

# Africa-china trade relations



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## 1. 0 Introduction

The founding of the People's Republic of China in 1949 marked the initiation of contemporary China-Africa trade and economic relations. From the 1950s to the 1970s, African countries were preoccupied with their fight for national liberation while China worked to safeguard its own sovereignty and territorial integrity. They supported each other, forged friendship and mutual trust, and laid a good political foundation for the future growth of trade and economic relations. In 1978, China began to implement its policy of reform and opening up, giving top priority to economic development.

This accelerated China's industrialization and modernization processes and brought growth opportunities to Chinese enterprises. After gaining independence, most African countries launched serious efforts to develop their economies and engage in international cooperation. In 1983, the Chinese government put forward the principles of equality, mutual benefit, efficiency, diversity and mutual development for the economic and technical cooperation with African countries. Between 1978 and 1999, the complementarities between China and Africa came into full play, thus deepening trade and economic relations between the two sides.

Together with the rapid growth of bilateral trade, Chinese companies began to contract to engineering projects in Africa, provide Africa with skilled labor, and establish equity and cooperative joint ventures on the continent. At the same time, African businesses started to invest in China. China is the largest developing country in the world, and Africa is home to the largest number of developing countries. The combined population of China and Africa accounts

for over one-third of the world's total. Promoting economic development and social progress is the common task China and Africa are facing.

Over the past 60 years relationship with African countries, China has adhered to the principles that stress sincerity, equality and mutual benefit, solidarity and cooperation development. It has demonstrated respect for the will and choices of African countries, actively encouraged cooperation between Chinese and African businesses, and shown its sincerity in aiding African development. Trade and economic cooperation has achieved remarkable results, having grown in size, scope and areas of cooperation and having yielded benefits to the peoples of both China and Africa. The challenges that Africa faces in trade and regional integration are legion and cannot go without notice.

## 2. 0 Literature Review

Most literature neglects to look at the most cardinal points of trade challenges between china and Africa, the volume and structure. Prof Olu Ajakaiya (2006) highlights that in identifying the opportunities and challenges presented by China-African trade relations, it should be instrumental to consider its volume and structure. It should also be noted that like it is with other parts of the world, China maintains a trade deficit with several African countries. Although African exports to China totalled about US\$16 billion in 2004, while Chinese imports reached about US\$14 billion (Shinn, 2005), this overall African trade surplus is highly misleading.

China has vigorously defended its economic and trade relations with African countries. It needs more natural resources such as oil, gas, and minerals for

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its rapidly growing economy, while Africa needs more investment in basic infrastructure to develop its potential. Dr Michael JK Boko(2012) explains that China has confirmed that it is fast stepping in with a different agenda from the brazen exploitation that motivated European colonialism in Africa. The first thing these European powers did upon entering the hitherto “ Dark Continent” was not to give gifts but to plunder resources (both material and human) for their own good. No one sees China as an angel; but its incursion into Africa isn’t as devastating as what the heartless Europeans unleashed on the continent for more than 400 years.

One of the biggest challenges of China-Africa trade is the employment decline. Kaplinsky and Morris(2008) looks at the impact of trade on small scale enterprises, in this example, the clothing sector. The employment decline largely omits employment losses in micro and small units for which exact numbers are not readily available. Chinese clothing imports have not only reduced domestic production, but have also displaced imports from neighbouring countries, many of which were previously produced by small-scale tailors, dressmakers, and knitters.

### 3. 0 Challenges of trade relations

3. 1 Labor Practices and Markets Strategies With Chinese businesses and manufactured goods flowing into Africa, conflict over differing labor practices and market strategies has arisen between Chinese and African enterprises. Chinese entrepreneurs rarely employ local workers in Africa. 62 Rather, they are accustomed to bringing laborers from China and most management positions are filled by Chinese nationals. From an economic perspective, it is

more efficient and convenient for Chinese entrepreneurs to recruit skilled workers in China than to train local workers. The former are often more familiar with the technologies and face fewer language and cultural obstacles in communication with management.

Chinese laborers abroad are also more compliant to the demanding labor practices Chinese managers insist upon, and are accustomed to working longer hours, working during local holidays and working overtime on weekends. <sup>63</sup> Employing African workers entangles Chinese enterprises in local laws to a higher degree than employing Chinese nationals. There is no doubt that these factors have a dramatic effect on efficiency. Chinese company practices also lead to discontent among the communities in which these enterprises operate, who perceive that Chinese companies are not contributing enough to local economies and employment. <sup>64</sup> However, China's participation in African markets does help to improve the situation of African communities. Furthermore, as the role of Chinese enterprises shifts in Africa, the opportunity to contribute more to African society will emerge.

In the past, Chinese enterprises were engaged in finite, short-term infrastructural "aid projects." However, profit-driven Chinese businesses are increasingly establishing themselves in African countries, with longer-term prospects. While for the moment such enterprises hire Chinese workers due to the short-term benefits they provide, as Chinese business continue to expand in Africa, they will shift towards greater localization of their practices. This change has the potential to eventually lower production costs and build a virtuous cycle of increased investment by Chinese companies and benefits to the local community. <sup>65</sup> Another source of conflict arises from the success

of Chinese goods in African markets, which are often better quality and cheaper than local products.

While African consumers are happy, parallel domestic industries (especially textile industries) suffer as a result. This conflict is evidenced through two mass demonstrations in Dakar, one in support of Chinese merchants, the other in opposition. 66 Similar protests have occurred in South Africa. However tensions dissipated when Sino-South African government discussions over the issue led China to unilaterally impose quotas upon its textile exports in order to allow the South African producers time to make their products competitive.

Solving these situations has been difficult but includes, in the first place, consultation between the governments of both sides. 67 In this regard, routine multilateral talks between China and Africa have the potential to play an important role, as the two sides can rapidly facilitate communication between the conflicting parties, reach an understanding and diffuse trade frictions before they escalate any further. In addition, China's willingness to export technologies to Africa will also help local industries to gradually raise the quantity and quality of production.

### 3. 2 Chinese National vs. Corporate Interests

The reality is that the interests of Chinese corporations operating in Africa lie in maximizing short-term economic gains, while Chinese national interests are more long term and focus on the overall relationship between China and Africa. Take the oil industry as an example. The main purpose of Chinese transnational oil enterprises in Africa is to make profits, which in this case

means often selling processed oil back to the country of origin or another country wishing to purchase it, rather than back to China. In 1999, the Sudan project undertaken by China National Petroleum Corporation (CNPC) began producing oil with an annual crude production figure over 2 million tons.

However, only 266, 000 tons were imported to China. 68 Although CNPC is a state holding company, its pursuit of profit is not necessarily coincident with China's pursuit of national interests. The view that state-owned enterprises (SOEs) can be equated with the state is largely outdated. 69 Government and SOEs must compromise in order to maximize benefits for their increasingly divergent interests. China's inability to control the actions of its SOEs in Africa has been the subject of intense criticism by the West and is a significant cause of Western concerns about China's rising influence in Africa. This censure is unreasonable when the diverging interests and increasingly distant relationship between the government and these companies is taken into account.

### 3. 3 Western Suspicions

The presence of Western powers has been felt in Africa - from the colonial legacy and their geo-strategic influence during the Cold War, to the current advantage that their transnational corporations hold on the continent.

Western countries still consider Africa in terms of their "spheres of influence" and China is usually considered as an "external player" in the region. 70 As the Chinese presence in Africa spreads and deepens, it is increasingly likely that conflicts between Chinese and Western interests will emerge, particularly in the competition to secure energy supplies. Some

Western analysts have criticized China's developing relations with Africa as based purely on securing oil supplies and other natural resources, 71 which has led to claims that China supports authoritarian regimes at the expense of "democracy" and "human rights." 72 Sino-African relations were established long before China's demand for raw materials caused it to shift from a net oil exporter to importer in 1993.

Also, while China imports oil from Africa, it exports electromechanical and high-tech products that satisfy critical needs in Africa, creating a rough equilibrium in the economic and trade relations between China and Africa. The oil drilling and exploration rights China has obtained in Africa have been obtained through international bidding mechanisms in accordance with international market practices, posing no "threat" to any particular country. Rights to oilfields in Sudan and Nigeria were purchased by Chinese companies after the withdrawal of competitors. 73 China's demand for raw materials and energy enables the rich resources of Africa to be fully utilized, benefiting both Chinese purchasers and African suppliers. Chinese demand has stimulated raw material prices, increasing the income of resource-rich African countries and accelerating African development. For example, Nigeria has paid off its outstanding loans; 74 Sudan has gone from being a net oil importer to exporter.

The investment of over 800 Chinese enterprises has promoted African industries and is breaking the longstanding hold that the West has had over trade in commodities between Africa and the rest of the world. 75 Such investment is also enhancing the autonomy of African countries in production, sales and investment, which offers Africa more opportunities in

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terms of market options, investment partners, product prices, etc.

Nevertheless, Sino-African trade in resources has the potential to help Africa win greater and truer independence. As for the criticism that China is dealing with corrupt African regimes, a number of issues are at stake.

First, the limits and norms of the international system only allow China to deal with sovereign states through their governments. Second, China has its own problems of human rights and corruption and therefore feels it does not have the right to criticize others. All governments, Western included, as well as international financial institutions, have corrupt elements. Rather than preaching good governance to others, they would gain far more credibility and avoid the label of hypocrisy if they first tackled their own corrupt practices. 76 Third, each nation may have a different judgment and opinion of “ corruption.”

China does not necessarily accept the naming and shaming of certain African regimes as corrupt by Western standards. In its relations with Western powers in Africa, China needs both courage and wisdom – the courage to withstand Western criticism of its African policy and the wisdom to fully engage with Africa while at the same time reassuring Western powers that such acts will not contradict their interests. The West and China have common interests in Africa regarding economic development and environmental protection, for example. China, Africa and Western countries must discuss effective methods for increasing cooperation on the continent together. Creating mechanisms of mutual trust and improving dialogue is the best way to prevent potential conflicts between China and the West over Africa.

3. 4 Sustainable Development China has now realized the importance of comprehensive development, not just GDP growth. While China's past 30 years of rapid economic growth have led to unprecedented achievements, its negative effects are also becoming apparent. They include poor workplace safety, a deteriorating environment and a deficient social safety system, all of which must be balanced against sustainable economic growth. And, worse, some harmful and damaging Chinese practices are making their way to Africa.

If China transplants these problems to Africa they will not only affect the healthy development of Sino-African relations, but also the future well-being of African people. 77 Because a culture of corporate responsibility has yet to mature in China, many of its unsafe production methods have appeared in Africa. 78 Unsafe working conditions in China lead to the deaths of 320 Chinese people each day. 79 In 2005, a blast at an explosives factory on the premises of a copper mine in Zambia killed 47 people; both the mine and the explosives factory were owned by Chinese enterprises. 80

Vice Chairman of the Standing Committee of the National Congress of China, Cheng Siwei, has harshly criticized Chinese enterprises, warning that a lack of social responsibility toward the communities they are working in will threaten their reputation and even their viability in African markets. 81

Another issue, perhaps the most pressing in China now, is the environmental implications of China's rapid economic development. Some progress is being made as the Chinese government works to standardize the behavior of Chinese enterprises overseas through the development of environmental and corporate laws. 82 Through these regulations, companies working

overseas must factor social responsibility into their business plans and the Chinese government will have a closer supervisory role over them and an approval system for project applications.

Successful implementation of these regulations will require government-to-government cooperation between China and African nations. The action plan agreed upon at the China-Africa Summit stresses the critical need for both sides to enhance communication and cooperation on environmental protection. While a good beginning, concrete steps to implement this are what is really needed, which are still absent to date. The interests of the local society must be considered adequately and only through establishing good relations with African people can win-win results be guaranteed for both Chinese enterprises and local communities.

#### 4. 0 Solution to trade challenges

China can enhance bilateral and multilateral cooperation by continuing to use its unique multilateral channels with Africa, as well as continuing to use international mechanisms, such as United Nations peacekeeping operations, to secure Africa's future. China can also use such routes to minimize and prevent conflict both today and in the future. China should exchange information and promote full and flexible consultations with other groups affected by its relations with Africa. In order to manage the growing tensions resulting from the closer economic relationship between China and Africa, China must increase the frequency and depth of consultations both with African nations and other nations with interests in Africa. These tensions are most acute in the context of energy.

China can help to reduce tensions resulting from competition for energy resources in Africa by building mutual trust in relations with other emerging countries (India and Brazil, for example), the European Union nations, the Group of Eight powers and international organizations. China should also initiate dialogue with a view to establishing an energy security mechanism on the basis of enhancing joint research and development of alternative energy sources. China's aid program will also require cooperation with other aid donors such that resources are utilized in the most effective way possible and for the maximum benefit of Africa is attained. The international effort of research and development related to AIDS and malaria control also provides broad prospects for medical cooperation and coordination between China and the United States or European countries, in Africa. 83

In order to achieve this, reliable mechanisms for collaboration based on mutual trust, should make a priority to help Africa. 84 Sino-African cooperation has played a positive and multifaceted role in Africa. However, China's expanded presence in Africa brings new challenges for China's policies on the continent. China's policies will naturally lag behind the rapidly evolving economic, social and security environment in Africa and China will need to adjust accordingly. Although committed to meeting these fluid challenges, China will never waver in its principles of treating Africa with equality, respect and mutual development.

## Conclusion

while Africa has been transformed by China's growing presence on the continent, conflict has also surfaced with expanding interaction, particularly

with labor practices and market strategies, competing commercial and national interests, competition from Western players already established on the continent and striking a sustainable balance between industry and the environment. China has recognized these challenges and is searching for the most tenable solutions. Principles of equal treatment, a respect for sovereignty, noninterference, mutual benefit and co-development have endured.