

Sino-african economic relations essay sample

[Countries](#), [China](#)



Introduction

After the fall of communism and “Maoism” in China, its new leadership intensively embarked on economic policies that embraced capitalistic production while maintaining the socialist character of its governance. China gradually liberalizes its economy through the establishment of “Special Economic Zones”. (Pak) Unlike other countries who aggressively adopted liberal capitalism however, China’s government does not only regulate but is actively involved in economic activities. Under its state-led and export oriented economy, China became the fastest growing economy during the millennium, overtaking France, Britain, Germany and Japan and catapulting to become the second largest economy in the world next to the US (Shirk).

Building up a huge supply of financial reserves, China embarked on an intensive investment campaign around the globe which was especially in the right timing considering the financial crisis that is currently plaguing the global economy. At the onset, China was the largest recipient of investment, now it has become one of the largest sources of foreign investment which accounts for its growing presence in developing regions not only in Africa but in Southeast Asia and South America. This seemed a logical strategy considering that China evidently cannot facilitate better deals with developed nations like the European Economic Region whose economic structures are already solid and stable.

The Chinese Economy

China has posted itself as a giant Export Processing Zone in the global economy. It has become the leading supplier of textiles, electronics,

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consumer goods (e. g. shoes, toys, plastic wares) and other labor intensive products. It has also embarked on capital and technology - intensive products such as car manufacturing, information technology and chemical production.

The rise of China as an industrial giant and producer also made it a large consumer of resources. In 2004, China accounts for a big chunk for the consumptions of the world's raw materials and resources that is proportionate to its growing economy. It utilizes approximately 30% of the world's coal, iron, steel, aluminum and cement. (Wai Bu) In the transportation sector, the US remained as the world's largest market for the auto industry in 2007 followed by China where sales are steadily increasing (Baker). However, with the current financial crisis that engulfs the US, the decrease purchasing power and growing anxiety of the people that caused them to tighten their budgets and recent bankruptcy of America's biggest auto manufacturer, General Motors, China may now become the largest automobile market in the world. The downside of this is the result to greater demand for petroleum products, which apparently is a diminishing non renewable resource. China overtook Japan to become the second biggest oil consumer of oil in 2003, accounting for 45 percent of the increase in demand. (Bergsten)

Under these premises, China's move has obvious objectives especially considering that most of its investments pertain to resource extraction industries i. e. mining and oil especially in oil rich countries like Iran in the Middle East, Venezuela in South America, Indonesia and Thailand in

Southeast Asia and Sudan, Angola and Nigeria in Africa. With its relentlessly rising economy, China thus desires to ensure that it will have adequate resources to fuel and sustain its growth and stability in the future.

Chinese-African Relations

China had been engaged in trade relations with Africa especially Egypt since time immemorial dating back to as far as the Han Dynasty. (Zezeza and Codesria) In the mid 20th century however, diplomacy between the two focused on ideological concerns particularly China positing itself as an option to western liberalism and the Soviet Union's communism. Following the decline of communism in world affairs and the emergence of capitalism which China gradually adopted, the relationship between Africa and China shifted towards economic and trade cooperation.

With the recent success of China's economy that embodies a state-led economic model for economic development, developing countries are inclined to find it a more viable alternative from the neo-liberal economic model prominently dubbed as the "Washington Consensus", that Northern economic powers have adopted". Thus, China's current diplomatic relations with Africa today is now focused on a commercial and economic program that is intended to nourish and maintain economic industrialization and growth. While China's economy is market oriented, the investments pioneered by its State-Owned Enterprises reflect interests with regard to energy resources and minerals to stimulate and promote its economic growth and industrialization. (Alden et. al)

While Europe and America remains as the major sources of foreign investments for Africa and principal markets for its exports, China's role in Africa's economic affairs is growing significantly following its increase investments and trade. More than just an economic partner, China reinforces its trading relations with Africa through the provision of financial assistance, scholarships support, and provision of expertise which strengthens their cooperation in politics, education, health, and cultural exchange. Scholarships grants are provided to African students to study in China. An African Human Resources Development Fund was established to hold collaborative management training courses for the countries in support of their growing economic interdependence. In terms of health, Chinese medical personnel and teachers are sent off to Africa to help in Africa's campaign for health, sanitation and education.

In building its relationship with Africa, China incorporates or combines aids with its trade deals to host African counties. Aside from the economic fruits that their economic ties promise to bring in the future, China include funds that are directly allocated for the development of the much needed infrastructure of African countries to support their local economy such as road and bridges, schools and hospitals or even the IT infrastructure network (as in the case of Angola). (Foster et al)

Despite this, Africa is not forced to become a major market of Chinese exports but only of its investments, which accounts for 3% of China's total global investments in 2007. (Baah and Jauch)As mentioned earlier, Chinese investment focused on oil and mineral extraction but also included diverse

investment projects in the manufacturing and services sector. In terms of trade, Africa mainly exports raw materials to China such as petroleum, minerals, and timber while its import consisted mainly of capital and consumer goods.

It must be noted that trade relations of China and Africa varies in individual countries. African importers of Chinese products included South Africa, Egypt, Nigeria and Algeria. On the other hand, Nigeria, Angola, Equatorial Guinea, Sudan and other oil exporting African countries are the major exporters to China. These African states supplies approximately a quarter of China's oil needs and are therefore critical to China's economy.

(InformaWorld)

Impact on Africa

In terms of direct economic benefits, China's importation of resources had created a stable market for Africa's products and resources that is important for its long term economic stability. Chinese demand has raised market prices for oil, raw materials and other African commodities, which had traditionally been a prey of the collective bargaining power of the colonial western powers and a victim of overdependence on industrialized nations. By 2006, China's trade in Africa is approximated at \$50 billion, which enhanced economic growth and incited the critical infrastructure improvements needed in the whole region. In 2005, Africa reported its highest economic growth at 5.2 percent in 2005, which it credited to the Chinese investments to a certain degree. Thus, many African nations see

Chinese investment as an opportunity and a catalyst for growth and development.

Amidst these economic benefits, many Africans express or cast their doubts on the sincerity of China's relationship with Africa especially so with their previous experiences of exploitation from outside colonial powers. Aside from the impression that China's interest to Africa is abrupt and hasty or is moved by their selfish motives of stabilizing their supply for oil and raw materials, there is the greater fear that Africa-China economic relations will only lead to what Wallerstein's (2004) capitalist world systems theory described as core-periphery economy. This theory proposed the subordination and dependence of poorer countries to highly industrialized powerful countries similar the colonial pattern experienced by Africa. In which case, Africa is relegated to the role of a supplier of raw materials and cheap labor which plays a peripheral function to the core economy of China. Economic development of individual African states then entails development within the borders of China's powerful economy.

To prevent the occurrence of another economic victimization, the Sino African relations also post a challenge among African nations on how to structure its relationship with China differently and to ensure that it will substantially benefit Africa in long term and will result to sustainable economic development in the region. For one, Africa should also consider the utility of its raw materials exported to China for its own sustainable industrialization instead of simply becoming and exporter of the same. Among the many African states, only South Africa is proactive in conducting

investments in China specifically in mining, brewing and the financial sector. Aside from large Chinese investment on resource extraction, construction and finance across the continent, the Chinese are also gradually entering the retail industry in Africa.

These Chinese retail stores barely build linkages to the local economy but become distribution channels for the cheap consumer commodities from China, which have gained popularity among poor nations. This had adverse repercussions on the local traders as local African products cannot withstand competition from these cheap Chinese products. This has weakened if not caused the demise of local trading industries, which resulted to massive unemployment. To counter this trend, African countries should also invest in China including in the retail industry in order to establish conduits for exhibiting African products in China and thereby expand their retail market in China as well.

Chinese construction projects in Africa initiated by State owned companies do not necessarily translate to employment for the African people because most of the workers are imported from Chinese. African states should strengthen their bargaining position so that similar projects can be negotiated and carried out with greater participation of African people in terms of generating employment. Employment moreover, should be strictly aligned within humane and fair agreements. At the moment, many Chinese employers in Africa are criticized for their unfair labor practices, low salary rates and insufficient employee benefits, opposition to unions, infringement of workers rights, and poor working conditions, among others. (Baah and

Jauch) State government should be careful and strict in implementing and maintaining fair labor practices especially those pertaining to the African workers to avoid exploitation.

Apart from technological transfer, investment should also serve as a means for the transmission of technical expertise. Thus, the human resource component is an important feature in any form of foreign investment because it is through which that technological expertise can be transferred. For instance, the construction of local IT infrastructure network should be utilized as a means for Chinese technical expertise to be turned over to their African counterparts. This can dispense the need for importing foreign experts for the maintenance of the technology and more importantly, this will abreast local experts with the latest advancements in technology. Finally, the African government should capitalize on the aids in the form of management training, education, infrastructure building, cultural exchange, and market mileage that its relationship with China offers to come up with their own independent industrialization programs that will transform the region from a raw material producer to an industrialized country.

At the moment the Sino-Africa relations is mainly built around China's strategic development agenda driven by the need to enhance their access to raw materials and energy resources to sustain their growing economy. Africa should genuinely generate its own independent industrialization agenda that will only incorporate or align their existing harmonious relationship with China so that it can considerably benefit from this relationship and ensure its economic development.

Impact on the US and Other countries

Aggravated by the rising global demand for energy, the strong economies and large oil consuming nations like the United States, European Union (EU), and Japan squabble for the dwindling resources of oil and other raw materials and are on the effort of securing their energy supplies for the future. China, with its rapidly growing economy and current global shopping's free had joined the bandwagon and seemed to be gaining the forefront in the competition. With the Middle East caught up in political uncertainty and instability, China had turned its eyes on other oil producing regions such as South America and Africa. Under these premises, China's growing presence in Africa may be deemed as a potential economic threat to the US and other developed nations. (Johnston and Ross) Moreover, the increasing power and influence of China over developing regions such as South America and Africa also posts some latent political and security risks. The continuing dominance of China could initiate to emasculate democracy in the region considering China's socialistic governance and promote dictatorial regimes.

One of the questionable qualities of China's foreign economic strategy is its "hands off" policy or non interference in domestic affairs. The Chinese is strictly for business and is not selective in choosing the type of governments and nations it will deal with so long as they can support China's strategic objectives. China is open and more than willing to cut deals with any government including those known to have a history of committing massive human rights violations, to which China itself was historically labeled.

Because of China's policy, it also does not have a similar apprehension on human rights violations like the US or European countries. And it casually or imprudently sold arms to many African nations which help compensate the favor of providing oil to them. (Pan) Indeed, Africa had become a market for Chinese military armaments regardless of whether it is used for good or bad. In Zimbabwe, for instance, China has provided the dictatorial government of Robert Mugabe with arms. (Beresford) This indiscriminate economic policy of China therefore indirectly serves to supply government and rogue nations with weapons that may be used to thwart freedom, equality and the democratic process that liberal nations hold dear and threatens the relative peace that the world currently enjoys as overseen by United Nations.

Ingredients to China's Success

The success of China's effort to improve its relationship with Africa and other developing regions can be attributed to different factors, which is comparable to the weaknesses or failures that the US and neo-liberalist nations have implemented. For one, China posts itself as a benevolent and cooperative partner unlike the US and other colonial powers in Africa before that intertwined political and military relations with its economic affairs. Unlike the US and other foreign countries who incessantly meddle with the domestic affairs of individual countries to an extent of threading on their independence and sovereignty, China is strictly for business and does not interfere with a country's internal affairs. While China significantly influences economic affairs of the nations, it maintains a distance from the local

concerns of the nations. Whether because of sheer lack of concern or selfish interest, this strategy of China is a demonstration of respect to the independence and autonomy of a nation. The appalling side of this however is that China indiscriminately deals with all kinds of governments and is even willing to provide weapons to them, which may be used for good or evil objectives.

China's intensive campaign of forging relations with developing regions also comes in good timing. First of all, there is perceived inattention or lack of interest on the region from the US and other colonial powers. The only interest people usually have over Africa is its being the home for extinct or vanishing animals and a destination for volunteer workers. Western media has portrayed Africa as an image of poverty, hunger, and sickness. Africa is the universal recipient of charity and help. It was never depicted as a great potential economic partner but a liability and a principal beneficiary of aid from developing nations. In contrast, it was China who recognized the potential and importance of Africa. And have actively demonstrated interest in forging economic ties with them.

With the current global financial crisis, China's move towards Africa was also befitting during which the US and other economic powers are tied up in their hands and are focusing on their own internal economic problems. The global financial crisis has restricted the counter offensive of other developed countries to frustrate or foil the Sino-African relations and swing the rapport in their favor. Moreover, because the financial crisis also precipitated in developing regions like Africa, hence the need for a "savior" so to speak is

imminent and China has fortuitously come in the picture to light their way.
(Barboza)

Finally, the biggest factor which may have contributed to China's success in facilitating strong diplomatic relations with Africa and other developing regions is the country's successful demonstration of a state-directed economic development. (Kurlantzick) Most countries in developing nations like South America and Africa have shared a failed experience on the neo-liberal economic model pushed by the WB and the IMF and adopted by Northern economic powers under the "The Washington Consensus". The neo liberal model was not only ineffective in delivering economic progress but more so directed the economic subordination, dependence and inferiority of Africa to Western Economies.

China on the other hand, exemplifies the triumph and accomplishment of a state-led economic model for economic development, which developing African states may find a more viable alternative for economic recovery and prosperity. Instead of limiting the role of government as a regulator, this model gives the government a lead role in economic affairs. This is manifested by the fact that many investments of China and the largest Chinese companies across all industries (mining, financial, manufacturing, etc) are state owned. Instead of relying solely on private enterprise to be the agents of economic growth, the Chinese government actively engages in business and commerce. Thus, China is nationalizing major economic entities instead of privatizing them through which the government is able to

direct and manage economic priorities and align them with the overall economic agenda of the nation. (Heynen)

An equally important feature of the state led economic model of China is its distributive policy. Arising from its socialist background, this model adheres to the social redistribution of wealth instead of merely allowing people to struggle on their own for their survival. Considering the history of poverty and inequality in Africa, the economic model of China therefore is more appealing to people who have long been plagued with economic hardships and dependence on foreign aid along with other developing regions. Thus, the success of state led economic model plays a crucial factor in the success of the Chinese government in forging bilateral and diplomatic relations with Africa, which nevertheless ultimately provides for their own benefit.

Conclusion

The Sino-African relations that significantly augmented at the turn of the century had enormously benefited the parties involved. However, the fears that it would lead to “ core-periphery” economic relations similar to Africa’s relations with its former colonizers are still at bay. China’s state led economic model that focus on bilateral trade and the central role of the government in economic affairs rather than on private enterprise and free trade provides a promising economic model to be emulated by African states. Outside Africa and China on the other hand, there looms apprehension with regards to the political, economic and security threats that China posts against the US and other economic powers.

The US and its allies reckon that the democracy, respect human rights, the adoption of free trade market in Africa is being challenged by the growing Chinese presence and influence in the region. (Brookes and Hye Shin) At the extreme level, China's current economic power and political maneuvers can pave the way towards its eventual hegemony of the modern world at the expense of the United States. Amidst these various concerns, what is most important is for Africa to shape its relations with China in such a way that it will benefit and ensure a sustainable economic prosperity for the region by creating an independent economic agenda towards economic self sufficiency and reliance. The challenge for Africa is to translate the perceived threat of the growing presence of China in Africa as suggested by outsiders into an opportunity for economic recovery and sustainability. While taking note of the opinion and warnings of other countries, the success or failure of the Sino-African relations ultimately rests on the independent and prudent decision of the African people.

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