf all Africa.com 2009)

For individual countries such as Nigeria Chinese private investment is estimated at \$6b as at end 2009. In order to facilitate Chinese FDI China in West Africa and Africa as a whole 10 centers for investment and trade promotion in sub-Saharan Africa have been set up (Gill & Reilly 2007). These centers provide business consultation services, special funds, and simplified approval procedures for Chinese enterprises seeking to invest in Africa. Also in November 2004, China established the China-Africa Business Council (CABC) jointly with the UN Development Program in order to support China's private-sector investment in sub-Saharan Africa (Gill & Reilly 2007).

According to Gill and Reilly in all there are more than 700 Chinese companies involved in cooperative projects in Africa. Most of these firms are affiliates of state-owned enterprises.

### *(c) Characteristics of FDI*

The Chinese firms' involvement in West Africa through direct investment can be characterized by four major trends:

#### **i. Pan- Africa nature of Investments**

Unlike private direct investments from the West which tend to follow old colonial jurisdictions and linguistic lines or considerations, Chinese FDI is not limited to any group of countries. Chinese investments are widespread throughout Africa from the Cape to Cairo and from the Gulf of Guinea to the horn of Africa. Thus Chinese investments are found in all the five regions of Africa- North, South, Central, East and West. In West Africa Chinese private investment could be found in all the countries from Senegal all the way through Sierra Leone, Guinea, Cote d'Ivoire to Nigeria. According to the Ghana-Chinese Chamber of Commerce there are approximately 250 Chinese companies registered in the country (Davies et al. 2008)

## *Increasing Investments in the energy and resource sectors*

In recent years, Chinese energy companies have become prominent as investors in West Africa and Africa as a whole. In Africa and around the world, China's top leaders have encouraged state-controlled companies to seek out exploration and supply contracts with countries that produce oil, gas, and other resources to meet the increasing domestic demand (Kaplinsky et al. 2007). In this regard Chinese companies have invested in oil and other strategic minerals such as copper, cobalt etc. As recent as May this year, the Nigerian National Petroleum Corporation (NNPC) announced that it had signed an MOU with China State Construction Engineering Corporation Ltd (CSCEC) to construct three oil refineries of 250,000 bbl/day capacity each and a petrochemical plant. The total cost was estimated at \$24b and funding was to be provided by CSCEC 80% and 20% by NNPC (*All africa.com*, May 2010). The Chinese National Petroleum Corporation (CNPC) is a big investor in Nigeria where it received access to exploration sites as part of a package which included the construction of a 1,000 megawatt hydroelectric plant in the Mambila Plateau. The CNPC also has a controlling share of a refinery in Kaduna. Late last year it was reported by the Nigerian Government that China would double its current direct investment from \$3 billion to \$6 billion mostly in the oil sector. Furthermore elsewhere in West Africa such as Ghana the CNPC has expressed interest in cooperating in oil exploration in collaboration with Ghana's National Petroleum Corporation. In Guinea a Chinese firm has planned to invest \$7b in oil and mining infrastructure in return for preferential treatment in all mining projects in Guinea (*All Africa .com* 2010). Elsewhere in Africa, the CNPC and other Chinese firms are heavily involved in oil and other minerals in Sudan, Gabon, Angola, DRC, Zambia etc.

### **ii. Investment in infrastructural projects**

Chinese firms have become an increasingly important participant in the construction Sector in West Africa and Africa as a whole. Many of these firms are state owned, as in the case of the China Road and Bridge Corporation which as far back as 2004 was involved in over 500 construction projects all over Africa. It is reported that in 2006, there were more than six hundred Chinese infrastructure projects in Africa, and financing of these projects by China's Exim Bank had increased to \$13 billion, much more than the developed countries' total infrastructure aid to the continent (*New African* 2006; White 2006).

Participation in infrastructure and construction projects range from stadiums in Ghana and other West African countries, to for example, the construction of major dams, the Mambila in Nigeria and Bui in Ghana by Chinese firms, roads, railways and government buildings in many countries in West Africa- Ghana, Nigeria, Sierra Leone etc..

The growing participation in construction and infrastructure reflects the competitiveness of Chinese firms, which are reported to provide good quality projects at a price discount of 25 to 50 per cent compared to other foreign investors. The cost-advantage is derived from a combination of factors (Kaplinsky et al. 2007) including:

- Lower margins of less than 10% compared with 15-25% expected by Western firms;

- Chinese firms have access to much cheaper capital than local investors;
- Access to cheap labour. The almost exclusive employment of low-paid Chinese staff, often apparently living in secluded barracks at even lower standards than the African population;
- The use of Chinese materials, with very little local sourcing;
- The use of standard designs;
- Less attention to environmental impacts;
- Access to a hard currency premium paid by the Chinese government;
- Provision of subsidies to Chinese companies by the Chinese Government when they establish themselves overseas.

### iii. Small scale entrepreneurial investments

In a number of West African countries, there appears to be the growth of small-scale entrepreneurial investment from China, often ranging from retailing of Chinese consumer goods in a single shop to a chain of shops. A typical example is to be found in Sierra Leone in a context where more traditional European and US investors have been wary of political risks Chinese investments include a joint venture with the government in an industrial estate making mattresses, tiles, hair lotions and other light industrial products ((Kaplinsky et al. 2007). Unlike other Chinese FDI in the resource and energy sectors, most of these investments in Sierra Leone are undertaken by small-scale private investors. An important and almost certainly significant channel of Chinese presence in West Africa is the growing number of individual Chinese traders engaged in retail and wholesaling business. Apart from the traders there is a growing number of workers providing low cost expert and manual labor for Chinese construction and manufacturing corporations. Currently there are large numbers of Chinese population in West Africa with Nigeria recording the highest number of over 100,000.

Most long-term Chinese residents in Africa are small merchants who sell inexpensive consumer goods, often with very little capital. In Senegal, Ghana and other countries small-scale Chinese enterprises have sprung up, importing inexpensive goods and running restaurants that cater for Chinese and other tourists and Chinese medical clinics

#### (d) *Investment Vehicles*

The following vehicles are used to support China's investment activities in Africa:

##### i. EXIMBANK

The Bank provides the backbone for Chinese private sector investments in Africa. The EXIM Bank's activities in Africa have been growing rapidly since early 2000 and by 2008, it had funded over 46 major projects in 21 African countries nine of these projects valued at \$4.3 billion were located in five West African Countries Benin, Ghana, Mali, Nigeria and Togo (Davies et al. 2008). The Bank's role within the Chinese aid process was informed by the 1995 re-organization. Its lending practices are closely tied to China's foreign

policy, with package deals that tend to focus *inter alia* on projects in the construction industry and exploration of resources abroad, and concessional loans mainly targeted towards infrastructure development. What sets EXIM Bank apart from other Export Credit Agencies and international financial institutions (IFIs) is that its infrastructure loans in Africa are offered without any domestic governance or political reform requirements.

## ii. The China-Africa Development Fund

In 2006 at the FOCAC Summit in Beijing, the establishment of a \$5 billion China-Africa Development Fund (CADF) was announced (Davies et al. 2008). The investments of the fund will be targeted at providing capital for Chinese enterprises engaged in development, investment, economic and trade activities in Africa. The fund will also provide support for African countries' agricultural, manufacturing and energy sectors, as well as support for urban infrastructure and the extractive industries. As such the fund aims both at financing development projects in Africa, but also offers assistance on a commercial level to Chinese companies engaged in such projects. The fund acts as a commercial financing institution. The China Development Bank forecasts a 50-year lifespan for the fund, touted as the largest global fund aimed exclusively at African development. It is interesting to note that China has chosen to establish its own vehicle for assistance, rather than work within the existing framework of international institutions already in place. Nevertheless, it is possible that China feels that this structure will be more effective and easier to manage as a bilateral partnership between China and Africa.

The first official commitments of the China-Africa Development Fund were made in January 2008 with the signing of four cooperative agreements worth over \$90 million with Ethiopia, Ghana and Zimbabwe. In Ghana Shenzhen Energy Investment Co Ltd was to be funded to build a 200 MW gas-fired power station to counter the country's severe energy crisis of 2008.

## iii. Development of Special Economic Zones (SEZs)

Under the Beijing Action Plan, from FOCAC 2006, the Chinese Government announced its intention to develop Special Economic Zones (SEZs) on the African continent to serve as enclaves for Chinese investment in key African states (Davies et al. 2008). While there has been substantial infrastructure investment in SEZ regions, it can be regarded as "development assistance", as far as it aids economic development in the region. These special economic zones (SEZs) focus on strategic industries and provide liberalized investment environments. On the basis of their own experience in using SEZs to foster rapid economic development the Chinese would like to duplicate that experience in Africa. The SEZs are positioned to become Africa's new economic growth nodes for each of the five regions of Africa, with one established in each region of the continent. So far the Chinese-initiated SEZs have been declared in Nigeria (two zones) Zambia, Mauritius, Egypt, Ethiopia and, Algeria.

China's FDI in West Africa is growing over the years with investments recorded in infrastructure especially energy and power, construction, manufacturing, wholesale and retail-



ing activities. As the support of the Chinese government continues more direct investments are expected to be made in the near future especially in the service sector.

## IV. China-Africa Trade

### i. Upward Trend

The most significant increase in relationship between China and Africa could be seen in the trade area. Over the eight year period, 2000-2008 trade between Africa and China had increased by over 1,000 percent. From an insignificant level in the previous decade China now accounts for 11 percent of the continent's external trade. Although it ranks third against the US and the EU the significant observation to make about China –Africa trade is its rapid increase on a year by year basis over the period 2000 -2008. (see Table 1).

**Table 1: China- Africa Trade 2000-2009 \$b**

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
9.5	10	11.6	17.8	28.2	38.9	54.6	72.2	103.2	91
change	5%	16%	53%	58%	38%	40%	32%	43%	-12%

*Sources:* World Atlas, SARS, vc4africa.com, own estimates

From 2000 to 2008, trade between China and Africa increased yearly from \$9.5billion to \$103.2 billion. From a low of 5% in 2001 trade increased to a high of 58% in 2004 and 43% in 2008 with an average annual increase of 36 % over the eight year period. In 2009 however, there was a reduction of 12% to \$91 billion due mainly to the adverse impact of the global financial crisis and recession. The figure for 2010 is expected to be over \$100 billion. Much of the growth was due to increased Chinese imports of oil from Angola, Sudan and other African nations, but Chinese firms also imported a significant amount of non-oil commodities such as timber, copper, and diamonds. China recently began to import some African-manufactured value-added goods, such as processed foods and household consumer goods.

### ii. Exports & Imports

A breakdown of the trade figures into imports and exports reveal the phenomenal increase on year to year basis. For example, China's exports to Africa grew by 36% between 2007 and 2008, while imports increased considerably by 51% over the same period. The basis for China's rising trade links with Africa and West Africa has been its extraordinarily rapid economic growth of more than nine per cent per annum recorded since 1979. This had led to an increased demand for raw materials especially energy resources of which the African continent is well endowed. One of the main features of this growth has been its deepening

trade orientation, with the trade-GDP ratio of 68 per cent in 2005, well above the ‘norm’ for large countries.

### iii. Composition of Exports & Imports

During this period, China had become a major exporter of manufactures to Africa and a significant importer of commodities from Africa see (Tables 2 & 3).

**Table 2: China’s Imports and Exports to Africa 2008**

Composition of Chinese Imports by Commodity	%	Composition of Exports by Sector	%
Mineral Products/Oil	82	Mechanical and Electrical Products	50
Spare Parts	3	Textile Yarn, Fabrics and Products	12
Wood Products	2	Rolled Steel	7
Precious Stones and Metals	3	Garments and Clothing Accessories	6
Base Metals	1	Footwear	3
Others	10	Others	22

Sources: World Atlas, SARS, vc4africa.com; own estimates

In recent years, China’s growing demand for raw materials has led to an expansion of commodity exports from some African countries. In 2008, the bulk of imports valued at \$51 billion was composed of a variety of key commodities produced and exported by various African countries. The overwhelming bulk and most rapidly growing was oil accounting for 82% of exports to China (worth \$42 billion). The other commodities exported to China in order of significance were: motor spare parts (3%) precious stones and metals (3%) wood products (2%) and base metals(1%); other exports including cotton, processed foods and household consumer goods etc was 10%.

### iv. Country Destination

In 2008, China’s imports from Angola accounted for 44% of total imports from Africa, while nine other countries, all oil producing except South Africa provided varying amounts ranging from 2% to 12%. On the other hand, on China’s exports side South Africa dominated receiving 19% of Chinese exports to Africa followed by Nigeria 13% and Egypt 11% with seven other countries receiving various amounts of Chinese exports ranging from 7% to 3%. Almost all of these exports were manufactured products.

**Table 3: Country Destination of China's Imports and Exports to Africa 2008**

Chinese Imports from Country	%	Chinese Exports to Country	%
Angola	44	South Africa	19
Sudan	12	Nigeria	13
South Africa	9	Egypt	11
Congo Brazzaville	7	Algeria	7
Libya	5	Angola	6
Equatorial Guinea	4	Morocco	4
Democratic Republic of the Congo	3	Benin	4
Gabon	3	Sudan	4
Mauritania	2	Ghana	3
Algeria	2	Libya	3
Others	8	Others	25

*Sources:* World Atlas, SARS, vc4africa.com; own estimates

#### v. Regional Destination

**Table 4: Regional Destination of China's Trade**

Region	Imports	Region	Exports
West Africa		West Africa	20
East Africa		East Africa	
Central Africa	17	Central Africa	
Southern Africa	53	Southern Africa	25
North Africa	21	North Africa	29

*Sources:* World Atlas, SARS, vc4africa.com; other estimates

The regional distribution of Chinese imports and exports to Africa provide some interesting observations (see Table4). While in 2008 West Africa as group was not a source of significant exports to China it however accounted for one fifth of imports from China unlike North and Southern Africa which were important sources of both exports and imports or Central Africa which exported significantly but didn't import much from China ( See Table 4). This rather significant imbalance in trade situation has wide economic implications on the balance of trade for West Africa and has to be addressed in a strategic and concerted manner by both national and regional authorities.

## **vi. Future Prospects**

There is every indication that China hopes to expand its trade with Africa in the years to come as its economy continues to grow so will the demand for Africa's raw materials increase. Also in the face of the trade concessions accorded a number of countries during the last FOCAC trade is expected to increase as countries take advantage of them. West African countries under the present dispensation should position themselves to engage in basic processing of their raw material exports to China in order to add value and derive more benefits in the form of higher income. Meanwhile West African countries should engage the Chinese authorities within the context of FOCAC to find a satisfactory solution to the negative impact on domestic industries of cheap Chinese consumer goods.

## **V. Opportunities**

### **i. Complementary Source of Development Assistance**

In the first place China provides a window of opportunity for accessing development assistance in the form of grants, interest free/ concessionary loans as well as technical assistance on totally different terms from the traditional Western sources (the DAC group). Unlike aid from the DAC group which have up front conditionalities Chinese aid is given on the basis of mutual trust and solidarity without preconditions- all African countries are treated the same, level playing field.

### **ii. Access to Development and commercial incentives**

Also the availability of Chinese aid for the establishment of SEZ etc. carefully targeted to develop infrastructure and complement commercial activities provides another opportunity for integrating intra and inter regional activities and accelerating the pace of the development effort of West African countries in their desire to meet the MDGs.

### **iii. High Commodity Prices/Revenues**

Thirdly, as we have seen from the trade figures, China's renewed interest in Africa and its growing demand for resources does offer significant opportunities to many African countries to benefit from the increased demand for primary products at a time when the demand from the traditional trading partners in the West had slumped as a result of the recession and the financial crisis. The increased imports of commodities by China has helped to push up prices of African raw material exports. This has spurred up the economies of the commodity exporting countries through increased incomes from higher export earnings with a positive impact on GDP growth rates.

### **iv. Enhancement of Consumer welfare**

Fourthly, it could be said that on the whole, consumer welfare in West Africa has been enhanced through the increased availability and access of the population to low- cost consumer goods from China mainly household, electronic goods, confectionaries etc.

**v. Reduced Cost of Infrastructural development**

Fifthly, in infrastructure development Chinese firms have provided the opportunity to African countries to make savings in the area of construction by providing services at much lower costs estimated to be one quarter to one half less than that obtained from the traditional Western firms (Kaplinsky et al).

**vi. Increased Productivity and Profitability**

Sixthly, the increased access to low cost machinery and equipment and appropriate capital goods sourced from China, as well as technical know-how obtained from partnerships with Chinese experts has provided the burgeoning African businessmen (such as reported in NNNew, Anambra State, Nigeria by Deborah Brutigam, Associate Professor of School of International Service, the opportunity to operate efficiently, increase productivity and profitably of their enterprises.

**vii. Increased International competitiveness**

Finally, the link up with Chinese firms who produce locally for export increases the opportunity for link up of West African exporters with the Chinese international production value chain in order to enhance competitiveness (Kaplinsky et al).

## VI. Challenges

In spite of the above opportunities there are also the down side of things, the challenges that would have to be reckoned with as a result of the changing landscape and fortunes of African countries arising from China's impact on the global economic and trading scene. In as much as China's presence has created opportunities there are also challenges to grapple with. Among these challenges are the following macro-economic management issues:

**i. Effective Financial Resource Management**

The increasing demand from China has led to price boom for many West African commodity exporting countries. The challenge faced by many countries especially those with weak administrative structures is how to put in place a system for effective management of financial resources arising from the export boom in such a manner as to avoid corruption, waste and disillusionment. In Africa there have been many instances in the past where because of mismanagement, corruption and poor handling of export receipts, a resource boom that should normally be seen as a blessing had become a resource-curse. This challenge of avoiding a resource curse needs to be addressed by putting in place effective and transparent management mechanisms for the handling of revenues from resource booms.

**ii. Prudent Management of Resource Rents**

Another challenge to be addressed is how to husband the finite natural resources to ensure that there is regular stream of revenues flowing over time rather than at a single point in

time that is, the issue of prudent economic management of resource rents must be effectively addressed.

### **iii. Effective Exchange rate Management**

The third challenge is a purely macro-economic management issue related to exchange rate management in order to avoid any unwanted appreciation of the domestic currency arising from increased foreign exchange availability that could create problems for other exporting sectors and promote forms of structural change leading to reallocation of resources from traded to non- traded goods sector.

### **iv. Ensuring the development of Supply Elasticity**

The fourth challenge is related to how to develop the supply elasticity of existing natural resources required to take advantage of global demand and prices. This is a medium to long term issue that may require as a solution the adoption of a combination of policy inputs, including enhanced infrastructure development, targeted wooing of selected global resource producing firms and the development of training and research and development organizations.

### **v. Effective Response to Cheap Imports from China**

The fifth challenge is in the area of how to respond to China's export of cheap consumer goods such as clothing, footwear, aluminum and furniture products which have displaced local manufacturers and created unemployment in countries such as Ghana, Nigeria etc. in the domestic and international markets. The local firms which could not face the Chinese competition because of problems related to poor infrastructural facilities such as power, road network, water supply etc. have had to close down leading to unemployment in those sectors.

In the light of the above challenges confronting West African countries arising from the increased commercial relationship with China, there is the need for the various countries to urgently study the situation and come up with a common strategy to engage the Chinese with a view to finding a solution to the adverse and negative impact of Chinese exports on African industry and economy as a whole.

## **VII. Proposed Strategies**

In the following section a number of strategies have been proposed for adoption by West African countries including:

### **i. The Development of 'Dynamic Capabilities'**

In the face of the fast changing economic and political relationship between China and Africa there is the need for West African economies to develop the capacity to change fast in response to changing situations in order to grasp opportunities and to minimize threats.

In the business literature, this is referred to as the development of ‘dynamic capabilities’ (Kaplinsky et al.). This involves a combination of search-capabilities, strategic formulation-capabilities and implementation-capabilities, as well as the capacity to continually change these as new threats and opportunities arise. African countries need to take explicit steps to counteract the dangers posed to existing and future capabilities in industry and focus on development of dynamic capabilities to elicit and ensure appropriate strategic responses.

## **ii. Development of China- Africa global Value Chains**

At individual industry level there is scope for improving the productivity of existing industries, by countries encouraging entrepreneurs to adopt the strategy of working with value chains (for example, forestry, timber and furniture) rather than individual firms or subsectors and actively seeking to develop various forms of ‘deep integration’ in China-Africa global value chains (Kaplinsky et al ).

## **iii. Development of Niches**

Secondly, African exporters should be more focused on identifying niches where they can build barriers to entry to Chinese producers through the development of innovative capabilities. In manufacturing this may be increasingly difficult as Chinese competences grow, whereas in areas such as horticulture and services in these areas relative capabilities may be high, as in the case of Ghana, Cote D’Ivoire, Guinea tropical fruits mangoes, pineapple, Burkina Faso’s horticulture sector, and West African historic and tourist monuments, promote Chinese tourist visit to Africa. The exploitation of a niche will however depend on the ability of African businessmen to anticipate future opportunities and threats opened-up by sustained Chinese expansion. For example, one emerging opportunity is the promotion of Chinese tourism. China has recently ‘certified’ a number of African countries as tourist destinations. With the growth in Chinese per capita incomes, there is likely to be a considerable growth in tourism in the future (Kaplinsky et al).

## **iv. Development of Industrial Partnerships**

Increasingly, African countries will need to develop explicit policies in the area of industrial partnerships with Chinese firms. It will necessarily involve a ‘joined-up’ mix of economic and political initiatives. In order to shield or protect West African producers of consumer goods from unfair competition from China, African governments should leverage their relationship with China within the context of FOCAC and seek more development aid towards the promotion of the industrial sector especially where local production has been displaced by Chinese exports. The Chinese government could be requested to assist by encouraging Chinese companies to forge partnerships with local entrepreneurs in such industries as textiles, clothing, aluminum and furniture. This will lead to increased productivity as technology transfers and other aspects of knowledge building take place. In this way this will negate the influx of cheap Chinese goods and fake products and help to increase local skills and employment. China and West Africa have developed a strategic partnership, and it has emerged from the Chinese side that aid is based on needs and requests of African governments. Considering that China, at least in principle, is open to

the views from the African side, it will be useful for West African governments to consider how to engage China on this issue in the joint assistance strategy group.

#### v. Coordinated Response at AU/RECs level

It is observed that after three FOCAC summits, relations remain predominantly bilateral and not multilateral and there is no coordinated African response to China's policies and initiatives at the level of FOCAC. For example there is no common African stand when dealing with China on trade and other issues of interest to Africa. Consequently China has the liberty to pick and choose its own priorities on the basis of its own self interest and dealing with African countries on individual bilateral basis akin to the old colonial tactics of divide and rule. As part of the medium term strategy on how to respond to China there is the need for coordinated response at two levels- Regional and Continental levels.

##### a) *Regional Level:*

It is apparent that whilst China has a long-term engagement strategy toward Africa, it is not reciprocal at the level of the continent (Kaplinsky et al). When engaging FOCAC, African Governments don't have a coordinated strategy and approach everything is bilateral. There is the need for more co-ordinated approach, with the involvement of ECOWAS and the other Regional Economic Communities (RECs) across the continent. The strategy would be for the RECs to coordinate and harmonize inbound aid from China, while China could proactively engage the regional secretariats and consult them on the rollout of aid to their respective regions in order to facilitate regional integration. Although an ECOWAS China Forum for business men has started there is the need to integrate its activities into the FOCAC process.

##### b) *Continental Level:*

The strategy to be adopted at the continental level is to set up an AU- FOCAC Secretariat if it is not in existence already. This agency will work with the Secretariats of the various RECs. Even though China's aid is co-ordinated bilaterally by national agencies however, there is the need for monitoring and coordinating this process of aid pledges made to African states through a centralized agency such as the AU FOCAC Secretariat. This would facilitate better coordination and help to reduce and streamline the large number of requests for aid from individual African states and will reduce aid fatigue.

A major preoccupation of the RECs and the AU would be to coordinate and conduct various studies on behalf of African governments in order to provide:

- i. Background information for use by African Heads in their FOCAC encounters with China through the conduct of baseline and impact studies on various aspects of China-Africa trade especially on consumer welfare, analyses of competitiveness and its enhancement of productivity in industries such as clothing, textiles, furniture, export-oriented food crops, tourism etc;



- ii. Better understanding of the Chinese approach to aid Africa which adopts a different strategy toward aid provision in Africa – one that is inclusive of commercial ambitions. In order to gain a greater understanding of the dynamics affecting China's aid policy and better embrace this new approach, African Governments need to be provided with relevant information. This will enable recipient African governments to better coordinate their effort at regional and continental levels as well as shape their own national agendas.

## VIII. Summary and Conclusion

China's relations with West African countries which began in the early 60s with cooperation in a few defined sectors on the basis of political ideology has been transformed and intensified since China's economic reforms in the 80s and the subsequent rapid economic growth over the last two decades. These developments have necessitated the intensification of political and economic relations between China and West African countries. With the adoption of the "go abroad" policies at the beginning of this decade, Chinese companies were encouraged to source for raw materials for the expanding industries in Africa and also to develop markets for their consumer and industrial goods. Furthermore, the formation of FOCAC has provided an ideal platform for the consolidation and coordination of Chinese foreign aid, investment and trade policy objectives toward the continent. Since 2000 with the establishment of FOCAC, there has been significant increase in the level of bilateral aid to West Africa to support its development effort in the form of grants, interest free and concessional loans, debt relief and technical assistance. In particular, the EXIM-BANK had funded numerous projects in a number of West African countries including Ghana, Nigeria and Mali. During the period 2000-2008, the level of Chinese FDI flows also went up as both private and state controlled firms increased their investment in oil exploration, development of infrastructure in the energy and power sectors, as well as in manufacturing. In addition, there is an increasing number of Chinese companies and individuals that are involved in construction activities, wholesale and retail trade in many countries in the West African sub-region.

During the period, trade between China and Africa including West Africa went up sharply, recording an average rate of increase of over 36% between 2000 and 2008. While China's exports were mainly manufactures mainly mechanical and electrical products, textiles, garments and general consumer goods, imports from Africa were confined to a few strategic products such as oil, precious stones, base metals, wood products etc The exports of cheap Chinese consumer goods available throughout West Africa has had an adverse impact on many industries especially textile, furniture, aluminum etc. In Ghana and Nigeria for example, most of these industries have either reduced production or closed down throwing thousands of workers into unemployment.

On the whole, it could be said that the increased Chinese aid, investment and trade in West Africa has created opportunities as well as challenges. Among the opportunities identified are increasing access to complementary development assistance, high commodity

prices, enhancement of consumer welfare, reduced cost and savings from construction etc. The challenges relate to macro-economic management issues such as how to put in place a mechanism that ensures the efficient management of the additional resources from export earnings in order to avoid waste and corruption, avoidance of unwanted appreciation of the exchange rate, development of supply elasticity of existing natural resources, coordination of appropriate response to cheap imports from China etc .

Against this background of opportunities and challenges a number of strategies have been recommended for adoption by West African countries in their dealings with China. Among them are the development of “dynamic capabilities”, development of China-Africa global value chains, development of niches in specific sectors and activities, development of industrial partnerships with Chinese firms and increased involvement of AU and RECs in the coordination of FOCAC activities.

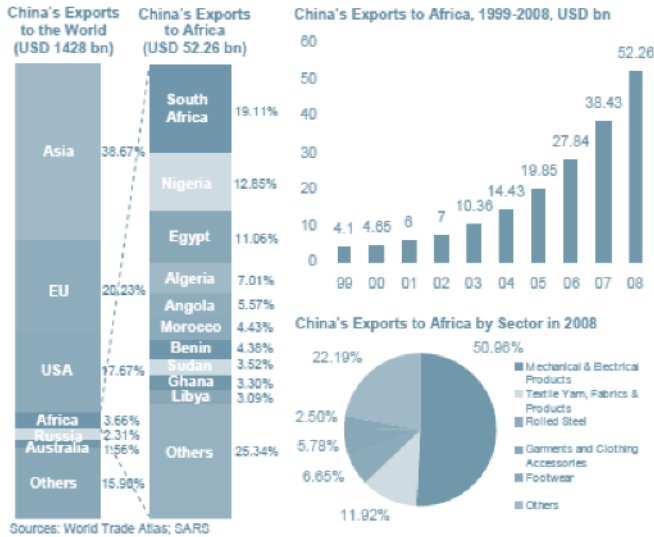
On the whole it could be said that the resurgence in relations with China has been beneficial to West African countries but in order to derive maximum benefit in the long- term the following recommendations are proposed: The need to establish an effective AU-FOCAC Secretariat to coordinate activities; harmonize views and concerns on the basis of a common set of defined African strategic objectives; monitor bilateral aid pledges; negotiate for introduction of multilateral aid program at the level of the AU and RECs for promoting the development of regional infrastructural projects.

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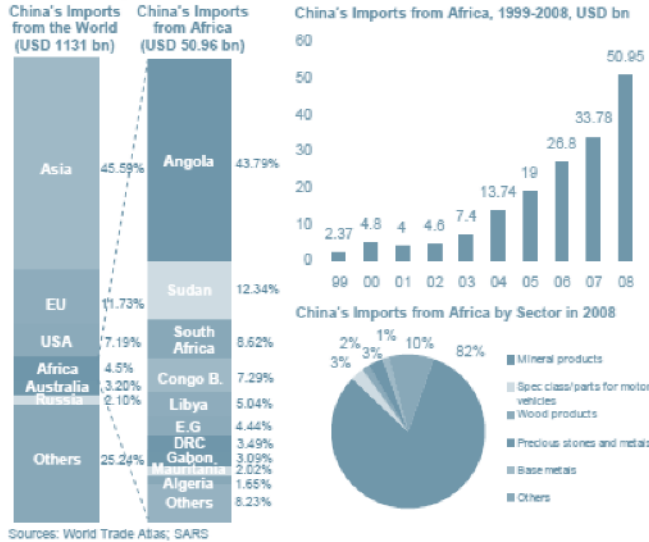
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# Appendix: 1

## China's Exports to Africa, 2008 (USD bn)



## China's Imports from Africa, 2008 (USD bn)



## Appendix: 2

### Summary of China's financial assistance to Ghana 2001-2007

YEAR	TYPE	AMOUNT
2001	Grant for economic development	\$3.6 million
2003	Grant for the construction of Burma Hall Complex	\$1.2 million
2003	Interest free loan by the Chinese government for the construction of the 17.4-km Ofankor-Nsawam section of the Accra-Kumasi Road, and an exchange of notes on the construction of the Kumasi Youth Centre	\$28 million
2003	Military grant	\$0.963 million
2003	Grant for restorations of national theatre	\$2 million
2003	Chinese government grant for the construction of barracks for the military	\$3.9 million
2003	Debt cancellation	\$66 million
2005	Loan, telecommunications equipment (ZTE)	\$75 million
2006	Expansion and upgrading of telecommunications network construction of a primary school and a malaria centre	\$66 million
2006	Donation for treatment of malaria	\$0.25 million
2006	Grant to foster economic and technical cooperation	\$3.75 million
2006	Interest-free loan	\$3.75 million
2006	Loan, construction of two stadia (Takoradi/Sekondi and Tamale)	\$275 million & \$38.5 million
2006	Military grant	\$1.25 million
2007	Concessionary loan and buyer's credit component for Bui Dam	\$562 million
2007	Grant in kind, training in China of Ghanaian officials	
2007	2nd loan agreement in communications (2 percent over 20 years); contractor is ZTE	\$30 million
2007	Cancellation of debt	\$24 million
<b>TOTAL</b>		<b>\$1,181.5 million</b>

*Source:* Centre for Chinese Studies, University of Stellenbosch, 2008

# Chapter 4: Chinese intervention in agriculture and infrastructure: Lessons and impact on development in West Africa

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## 1. Introduction

The challenge for food security, poverty reduction, growth and overall development has been recognized by countries in sub-Saharan Africa (SSA), and in particular West African countries. With a total area of 5,112,903 km<sup>2</sup> and estimated total population of 300 million people in 2008, the people of the West African sub-region (comprising the states of Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, The Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo) depend on agriculture for their livelihood. Agriculture again became an important issue in the early 2000s, when the international community agreed to implement the Millennium Development Goals (MDGs). The link between the goals of reducing extreme poverty and hunger and ensuring environmental sustainability and the potential of agriculture as an engine of growth in Africa were clear. However, productivity gains in agriculture cannot be achieved without simultaneous investments in infrastructure development (Julio, 2010). Hence, any partnership that supports the development of the continent's infrastructure becomes of interest.

China has provided African countries with great assistance since their independence, with a view to help them develop their national economy and advance their social progress. This has achieved good results and welcomed by most African governments because besides boosting African revenues through mining and drilling, China has provided an efficient and cheap method of loan financing to fund infrastructure development.

However, the recent progress achieved by China on the global scene and its stronger presence and economic/trade relations with countries in Africa, appears to open up new opportunities/prospects for many countries, including West African countries. According to UNCTAD (2009), Chinese world trade has been growing fast from US\$116.8 billion in 1990, to US\$851.2 billion in 2003, US\$1422 billion in 2005, and US\$ 2173.8 billion in 2007 (Table 1). The share of Africa in Chinese trade has also been increasing over the years: from 1.9% in 2002 to 3.4% in 2007, and to about 5% in 2008, though the trade relations have largely concentrated only on a few resource-rich trade partners in Africa. China now does US\$107bn of trade annually with Africa with major interests in Sudan,

Angola, Nigeria, Niger, the Democratic Republic of Congo (DRC) and Algeria. Chinese trade with the African continent rose by an average of 30% annually over the past 10 years, making China the biggest exporter to Africa. Imports from Africa to China are mainly channeled through state-owned companies, while exports from China to Africa are predominantly through private companies (Dwinger, 2010).

It is important to note that Chinese oil companies are specifically interested in crude from West Africa's Gulf of Guinea for reasons beyond sheer output. The sub-region's oil is light and sweet, making it easier and cheaper to refine than that from the Middle East, while most of the oil is located offshore, implying decreased transport costs and reduced risk of political violence. For example, according to the Economic and Commercial Office of the Chinese Embassy in Nigeria, the total volume of bilateral trade between China and Nigeria was US\$ 570 million in 1999, and the figure went up to US\$ 860 million in the year 2000 and \$1 billion as at 2007. China is now one of Nigeria's top ten trading partners with Chinese businessmen showing increasing interests in investing in Nigeria. Nigeria, also agreed to sell China 50,000 barrels per day (BPD) of crude oil, and China also signed contracts worth over N4 billion with Nigeria on a concessional basis to explore at least four oil blocks in the country and repair the Kaduna refinery. Furthermore, China agreed to buy a controlling stake in the Kaduna oil refinery that would produce 110,000 barrels a day. Nigeria also promised to give preference to Chinese oil firms for contracts for oil exploration in the Niger Delta and Chad Basin.

**Table 1: Chinese-Africa Trade: Africa's Percent Share of World Trade (US\$ billions)**

Year	World	Africa	%
2002	620.8	12	1.9
2003	851.2	18.48	2.2
2005	1422	39	2.7
2006	1760.6	55	3.1
2007	2173.8	73.6	3.4

**Source:** FTT : Africa-China trade.pdf (html)

As African leaders, donors and development agencies search for different strategies to sustain high levels of agricultural growth and rural infrastructure development, it is imperative to examine the experiences of countries, like China, whose agricultural reforms have produced great successes in the country's overall development. China's current presence in Africa and particularly in the West African sub-region, has been termed to be a "complete package", with money, technical expertise, and the influence in such bodies as the UN Security Council to protect the host country from international sanctions. Thus, for Africa to benefit from this relationship, an assessment of China's development strategies and pathways would provide a useful learning platform. This could be achieved by identifying the strengths, weaknesses, opportunities and challenges of West African countries in their cooperation with China in order to evolve some common strategies/approaches for the sub-region,

This paper examines China's interventions in the agricultural and infrastructure sectors of West African countries, in order to draw lessons that could impact positively on the overall development of the sub-region. The paper is divided into six sections. Apart from the introduction which is section one, section two examines China-Africa relations, and reports China's developmental strategies and pathways. Sections three and four respectively report the different approaches in China's interventions in the agricultural and infrastructure sectors of West African countries, while section five discusses the lessons learned from these relationships/cooperation. Finally, section six presents the way forward and the common strategies that could be used by West African countries to take advantage of the growing relationship with China.

## 2. China's development strategies and pathways

China has experienced different policy and institutional reforms over the past 50 years, some of which have affected the countries economic, social, cultural, and political systems. The reforms were mainly targeted at promoting rapid economic development, attain national self-sufficiency, stimulate growth and in reducing poverty.

China and Africa share similar history of having an ancient culture and suffered from the negative impacts of foreign policies. Prior to 1978, China faced a hostile challenge that were backed up with political isolation and economic embargoes from its international environment. Hence, its national leaders embarked on massive industry-oriented development strategy to attain the levels of the developed western countries (Lin, Cai, and Li, 1996; Abdoulaye, 2006). For example, China had been destroyed by eight-country imperial army at Qing Dynasty and lost seriously, while Africa had been affected by European imperialism (Yang, 2009). Africa and China also have advantages which complement each other to foster trade relations: African countries, particularly the West African sub-region have rich raw materials as cocoa, peanut, cotton, wood, and different types of mineral of gold, aluminium and steel; while China has advanced technology, great amount of capital, and potential capacity but with little natural resource endowment when compared to its large population. However, it is important to note that reforms in China were driven by strong political will and the evidence and guidance of research institutions such as the China Development Research Group, the Chinese Academy of Social Sciences, and the Development Research Centre of the State Council (Shenggen et al., 2010). The reforms were generally based on careful experimentation and implementation, and with strong initial emphasis on agricultural growth before considering the service and manufacturing sectors.

Shenggen et al. (2010) pointed out that there were different phases to China's agricultural development. After two decades of poor performance of the agricultural sector, China reformed its rural areas in 1978 by first decentralizing the system of agricultural production, while land was still owned by collectives but use rights were transferrable. In the second phase, both factor and output markets were liberalized, leading to significant increases in both technical efficiency (from the decentralization of production system) and allocative efficiency (from price and marketing reforms). Thus, in 1993, over 90% of agricultural



produce was sold at market-determined prices due to the transformation of the agricultural sector from a command-and-control to a largely free-market system. There was also the rapid development of the rural non-farm sector, which not only contributed to rapid national GDP growth, but also raised the average per capita income of rural residents. This impacted positively on China's economy with the provision of employment and income for the rural population, rapid development of rural industry and services, and the challenge for the urban sectors to reform as well. China's current plan for poverty reduction comprises market-led agricultural production, advanced science and technology targeted at the poor, and human capital development. According to World Bank (2000), China is one of the few counties in the developing world that has made progress in reducing its total number of poor during the past two decades. These reforms were sustained by a rapid expansion of infrastructure that was increasingly financed not by the central government but by the local governments and public/private investors from China and abroad (Dollar, 2008). According to Ravallion and Chen (2007), agricultural growth in China accounts for about four times more than growth in the service and manufacturing sectors, and this was made possible through the simultaneous improvement in rural infrastructure, agricultural research and extension services, and improved capacity of institutions.

However, compared with China, reforms in the West Africa sub-region have been subjected more to direct external policy influences through the World Bank and International Monetary Fund's structural adjustment programmes with little to show. In terms of agriculture, the soils of the sub-region's vast land surface are typically old and leached, while rainfall is often unreliable and the effects of drought are aggravated by fragile soils with low waterholding capacity. Water and soil conservation measures, often based on indigenous knowledge, have been identified, but the investment to put these into effect over large areas has been lacking. In addition, as foreign investors find their way into Africa, the need for basic infrastructure becomes a major challenge. Poor infrastructure can hold back economic growth especially in agriculture and rural development and many African countries currently lack the financial power to embark on major infrastructure ventures. There are also severe inter-regional barriers and administrative bottlenecks which often hinder the development of an integrated infrastructure development across Africa. In recognition of these challenges, African leaders formed the New Partnership for Africa's Development (NEPAD) as the basis for renewed interest to rework the relationship between Africa and the developed world based on a partnership with a common vision. The NEPAD framework fits into China's renewed diplomatic drive into Africa that emphasizes mutually beneficial cooperation, friendship, and peaceful coexistence (FOCAC, 2006). It is this new partnership that forms the basis for trade, investment and strategic cooperation among nations. Hence, with China's current plan to open up trade relations with many countries, there is need to examine the trend of this relationship in the agriculture and infrastructure sectors in the West African sub-region.

### 3. China's interventions in the agricultural sector

Agriculture is a central sector of West African (WA) economies, contributing a third of GDP, and livelihoods for 50-80% of the population. According to the World Development Report (2009), over 380 million people live on less than US\$ 1.25 a day in sub-Saharan Africa. Of the 550 million people living in 24 countries of West and Central Africa (WCA), about 60% of the population are estimated to live on less than the lower poverty line of \$1 a day. Three-quarters of these are estimated to live in rural areas and to depend on agriculture as their main source of livelihood and employment – primarily as producers, but also traders or small-scale artisans. Most agriculture in WCA, and indeed in SSA, is undertaken on smallholder farms of 2-10 hectares in size: there are around 80 million smallholder farms in sub-Saharan Africa, providing up to 80% of total agricultural production.

The People's Republic of China (PRC) accounts for about 22% of the world's population, but its total arable land is about 7% and unable to meet the growing demand for food. The "Great Famine" that occurred between 1958 to 1961 in the country resulted in the government's priority for self-sufficiency in the supply of basic products such as rice and grains for the Chinese diet. In view of this, the Chinese were encouraged to establish agricultural businesses abroad in order to meet the growing food demand, and the central government focused on Africa to fill the food gap, particularly for rice (Horta, 2009). Agriculture-based growth was 3.5 times more effective in reducing poverty in China than growth based on other sectors (Marafa, 2009). Since the vast and sparsely populated fertile lands of African nations provides China with a solution to the rising food demand, the central government encouraged Chinese state-owned enterprises to invest in Africa's farms. Thus, large hectares of land have been acquired in African countries in order to meet China's food security concerns, the rising demand and changing dietary habits of its people. For example, in Nigeria, a Chinese company secured about 10,000 hectares for rice cultivation. It is important to note that African countries are selling their land assets at the expense of smallholder farmers and the poverty-ridden population, thereby putting the livelihoods of the poor at risk. The poor also are at the risk of losing their land to investors without consultation or compensation since the state often owns the land.

China's growing partnership/relations in the area of agriculture is associated with its rising demand for natural resources, and the expansion of markets in the African sub-region. Agricultural trade has also grown rapidly as a result of Chinese trade agreements with African countries which allows for zero tariffs in agricultural products. Despite this however, trade in food and agricultural raw materials as a share of total trade between China and sub-Saharan Africa remains small at about 3% in 2008 in both exports and imports. For example, total trade within the period was US\$1.9 billions in Nigeria and US\$ 0.5 billions in Benin (Table 2). Both imports and exports in food and agricultural raw materials increased fourfolds from 2000 to 2008. While exports from Africa to China are dominated by primary commodities such as oil, natural gas, ores and metals, imports in Africa from China are typically textiles, apparel, and footwear, as well as machinery, transportation equipment, and manufactured materials (Broadman, 2007). China's main agricultural imports also include wheat, corn, and beef (Zafar, 2007).

**Table 2: China's Trade with African Countries (in US\$ billions)**

Country	Exports to China	Imports from China	Total Trade
South Africa	2.0	1.8	3.9
Angola	0.1	2.2	2.3
Sudan	0.5	1.4	1.9
Nigeria	1.8	0.1	1.9
Egypt	0.9	0.2	1.1
Congo-Brazzaville	0.1	0.8	0.9
Morocco	0.7	0.2	0.9
Algeria	0.6	0.1	0.7
Benin	0.5	0.1	0.5
Others	2.9	1.5	4.5
Total	10.1	8.4	18.5

Specific to the West African sub-region, the raw materials which are primary agricultural exports to China include cotton from Benin, Burkina Faso and Mali, while agricultural imports are primarily food. As part of efforts to help Nigeria diversify her economy, China increased its volume of agricultural imports from Nigeria. Already 80,000 tonnes of cassava chips have reached China. Nigeria has already received another order from China to supply another 102,000 tonnes in the next 10 months. China is also buying sesame seed from Nigeria and has indicated her willingness to buy more agricultural produce if Nigeria can supply. There are currently over 400 Chinese agricultural experts in Nigeria involved in the construction of small earth dams. Nigeria has become the third trading partner of China in Africa after South Africa and Egypt, while China has become the second largest supplier of goods to Benin (Horta, 2009). Studies (Brautigam, 2009; Brautigam and Xiaoyang, 2009; Brautigam, 2010) have argued that African countries do not really have a strong comparative advantage in producing China's main agricultural imports. Presently, China-Africa trade patterns have not directly benefited African agricultural and rural development. For example, in terms of trade, large producers of coffee and cotton and other agricultural commodities in Africa are estimated to record losses from trade with China when agricultural prices do not increase (Zafar, 2007). Also, the "flooding" of Nigerian markets with cheap Chinese goods has become a sensitive political issue, as – combined with the importation of second-hand European products – it has adversely affected domestic industries, especially in textiles, and led to closure of 65 textile mills and the laying-off of many textile workers within a decade. Nigerian militants have also threatened to attack Chinese workers and projects in the Niger Delta.

Governments have recently adopted promising Africa-owned and Africa-led development actions, which acknowledge the important role of agriculture for growth. As part of the New Partnership for Africa's Development (NEPAD) adopted in 2001, African governments made commitments to take concrete steps toward eradicating poverty, promoting sustainable growth and development, increasing integration in the world's globalizing economy, and accelerating the empowerment of women. NEPAD's Comprehensive Africa

Agriculture Development Programme (CAADP) set a common target of 6 percent average annual agricultural growth beginning in 2015, defined principles for more effective policy design and implementation, and provided support for national efforts to boost agriculture growth through development assistance and partnership. In their 2003 Maputo Declaration on food and nutrition security, African governments committed to allocating 10 percent of national public budgets to the agriculture sector by 2008. Despite increases in spending on agriculture, however, only a handful of countries have met that target (Fan, Omilola, and Lambert 2009).

China has also increased its share of foreign direct investments (FDI) to Africa, with most of it channelled through Chinese state-owned enterprises that are actively encouraged by the government to invest abroad. In the first nine months of 2009, Chinese companies have launched 14 projects in Ghana and topped the list of foreign firms registered in terms of foreign direct investments (FDIs) in the country. According to the Ministry of Commerce of the People's Republic of China (PRC), Chinese investments in Africa in 2009 rose from 77.5% to \$875 million from January to October. However, with investments focused on manufacturing (particularly textiles) and resource extraction, Chinese FDI in agriculture accounts for only a small percent of total Chinese FDI (about 1% in 2007) (Brautigam, 2009). China's aid to Africa in the form of external assistance, concessional loans and debt relief has also increased rapidly in recent times. Overall aid from China to Africa is estimated to have almost quadrupled from \$684 million in 2001 to \$2,476 million in 2009. Chinese aid to Africa has moved away from large-scale state-owned farms to support for smallholder farmers in Africa. Since 1960, 44 countries in Africa have benefited from Chinese agricultural aid projects (Brautigam, 2009), and as part of the 2006 FOCAC action plan, China pledged to increase development assistance to Africa twofold by 2009 and set up a \$5 billion development fund for Chinese firms investing in Africa (FOCAC, 2006). The FOCAC plan also entails technical assistance that involved sending 100 senior Chinese experts in agriculture to Africa and establishing 10 agricultural demonstration sites in Africa.

A China-Africa development fund was also established in June 2007, with initial capital of US\$ 1 billion, and 104 senior agricultural experts already sent to 33 African countries. Between 2006 and 2009, China established 14 agricultural technology demonstration centers in Africa (Brautigam, 2009).

#### 4. China's interventions in the infrastructure sector

For many years, poor infrastructure, including roads, railways, electricity, dams, waterways and airports among others have become one of the major bottlenecks to Africa's rapid growth and development. The construction of the transportation systems in most of these countries, particularly in West Africa, dates back to the colonial era and have not been changed. The poor transport links between countries and regions therefore hampers business investments/ventures in the region. The focus of most countries in the sub-region had been on the development of communication and education, and infrastructure had been neglected and constrained by lack of capital. Nevertheless, countries in the sub-

region now recognize that infrastructure is a prerequisite for increasing intra-African trade, and for movement of people and goods within the countries.

At the African Union (AU) summit held at the beginning of 2009, infrastructure development was found to be critical to Africa's economic development, as every economic sector needs it to develop. Infrastructure was placed high on the agenda and poor infrastructure was cited as one of the major obstacles to improving the quality of life of people in the continent and sub-region A recent report by the Infrastructure Consortium for Africa (ICA) showed that infrastructure is a major constraint to business investments, particularly in the low-income countries, and this reduces productivity gains by about 40% (Martyn, 2010). Thus, the development of this sector will have fundamental and transformative impact on the sub-region.

In an attempt to address the challenges faced by African countries, China has consolidated its presence in the continent by making significant contributions to the improvement and growth of infrastructure facilities across the region. Over the past fifty years, China has actively aided and participated in infrastructure building through several large scale structural projects, accompanied by advantageous soft loans in different parts of the African continent. Chinese interests in Africa have been driven by the extraction of oil and minerals, a secure supply needed to ensure the Chinese economy continues to grow, and they have used infrastructure development as a bargaining chip. For example, China has helped Africa construct more than 500 infrastructure projects, including more than 2000 km of railways, more than 3000 km highways and scores of stadiums across the continent. Others include the landmark projects of the 1860 km long Tanzania-Zambia railway in 1976, with 47 bridges, and 18 tunnels made by 50,000 Chinese workers; the Egyptian international conference center symbolising the fast growing relations between China and Africa; and the Port of Friendship in Mauritania; the 1000 km freeway built by Chinese workers in Algeria; the reconstruction of the vital Benguela railway line originally built by the British and linking Zambia and RDC copper mines to Angola's Atlantic port of Lobito; the Congo barrage d'Imboulou; and erecting a pipeline/building a tanker in terminal oil fields in Port-Sudan in 1997.

In the West African sub-region and particularly in the coastal countries, China has undertaken different infrastructural investments. For example, China established diplomatic relations with Nigeria on February 10, 1971. During President Hu Jintao's visit to Nigeria in April 2006, Nigeria and China signed four Agreements and three Memoranda of understanding (MOUs) on a range of programmes to enhance their economic ties, Others include the financing agreement of N8.36 billion (\$500 million) concessionary export grants to support the development of infrastructure by China Export-Import Bank. A memorandum of understanding on the provision of National Information Communication Technology Infrastructure Backbone between the Federal Ministry of Science and Technology and Huawei Technologies. Currently, China has set up more than 30 solely funded companies and joint ventures in Nigeria. The main projects contracted or undertaken in the form of labour service by Chinese companies in Nigeria are the rehabilitation of Nigerian railway (such as the Lagos-Kano railway line costing US \$8.3 billions and needing 11,000 Chinese workers), the Games Village of Abuja Sports Complex, and the 2600 MW hydroelectric central in the Mambilla plateau in 1998. China has also pledged

to invest USD 267 million to build the Lekki free trade zone near Lagos, while China's investments in the oil sector will result in the building of a power generation station that would add some substantial megawatts of electricity to Nigeria's power sector.

Ghana is also utilizing its rich resource endowments of cocoa to attract innovative development projects primarily from China, having contributed 9% to GDP in 2008. For example, the Bui Dam hydro-electric project valued at US \$ 622 million in the Brong Ahafo region, is the single largest investment undertaken by China in Ghana and it helps to alleviate the energy constraint on Ghana's economy. The project also benefits agriculture by improving irrigation and thus improving food security and increasing efficiency in agro-processing industries. Cooperation between China and Ghana also covers a wide range of sectors, to include projects like the first phase of Ghana's national communications backbone network project that aims to connect the country's 10 regional capitals to the Internet; the expansion of Ghana's ICT and transport infrastructure; capacity building in education, agriculture and fisheries; and technology transfer in the country's textiles, mining and energy sectors. Ghana's economic development is also heavily dependent on foreign aid and international loans. The Chinese government assisted Ghanaians in the construction of the National Theatre, the Bui Hydro-Electric Power Dam, the Afeji Irrigation Project, the Dangme East District Hospital, the Police and Military Barracks, the Kumasi Youth Centre, the Office Block of Ministry of Defence and three rural schools (Mofep.gov.gh, 2007). The Bui Hydro-Electric Power Project created about 2,500 local job opportunities and brought around 500 Chinese workers, suggesting that Ghana is benefitting from China's assistance with interest-free loans and local infrastructure developments.

In Benin, China built the Benin Friendship Stadium in 1982, the Manucia factory for making cigarettes and matches in 1984, and built the Lokassa hospital in 1997. China and Benin were also partners in the Associated Benin Textiles Industries (SITEX), Others include: the Yaounde Congress Hall, the Lagdo dam in Cameroon, and the Palace of Culture in Abidjan.

According to Dwinger (2010), Chinese investments in Africa has increased by 77.5% in 2009. Statistics from the Chinese Ministry of Agriculture (2009) show that more than 90% of China's assistance to Africa had been implemented by the end of September 2009, with a prospect of doubling its assistance by the end of 2010. However, according to CFR's Economy, Chinese infrastructure deals often stipulate that up to 70 percent of the labor must be Chinese.

## 5. Lessons learnt and impact on West Africa development

China's approach to Africa's resource market is important in its success. The approach is centered on: (i) non-interference (ii) infrastructure development, and (iii) friendship and sincerity. China's non-interference approach involves offering trade with no strings or conditions attached. This allows China to undertake business with any African country of interest, though with clear presentation of its needs to the countries approached.

In terms of infrastructure development, China has focused on building and rebuilding important infrastructure in Africa for productivity improvements in the continent. These infrastructure projects are paid in African oil. Many Chinese companies embark on building hospitals, dams, government offices and stadiums and refurbishing abandoned facilities over the years using their work force to provide large numbers of engineers, technicians, and specialized workers at low cost.

In its foreign relations, China holds prime the principle of sincerity and mutual respect and therefore respects the domestic choices made by its African partners. The strict respect for Africa's sovereignty and internal issues may be borne out of the important Chinese cultural traits in business situations. The cultural traits are: (i) the belief in collectivism, as expressed in the Chinese proverb that "a chopstick can easily be snapped but a dozen is hard to break; (ii) the importance of patience and perseverance captured in the adage "dripping water can eat through a stone"; and (iii) respect for age/experience and friendliness, as echoed in the proverb "old horse knows the road", and this strongly encourages respect for both leaders and followers, while individuals are responsible for their own fate. Though trade and investment are a major component of China's strategic relationship with Africa, though salient, part of the long term strategy of the Chinese is to secure home for about 400 million of its people in Africa. Thus, the Chinese in Diaspora have been supportive of their home-made goods that find their way into the West Africa sub-region, thereby promoting trade in Chinese goods and ideals. China's 1.4 billion people are situated in about 9,596,961 sq km of tumultuous and severe conditions including typhoons, tsunamis, earthquakes, floods, droughts, while Africa with only 1 billion people enjoy a massive 30,221, 532 sq km with relatively calm conditions and untapped wealth.

## 6. Way forward and common strategies for overall development of West African sub-region

The China-African relations are basically driven by economic factors which the West had been pursuing without really considering the development of the African continent. Based on China's experiences, and its intervention programmes in West Africa's agriculture and infrastructure sectors, West African leaders have much freedom to work out some common strategies for the development of the sub-region, in order to also join the international giants. However, it is imperative to note that China still faces major domestic economic challenges and still has to lift millions of people out of poverty, and hence the focus on Africa is to secure a supply zone for its hungry industries, both for raw materials and power. The following strategies are suggested for West African countries:

- There is a need for a renewed sense of nationalism that would bring dignity and respect to West African leaders and the sub-region as a whole. For example, in the area of agriculture, West African countries have to embark on reforms that would increase productivity gains by providing smallholders with necessary production inputs, improving infrastructure, encouraging the adoption of new technology, strengthening research and ensuring an

effective extension service system. Investments in agriculture should at least meet the Maputo target of 10% of national budget.

- The direct sale and export of raw commodities from West Africa to China and other nations should be checked. Raw materials should at least undergo some level of industrial processing in the West African country before exportation. This would add value, create jobs and serve as income generating sources for many people. It will also prevent the sub-region from serving as dumping ground for cheap Chinese manufactured goods. As noted by Martyn (2010), the broader impact of China's rapidly rising exports of manufactured products to African economies may be to undermine the weak state of its manufacturing sector. The trade relation between China and West African countries will only be profitable if export commodities to China include inputs for industrial activity and consumption and, in return, import manufactured products.
- It is also important for companies investing in the West African sub-region to go into joint ventures with local business partners, in order to transfer technology and expertise, stop capital flight, and employ the local work force in the companies. The large influx of Chinese immigrants into most countries in the sub-region attests to the need for these agreements. The case of Cameroon was particularly reported by an Economic student in the University of Ngaoundere in which the jobs created by Chinese presence in the country are also taken up by Chinese nationals in the country, and local labour are employed mainly for language translation purposes only. This threatens the life aspirations of the local population as it increases the rate of unemployment. Also, though imports from China enables poorer consumers in the West African sub-region to buy their first refrigerators, T-shirt, suitcases, microwave ovens (all sold at low prices), but the imports also destroys the chances of emerging local industries that are trying to survive in the business. According to Uba (2009), Chinese textile imports have caused close to 80% of Nigerian factories to shut down, resulting in about 250,000 workers losing their jobs. Nigerian militants have also threatened to attack Chinese workers and projects in the Niger Delta because of the non-chalant behaviour of most Chinese firms in keeping to the ethics of environmental protection. Though, there had been attempts to address this challenges, such as the protectionist laws that were in force in Nigeria in 2003 concerning foreign/Chinese low-cost goods. In Senegal, leaders negotiated an open-door policy from China such that a Chinese company cannot be awarded an infrastructure contract unless it is partnered with a local company, thereby encouraging the transfer of technology and knowledge to workers in the sub-region. In other words, West African countries must demand for equitable economic relations with China, They should not just export their raw materials but ensure receiving technological transfers in exchange for raw



material export. In fact, it should be standard practice for West African states to insist that foreign investors provide training programmes that meet local development goals, in addition to the financial requirements of investment in the energy sector.

- The opening of African markets to Chinese products (from textiles to steel) threatens the very existence of local industry and labour markets. Hence, if West African countries could gain better access to the Chinese market for Africa products through preferential trade agreements, then that will address this challenge.
- West African countries will have to learn more aggressive approaches in the pursuit of national interests on the international market place. For example, only few countries that qualified to take advantage of the Africa Growth and Opportunity Act (AGOA) that was signed into law in the late 1990s, were able to penetrate the American market to establish business linkages because of their non-aggressive approach, and only used the forum to request for aid (Abdoulaye, 2006). The private sector should therefore be involved in negotiating trade relations, while national governments should push for membership in the World Trade Organization.
- The people of West Africa in diaspora should imbibe the spirit of patriotism and develop interest for African ideals and home-made goods to promote trade.
- The non-insistence of China on transparent accounting or the assurance of good governance in the African countries would have a long-term negative impact. Thus, leaders in the sub-region should, through a renewed spirit of nationalism, endeavour to render the accounts of their stewardship in a transparent way, while implementing an effective anti-corruption policy.
- Policies that have been tested for success in one country within the West African sub-region should be adapted and tested in other countries for the overall development of the sub-region. This will buttress the much sought for integration in the sub-region.
- A code of conduct that reflects the principles contained in the New Partnership for African Development (NEPAD) and the African Union (AU) should be considered to guide the different dimensions of the China–Africa relationship, with regular monitoring and review process put in place to foster sustainability. To this end, some of the insights of global “best practice” in economic and political governance that are suitable to the African context would be incorporated. Economic liberalisation and regional integration (ECOWAS, WAEMU) are undoubtedly favourable elements that foster trade. However, the principle of the free flow of goods, without any customs duties or quantitative restrictions, is still not applied in all cases.
- A forum (to include business, labour and consumer groups) should be created for advocacy and to share ideas with governments.

## Conclusion

From the foregoing, the people of Africa depend on agriculture for their livelihood. There is, however, no fund to build up important infrastructure needed to accomplish full-fledged productivity gains in the agricultural sector, which China could provide. Chinese firms can assist African countries to tap into global value chain through increased volume, diversity, and worth of their exports. On the contrary, China does not have sufficient natural resources to meet the needs of its growing population, and this can be provided by African countries, particularly countries in the West African sub-region. Hence, cooperation between the two countries is highly supported as they can avail themselves of the synergy of each others advantages to enhance overall development, and for the realization of the win-win model in international trade.

China's arrival in Africa provides African countries with a new horizon. However, for the relationship to be built on the basis of a solid and sustaining foundation, it has to grow gradually and step by step. Countries in the sub-region have to be focused, aggressive and more assertive partners by strengthening relevant institutions and embarking on human capacity building to enable countries in the West African sub-region to better integrate with the global economy.

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# Chapter 5: Implications and outlook for cooperation between the West African countries and the rest of the world

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## 1. Introduction : Strategic errors to be avoided

China has a specific strategy for Africa within the framework of its global plan for securing its supplies of raw materials. However, it is difficult at the present time to identify a believable West African or even African counter strategy. No African strategy can afford to rely on the principle of raw material sales in response to China's diplomatic and economic offensive in Africa (AMAÏZO, 2006). West Africa must necessarily, within the regional integration framework, choose the collective approach in its relations with China, based on a predictable policy which reminds the contracting party, whether it be China or emerging countries in general, that the new trend in South-South and triangular cooperation can no longer be anchored in those forms of cooperation which impoverish one of the parties at the expense of the other in the short, medium and long term. Such a policy could actually succeed without the effective collective transfer of national power to a supranational power. Therefore in seeking to organise the collective capacity for action in favour of the African peoples, it is necessary to look to the concepts of "*subsidiarity and consociativity*" for the solution to the problem (AMAÏZO et al., 2002: 515, 561).

Care must be taken to avoid repeating the strategic errors of the past by diversifying the forms of relation and cooperation in the same way as the partners themselves, making sure to take advantage of new opportunities such as innovation, in the alliances established between partners with unequal negotiating powers and influence. The strategic errors mainly include the omission:

- To reinvest surplus earnings from unbalanced trade in the long-term development of the African peoples;
- To involve the African private sector, civil society citizens living abroad in the cooperation process with emerging countries with a view to obtaining the best deal from the transactions, under conditions of transparency;
- To initiate the process of wealth and prosperity creation based on increased polyvalence in the partnership and in the productive capacities of Africa within those extremes of competitiveness created by an enabling and predictable environment;

- To realise that involvement with emerging countries and especially with China cannot be based solely on trade and economic affairs while accepting that the lesser priority given to good governance, democracy and the respect of human rights and freedoms is negligible within the context of simple trade in goods and services.

West Africa must therefore deepen its relations with China, taking more initiatives, backed by a collective and voluntarist approach. In view of the imbalance between the trade margins of China and Africa and West Africa in particular, vigilance must be the watchword within the framework of merger/acquisition-based cooperation links and the new forms of triangular and trilateral cooperation adopted by China. There is an imperative need to institutionalise such vigilance – hence the importance of establishing an Competitiveness observatory for the purpose of harmonising Chinese and African strategies in response to China’s power strategy (BAL & VALENTIN, 2008) which is evolving from a search for resources towards the concomitant search for markets. Africa must be fully aware that, within the framework of an approach based on the concept of “private preserve” or of the exclusion of the familiar competition with Africa’s former colonial and post-colonial powers, defence of China’s interests will always take priority over those of Africa.

## 2. Deepening of China-Africa relations since 2000

there can be no doubt as to the exponential expansion of the multi-faceted Sino-African trade, as attested to by the statistics of the last two decades. However, there is no reliable means of measuring its multiple direct and indirect impacts on Africa except where the African populations complain of the loss of employment opportunities, especially in the manufacturing sector, and sometimes of the absence of real benefits from Chinese assistance and gifts to their daily existence. Between 1980 and 2008, Chinese share in world trade in resources with Africa increased by 0.5% to 10.5% and is expected to increase in 2010 (see Table 1).

**Table 1 - China**

Share of China in World Trade in Goods from Selected Regions 1980 - 2008 (in %)						
Share of China in World Trade in Goods from:	1980	1990	2000	2005	2008	Trend
The World	1.0	2.0	4.7	7.5	8.3	↗
Africa	0.5	0.7	3.0	7.2	10.5	↗
The European Union	0.4	0.7	1.8	3.2	4.0	↗
The Middle East	0.4	0.8	4.1	6.3	8.6	↗

**Source:** ARORA V., VAMVAKIDIS, A.. 2010. “China’s Economic Growth: International Spillovers”, IMF Working Papers, WP/10/165, July, p. 16.

Chinese official statistics indicate an upward trend in Chinese direct investments in Africa which rose from 491 million dollars in 2003 to 7.8 billion at the end of 2008 (BUCKLEY,

CROSS & VOSS, 2008). Trade between China and Africa has increased tenfold since the beginning of the decade, to peak at 106.8 billion \$US in 2008<sup>15</sup>.

It must be acknowledged that cooperation between the Peoples' Republic of China and Africa is based on a long-term strategy with which the public sector is explicitly and the private sector implicitly, required to comply. The strategy is focused almost exclusively on the search for and securing of regular supplies of raw materials to China. State enterprises such as CNOOC, CNPC and Sinopec Corp, operating in the petroleum sector<sup>16</sup> cannot be considered in isolation from private Chinese transnationals. Public business enterprises are able to respond to investment imperatives without immediate profitability being considered a priority issue. Conversely, private Chinese enterprises, while benefiting from the enabling environment created by China's "soft" diplomacy, appear to be motivated principally by the imperatives of profitability, maximum cost reduction and mobility of the Chinese staff in the interests of savings<sup>17</sup>.

The sometimes dogmatic, sometimes friendly and frequently superficial historic links dating from the 1955 Bandoeng Conference in Indonesia, and connecting the non-aligned countries, can no longer provide the only guidelines for an understanding of Chinese strategy in Africa. It is, however, among this group of developing countries that the Chinese government is focusing on establishing and consolidating its influence in the interests of securing a supply network for its demand for raw materials, in full awareness of the impact at international level of its mounting economic and military power on other emerging countries and on some Western countries. Despite the 2008 financial crisis triggered by the deregulation excesses and silence of the Western world with regard to the known risks of a possible collapse of the global financial system, the Chinese economy continues to record a staggering growth rate estimated at about 9.9% in 2010, and which is expected to steady at around 8.3% in 2011 (EIU, 2010: 3). According to the International Monetary Fund, and despite a reverse of 8.7% in 2009, China should attain 10.0% in 2010 and 9.9% in 2010 (IMF, 2010b: 29).

China therefore exercised a level of economic governance which enabled it to manifest a perfect resilience to the 2008 financial crisis triggered by countries which are advocates deregulation, neo-liberalism and the prioritisation of Western interests over those of the African countries. In order to present the African and particularly the West African countries with a properly adapted strategy capable of creating "negotiating margins", it would be

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15 AFP, 2010. "The Chinese Presence in Africa: Peking Responds to its Critics", AFP in Romandie News, 7 March, see <<http://www.romandie.com/infos/news2/100307045546.dmjtxx2a.asp> > retrieved 11 August 2010.

16 The China National Offshore Oil Corporation was created in 1982 and heads the list of Fortune 500 companies. (CNOOC even topped this list between March-June 2010. The company is one of three major Chinese companies, namely, CNPC (China National Petroleum Corporation) and Sinopec Corp (China Petroleum & Chemical Corporation).

17 Amaïzo, Y. E. 2010. "Chine-Afrique: corriger les asymétries d'une diplomatie agile", Report on the sub-theme: [Chinese diplomacy: foundation, status, lessons to be learnt and outlook in West Africa]. The conference was organised by the United Nations Economic Commission for Africa, Niamey Office, Niger on the general theme of: New trends in South-South and Triangular Cooperation: Africa's Strategy towards China and Implications for West African Countries.

useful to look into the real motives of the Chinese government in structuring its relations with Africa. This is part of the 2001 Chinese strategy of “going global” which provides the backdrop for today’s strategy of economic opening up within the framework of voluntarist State interventionism based on regulation and a policy of non-intervention in the political affairs of African countries. In fact, this is a policy of economic interventionism organised by both parties on a State to State basis. It is an arrangement which systematically excludes counter-power organisations and institutions and the civil societies which represent the people.

China joined the World Trade Organisation (WTO) in December 2001 and used it as the platform for its emergence from isolationism by strengthening its relations with other countries, while boosting its own economic integration process in global terms. This dual strategic exigency resulted in Africa, among others, in a strategy focused on the one hand, on organisation of access to and supplies of raw materials and on the other, on the search for export-related gains on markets outside China.

In this regard, it is important to note that despite the lightning expansion of Sino-African trade the trade balance still recorded a -1.5% deficit against Africa while the deficit for the European Union was -3.9%. Although these figures would seem to indicate that Africa was doing better than the European Union, they are deceptive. In fact, the breakdown of exports against imports is not at all complementary. Africa imports manufactured goods and exports raw materials under non-transparent contractual conditions (see Table 2).

**Table 2 : Africa : China’s Share in the Trade in Goods from the Selected Regions (1980 - 2008)**

Exports and Imports from Africa and the European Union, in %						
China’s Share in:	1980	1990	2000	2005	2008	Trend
Africa						
African Exports	0.3	0.4	2.9	6.9	9.7	↗
African Imports	0.8	1.1	3.3	7.6	11.2	↗
European Union						
European Union Exports	0.4	0.5	1.0	1.6	2.0	↗
European Union Imports	0.4	0.9	2.6	4.9	5.9	↗

**Source:** ARORA V., VAMVAKIDIS. A.. 2010. China’s Economic Growth: International Spillovers, IMF working Papers, WP/10/165, July, p. 16.

It is also important to place trade between China and Africa for the period from 1948 to 2008 in perspective compared to the rest of the world. In 60 years the share of Chinese exports in world total rose from 0.9% in 1948 to 9.1% in 2008. Although most of its countries were colonies, Africa which was far ahead more than 62 years ago fell back during this same period from 7.3% to 3.5%. With regard to imports, the situation in terms of increase and difference remains much the same for China which recorded a share of 0.6% in 1948 and 7.0% in 2008. The share of African imports dropped from 8.1% to



2.9% for those same dates. The difference in balance of trade figures was reflected in both the volume and quality of trade, as well as the technological content of the manufactured goods traded (WTO, 2009: 10-11).

It would be useful to calculate China's share in the trade in goods from West African countries (exports and imports), classified according to major categories: agro-allied goods, manufactured goods and mineral products. Using these comparisons, it is possible to calculate regional trade margin and choose a common strategy for the future.

### 3. Trade margins, merger-acquisition-based cooperation and triangular cooperation

Total exports from China in 2008 were valued at 1,430,693 million \$US, or 8.89% of world share, while total imports stood at 1,132,567 million \$US, or 6.87% of world share<sup>18</sup>, representing a substantial trade surplus, creating a wide trade margin in manufactured goods and covering deficits in other sectors (see Table 3).

**Table 3 - China**

Breakdown of Export/Imports against Total Exports (F.O.B)/Imports (C.A.F) By Sectors of Activity in 2008, in %			
	Agro-allied Goods	Mineral and Petroleum Products	Manufactured Products
Exports	3	3.8	93.1
Imports	7.	27.1	64.8
Trade Margin	-4.7	-23.3	28.3

**Source:** WTO. 2010. Country Profiles, China, March, Geneva: WTO, see <[http://stat.wto.org/CountryProfiles/CN\\_e.htm](http://stat.wto.org/CountryProfiles/CN_e.htm)> accessed 27 August 2010

The major destinations for Chinese exports in 2008 were the European Union (20.5%) and the United States (17.7%) with imports originating mainly from Japan (13.3%) and the European Union (11.7 %) <sup>19</sup>. Chinese trade figures were in deficit in two areas, namely, agro-allied products, at -4.7% and mineral and petroleum products at -23.3%. Africa needs to focus its negotiating and diplomatic skills on positioning itself on these markets, relying on its partnership with China itself or with other emerging countries, and oc-

18 Total exports for the European Union in 2008 were valued at 1,921,763 million \$US, or 15.86% of world share, while total imports culminated at 2,301,852 million \$US, or 18.39%. the United States (19.1%) is the primary destination for exports from the European Unions, the Russian Federation with 8% comes second, with China in 4th position at 6%, after Switzerland (7.6 %). Conversely, with regard to imports China (16%) is the primary importer from the UE, followed by the United States (12%) and the Russian Federation (11.2%).

19 China was announced as the second largest world economy with effect from August 2010 although recent statistics were not available.

cupying the terrain of agile trilateral or triangular cooperation relations. Conversely, its trade surplus of 28.3% in manufactured goods could enable it, by taking advantage of an undervalued yuan, and by regularly increasing the quality of value added introduced into Chinese goods, to create an irresistible negotiating margin, and acquire a cumulative competitive advantage for many years to come. By way of example, total exports from Nigeria, the biggest economic power in West Africa, for 2008, stood at 81,821 million \$US or 0.51% of world share, while total imports did not exceed 49,951 million \$US, or 0,30% of world share, thus creating a trade surplus in real terms (see Table 4). The major destinations for Nigerian exports are the United States (42.5%) and the European Union (21.4%). The other three destinations are all emerging countries, namely, India (9.6%), Brazil (6.5%) and South Africa (93.2%). Import figures for Nigeria are 29.1% from the European Union, 15.2% from China, 8.2% from the United States, 7.1% from Belize and 3.6% from India.

**Table 4 - Nigeria**

Breakdown of Exports/Imports against Total Exports (F.O.B)/Imports (C.I.F) By Activity Sector, 2008 in %			
	Agro-allied Goods	Mineral and Petroleum Products	Manufactured Goods
Exports	2.2	92.3	5.5
Imports	25.2	5	68.5
Trade Margin	-23	87	-63

**Source:** WTO. 2010. Country Profiles, March, Geneva: WTO, see <[http://stat.wto.org/CountryProfiles/CN\\_e.htm](http://stat.wto.org/CountryProfiles/CN_e.htm)> accessed 27 August 2010

Nigeria presents a double trade deficit (see Table 4) of -23% for agro-allied goods and -63% for manufactured goods. By increasing agricultural productivity through support to cooperatives, training and encouraging the development of local markets while respecting the rules of sub-regional competition, Nigeria could rapidly make a substantial improvement to its agricultural sector. On the other hand, the large industrialisation deficit of the country is the result of decisions taken without prioritising diversification in the sector of manufactured goods. The interaction of merger-acquisitions should function with African preemption rights in order to avoid allowing other partners to control entire areas of Nigeria's productive sector. With an 87.3% trade surplus in mineral and petroleum products, Nigeria has a real capacity for influence.

It should therefore focus its negotiating and diplomatic skills on positioning itself on these markets by relying either on a partnership with China or with other emerging countries or yet again occupy the terrain of agile trilateral or triangular cooperation. Nigeria, with the substantial negotiating margin created by its 87.2% trade surplus in mineral and petroleum products, could negotiate on equal terms with China in favour of intelligent win-win trade relations: mineral and petroleum products against production of manufactured goods with technology and skills transfer. This is the winning combination which, un-

tainted by corruption and lack of transparency, could provide a model for other countries with a negotiating margin. The strategy could be adopted by West African countries such as Mauritania with a trade negotiating margin of 38.9% in the mineral and petroleum sectors, and export figures for 2008 in these sectors of 70.2% and import figures of 32.9% (WTO, 2009).

For other poorly industrialised West African countries with no negotiating margin, such as Togo (see Table 5), the trade margin underpinning their diplomatic room for manoeuvre has few chances of success without the backing of group strategy.

**Table 5 - Togo**

Breakdown of Exports/Imports against Total Exports (F.O.B)/Imports (C.A.F) By Sectors of Activity, 2008, in %			
	Agro-allied Goods	Mineral and Petroleum Products	Manufactured Goods
Exports	10.2	5.2	25.2
Imports	8.6	16	30.0
Trade Margin	1.6	-10.8	-4.8

**Source:** WTO. 2010. Country Profiles, Togo, March, Geneva: WTO, seer <[http://stat.wto.org/CountryProfiles/CN\\_e.htm](http://stat.wto.org/CountryProfiles/CN_e.htm)>, accessed 27 August 2010

This group strategy could operate at several levels, including the three principal levels below:

- Between West African countries with no margin for manoeuvre in the trade sector;
- Between West African countries with little or no margin for manoeuvre in the trade sector, but which decide to collectively adopt a strategy of triangular cooperation driven by a country with a margin for manoeuvre in trade from the region, from Africa, from among the emerging countries or from among non-aligned developing countries;
- Between West African countries which no longer have a margin for manoeuvre in the trade sector but which decide to collectively adopt a strategy of trilateral cooperation involving a country from outside the West African zone with a margin for manoeuvre in the trade sector, driven by an industrialised country or region.

The low trade volumes in most of the West African countries impose on them the obligation to adopt group strategies in order to avoid incurring loss of income in the economic sector. It should be recalled that total exports for Togo in 2008 stood at 900 million \$US,

or 0.01% of world share, while total imports were limited to 1,570 million \$US, or 0.01% of world share, representing a trade deficit. The major destinations for exports from Togo are Niger (12.7%), Benin (10.9%), India (9.8%), Burkina-Faso (9.7%) and Mali (7.1%). Togolese imports come from the European Union (43.3%), China (15.8%), the United States (4.2%), Ghana (3.6%) and South Africa (3.0%).

The solution to the problems of the West African countries with no trade margin presupposes the existence of the will to verify, in a transparent manner, the conditions militating against the accumulation of wealth in the country with a view to effecting transfers to development support sectors including: infrastructure, energy, education, health and support institutions for environmental improvements and anticipation on the international market. The creation of a competitiveness observation mechanism with provision for peer review backed by independent expertise contributed by Africans abroad could help to improve the situation.

The reality of the situation is inescapable. With a negative trade margin in the manufactured goods sector for 2008 standing at -4.8% for Togo, -63% for Nigeria and 28.3% for China, and the prospect of wide differences in the volume of transactions, the odds are not in favour of the organisation of China-Africa negotiation relations in which a preponderant role is not played by the goods and services production sectors in which trade margin for the region (often only a few countries) is positive. All too often those countries with a competitive advantage in trade margin for mineral and petroleum products are tempted to go it alone, to the detriment of the region as a whole.

It is therefore important to place an emphasis on regional projects and convince those countries with a volatile margin for manoeuvre as a result of their dependence on global market prices, to play the solidarity card and agree to set up a regional African Monetary Fund (AMF). In addition to supporting balance of payment deficits arising from trade balance deficits, the Fund would serve as an equalisation fund and anticipate market variations. It could be useful for China to hold shares in the AMF as an interesting alternative to merger-acquisition cooperation.

The trade margin of a country serves as the point of reference for initiation of merger-acquisition cooperation relations within a given zone with a view to sealing strategic alliances, institutionalising their update and evaluation, by means of peer review where possible, and giving those who so wish the freedom of choice to leave the alliance through a democratic procedure. Merger-acquisition cooperation should give leverage and demonstrate the advantages of synergy in the face of the steamroller effect of a world system controlled by neoliberal dogma, which exposed its limitations during the 2008 financial crisis. These strategies appear to have resulted in limiting the Western countries to a low level of economic growth (between 1% and 2.5%) for a sustained length of time. The result, in unemployment terms, is evidenced by the astonishing number of productive capacities relocating from the so-called “post-industrial” countries. These are the very countries which advise Africa to choose the strategies of “desindustrialisation” and degrowth (BAYON, FLIPO, SCHNEIDER, 2010). China, which has never paid attention to this advice, has obtained impressive and sustainable results as a consequence.

African leaders are collectively afraid to question the principles inherited from classic Western “do as I say and do not say what I do” -type economic theories (CHANG, 2007). Fortunately, this approach can no longer function within the framework of a complex and complex-free Africa, which is increasingly aware of the importance of Afro-centricity in its strategic decision-making (ASANTE, 2003). Triangular cooperation must therefore be chosen over trilateral cooperation as the response to the pressures and intimidation of those countries with a preponderant trade margin or with military and economic might decoupling their influence. West Africa must review its organisation and internal discipline in order to limit the negative and destructive consequences of trilateral cooperation which could in fact work against the interests of its economies and population.

Relations with emerging countries could, in time, prove to be an even more painful variant of this strategy for the African peoples if Africa's resources are viewed by the Chinese authorities and offered by the African leaders, as no more than an adjustment variable. Africa must keep in view the prospect that China will have become a hegemonic power by 2030, which could put an end to the flexibility of today's arrangements. The margin for manoeuvre and economic sovereignty of tomorrow's Africa must be built today through the creation of poles of competitiveness and multiform skills agglomeration. Bank-State-Enterprise cooperation must at all times be understood in terms of China versus the West African region. Entrepreneurship can then come into its own in the wealth and decent job creation process, and be supported by the African leaders. This is the alternative paradigm encapsulated by triangular cooperation which must be institutionalised and controlled through internal discipline.

On 25 October 2007 there was a merger-acquisition deal between the lead South African commercial bank, Standard Bank of South Africa and Industrial and Commercial Bank of China<sup>20</sup> involving the acquisition of a 20% stake (worth 5.5 billion \$US) in the former by the latter, in order to attract new commitments and loans in favour of the productive capacities of the continent as a whole<sup>21</sup>. The merger-acquisition strategy has no need for the Bretton Woods institutions but has the potential to pave the way for a new global division of capital, access to credit, and indirectly, for the creation of enterprises and generation of value added between South countries, as well as between the South and the North. The implications can only upset negotiations on economic partnership agreements with the European Union, barring a few well-known exceptions aimed at protecting the emerging industries in Africa while maintaining a policy of gradual and regulated opening up

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20 This bank, The Industrial and Commercial Bank of China (ICBC) has outstripped Citibank to become the largest bank in the world with a market capitalization of 254 billion \$US; see Battersby J. 2007 “China signals a new day for Africa” in South African Info, 9 November 2007, see <http://www.southafrica.info/africa/newday.htm> >, accédé le 21 août 2010.

21 Nevin T. 2007. “Standard Bank deal points to new China-Africa direction: China's acquisition of a 20% stake in Standard Bank, Africa's largest financial services company, could be the beginning of an exciting new pattern of partnership with Africa”, in The Free Library, see

<<http://www.thefreelibrary.com/Standard+Bank+deal+points+to+new+China-Africa+direction%3A+China's...-a0172749004>>, retrieved 22 August 2010.

21 22 Nevin, op. cit., p. 2.

with a view to establishing a free trade zone in accordance with the commitments given by the African and Chinese authorities within the World Trade Organisation framework.

Solidarity-based cooperation links could also be extended to include other emerging countries such as Brazil, South Africa, India, Russia and the South-East Asian countries. This could perhaps also involve the China-Africa Development Fund (endowed with 1 billion \$US by the China Industrial Development Bank<sup>22</sup>). Since the capital of the Fund is scheduled during a second phase, to be increased to 3 billion \$US and in a third phase to 5 billion, Africa could then, by diversifying the capital, not be solely dependent upon China's "good will".

At a different level, bilateral cooperation is committed to decent employment. When in 2009 the Chinese authorities lent their support to the rehabilitation of a sugar-producing plant in Mali (SUKALA<sup>23</sup>), this was a long-term arrangement. However, in the short term, Mali was allowed to export its sugar production to the European Union, duty and quota-exempt (SANOGO, 2008). With such trilateral partnerships, Mali has made a winning strategic choice: that of supporting its productive capacities. This new form of strategic partnership could, in time, be subjected to an evaluation to assess the success of the win-win strategy in Africa (DUPRE & SHI, 2008).

West African countries must necessarily familiarise themselves with the merger-acquisition-based form of cooperation which China is introducing, and together, work out the legal provisions which will govern its organisation into new and original forms of triangular cooperation.

#### 4. Competitiveness observatory: Harmonising Chinese and African stratifies

The new trends in South-South cooperation can no longer be solely reliant on theoretical or dogmatic conceptions of solidarity. Competitiveness must go hand-in-hand with pragmatism. Improvement of the business environment must be premised on the predictability of an independent and functioning Justice system. State intervention must no longer be proscribed as recommended by the advocates of the Washington Consensus (CHANG & ROWTHORN, 1995). However, the main function of the State must be to facilitate,

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23 The company SUKALA-S.A. is one of the major agro-industrial and commercial companies in Mali. According to Professor A. Sanogo, "China's cumulative investment in the technical renovation (of Sukala) is estimated at 19.34 million US dollars. Output for 2006 was 4.34 million dollars, and in the 10 years from 1996 to 2006, SUKALA-SA has paid the sum of 36.95 million US dollars into the State coffers in duties and taxes. The area of land planted with sugar cane is 1654 hectares in Dougabouou and 3110 hectares in Séribala. There is no doubt that upstream, (the company) has the capacity to create a few thousand agricultural jobs, thereby contributing to the slowdown of urban drift in the Ségou region. The daily milling capacity of the plants in each of the two locations is 500 TC/day and 2,000 TC/day respectively. This intense level of activity also generates thousands of industrial jobs. Directly, SUKALA employs nearly 10,000 salaried workers" (Sanogo, 2008 : 17).

contribute to, and maintain sustainable and decent living standards for its peoples, using the regional average as a point of reference.

Competitiveness should not prevent the State, for objective and predictable reasons, from protecting emerging industries, or industries with a strategic value for the country or the region. Three criteria may be used to determine eligibility for support to secure the competitiveness of a regional or national zone for the purpose of encouraging skills agglomerations and contributing to the emergence of competitive poles. As a result, a competitive and agile zone (country or region) will support social cohesiveness and pursue the following objectives:

- Improvement of the principal economic aggregates which, in the interests of validity, must regularly and at the very least, be above the regional average of the major trade partners of comparable development level;
- Implementation of a policy aimed at maintaining or improving purchasing power through the offer of a substantial number of decent jobs, avoiding the trap of offering degrading and unskilled employment at poor salaries;
- Intelligent planning designed to strike a balance between the opening up of national and regional markets in line with the emergence of poles of competitiveness;
- A systematic and verifiable policy aimed at reducing inequalities within population groups, and particularly between economic operators.

*Table 6: Competitiveness observatory:*

### **Principal Missions at the National, Regional and Continental Levels**

The Observatory for Competitiveness is designed, at the continental, regional and national levels to harmonise the positions of social partners (the State, the Legislature, representatives of the private sector, the civil society and counter-powers) on the definition, orientations and operational content of the political and economic options in support of short, medium and long-term competitiveness. The process is one of sustained accumulation of prosperity through shared economic growth, as the source of wellbeing for all African peoples.

The Observatory is a strategic surveillance tool which could also serve as a tool for information gathering, observation, documentation, analysis and positioning of the member economies. Monitoring of the work of the observatory could be conducted by a peer surveillance mechanism. The Observatory will be given a mandate and funds contributed by the States and sourced from income from its analytical and prospective work. It will also serve as a forum for exchanges between the different decision-making authorities involved in the competitiveness consolidation process. The Observatory will be granted special status in order to guarantee its independence from political authorities, and will be required to regularly:

- Make available data collected, analyses and comparisons relating to competitiveness at the national, regional, continental and sectoral levels;
- Disseminate analyses and information with a view to facilitating the decision-making process for both private and public sectors;
- Conduct in-depth or specialised studies and research on competitiveness and its determinants on request;
- Contribute to work and analyses conducted on competitiveness at international level from an Afro-centric standpoint;
- Coordinate the harmonisation of proposals for the improvement of poles of competitiveness within a predetermined zone;
- Draw up a road map on competitiveness anticipating new South-South and triangular trends in cooperation;
- Classify economies according to progress accomplished in terms of the development of productive capacities and skills agglomeration within a predictable environment.

This is the new balance which Africa must endeavour to strike between cooperation and competition in order to defend its interests against the imbalance of power in its relations with China. This co-competition will, at its best, symbolise the refusal to adopt the same approach to the use of power as the colonial or post-colonial powers in Africa. It is in no way a power display, but rather a demonstration of the political will to make interdependence a pragmatic option in economic affairs. Unlike the opportunistic form of collaboration adopted by China, this will be a genuine strategic partnership which adjusts in response to the quality of the other side and its level of either corruption or ethics in the implementation of negotiated agreements. While there is a need for China to be monitored, there is equal need for a peer monitoring mechanism to limit the excesses of corruption during the signing and execution of contracts between China and Africa, and West Africa in particular. To this end, West Africa must devise a permanent instrument to measure progress and also anticipate strategic orientations or indeed economic threats. An observatory on regional competitiveness, with national and sectoral branches is a necessity if Africa is to be a successful participant in the new forms of South-South and triangular relations (see



Table 6). However, there is a need to harmonise Chinese strategies with those of West Africa, and at a more global level, those of Africa.

There is some reason to believe that the Chinese local market benefits from selective and subtle protectionist measures. In fact, China's cooperation strategy with regard to the rest of the world relies on the establishment of relations of interdependence with the host country, development of industrial sub-contracting, "demarcation<sup>24</sup>" of imports by means of the Chinese currency, the yuan, which is currently undervalued. The Chinese State has paradoxically, over time, become expert in the strict application of WTO rules, while on the outside monitoring and refusing direct State intervention. Under a new guise, the Chinese State uses the Chinese market to access the technology and know-how of the rest of the world on competitive terms. China, however, places a premium on direct incentives and subsidies to training and skills improvement, which shelters it from open accusations of protectionism and instead confers on it the status of defender of human resource "levelling"<sup>25</sup>. The essential points underpinning China's integrated and interdependent strategies are three in number.

#### *IV-1 Sub-contracting in partnership with "Transnationals"*

Under this arrangement jobs may be sub-contracted to Western transnational enterprises operating in China, and through their trilateral relations, increasingly operating in Africa. One of the characteristics of the Chinese strategy is the reduction of the share of foreign capital in its development to a bare minimum, as a result of which the share of foreign capital in the financing of Chinese gross capital formation was reduced from 4.2% in 2005 to 1.8% in 2009 (IMF, 2010b: 21). The share of GDP in gross capital formation in China remained stable between 1995 and 2007, increasing from 42% to 43%, while capital formation in sub-Saharan Africa which is low, increased from 18% to 22% of GDP (WORLD BANK, 2009: 232-234).

#### *IV-2 Competitiveness through currencies*

In a situation where the principal Western currencies were unable to handle their own budget deficits or the consequences of the 2008 financial crisis, the Chinese currency grew stronger. By refusing to adjust the yuan which is tied to the American dollar, China has ended up with a currency which, within the framework of a global system of floating currencies, has enabled the Chinese economy to export more than it imports.

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24 Demarcation is not used here in the strict sense of the word, but signifies a policy of using legal State instruments to restrict imports while at the same time facilitating exports. The under-valuing of the Chinese currency which is pegged to a weak dollar, allows it to attain these objectives. Amongst the plethora of currencies in West Africa, the CFA franc which is the currency in the Francophone zone, is aligned with the euro at a fixed exchange rate and therefore at a disadvantage in terms of African exports from the zone, although it does not limit imports. A common currency based on a West African basket of currencies could contribute substantially to the improvement of the situation of the countries of the zone.

25 De Bodinat, H. 2009. "The implacable Chinese Strategy", in Challenges.fr, 19 November 2009, see < <http://strategies.blogs.challenges.fr/archive/2009/11/19/1-implacable-strategie-chinoise.html> > retrieved 15 August 2010.

The spectacular success of the underlying Chinese strategy has been made possible through the currency reserves generated by its trade margins. This financial capacity is evidenced by the lightning increase in total Chinese reserves, which rose from 80.28 billion \$US in 1995 to 1,966,03 billion \$US (WORLD BANK, 2010: 282) and are used to make competitive offers within the prescribed limits of competition. In Africa, this has led most of the political leaders to systematically consult with the Chinese before the sale or transfer of African raw materials, properties and lands, or before the construction of infrastructures which are completed in record time etc. Since no-one even dreams of questioning the floating exchange rates decided by the United States (President Nixon, 1971), African countries, especially those of the West African region, would be well advised establish a common sub-regional currency pegged to the basket of currencies in which the weight of the yuan could become dominant against the American dollar or the euro.

China is in the process of becoming a privileged partner of Africa, which sacrifices its monetary terms of trade by agreeing to de facto devaluation as a result of the absence of a common currency tied to a basket of currencies. Africa is in fact losing revenue in terms of its trade balance and balance of payments. Any West African strategy which is aimed at improving cooperation with China, emerging countries and the rest of the world, must be premised on the existence of a common currency and an African monetary fund to support countries in temporary balance of payment difficulties. Why, in that case not set up a sovereign fund in partnership with China?

The fund would be a support facility for the strengthening of productive capacities<sup>26</sup> in West Africa. The project could meet with China's approval, since it had already been adopted by all the African Heads of State at an ordinary summit of the African Union. The proposal is being discussed at the level of the China-South Africa bilateral talks<sup>27</sup>.

#### *IV-3 The massive investment of the chinese state in the areas of training, education, research and support to entrepreneurship*

in line with the objectives of its long-term strategy, China, relying on its impressive budget surpluses, invested massive amounts of State funds in levelling Chinese expertise. This not only boosted the capacity to absorb the huge store of knowledge and technology, but above all, to control the capacity for innovation within the most promising sectors which generate decent employment within the value chains. This policy which has laid the foundations for strategic innovation could well make China the world's innovation workshop in the decades ahead. It is a subtle form of indirect subsidy. The productivity it generated made it possible for China to rapidly reduce its poverty level and attain the first millennium goal of halving extreme poverty as far back as 1994, having reduced the number of the poor, especially in the rural areas, from 85 million in 1990 to 26.1 million in 2004 (UNDP, 2008a).

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26 Amaïzo, Y. E., Atieno, R., McCormick, D. and, Onjala, J.. 2004. *The African Productive Capacity Initiative (APCI), From Vision to Action, Policy Paper*, UNIDO, Vienna, 262 p. adopted as the NEPAD Strategy for industrial development.

27 Nevin, op. cit.

China's negotiating power resided in its capacity to sell in advance, the purchasing power of its population which represents a huge market. The West African countries can no longer be content to talk of regional integration when in practice the region remains fragmented as a result of the problems encountered in implementing political and economic subsidiarity. In addition, having learnt from their experience at home, the Chinese authorities are extremely vigilant with regard to all forms of protectionism, especially on the part of the Western countries which advocate dismantling of tariff when they are the first to justify protectionism when their economies and interests are at stake. This institutionalisation of vigilance undermines the negotiating margin of the industrialised countries. West Africa, and indeed Africa in general, desperately need an observatory for competitiveness which will bear the responsibility for carrying out this vigilance. At the same time, they need to adopt indirect subsidy strategies to promote the financing of knowledge and skills acquisition in strategic niches of value added chains, in partnership with emerging countries, and especially with China. This strategy could in fact exert leverage to attract Chinese investment directly or indirectly within the framework of projects which China wishes to implement in the region under the terms of trilateral or triangular cooperation agreements.

Which countries already have a competitiveness observatory? Are there any local institutions to promote absorption capacity for sub-contracting arrangements with multinationals? In the absence of a common currency can West Africa stand up to competitiveness through currency as presently practiced by China? Finally, what is the level of local investment by the countries of the region in favour of entrepreneurship-oriented knowledge and training acquisition?

## 5. Power strategy: Between resource and market research

China's power strategy can no longer be defined solely in terms of State-to-State relations. It is important to take into account numerous on-site facts which are not reflected in the statistics but which nonetheless contribute to in-depth, long-term changes in imbalances in peri-urban and rural areas. China is therefore in the process of changing the African economic environment (EICHENGREEN & TONG, 2006). China's presence is increasingly identified with non-transparent contracts and the introduction of both big and small Chinese enterprises with scant regard for ethics. Although this is not the general rule, it should be noted that the concept of "*well understood*" Sino-African interests and the race to impose low salaries could engender situations which could in time destabilise the affected regions of Africa.

The policy of securing access to petroleum and raw materials was used as a justification for the restructuring of Chinese financial and petroleum enterprises between 1994 and 1996. China was gradually able to gain access to niches which had been neglected or abandoned by Western enterprises, on the back of what must be described as diplomatic marginalisation or a slowdown in development in some African countries.

The benefits in terms of the physical construction of infrastructures could rapidly no longer be worth the negative external factors they generate in the form of social destabilisation. The cost of social destabilisation could bring some regions of Africa to the point of social implosion with the development of the tendency to cast Chinese nationals in the role of scapegoats, as happened in Zambia, where the Chinese authorities were accused of interference in the electoral process by backing the Presidential aspirant who best defended their interests.

In Zimbabwe, the China option led to extreme situations in which expropriations took place in order to provide Chinese enterprises with the land they sought to mine, pending their exploitation of the largest deposits of diamonds discovered in the country in recent times. It is this new form of South-South cooperation that President Mugabe referred to as the “*look East policy*”, and which involved receiving political and diplomatic support on the international scene in return for granting Chinese enterprises access to the Zimbabwean land and underground resources (BRAUD, 2005: 6).

In Angola, the loans granted by Chinese financial institutions, and especially by EximBank (BRAUD, 2005: 6) allowed many African governments to thumb their noses at financial institutions subscribing to the Washington Consensus. They also curtailed efforts towards transparency which became a geometrical variable demanded by Western countries when their interests were not at stake or simply under threat. Questions could be raised with regard to the degree of transparency in the management of petroleum revenues by both Western and Chinese transnationals. From the African point of view and for those regimes which are adept at non-transparency, the situation presents a fresh opportunity justifying the suspension and delay of projects and allowing issues of ethics and the transparency of public accounts to be raised on the grounds of the social responsibility of enterprises.

The new Sino-African relations must not be allowed to degenerate in time into a new form of South-South exploitation in which African governments, opportunistically and without the backing of a common regional or continental policy, end up moving from the Washington to the Beijing Consensus. Even though the latter suits the great majority of African leaders because of its policy of non-interference in the internal affairs of African countries, it must be acknowledged that it also facilitates access to grants, credits and net foreign exchange earnings through State taxes, not to mention all those other benefits which are not included in official accounts or which swell the unofficial accounts of corrupt officials.

In the light of these multiform strategies, the motives informing Chinese policy may be summarised as rotating around five pivots of the same power strategy:

- “*glocal*” *control* or global and local control of foreign markets through a distribution network primarily designed to facilitate exports of Chinese products (GUO & N’DIAYE, 2009a), which may be manufactured in China or more recently, in Africa, and reexported to other markets, benefitting under the preferential trade conditions granted to the country of transit;
- Unrestrained pursuit of resources and raw materials to procure and secure supplies particularly for petroleum in order to feed China’s energy demands

- and for raw materials to sustain the country's forced march towards industrialisation which is intolerant of any break in supplies;
- Strategic diversification which, in order to supply the growing needs of an export and domestic consumption-driven economy is reliant on a policy of complementarity with Africa, encapsulated in the slogan “*win-win*”. This arrangement can no longer mask Chinese adaptability which is manifest in its strategic anticipation of prospective supply sources, price stability and regular supply lines. China demonstrates a real will to accept a scheduled reorganisation of the control within the major sections of the value chain of the productive and trade systems;
  - Purchase of strategic competitive benefits in the form of a performance maximising process, and presence on the global and African markets. China is not only interested in obtaining supplies but also, wherever possible, in producing on foreign markets, using Chinese workers, equipment and services as the situation permits. The approach is informed by the declared objective of moving into high-technology modulated sectors of activity;
  - Relocation outside China of factories based on technologies using a workforce of near zero opportunity cost. This downward trend in the salaries paid to its workforce outside China could in time damage the strategy as a whole, since it is a duplication of the Western approach which has failed in Africa.

The five pivots of Chinese strategy are reliant on State leadership and resolute voluntarism on the part of the Chinese leaders. This is apparent in the strong support to entrepreneurship through investment promotion structures, the customs exemptions and other facilities granted in order to provide China with the goods it requires, the extremely low interest rates which provide easy access to credit facilities both at the domestic level and for the benefit of the African countries which perceive this as a non-politicised alternative to the practices of Western countries. China does not, properly speaking, subsidise non-productive sectors domestically as is the practice in the United States and the European Union with regard to the agricultural sector and cotton. The success of China's policy of all-round support is evidenced by the fact that in five years the number of Chinese companies ranked by Fortune 500 as among the most powerful companies in the world, rose from 11 in 2005 to 25 in 2010.<sup>28</sup> Chinese transnationals have adopted a strategy of merger-acquisition in order to acquire major brand names, enterprises and advanced technologies. As a result, without necessarily holding a majority share in the capital of its partner companies, China is able, through trilateral cooperation links, to establish a foothold in Africa and the world without the visibility conferred by the presence of the Chinese flag.

Africa in general and the West African region in particular, should pay more attention to the change which is taking place discreetly and apparently harmlessly. China and

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28 For the first time during the 2nd quarter of 2010, the Chinese company Petro China, outstripped the American company Exxon Mobil at a time when total capitalisation of the market of the 500 global companies increased by 50%, rising from 15,617 billion \$US to 23,503 billion \$US. The number of Chinese companies ranked by Fortune 500 among the 500 most powerful companies in the world increased from 11 in 2003 to 25 in 2010, see Fortune 500.

the emerging countries have established two points of access into Africa. They come in through the intermediary of public enterprises, with full government support, or through private enterprises, major transnationals and small and medium-scale enterprises (SMEs). The two strategies point to the fact that the investments involved are either:

- resource-seeking; or
- market-seeking<sup>29</sup>.

China is using the predictability of its business environment as a lever to boost its investment promotion strategy in Africa. Conversely, the absence of a common sub-regional or indeed continental strategy constitutes a real weakness and a threat to African capability in terms of more equitable negotiating power.

China, buoyed by its sound economic health and substantial financial and other resources, has been increasingly active on the international markets, especially in 2010, intensifying its diversification and power strategies through mergers and acquisitions. The objective remained the same: access to resources, markets and technologies. This original approach to trilateral cooperation ran contrary to the traditional set-up by working through companies which were officially not Chinese, but controlled by blocking minorities, which made their appearance in Africa as fronts for the Chinese. This approach would not only contribute to increasing China's market share, but even more importantly, give it a competitive edge in terms of influence. As a result, China's investment portfolio which was virtually non-existent in 1990, was valued at an estimated 87 billion \$US in 2008 (ALON, HALE & SANTOS, 2010).

Africa needs to be cautious in analysing the immediate and long-term consequences of this new form of approach to cooperation in Africa, particularly in view of the mentality of African authorities who have a tendency to "get rid of the risk factor" in the public sector, or of other stakeholders, to the point of losing strategic advantage because of the absence of any form of in-depth strategic analysis. This confirms the UNCTAD observation that emerging countries such as Brazil, the Russian Federation, India and China (the famous BRIC) no longer channel their investments solely towards those countries with cheap and plentiful labour as a way of transferring or relocating the productive capacities which require that kind of labour in their value chain, but increasingly towards other high-technology activities (UNCTAD, 2010: XXIV).

Do West African countries indeed have a power strategy? If so, should it not move towards *market*-based offer rather than continue on the path of unprocessed *resources*-based offer which is incapable of decent job creation?

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29 Gelb, S. 2005. "South-South Investment: The Case of Africa", in *Africa in the World Economy - The National, Regional and International Challenges*, The Hague: FONDAD, see <http://www.fondad.org/uploaded/Africa%20in%20the%20World%20Economy/Fondad-AfricaWorld-Chapter16.pdf>, retrieved 17August 2010.

## 6. Retrieving the capacity for collective cooperation as a response to “flexible hegemony”

In order to facilitate an analysis of the impact and effects of Chinese cooperation with Africa at the regional level, and in view of the absence of much of the relevant data, there is a need to set up a competitiveness observatory which will institutionalise the regular conduct of independent reports and studies aimed at identifying the winning and losing sectors, zones and individual or group economic stakeholders within this relationship, with a view to redressing the situation as necessary and without delay. Particular attention should be paid to the development of productive capacities in Africa. This exercise should be carried out in partnership with the Chinese institutions. In addition to identifying the sectors of greatest complementarity or competition, it would seem strategically more important to conduct the analysis from the strategic viewpoints of dependency, attainment of economic sovereignty, and West Africa’s capacity for creating margins for manoeuvre aimed at facilitating negotiations under conditions which are acceptable to both parties.

In the light of the development of State-to-State relations, relations between the State and Chinese transnationals, and directly between the Chinese private sector and its African counterpart, the new approach to South-South relations cannot afford to ignore its own specificity. The complexity of the analysis and work involved will depend on the real commitment of all stakeholders in Africa to provide the information needed to draw up a detailed table of activities involving China and the African region concerned, and to assess the imbalance of power between the parties and the resultant imbalance in the economic sovereignty margin, as initial measures (see Annex 1).

Once the initial road map is drawn up, the strengths, weaknesses, opportunities and risks to shared economic growth perceived as the bedrock for wealth creation and social cohesion must be identified in a very pragmatic manner.

This road map must also take into proper account the data on imbalances in imports and exports as evidenced by customs clearances and declarations for goods and services. When the African regions realise clearly which are the major groups of raw materials for which China is prepared to make concessions within the framework of competitive world prices, including petroleum, iron and steel, cotton, diamonds and other minerals which are lesser known but equally important for the sectors of telecommunications and space, they will be able to assess the level of transformation needed in Africa and revisit decisions taken in favour of or against the development of productive capacities. A detailed breakdown of Chinese imports and most importantly of the trend in imports to West Africa will reveal opportunity niches. In view of the fact that China imports more than 64.8% of manufactured goods, 27.1% of mineral or petroleum products and only 7.7% of agricultural products (WTO, 2009), it is clear that if Africa in general and West Africa in particular do not rapidly strengthen their productive capacity in order to make their entrance into the competitive market of manufactured goods with confidence, it will be difficult to effect timely changes to the imbalances of power and negotiating capacity which this confers in the diplomatic arena. By comparison, China’s manufacturing value added in 2008 was

34% of GDP while Nigeria's barely attained 3%, Ghana's 6% and Côte d'Ivoire's 18 % (WORLD BANK, 2010: 230-231).

The geoeconomic rise of China (LIM, 2009) is attributable to its adoption of rational approaches which are inseparable from the errors associated with neoliberalism and excessive deregulation. World capitalism has changed as a result, with consequences in the form of exacerbated competition between Western countries and emerging non-aligned countries. The inability of the American authorities to stabilise the financial markets and above all their belief that an unprecedented national deficit would leave the value of the American dollar intact was a strategic error which has not been officially acknowledged up till today. It led to China's focusing its attention on its own productive capacities and the transfer of purchasing power to its peoples and a de facto overvaluation of the Chinese yuan which remains pegged to the American dollar. This has made it possible to accumulate substantial currency reserves which paved the way to the creation of sovereign funds and the introduction of interventionist and voluntaristic policies which extend far beyond the Chinese borders.

The fixed exchange rate between the yuan and the American dollar gives a competitive edge to China (LIM, 2009) and offers it virtually unlimited margins for manoeuvre. China now adopts a soft and persuasive diplomatic approach towards Africa which exposes weaknesses in the latter's internal cohesion, monetary discipline, harmonisation of its policies on anticipation and reinvestment of benefits accruing from relations with China for the long-term benefit of the African peoples. This form of State capitalism (SCHAEFFER, 2010) is based, in the case of China, on objectives associated with ethical considerations even though its private sector refuses to be bound by them, while benefiting from the indirect advantages won by the Chinese State. A significant part of world capital surplus regulation is assigned to China. This socialistic capitalism governing geoeconomic relations with Africa creates new challenges because it is not confined within an institutionalised, predictable and transparent framework which takes into account the interests of the African peoples.

China's influence is acquiring such preponderance in geoeconomic terms that geography can no longer be taught without reference to this power. The mapping of Chinese transactions in Africa is therefore a prerequisite, and the different road maps proposed within the framework of the competitiveness observatory could contribute enormously to this exercise. The freedom to enter or abstain from entering into the Chinese sphere of influence is no longer a matter of choice for the countries but an obligation, in order to influence the world market in their favour. The real challenge is to know what to do in the medium term in order to avoid taking on a new burden of debt, thereby losing economic independence, with dire consequences in social as well as environmental terms.

It must be acknowledged that this new form of South-South cooperation is not, at the present time, hegemony of thought or even by coercion, as was the case with some Western powers in the colonial and post-colonial days. Nonetheless, the imbalance of power is such that China-Africa relations are assuming forms which correspond closely to soft but persuasive pressure, leading the African countries to gradually subscribe to China's overall general and long-term strategy. This could be described as "*flexigemony*", or a flexible form



of hegemony (CARMODY & TAYLOR, 2010: 2) which is the marriage of indirect and strategic control without interference in the details or arousing the sensitivities which interference in the internal affairs of a country can trigger. This form of agile diplomacy has succeeded in “hypnotising” African leaders to the extent that they have omitted to put in place the common institutions needed to provide a credible response to the Chinese approach, which must, after all, be viewed as a competitive opportunity for Africa.

The “Beijing Consensus” has its foundations in agility, opening up the prospect of a substantial negotiating margin for the African leaders, if only they would refrain from taking economic and trade decisions at the expense of their peoples, present and future. The paradox of this approach for both public and private sectors in China is the fact that Chinese leaders, despite their beliefs, give priority to the dual imperatives of securing supplies from Africa with minimum value added (raw materials), and access to real or potential African markets by means of the trade preferences granted by some OCDE countries. The real cause for criticism lies in the priority given to resource and market access. As a result of the power imbalance and its higher trade margins which are more important than the premium granted by China to the protection and defence of the rights of African citizens or environmental conservation in Africa, there is the risk of potential hegemony which should not be confused with China’s colonial strategy in Africa (TAYLOR, 2009). Flexible hegemony has yielded rather mitigated and contradictory results, making China a moderating force in Sudan and a contributory factor to violence in Zambia (CARMODY & TAYLOR, 2010).

How then can Africa regain the capacity of collective cooperation in the face of China’s “flexible hegemony”?

## 7. The Beijing consensus: west african strategies

Reacting to the discredit of the Washington Consensus in Africa, the Beijing Consensus is in the process of formulating its own definition of the phenomenon based on pragmatism and long-term relations in which immediate profitability is no longer a priority, at least in inter-State relations.

Africa therefore needs to exercise caution in the face of the numerous facile and recurrent decisions taken by its leaders in favour of turnkey projects delivered by China. Such decisions are rarely preceded by real and detailed negotiations based on African regional and national economic and social development strategies. Caution is all the more necessary since the physical and moral economic agents in entire sections of both public and private sectors are beyond the control of the State, in the Chinese State in particular. This frequently non-transparent approach to Sino-African relations founded on the conclusion of what can only be described as *convenience contracts* between China and Africa, which contain concealed one-sided terms, but shared responsibilities.

According to Professor A. SANOGO, after completion of the two buildings housing the Faculties of Economic Sciences and Management, and Legal and Political Sciences of the

University of Bamako which were wholly prefinanced and built by the Chinese company COVEC between 2007 and 2008, it was observed that “*all the construction materials (tiles, paint, bathroom fixtures, furniture and other materials...) had been imported from China. Only the gravel and cement were locally purchased*” (SANOGO, 2008). This form of cooperation based on tied aid or loans is not conducive to local production. However, the lack of transparency in the contracts signed between China and Africa, and the failure to institutionalise a new paradigm based on “*contractual solidarity*” (AMAÏZO, 2010) are behind the perpetuation of previous errors.

In view of this “turnkey” approach which is no longer restricted to infrastructural or mineral and petroleum extractive projects, the Chinese authorities have, by agile diplomatic means, introduced a new “turnkey” diplomacy covering agreements in areas ranging from economic affairs, diplomacy, military matters, aid and credit, and could be said to encourage a certain degree of irresponsibility in economic and political governance. However, on the international front, this has restrained the arrogance of the Washington Consensus and revealed its underlying strategy of accessing African resources without conceding much in the way counterparts, apart from delays in the accumulation of shared wealth. China, on the other hand, offers an Asian alternative which prompted President Robert Mugabe of Zimbabwe, speaking of his famous “*look East policy*”, (diversification of African policy towards the East Asian countries), to refer to “*the East where the sun rises*” and “*the West where the sun sets*” (BRAUD, 2005: 6). These are the same political leaders who for decades nullified shared economic growth in Africa under the iron fist of authoritarian regimes which tied State earnings to the export of raw materials, the absence of productive capacity and indifference to the improvement of economic and social conditions in the local and regional environment.

Unfortunately for the African peoples, the Chinese policy of non-interference in the internal affairs of African countries, except in Zambia, tends to slow down the process for the legitimisation of leaders by the people<sup>30</sup> and encourage the development of palliative democracies in Africa. The new forms of patrimonial and rent-based economies, relegate issues of ecological and environmental conservation to the back burner, together with the wellbeing of the African peoples who are still being told that a competitive society is one in which the China-induced economic policy of the lowest possible salaries has to be accepted. This form of competitiveness cannot provide the solution to Africa’s medium to long-term problems. Other models must be invented by Africans themselves (AMAÏZO, 2010c, MBAYE, 2009). These alternative economic models must restore human beings and their prosperity to the forefront of their concerns and sideline those objectives which are unilaterally fixed on financial profit.

The major challenge facing West Africa and the rest of Africa in general in their relations with China is one that is indirectly leading African leaders to engage in a process of dis-industrialisation or dispossession of the continent’s productive capacities by the continuing unregulated implementation of liberalisation policies without benefit of protection for budding local industries. The massive importation of cheap Chinese products into Africa could contribute to a process of de-responsibilisation of industrial voluntarism by the priority erroneously given to trade in Africa without production, which is sometimes accompanied by

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30 Absence of ‘truth in the ballot’ in many African countries, particularly in West Africa.

strong measures on the part of certain African leaders to prevent the growth of industrialisation and productive capacities in Africa. The number of businesses which have closed down in Africa should not be underestimated, and collective awareness in this regard should ensure the investment of resources earned from exports of raw materials in productive capacities, with a focus on high-technology or knowledge-generating activities (AJAKAIYE, 2006: 8). With the constant improvement in the quality of Chinese products, the real risk to the sovereignty of African States lies in the emergence of Chinese monopolies founded on non-transparent public-private links and networks and benefiting from direct or indirect protection of China with a view to the training of its peoples for relocation to Africa.

It is important to note that Chinese investments come in the form of acquisition of shares and investment portfolios. Africa is poorly equipped in this area, and must therefore organise by introducing a system of reciprocity with Chinese enterprises in China, in tandem with countries with trade margins for manoeuvre. This measure will also respond to the increasing complexity of the Chinese industrial system and the huge increase in the technological content of Chinese goods. With more than 2,000 billion worth of \$US in foreign currency reserves at the disposal of the Chinese government, the outlook for the expansion of Chinese cooperation relations through portfolio investment in Africa is almost unlimited, and was in fact valued at 87 billion \$US in 2010 (ALON, HALE & SANTOS, 2010:5).

It is no longer sufficient to rely on the intentions officially expressed by the Chinese authorities – hence the absolute need for the creation of a regional competitiveness observatory to monitor the activities of Chinese enterprises in West Africa and above all, to take common action and pool resources for the purposes of information sharing which will generate veritable group strategies based on regional discipline. Real-time mapping of Chinese penetration is indispensable for well-advised strategic decision-making. It is advisable that West Africa should:

- i. Sign a “*do not sell Africa*” pact backed by an agreement on reinvestment in the development of the continent through partnership;
- ii. Map the penetration and strategic positioning of Chinese public and private sector enterprises in Africa and in West African value chains;
- iii. Harmonise the new forms of “*contractual solidarity*” at the regional level;
- iv. Create and finance a regional competitiveness observatory with the support of Africans abroad;
- v. Organise triangular cooperation based on planned balance of trade margins with a special focus on the balance between productive sectors through the diversification and increase of value-added in those sectors in which merger-acquisition or lateral integration are to be achieved locally;
- vi. Create and seize new opportunities offered by the tourism market as part of a “welcome” and rapidly recyclable African human resource strategy in response to the increased purchasing power of the Chinese population;
- vii. Operationalise the regional African Monetary Fund with autonomous regional branches;

- viii. Make progress with regard to the establishment of a common currency pegged to a basket of currencies which is heavily weighted for transactions involving the Chinese currency, and invite China and other emerging countries to contribute share capital;
- ix. Increase trade and diplomatic margin for manoeuvre; and
- x. Restore the economic sovereignty and independence of the West African States.

The objective of all these strategic measures is to increase the wellbeing of the West African peoples and benefit from opportunities offered by the new trends in South-South relations.

Sino-African cooperation, because it favours long-term objectives and integration, could usefully be submitted to a detailed evaluation in the 2030s, with a mid-term review in 2020. It is believed that the populations of China and Africa will have attained the same level by 2030<sup>31</sup>, however, the level of inequality and poverty in comparison with the organisation of wealth creation through non-productive and non-competitive approaches could prevent Africa from benefiting from the new opportunities created by the diversification of its partnership with China and with emerging countries in general. The role of the private sector, the forms of regulation and incentives introduced through State interventionism in Africa must be harmonised at the national, regional and continental levels. Prosperity can therefore only be achieved through regional integration and shared growth within the framework of endogenous and alternative development models. Efforts must be made to ensure that the new trends in South-South cooperation, merger-acquisition and triangular relations create in the Africa of the future, a majority of medium-income States and a purchasing power-generating entrepreneurial middle class.

It is important to give preference to those relations with China which are non-debt generating. Where there is a need for debt-generating resources from China, it is Africa's duty to ensure that the bulk of these investments are channelled into infrastructures which will create wellbeing and reduce the transaction costs of gross fixed capital formation (GFCF), and which are also designed to support the development of productive capacities, margin of influence and the economic sovereignty of Africa, and West Africa in particular. The improvement of the business environment, predictability and transparency of the legal and judicial environment are all vital levers determining the speed of reform. None of the West African countries outperforms China in the "Doing Business 2010" ranking. However, countries like Rwanda and Namibia attest to the results of political voluntarism (see Table 7).

The foundations of new and genuine win-win relations can only be established by the application of commonly accepted performance criteria within the regional framework. Priority must necessarily be given to the creation of a functional, independent and well-funded competitiveness observatory which will ascertain whether or not the objective of the Chinese is to accelerate the process of disindustrialisation and "destructive creation" of decent em-

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31 Chissano J., Martin P. et al. 2007. Investing in Africa's Future. The ADB in the 21st Century, ADB, the High level Panel, see < [http://www.cgdev.org/doc/events/3.27.08/HLP\\_Report\\_Investing\\_in\\_Africa.pdf](http://www.cgdev.org/doc/events/3.27.08/HLP_Report_Investing_in_Africa.pdf)>, retrieved 20 August 2010.

ployment, without losing out in terms of innovation and strengthening of competitive poles and skills agglomeration.

Africa can nonetheless benefit from the Chinese example which has recorded nearly three decades of uninterrupted economic growth (THORBECKE, 2009) and distributed the proceeds of growth and therefore of governance, thereby reducing poverty through the generation of shared growth. There is no reason to doubt the capacity of the Chinese State to maintain a responsible stance throughout its transformation into a powerful and influential State by 2020-2030 (ANGANG, 2010). By that time, China will have put an end to the concept of a unipolar and unilateral world whose guidelines on support to development will have failed to contribute to the prosperity of the majority of the African peoples. YEA.

The representatives of each West African country will do well to:

- Draw up a list of strategic errors to be avoided at the national and regional levels, indicating the appropriate monitoring structures and the budgetary appropriations needed to enable them to function effectively;
- Identify regional trade margin according to sector, and choose a common strategy for future relations with China;
- Familiarise themselves with the merger/acquisition-based cooperation approach currently adopted by China and, working together, find legal means by which to establish new forms of triangular cooperation;
- Create a competitiveness observatory while also supporting local structures designed to build the absorption capacity for sub-contracting arrangements with multinationals. Can the West African region, in the absence of a common currency, resist in the face of currency competition as presently practised by China? What is the level of local investment made by the countries of the region in knowledge and training-based support to entrepreneurship?
- Devise a power strategy (collective or individual) for the West African countries hinged more on market-based offer than on unprocessed resources-based offer which is incapable of decent job creation;
- Regain the capacity of collective cooperation in the face of China's *flexible hegemony*?
- Transform the Beijing Consensus into a consensus on partnership with Beijing, anchoring the West African strategies on new priorities in favour of job creation and valorisation of non-debt generating resources?

**Table 7: Classification of Countries Selected According to Business Environment**

2009 and 2010 (out of 183 countries)			
Country	Ranking in 2009	Ranking in 2010	Progression/Regression
Singapore	1	1	↗
Namibia	54	66	↘
Rwanda	143	67	↗
China	86	89	↘
Ghana*	87	92	↘
Nigeria*	120	125	↘
Gambia*	135	140	↘
Cape Verde*	147	146	↗
Burkina Faso*	155	147	↗
Sierra Leone*	156	148	↗
Liberia*	159	149	↗
Mali*	162	156	↗
Senegal*	152	157	↘
Togo*	166	165	↗
Mauritania*	166	165	↗
Côte d'Ivoire*	163	168	↘
Benin*	172	172	-
Guinea*	171	173	↘
Niger	174	174	-
Guinea Bissau*	181	181	-
Central Africa	183	183	-

\* = West African Countries

**Source:** IFC, Doing Business 2010 : Reforming through Difficult Times, Washington D.C.: The World Bank, p. 4.

# Annex 1: Road Map of Chinese Penetration in Africa

This approach is proposed as being appropriate for the organisation of information needed to facilitate impact assessment of choices between debt-generating and non-debt-generating resources.

## Annex 1: Road Map of Chinese Penetration in Africa

Presentation: 1. Economic zone concerned (region, country, town, economic zone), 2. Stakeholders, 3. Value of transactions, 4. Objectives and real outcomes in the field, 5. Opinion of African civil society and private sector counter-powers; 6. Regional or local impacts; 7. Negative economic and social external factors; 8. Proposed corrective measures; 9. Short, medium and long-term impacts; 10. Loss or gain in terms of diplomatic/economic margin for manoeuvre and sovereignty.

Form of Relations: from "intra-public sector" cooperation to "intra-private sector" cooperation	Debt-generating Resources				Non Debt-generating Resources				
	Loans and Credits	Guarantees and Counter-guarantees	Trade Deficit and Balance of Payments	Barter in Trade	Foreign Direct Investments (FDI)	Portfolio Investments (PI)	Development Aid, Gifts, Technical Assistance	Fund Transfers from Nationals Abroad	Trade Surplus and Balance of Payments
State-to-State									
State thru Transnationals									
Transnationals and sub-contracting									
Bi, tri, & multilateral (North-South) Partnerships									
Triangular (inter-South) Partnerships									
State thru Private Enterprises									
Between Private Sector Stakeholders									
Involvement of civil society counter-powers									
Involvement of Nationals Abroad									
10. Involvement of Women									
11. Involvement of Environmentalists and Climate Change Activists									
12. Wealth Creation and New Opportunities for Productive Capacity Development									
13. No. of jobs created or lost in value added chains									
14. Effective reduction in nos. of poor									
15. Increase in economic sovereignty margin									

**Source:** Amaizo, Y. E., 1998. From Dependence to Interdependence. Globalisation and Marginalisation. A Chance for Africa, Paris : L'Harmattan.



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## General conclusion

### *Towards a regional framework for Africa-China Cooperation*

All the discussions in this publication and indeed in the outcome of the deliberations of the AEGM ,acknowledge that cooperation with China is beneficial for African countries in general and for West African countries in particular. They also acknowledge that this cooperation has pitfalls and risks for the African countries, especially as individuals. The recommendations emanating from the experts' meeting buttress the call for a regional planning and implementation framework for Africa-China cooperation.

African countries must devise and set up a sub-regional and continental framework for cooperation with China which will serve as a point of reference, similar to the EPA mechanisms, for instance, and designed for the Member States to guide them in negotiations with their partners. A framework of this nature must include a monitoring, control, evaluation and assistance mechanism for the use of the Member States, which is driven at the continental level by the African Union Commission, and at the West African level, by the ECOWAS Commission. The mechanism will also include a minimal number of common provisions applicable not only to China, but to the continent's traditional partners.

Strategic partnership with China should focus in the medium term, on Africa's industrialisation needs based on value addition on the continent which invariably means the relocation of Chinese enterprises to Africa. In this regard, the African countries must offer facilities for the installation of the Chinese enterprises and guarantee them supplies of raw materials, leaving to the Chinese part responsibility for the promotion of the products on the local and world markets. The Chinese should also be compelled to nurture the local industry to maturity.

The issue of competition and the risk to local industries created by Chinese products should be prioritised during negotiations in the short term. A protection package should be envisaged for the local enterprises, based on the approach adopted by China itself before its opening up to the outside world. Protection of the domestic industry should be part of the agreement with the Chinese.

West African countries should strengthen and coordinate their quality control mechanisms for consumer products, particularly pharmaceuticals, in order to protect their populations from the risks associated with certain Chinese products of inferior quality.

Chinese labour and the issues of technology transfer and capacity building in Africa are currently the weak links in relations with China. National labour laws must be applied to cooperation projects with China, focusing on training and the employment of the greatest number possible of national workers and entrepreneurs in Chinese interventions in the sub-region.

It will be necessary to build the negotiating capacity of African stakeholders in order to ensure that the countries benefit fully from their relations with China. Strategies such

as familiarisation with the procedures and rules of engagement of the Chinese could be employed.

Countries must, during negotiations, address the issue of the reduction of the percentage of Chinese supplies used in the implementation of Chinese-sponsored development projects. Locally-sourced supplies and sub-contracting to local enterprises must be addressed as priority issues in the interests of greater impact inducement on the economies of the Member States.

In conclusion the West African countries must draw on China's experience in the achievement of such spectacular results in the areas of agriculture and industry. To this end, they must negotiate collectively in order to put in place a truly win-win system, as desired by both parties.