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**Abstract**

This study dissects with great acuteness some of the big questions on China-Africa relations in order to debunk burgeoning myths surrounding the nexus. It reviews a wealth of recent literature and presents the debate in three schools of thought. No substantial empirical evidence is found to back-up sinister prophesies of coming catastrophe from critics of the direction of China-Africa relations. In the mean, the relationship from an economic standpoint is promising and encouraging but more needs to be done regarding multilateral relations, improvement of institutions and sustainability of resources management. A number of positive signs suggest that China is heading toward the direction which would provide openings for a multipolar dialogue. While benefiting in the short-run, African governments have the capacity to tailor this relationship and address some socio-economic matters arising that may negatively affect the nexus in the long-term. Policy implications are discussed.



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## 1. Introduction

The acceleration of growth and greater openness of the Chinese economy has led to it becoming increasingly important in the global economy, particularly in Africa. This rise of China has recently become an object of increasing global interest because of its significance for the international system and for strengthening South-South co-operation. Africa's economic and political landscape is increasingly witnessing China's growing footprint. The relations between China and Africa have gained significant momentum over the last decade[1]. From a plethora of perspectives, China's engagement in Africa has renewed Africa's geopolitical and economic importance. However, lots of myths are surrounding this relationship. There are many schools of thought: the pessimist or neocolonialist strand which labels the relations as asymmetrical and unstable (Clinton, 2011); optimists who are of the stance that, it is a tantalizing opportunity (Akomolafe, 2006; Asche & Schüller, 2008; Kamwanga & Koyi, 2009; Freschi, 2010; Fantu & Cyril, 2010; Renard, 2011; Diaw & Lessoua, 2013) while; some scholars are seeing a change in paradigm, stressing that a new Chinese model for economic growth contradicts the orthodoxy of strong institutions as prime instruments of growth (Tull, 2006; Wang & Zheng, 2012).

China's increased engagement with Africa has really sparked a raging debate in development circles (Osei & Mubiru, 2010). On the one hand, those who believe that China's rising demand for Africa's natural resources has not only helped to re-establish Africa as a source of valuable commodities for the global market but also has helped to focus attention on why the continent still remains poor (Asche & Schüller, 2008), as well as created new possibilities for breaking through the stubbornly high poverty rates in the continent (Asongu,

[1]This debate has gained momentum with the July 19th 2012 pledge of 20 billion USD in credit for Africa over the next three years, in a push for closer ties and increased trade. President Hu Jintao made the announcement at Beijing with head of states from 50 African nations. The loan which will support infrastructure, agriculture and the development of small businesses is double the amount China pledged in the previous three year period in 2009. Since then, China has been Africa's largest trading partner with trade between the two hitting a record high of 166 billion USD in 2011 (See: http://www.bbc.co.uk/news/world-asia-china-18897451).

2013a, b). On the other hand, some voices chant that, China's increased engagement with Africa is no different from earlier ones which largely cast Africa as the supplier of cheap but abundant raw materials as well as a fertile ground for the sale of cheap manufactures (Biggeri & Sanfilippo, 2009). These latter voices for the most part (but not exclusively Western) also suggest that African countries engaging with the Chinese government (that limits political interference) have little incentive to improve African governance (De Grauwe et al., 2012).

This growing significance of China on the global scene has led to concerns in both developed and developing countries (Jenkins & Edwards, 2006; Wei & Wang, 2009; Biggeri & Sanfilippo, 2009; Fantu & Cyril, 2010; Zhu, 2010; Ji, 2010; Wang & Zheng, 2010; Renard, 2011; De Grauwe et al., 2012; Diaw & Lessoua, 2013). According to Jenkins & Edwards, the impact of China, particularly on other countries in Asia and more recently on Latin America has been a focus of attention, but up to now there has been very little work dedicated to the impact on African countries, despite the fact that trade between the "Asian Drivers" and Africa has grown significantly since 1990 and that in the last few years, China has also emerged as a significant source of foreign direct investment (FDI) in the region. The present study seeks to fill this gap by providing a threefold contribution to the literature. Firstly, we complement existing literature by debunking some myths that may loom large and significantly influence policy decision making. Secondly, we put some structure on various strands of the debate by categorizing them into schools to thought. Thirdly, relevant policy implications resulting from the facts assessed and myths debunked are discussed. Specifically, we shall attempt to debunk the following myths: inter alia, *China targets aid to African states with abundant natural resources and bad governments*, *Chinese do not hire Africans to work on their projects, Chinese workers and managers live in extremely simple conditions as compared to Western advisors*, *China outbids other companies by flouting social and environmental standards* and, *low linkage levels between Chinese and local businesses* (Freschi, 2010; De Grauwe et al., 2012).

The rest of the study is organized as follows. China's role in the global economy and its relations with Africa in terms of myths and schools of thought are covered in Section 2. The myths are assessed in Section 3. We conclude with Section 4.

## 2. China in the global economy, its relations with Africa and resulting myths

### 2.1 China in the global economy and its relations with Africa

In recent years, the accelerated growth and greater openness of the Chinese economy has led to it becoming increasingly an important player in the global economy. Almost one of every five people in the world today live in China. Since 1990, the economy has grown almost at the rate of 10% per annum (Jenkins & Edwards, 2006). As shown by Jenkins & Edwards, between 1990 and 2002 trade as a share of GDP increased by more than two-thirds for China. Although its share of world output and trade still lag behind its share of population, it has nonetheless increased significantly. The growing significance of this developing giant on the global scene has raised concerns in both developed and developing countries. In the case of the latter, the impact of China particularly on other countries in Asia and more recently in Latin America has been the focus of attention (Lall et al., 2005; Moreira, 2007; Wei & Wang, 2009; Wang & Zheng, 2010; Ortmann, 2012). African oriented studies have escaped research attention in spite of the fact that trade between China and Africa has grown significantly since the 1990s and in the last few years, China has also emerged as a significant source of FDI (Jenkins & Edwards, 2006; Fantu & Cyril, 2010; Diaw & Lessoua, 2013).

China's growing involvement in Africa has attracted substantial popular and media interest recently (Carmody, 2008). While, China's march into Africa has often been welcomed with fear and disapproval from the West (Mawdsley, 2008), African commentators have tended to be more positive (Akomolafe, 2006). There is also an extensive and growing literature on the nature of China and other Asian countries' increasing involvement in Africa (Alden et al., 2008; Carmody & Owusu, 2007; Guerroro & Manji, 2008; Goldtstein et al., 2006; Kitissou, 2007; Naidu, 2008; Carmody, 2008). More so, important conceptual frameworks have been developed to investigate the impact of the large fast growing "Asian driver" economies of China and India on sub-Saharan Africa via, inter alia, channels of trade, investment and governance (Kaplinsky & Messner, 2008; Carmody, 2008).

The growth in trade relations between Africa and China slowed in the first half of the 1990s. In the second half of the decade however (particularly in 1998), this growth accelerated (Jenkins & Edwards, 2006). According to Asche & Schüller (2008), even if the level is still low compared with the Western industrialized countries, foreign trade between China and Africa has been developing at an unprecedented headlong speed since the end of the 1990s[2].

Consistent with De Grauwe et al. (2012, p.15), China's shares in Africa's trade have soared dramatically from less than 1% in the 1980s to about 11% and 13% in 2009 respectively for Africa's export and import of commodities. They further posit that China now accounts for more than any individual European country in Africa's trade.

Several studies have attempted to understand China's move to Africa. Tull (2006) has stressed that China's Africa interest is part of a recently more active international strategy based on multipolarity and non-intervention. According to the narrative, increased investment, debt cancellation and a boom in Chinese-African trade (with a strategic Chinese focus) on oil have proven naturally advantageous for China and African state elites. Biggeri & Sanfilippo (2009) examine the relationship and conclude that the Chinese move into African is driven by strategic interaction among three main channels (FDI, trade and economic cooperation) as well as by pull factors (natural resources and market potential). Fantu & Cyril (2010) have established that the relationship is mutually beneficial in the short-term and proposed critical

[2] Starting from a relatively low volume of $5.5 billion in 1998, the value of foreign trade had grown almost tenfold by 2006, to $55.3 billion (IMF 2007; China Commerce Yearbook 2007). China has also registered a deficit in trade with Africa, which rose from $1.9 billion in 2004 to $2.2 billion in 2006.

interventions that African governments must undertake in order to negotiate with China for a stronger and more informed platform. De Grauwe et al. (2012) have stressed after an empirical investigation that China is consistently willing to import more from African countries with lower governance standing. Hence, filling a gap left open by the other major world economies which might play a key role in the future development of Africa. In the same line of thought, Renard (2011) had earlier concluded that while the benefits have been mutually beneficial, the improvement of institutions is needed to reap more benefits. Kolstad & Wiig (2011) have investigated Chinese FDI in Africa and found that these (FDIs) are resources-driven. They have further stressed that weak institutions appear to be the name of the investment game in Africa: that account only for 1% of global FDI flows (Asongu, 2012) and in dire need of foreign investment (Tuomi, 2011; Darley, 2012). However, Diaw & Lessoua (2013) have concluded that the CEMAC[3]-China trade relations have diversified openness and mitigated the negative incidence of trade on growth in the region.

The above studies leave room for one main improvement: there is lack of a study that puts some dialectical structure on the existing literature on in order to assess existing myths resulting from the ongoing debate[4] on China-Africa relations. Accordingly, we steer clear of existing literature by first classifying the debate into schools of thought before examining the myths in light of the debate and existing literature.

**2.2 The schools of thought and stylized debate**

As far as we have reviewed, schools of thoughts surrounding the myths of China-Africa relations could be classified in three main strands: the neocolonialist, the balanced-development and the accommodating schools.

[3] Economic and Monetary Community of Central African States.

[4] For instance, Mawdsley (2008) has tackled the debate by exploring how the UK broadsheet newspapers represent China's complex relations in Africa and in so doing, how they reflect on the West's own role (s) in Africa. The paper which concludes by debating the importance of these media images at a time when China's rise is being anxiously observed by the Western public and policy communities has one particular shortcoming: it is limited to the incidence of British media and hence, presents a one sided view and narrow perspective of the debate.

### *2.2.1 The Neocolonialist School*

The first stand on the neocolonialist school is led by the Western World and skeptics of the China model[5]. According to this school, since China does not attach good governance conditions on FDI, trade and aid, its relationship with Africa is purely profit-making and not always in the interest of the host countries. The USA African Growth and Opportunity Act (AGOA)[6] is an example of the Western model. According to the former USA Secretary of State Hilary Clinton, US efforts in Africa are beyond simple profit-making; aimed at trying to establish better governance and generally make Africa a better place. She affirms the USA view is that: over the long run, investments in Africa should be sustainable and for the benefit of the African people. The Neocolonialist school's view of Chinese intervention in Africa can be summarized in the words of USA Secretary of State: "*Well, our view is that over the long run, investments in Africa should be sustainable and for the benefit of the African people. It is easy – and we saw that during colonial times – it is easy to come in, take out natural resources, pay off leaders, and leave. And when you leave, you don't leave much behind for the people who are there. You don't improve the standard of living. You don't create a ladder of opportunity. We don't want to see a new colonialism in Africa. We want, when people come to Africa and make investments, we want them to do well, but we also want them to do good. We don't want them to undermine good governance. We don't want them to basically deal with just the top elites and, frankly, too often pay for their concessions or their opportunities to invest*" (Clinton, 2011).

Freschi (2010) summarizes the concerns of this school by classifying myths surrounding the China-African relations into three main strands: China targeting African states with

[5] Though criticized in certain circles (Huang, 2010), the Chinese model of development which favors prudence in market opening and maintains state regulation, has been increasingly recognized as a better alternative in the 21st century to the Washington Consensus which champions free trade. This new form of development emphasizes prudence in market reforms and national sovereignty (Nijs, 2008).

[6] The AGOA offers tangible incentives for African countries to continue their efforts to open their economies and build free markets.

abundant natural resources; the Chinese not hiring African workers and; China outbidding other companies by flouting social and environment standards (De Grauwe et al., 2012).

### *2.2.2 The Balanced-Development School*

The second school views the relations under consideration as a balanced-development approach (Fantu & Cyril, 2010). Accordingly, some analysts are of the stance that Chinese help is without conditions and this is different from the approach of Western powers that try to ‘boss’ or patronize African nations (Tull, 2006). According to them, it appears that “colonialism” is too strong a term to describe the Sino-African relations. Looking at the other way round, “investment with no concern for the impact on the host country” (as the Neocolonialist school advocates) is not different from “using trade and investment as a tool to influence how a foreign country is governed”. The latter policy employed by Western nations is just another version of neocolonialism according to this strand (Tull, 2006).

If neocolonialism is characterized by unequal economic relations that damage the development potential of the less powerful state, this is not uniformly the case of relations between China and African states. Strong domestic institutions and transparency are fundamental to the use of Chinese credit and investment for development objectives (Renard, 2011). Chinese companies have proven themselves willing to conduct business within the confines of the norm of standards of practice within a state, though these must be effectively enforced (Asche & Schüller, 2008). In order to ensure the resolution of any grievances which may arise in society relating to foreign capital, ownership and competition, there must be a legitimate institutional channel via which these can be made salient in the policies of the country (state). Many analysts support the fact that, China-Africa business relations seek to align capital investment and diplomatic relations with the requirements of transparency and institutional oversight, enforcement of environmental and labor regulations and, the balance between the needs of domestic labor and the requirements of foreign investment (Asche &

Schüller, 2008). According to Menell (2010), an interview of diplomatic and other relations between China and Africa suggests the potential for mutual development. However, some (Western) commentators still regard China's accelerating engagement on the continent with suspicion, fearing that relations between two such drastically unequal economies could perpetuate some form of dependence.

Another version of this school is the radical stance of Akomolafe (2006) who admonishes African policy makers to stop listening to the West. According to this version of the strand, China's rapid economic transformation holds special lessons for those in Africa because, both China and most of Africa were in the same economic badlands in the 1970s and the 1980s. However, while the Chinese opted for an indigenous solution to their economic backwardness, African governments took to follow the prescriptions of the World Bank (WB) and the International Monetary Fund (IMF). These Western dominated organizations prescribed the vile Structural Adjustment Programmes (SAPs) which later metamorphosed into the Enhanced Structural Adjustment Programes (ESAPs), which in-turn ultimately metamorphosed into the insulting Highly Indebted Poor Country (HIPC) programmes. The results, which could not be more contrasting, are self-evident. While African economies which devoutly followed the IMF/World Bank's prescriptions have been devastated, China's economy (managed by Chinese themselves) is surging with unprecedented breathtaking pace.

This school is best characterized by the Beijing Consensus according to Annette Nijs, former Dutch cabinet junior minister: "*The West are used to telling African countries that if you are liberalized, privatized and become more democratic, we will help you. But China treats African countries as equal partners -- the partnership rather than conditional relationship…. More and more economists, including me, are considering the Beijing Consensus a better model in this century than the Washington model. ...People sometimes make the mistakes that modernization equals Westernization. It's not the case. We cannot force the Western model on* *anything in the world. ....China's rise lies on the changing of geo-economy which is tilting towards the East, not the financial crisis in western countries"* (Nijs, 2008). Accordingly, we could parallel the Chinese foreign policy to the New Partnership of Africa's Development (NEPAD), since the NEPAD and the African Union (AU) largely match Chinese-Africa policy understanding of African ownership.

*2.2.3 The Accommodation School*

Some analysts are of the view that, though China may have neocolonial ambitions, options or alternatives are not available or limited (De Grauwe et al., 2012). Two questions clearly position this accommodating strand; (1) Are Western powers less neocolonialists? (2) Are there other alternatives to China and Western powers?

To fully understand this strand, it is interesting to take stock of Western policies prior to China's engagement. Few, if any of the plans advocated by the US/EU controlled International Financial Institutions (IFIs) or trade agreements have led to development in the African continent (Bartels et al., 2009), despite them being good students. Culture has been blamed, but many East Asian countries that developed well were not subservient to the IFIs ideology (Akomolafe, 2006). More so, internationally imposed rules by the IMF and World Bank allow any players to come in and rape the African continent (Chinese or the developed world alike). Hence, the Chinese and others are just applying the rules set by the rich countries.

Historically, the link between free trade/market and democracy has shown that changes in productive structures largely led to more progressive chances in governance. While, not arguing democracy, what is quite new about these kinds of mantras (free markets and freedom) is that, one can have political democracy without a substantial change in the productive structure (Akomolafe, 2006). With regard to this perspective, one thing is constant in Africa, a backward productive structure increasingly primitivised and a larger external flow of resources than inflows, which by substance and definition creates theoretical unfavorable conditions for free trade[7].

According to Menell, the accommodation of China as a foreign partner is clearly elucidated by the Angolan case. In 2005, Angola was disqualified for loans by IFIs because of poor governance and unhealthy institutions. Trade with China was an attractive alternative for revenue for the much needed reconstruction of the post-war economy. China's relationship with Angola was seen by Western financial institutions as unlikely to promote transparency, because, tendencies of Chinese relations in Africa were strictly bilateral, Chinese corporations were secretive and, China's policy is non-conditional. China approaches Africa with a policy of non-conditionality, which is welcomed as an alternative to perceived Western legacies of neocolonial influence; but this policy does however undermine international censure of despotic political regimes. China cannot be blamed for pursuing its own economic interests, but its quest for resources and market-thirsty industries hold the potential either to create devastating dependency or provide the stimulus for development (Menell, 2010). Menell's position has been broadly confirmed by De Grauwe et al. (2012) as China is consistently willing to import from African countries with a lower governance standing.

In this school, Tull (2006) has stressed that China has presented an attractive alternative to conditional Western aid and gained a valuable diplomatic support to defend its international interest. However, a general asymmetrical relationship differing little from previous Africa-Western patterns, alongside support of authoritarian governments at the cost of human rights make the politico-economic consequences of increased Chinese involvement in Africa mixed at best.

Though, some tendencies of China's engagement in African are reminiscent of neocolonialism, whether this engagement is detrimental to development is in a large measure

[7] Some analysts even suggest that Africa's economic performance has only recently recovered from the IFIs imposed structural adjustments to its 1980s levels (Akomolafe, 2006).

determined by domestic conditions in African governments. Where governments are corrupt, non-conditionality compounds the issue. Where domestic industries are uncompetitive, Chinese exports may curtail or skew development and, investment is accompanied with repatriation of profits. Where economies are unevenly developed in favor of mineral exportation, Chinese demand and investment can substantially exaggerate the inequality. However, where African governments possess a significant degree of legitimacy, a variety of domestic industries are developed, domestic capital is to some degree competitive, and labor is organized, the growth in Chinese investment, aid, unconditional loans and trade can prove substantially beneficial to comprehensive development (Renard, 2011).

## 3. Assessing the Myths

### 3.1 Debunking the myths: opportunities and risks for Africa

According to Asche & Schüller (2008), there are still hardly reliable data and only few empirical investigations have addressed the two principal concerns surrounding recent improvements in Sino-African relations. On the one hand, the central question of whether China is effectively contributing to sustainable development in Africa and; on the other hand, whether China's primary concerns are to gain access to Africa's raw materials and to open-up new markets. An investigation from the German Ministry of Economic Cooperation and Development has probed into these concerns and used the latest data and information as a basis for analyzing the economic, social and environmental impacts resulting from the current Chinese engagements in Africa. Much to the surprise of many, the authors conclude that China is making important contributions to the expansion of infrastructure, to tapping of hitherto unexplored resources and to integrating African economies more effectively into global value chains (Asche & Schüller, 2008). However, the most critical issue remains compliance with international environmental and social standards by Chinese companies operating in the continent. Some evidence nonetheless suggest that Chinese firms are involved in the illegal export of tropical timber from Africa and hence, playing a substantial role in the disappearance of forest area. Similar criticism applies to compliance with labor and social standards in Chinese production facilities in Africa, as evidenced from Chinese textiles factories in Mauritius and Chinese copper mines in Zambia. The conclusion of the report stresses that, empirically well-founded criticisms are needed to substantiate the claims of critics of Sino-African relations and, recommends constant monitoring and analysis of Chinese companies' business practices in Africa.

*3.1.1 China targets aid to African states with abundant natural resources and bad governments*

The stance of Asche & Schüller (2008) is fully shared by Freschi (2010) who has summarized the "myths and partial truths" surrounding China-African relations. On the view that *China targets aid to African states with abundant natural resources and bad governments*; with the exception of those that do not acknowledge the One-China policy, China gives money to almost every single country in sub-Saharan Africa. There is little evidence to suggest that China specifically targets countries with worse governance or gives more aid to countries with more natural resources. According to the author, China is not alone in its interest for natural resources in Africa and natural resources are not the primary motivating factor for Chinese aid. Like, many donor countries (the US included), China's aid is motivated by a mix of political, commercial and social/ideological factors. While the myth on resources is sustained by Tull (2006) and Biggeri & Sanfilippo (2009) from oil and natural resources perspectives respectively, Diaw & Lessoua (2013) have recently shown that the CEMAC-China relation has diversified trade and mitigated the negative openness-growth nexus based on natural resources.

Kamwanga & Koyi (2009) have debunked existing myths of Chinese-Zambian relations in a two-point assessment. Firstly, on the notion that *Chinese investments are primarily resource-seeking*, the Chinese firms do not seem to be strictly driven by profit-motives but rather by long-term objectives. An eloquent example is the acquisition of mines closed by other investors in the wake of the Financial Crunch. Secondly, on the claim that Chinese motives are driven by more purely economic considerations, Western donors have historically come from private owned corporations which are focused on profit maximization (generally with relatively short-term horizons). Conversely, recent Chinese FDI comes from firms, which are either wholly or partially state-owned or driven by broader objectives than mere profit maximization.

There is however some consensus among policy makers that the reaping of full benefits from Chinese trade and investment relations will require substantial improvements in governance in African economies (Renard, 2011, p. 1). China has served as a development partner for Africa and an alternative source of trade and finance from Africa's traditional development partners. Renard has concluded by stressing that though the impact of China on African economies has been diverse depending in part on the sectoral composition of each country's production, overall China's increased engagement with Africa could generate important gains for African economies.

From a general standpoint, the structure of Chinese FDI appears to be different from that of Western countries, that mostly involve private investors with notable limits to their risk appetite and which are often not committed to long-term presence on the continent (Besada et al., 2008). Conversely, Chinese investments trends today suggest the intention of establishing a long-run relationship (at least with governments). Osei & Mubiru (2010) sustain that China's trade does not seem to be geared towards a purely African strategy. Its main features are in line with China's general policy that is aimed at lessening its energy and other natural resource constraints and increasing outlets for its manufactured products. Consistent with Menell (2010), China cannot be blamed for pursuing its own economic interest, but its quest for resources and market-thirsty industries hold the potential either to create devastating dependency or provide the stimulus for development. In the same vein, China cannot also not be blamed for trading with African countries with a lower governance because by so doing they are filling a gap opened by other world economies which could result in the future development of the continent (De Grauwe et al., 2012). Too much emphasis on the quality of institutions by the West is not different from the USA experience in the early years of industrialization where market competitions were so intense that frauds and fakes were could be seen everywhere.

In critical descriptions of China-Africa policy, three countries are regularly discussed: Angola, Sudan and Zimbabwe. Through money and military assistance, China undermines Western and UN sanctions and efforts towards good governance, human rights and resource transparency. In Angola, the Western strategy of sending-in the IMF for public financial management and extractive industries transparency while French and US oil companies continue to operate unhindered, did not prove successful. Some critics are of the opinion that, the Angolan government had good reasons to reject wide-ranging cooperation with the IMF, as the IMF linked stabilization measures had far reaching highly controversial demands for privatization and deregulation (Asche & Schüller, 2008). Though in Sudan, China's huge involvement in oil and infrastructure may have been the precise opposite of its declared policy of non-intervention (Askouri, 2007), some sources state that, China's role in consolidating the peace process in Southern Sudan through its participation in the United Nations Missions in Sudan (UNMIS) is actually rather constructive. Hence, in the Darfur conflict, China was obliged for the first time to tolerate a UN resolution that deviated from its non-intervention policy. She also supported a move in the Security Council to create the mixed UN-AU peacekeeping force. In Zimbabwe, in spite of Western sanctions, China signed a Memorandum of Understanding on greater cooperation in all domains (Asche & Schüller, 2008). But today, with some of the international sanctions being lifted on the Mugabe government, China is certainly no regretting its collaboration with Harare because the regime-change based sanctions may not have had the Western-desired effects.

*3.1.2 Chinese do not hire Africans to work on their projects*

Consistent with Kamwanga & Koyi (2009) on the perspective that *Chinese do not hire Africans to work on their projects*; this depends on how long a company has been working in the continent and how easy it is to find appropriate local labor. Ultimately, it is also contingent on African governments themselves, who have the leverage and power to dictate what proportion of project-staff must be local (as the Democratic Republic of Congo and Angola have done).

The impact of Chinese investment on domestic competition, income and jobs are also noteworthy. Assessing the competitive effects of Chinese FDI in Africa presents a particular methodological concern: quite apart from the widely diverging statistics on the scope of the investment. From a general standpoint, FDI can strengthen competition in domestic markets or, alternatively, displace local providers and dominate the market, therefore reducing competition (UNCTAD, 2005). The incidence on incomes and jobs depends on a particular combination of circumstances in each country.

In terms of the *impact on poverty*, it is very difficult to provide a comprehensive assessment. To establish with certainty whether the proportion of above-average growth over recent years in Africa that can be attributed to China has indeed been a form of pro-poor growth, three dimensions are necessary: in terms of the *absolute definition* of pro-poor growth, it has probably been; with respect to the *relative definition* of pro-poor growth, which also includes distribution effects, the situation is unclear; and, as a consequence of strategically designed public policy of African authorities, (that is, in terms of the economic policy definition of pro-poor growth) it is certainly not (Asche & Schüller (2008).

*3.1.3 Chinese workers and managers live in extremely simple conditions as compared to Western advisors*

This myth has been debunked with suggestions that, while Western experts may be fewer, they cost their projects a lot more. The Chinese approach of combining business and political objectives in Zambia from the construction sector can best illustrate this point. The increased involvement of the Chinese in the road construction sector could be reflective of the competitiveness of Chinese firms which are reported to provide good quality projects at a price discount of 25-50% compared to foreign investors. In summary, *the Chinese are able to be competitive favorably, on account of: lower profit margins; access to much cheaper capital; employment of low-paid staff; use of Chinese materials; limited attention to environmental impacts; access to hard currency premium paid by the Chinese government; and Chinese Government provided subsidies* (Kamwanga & Koyi, 2009).

*3.1.4 China outbids other companies by flouting social and environmental standards*

Consistent with Asche & Schüller (2008), on *human rights and non-interference*, dialogue on the former is a particularly difficult argument. Western countries are also repeatedly accused of inconsistency on human rights issues in Africa. Two core arguments can be distilled from a confusing and emotional debate as we outlined below. Western policy is likewise said not to have had advanced human rights and civil liberties in Africa for a long period of time. Historically this is difficult to deny. Contemporary examples like Angola, Equatorial Guinea and Togo are eloquent testimonies. Prior to 1989, almost one and a half decades of uninterrupted Western hegemony on the continent did not prove the contrary. The support for pro-Western dictatorial regimes in the rivalry between competing systems before 1989 confirms the need for Realpolitik. Before the 2010 Arab Spring, the support of African states with political morality was not a Golden Western objective. Even today, human rights issues in some oil rich Middle East countries have gone unnoticed by Western powers with strategic interests in natural resources. The political classes in Africa are aware of these development and events. According to this narrative, on the allegation that *China outbids other companies by flouting social and environmental standards*, China is portrayed as "on a steep learning curve", struggling with environmental and corporate responsibility issues at home and abroad. It provides evidence that China and Chinese companies are becoming increasingly sensitive to international perception on these issues and may be inching towards international standards.

The view of the Chinese government is that, its partnership with Africa is one of equals with benefits for both sides. Plainly put, it is one of *non-interference*. China neither intervenes in the internal affairs of its partners nor applies conditionalities. The Chinese development cooperation in Africa receives high praises from the African side for its effectiveness and speed of implementation; a view considered by the Western World as reminiscent of the approaches and concepts of the 1970s (Asche & Schüller, 2008). African states, whether collectively or individually need to develop strategies of their own that underpin their cooperation with China and other emerging donor countries. Today, the Chinese government is expressing interest in strategic and technical know-how of western donors and implementing agencies. This could serve as a good platform for joint learning on how to provide more effective and better coordinated support for sustainable development in Africa. It is also interesting to note that, Chinese firms are generally less averse to risk than their Western counterparts. For instance, Chinese companies are not necessarily constrained by environmental and social safeguards (Kapinski & Morris, 2009).

Accordingly, while the economic consequences have remained contradictory and situated between two poles: substantial job losses in some industries on the one hand and price reduction for African consumption on the other hand, the latter consequence is comparable with the impact of importing second-hand clothing from Europe which could be regarded as an abuse to African dignity.

*3.1.5 Low linkage levels between Chinese and local businesses*.

The low linkage level between Chinese and local businesses could be compensated by one exceptional characteristic of Chinese FDI; that is, *close link to the Chinese state*. This starkly contradicts FDI from Western countries which is almost entirely driven by private enterprises. The level of investment has risen in tandem with foreign-aid and this close link is in accordance with the Chinese practice of incorporating aid as a sign of South-to-South cooperation (a practice which predates current Sino-African engagements). China's increasing direct investment in manufacturing in Africa is predominantly via industrial parks or special economic zones (SEZs). This approach was formally initiated in 2006 when China committed to establish five zones across Africa. However, in 2007, it again committed to stretch the outreach to 10 zones. A number of projected zones have been announced and are currently at differing levels of development and expected to focus on value added industries (Edinger, 2008). Though not a unanimous position among specialists, the special economic zones are expected to make substantial contributions to African industrialization which will more or less improve ties with local businesses. Moreover, there appears to be an increasing emphasis being placed on the private sector as well as on the small and medium size (SME) sectors such as, business services, manufactured goods and telecommunications (Kapinski & Morris, 2009).

Since this myth has a local inclination, it is interesting to narrow the perspective to a country-specific dimension with the case of China-Zambia relations (Kamwanga & Koyi, 2009; Muneku & Koyi, 2008). According to the above literature, there are two main positive points. (1) *Chinese investments have augmented collective resources inflows, augmented capital utilization, increased output and generated employment opportunities*. The growth of copper production has been quite impressive and has led to corresponding growth in exports and earnings. However, whereas, the imperative to acquire capital and newer technologies is well established, the Zambian population is youthful and marked by high unemployment. A caveat to capital and technological acquisition and, transfer is that, there must be a balance between the quest to acquire new technology and imperative to create new jobs. (2) It has been observed that, the Chinese trading investors have *availed low priced and better quality products, which constitute and important welfare-effect*. It could logically be argued that, where a reasonable proportion of the population is able to access such products, their welfare would be enhanced.

It is also worthwhile to discuss the creation of sustainable agriculture and industrial sectors. In accordance with Asche & Schüller (2008), it is worth acknowledging that Chinese entrepreneurs are among the most dynamic in Africa (including in manufacturing industries). They make a substantial contribution towards integrating Africa into a number of global value chains (VCs), in the textile sector, in agriculture and fishing industries, among others.

### 3.2 Policy implications and future directions

Recommendations should be made in respect of: checking the risks of economic diversification, monitoring working conditions in Chinese firms, maximizing linkages with local suppliers, political ramifications of investments and, protection of indigenous small scale businesses.

On implications for diversifications, governments should not lose sight of the need to diversify their economies. Strategies for directing more investment to non-traditional sectors such as Agricultural and Tourism ought to be improved.

With regard to implications for media, the political dimension of Chinese economic interests should be carefully managed to avoid generalized adverse effects. Both local and international media have already engaged stories to this regard. Addressing the fundamental issues giving rise to such media coverage and negative propaganda would be helpful to both source and recipient countries.

There are also ramifications for disgruntled local business owners and employment opportunities for local workers. Given the limited employment opportunities from Chinese investments, it is imperative employment-creation strategies are stepped-up. Whereas, Chinese firms are contributing toward the creation of such jobs, limited linkages with local businesses curtail the positive effects. Deliberate measures should also be undertaken to protect indigenous businesses that are unable to compete with Chinese firms and have to close down. Linked to this above point is the need to find ways of using Chinese international links to incorporate local firms into the international value chain, which will enable them to earn decent incomes from their economic activities. On the issue *employment of local workers*, African governments should follow the examples of the Democratic Republic of Congo (DRC) and Angola that dictate what proportion of project-staff must be local. Monitoring of workplace practices is also critical as there have been reports about discontent over working conditions in Chinese owned firms.

On implications for development cooperation, the expansion of Chinese aid to Africa merely reinforces a worldwide trend to broaden the provision of development finance and inputs. Low commercial lending rates present recipient nations with the opportunity to obtain low-cost alternatives to IMF/WB loans and offers of assistance from private foundations are increasing substantially. The almost irreversible fact that developing countries generally have more choice in the matter of who they want to corporate-with has several consequences. Firstly, OECD/G8[8] donors are not able to meet their commitments to increases Official Development Assistance (ODA). This is causing them to lose more ground and credibility on the political front. References to increase in ODA through debt cancellation do not offer any political relief because the Chinese are also engaged in debt cancellations. Secondly, it is imperative to integrate “new” donors (China and private investment foundations…etc) into mechanisms of

[8] The Organization for Economic Cooperation and Development/Group of Eight Countries.

global aid accountability and corresponding processes in the recipient countries. However, these mechanisms have to be adapted in order to accommodate the highly pragmatic and result-oriented mode of operations of the new actors. Thirdly, the reform of the conditionality for multilateral credits (currently a matter of dispute among management of the WB, the number of shareholders and international NGOs) must be completed. There is need for a consensus in the current deviation of IFIs policies. While the IMF and WB are accused of still attaching too many political conditions to their lending, the Chinese are reproached for precisely the opposite.

As concerns the ramifications for economic policy options, Asche & Schüller (2008) have summarized the relationship between China and Africa in one simple formulation that appeared in the daily newspaper *Nation* in Nairobi: "*China has an Africa policy. Africa doesn't have a China policy*" (12.6.2006). Gaye (2006) used a similar note in the title of his book: "China-Africa: The Dragon and the Ostrich". What many analysts point-out is a glaring economic policy asymmetry: one country with a strategically planned industrial policy both within and without its own borders confronts 48 countries south of the Sahara which (apart from Botswana, South Africa and Mauritius) are unable to present any formulated policy that might attempt to link industrial, agricultural and foreign trade aspects. What most analysts agree with is that, the political preparation for such promotional policies is still very much in its infancy in Africa despite the obvious urgency. Presenting this issue for public debate would spark a process of rational political decision-making within countries on the one hand and within the African Union on the other hand. Hence, a common policy could emerge founded on rational economic arguments.

It is also interesting to note implications for multilateral cooperation. The EU and the USA should intensify their search for opportunities (through the join EU-Africa strategy and AGOA respectively) to address issues of common interest in a three-way dialogue between

Africa, China and the West. Though such trilateral political discussions are beginning to take place at the government, policy-advisory institutions, foundations and non-governmental organizations levels (e.g the EU Helsinki conference), much still needs to be done. For instance the new joint EU-Africa strategy (adopted in Lisbon at the end of 2007 which serves as basis for also improving the complementarity of trade policy, investment policy and development) could be improved with the following: regular invitations to China to participate in the Development Assistance Committee (DAC) processes, structure EU-China-Africa dialogue in accordance with the Helsinki agreement, sectoral NEPAD forums, transatlantic dialogue (G8) with the USA on critical dimensions of the US Africa policy with ramifications for China, governance in oil producing countries…etc.

An interesting further research direction in this debate could be to focus on country-specific analyses. Owing to lack of relevant data, empirics on the debate are few; hence complementary empirical analysis on the subject matter would be a much welcomed contribution to existing literature. Such empirical dimensions of the debate could distinguish between short- and long-run effects. Event studies and industry-specific analyses would also provide new insights into the topic.

## 4. Conclusion

It is now a politico-economic fact that China's emerging presence across Africa is part of a far reaching geopolitical shift towards a multipolar world which cannot be rolled back or neutralized by myths that proclaim sinister prophesies of coming catastrophe. The new Chinese model could offer an alternative to structural adjustment policies that have largely failed over the past three decades in the African continent. This study has examined some big questions in the Sino-African relations and found no substantial empirical evidence to back-up the claims of critics of the direction of China-Africa trade and investment relations. As for claims that cannot be easily empirically verified, the strand branding this relationship as "neocolonial" contradicts itself by failing to acknowledge that, 'conditional foreign-aid' is just another version of "neocolonialism". African governments have the capacity to tailor this relationship and address some socio-economic matters arising. On the employment of local workers, African states can follow the examples of the DRC and Angola that have dictated what proportion of project-staff must be local.

From above analysis, China-Africa relations are promising and encouraging but more needs to be done regarding multilateral relations and sustainability of resources management. The more important China becomes an economic, political and development partner for Africa, the more the Chinese government and Chinese companies will have to face-up to pressing questions regarding the effectiveness of transparency, organization, safety and sustainability of the initiatives in Africa that other partners are already preoccupied with. A number of positive signs suggest that China is heading toward the direction which would provide openings for multipolar dialogue. Policy implications have been discussed.

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