

# The Dragon in Africa: A Study of China's Trade Links with Africa

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## Abstract

The Modern day trade and bilateral relations between China and Africa made its first formal presence felt in 1955, and since then China has become a major actor with vital interests in the continent. While China is perceived as a global giant whose inroads into Africa reeks of a certain kind of colonialism, I argue that it is a relationship of mutual gain. Though apparently it seems that the Dragon is the driving power and is using the raw materials of Africa ruthlessly, it is interesting to see how the African countries are driving a hard bargain as well. In the long run no partnership can be based merely on trade link ups. It is the people to people contact which can bolster any kind of relationship. The recent migrations have seen a spread of Chinese cuisine, establishment of China town and even setting up Chinese schools in the African sub- continent. The Asian connect and contact is seen by many as hugely beneficial to both continents and the hegemony of the West stands challenged.

**Keywords:** China, Africa, Trade, Bilateral Relationships

The Modern day trade and bilateral relations between China and Africa made its first formal presence felt in 1955, and since then China has become a major actor with vital interests in the continent. The greater part of Sino-African interaction occurred from 1960-65-a high point of African decolonization and a time of Sino-Soviet conflict. From 1965-70 Chinese-African interaction coincided with the Great Proletarian Cultural Revolution. It was post-independence for most African nations and a time of the Chinese retreat. Since the 1970s onwards China has re-emerged as a major actor in

Africa. There are three major aspects to China's role in Africa: the Chinese model, the superpowers, and its Third World policy. The call to liberation struggles has long been a hallmark of Chinese policy. For years it has stood by African countries during their struggle for liberation. The Chinese model also relates to China's developmental experience. China has stressed struggle against the superpowers, the U.S. and Soviet Union, identifying with the Third World against them. There can be no doubt that Africa occupied a central place in the Chinese foreign policy; and the U.S. and Soviet Union were important factors in it. China can expect to retain its presence in Africa if it responds to Africa's changing situation. Trade between China and Africa increased by 700% during the 1990s and China is currently Africa's largest trading partner. The Forum on China-Africa Cooperation (FOCAC) was established in October 2000 as an official forum to strengthen the relationship (Dubosse 2010: 56).

China has gradually emerged from the shadow of an ideologically inspired closed economy to become a powerful global economic player in the age of globalization. Its economy has grown at an average of 9 per cent per year for more than two decades. At the end of 2000, its foreign reserves stood at US\$165.6 billion; in 2008, they were more than US\$1.5 trillion (Gaye 2008); and by July 2011, they surged to US\$3.1975 trillion (Brautigam 2009:78).

While China is perceived as a global giant whose inroads into Africa reeks of a certain kind of colonialism, I argue that it is a relationship of mutual gain. Though apparently it seems that the Dragon is the driving power and is using the raw materials of Africa ruthlessly, it is interesting to see how the African countries are driving a hard bargain as well. In the long run no partnership can be based merely on trade link ups. It is the people to people contact which can bolster any kind of relationship. The recent migrations have seen a spread of Chinese cuisine, establishment of China town and even setting up Chinese schools in the African sub- continent. The Asian connect and contact is seen by many as hugely beneficial to both continents and the hegemony of the West stands challenged.

## **China in Africa: A Brief History**

As opposed to the current understanding of the situation and the wild media frenzy discussing China's inroad into Africa, historical evidence shows that

China has been in Africa for a very long time now. It is important to see the historical links of this alliance to appreciate fully the current linkages in trade and commerce. The Western History records Vasco Da Gama's travels which resulted in the opening up of the sea route to Eastern Africa and the years of colonialism that followed. Curtis Abraham points out that Zheng He, a eunuch administrator and diplomat during the Ming Dynasty (1368-1644) in Imperial China, arrived on the East African coast several decades earlier than Vasco da Gama. Zheng He's maritime travels took place from 1405 to 1433 and it is documented that in 1418 he led a vast fleet of no less than 62 ships ferrying 37,000 soldiers across the Indian Ocean (See <http://newafricanmagazine.com/chinas-long-history-africa/>).

Chinese knowledge about East Africa during the Tang Dynasty (618-907) comes primarily from the Ching-hsing Chi ('Record of Travels') and Yu-yung Tsa -tsu ('Assorted Dishes from Yu-yang'). During the Sung Dynasty (960-1279), most of the information was recorded in the Chu-fan-chih ('Gazetteer of Foreigners') and Ling-wai Taita ('Information from Beyond the Mountains'). The record of the Ming (1368-1644) naval expedition into the Western Indian Ocean is preserved in Wu-pei-chih ('Notes on Military Preparedness'), Hsing-ch'a Sheng-lan ('Triumphant Vision of the Starry Raft'), and Ming Shih ('History of the Ming Dynasty'). However in spite of the long and enduring history no lasting friendships were forged. In the words of Curtis Abraham,

In the absence of any written or oral history, it is impossible to know what Africans in antiquity thought of these early Chinese travellers. What is known, however, is the Chinese attitudes towards Africans. The dynastic Chinese viewed black Africans with racist stereotypes that echo, sadly, down the ages. They saw Africans as lacking the 'moral virtue', which they (the Chinese) saw themselves as possessing in bucket loads. But during this era, official and private contacts between Africa and China increased, according to archival documents and archaeological findings (See <http://newafricanmagazine.com/chinas-long-history-africa/>).

## **The Trade Links**

As pointed out before, China's involvement with Africa dates back to the an-

cient times. The relationship has developed since then to its modern avatar of mutually benefiting each other. The contemporary phase of the Chinese engagement with Africa began during the Bandung Conference of Non-Aligned Nation in 1955. There was a substantial improvement in the relationship towards the end of 1950s as a result of its worsening ties with the Soviet Union. China, at that point of time, was looking for allies in Africa to establish a counter balance weight to the Soviet hegemony and Western imperialism. The relationship with Africa plummeted in the 1980s when China shifted its focus to the domestic economy development.

China's engagement with Africa is largely driven by the following key considerations: Primarily China needs resources - notably crude oil to power its modern, growing economy and to support its expanding industrial base. The rapid growth of its manufacturing sector has also created increased domestic demand for natural resources including oil and gas, precious metals, aluminium, copper and iron ore. These are natural resources that Africa has in abundance. Secondly, Africa's population is seen as a potential market for Chinese products. While Chinese growth relies heavily on the manufacturing sector, it needs a new and dependable consumer market to sustain its steep developmental trajectory. Thirdly, African manufacturers and other industries had enjoyed many years of monopoly and protection. The economic reforms of African countries liberalized the protected market and opened up the door to increased economic activities from other players elsewhere. Many firms which had hitherto been shut out of the market are now interested in the new markets, including the Chinese firms. Fourthly, the privatization of publicly owned enterprises in China feels the need to scout for new investment opportunities outside China to complete their transition from the state-owned enterprises. To do this, the privatized enterprises needed to step up entry into international market such as Africa. Supported by China Exim Bank with annual disbursement of \$4 billion in 2000 to \$15billion in 2005, Chinese firms are ready to seek opportunities in other countries. Finally by establishing its presence in Africa, China wants to project the image of a global super-power. Moving out of its region, China wants to demonstrate that it could also compete on the world stage with the United States and countries in Europe. Of course, this reason seems to have gained currency given the investment portfolio of Chinese state-owned and private firms across Africa and elsewhere in the world. By implication the US has been forced to recognize China's immense economic power and political influence

in the world (Dubosse 2010: 76).

China's investment and aid on the continent has increased manifold. From \$20 million a year in the 1990s, the FDI jumped to \$100 million in 2000 to \$ 400 million in 2005. It reached \$1billion in 2006 – a growth rate higher than Chinese FDI in any other part of the world. China's foreign direct investment (FDI) in Africa is also growing. According to China, in 2012 its FDI in Africa reached US\$2.52 billion, reflecting annual growth of some 20 per cent since 2009. Facing a shrinking labour supply, excessive industrial capacity, and a state-led push to upgrade and internationalise the national economic model, in Africa Chinese firms can gain an international foothold and outsource labour-intensive manufacturing. In 2013, China's state media announced a plan to invest a further US\$1 trillion in the continent within a decade.

There are an estimated 800 Chinese corporations doing business in Africa, most of which are private companies investing in the infrastructure, energy and banking sectors. Unconditional and low-rate credit lines (rates at 1.5% over 15 years to 20 years) have taken the place of the more restricted and conditional Western loans. Since 2000, more than \$10bn in debt owed by African nations to the PRC has been cancelled (Chuen 2008:54).

During the year 2011, trade between Africa and China increased a staggering 33% from the previous year to US \$166 billion. This included Chinese imports from Africa equalling US \$93 billion, consisting largely of mineral ores, petroleum, and agricultural products and Chinese exports to Africa totalling \$93 billion, consisting largely of manufactured goods. Outlining the rapidly expanding trade between the African continent and China, trade between these two areas of the world increased further by over 22% year-over-year to US \$80.5 billion during the first five months of the year 2012. Imports from Africa were up 25.5% to \$49.6 billion during these first five months of 2012 and exports of Chinese-made products, such as machinery, electrical and consumer goods and clothing/footwear increased 17.5% to reach \$30.9 billion. China remained Africa's largest trading partner during 2011 for the fourth consecutive year (starting in 2008) (Chuen 2008:57).

## **China's Gift to Africa**

China supported the African Independence Movements and gave aids to se-

veral newly independent nations in the 1960s and 70s. One of its early projects was to build the Tazara Railway linking Zambia and Tanzania. By 1978 China was giving more aid to the African nations than USA. China has also been involved in 'health diplomacy'. Between 1960 and 2005 15,000 doctors from China have been sent to Africa. The medical teams known as yillaodui have treated more than 170 million patients. In 2001, the member nations of G8, formed the United Nations-backed Global Fund to Fight AIDS, Tuberculosis and Malaria with an initial budget of \$10 billion. In 2007, another additional \$1.1 billion was approved in Kunming, China, of which 66% was dedicated to Africa [44]. In September of the same year, China promised the Democratic Republic of the Congo to build 31 hospital units and 145 smaller health care centres, a project due to be completed in March 2010 (Chuen 2008:54).

## **Infrastructure**

'China's gift to Africa' - The new headquarters of the African Union, a towering 20-storey building in Addis Ababa, Ethiopia, is so called because China picked up the \$200 million tab for the state-of-the-art complex. Ethiopia's tallest building, completed in December 2011 in time for an AU summit the following month, includes a 2,500-seat conference hall. The gift prompted Ethiopia's late Prime Minister Meles Zenawi to refer to Africa's current economic boom as a 'renaissance,' due partly to China's 'amazing re-emergence and its commitments to a win-win partnership with Africa' (Chuen2008:58).

China's largess to Africa is not new. Previously China had either donated or assisted in building a hospital in Luanda, Angola; a road from Lusaka, Zambia's capital, to Chirundu in the southeast; stadiums in Sierra Leone and Benin; a sugar mill and a sugarcane farm in Mali; and a water supply project in Mauritania, among other projects. At the fifth Forum on China-Africa Cooperation, held in Beijing in July 2012, Chinese President Hu Jintao listed yet more, including 100 schools, 30 hospitals, 30 anti-malaria centres and 20 agricultural technology demonstration centres. Recently China's Exim Bank has announced financial assistance for the development of a solar power plant in Kenya. A 50MW solar PV Power Plant planned for execution in the Kenyan city of Garissa will receive debt financing from the

Bank. This is expected to be the largest solar power plant in Africa (Chuen 2008:54).

## **China's Gain**

One has to understand that China is not on an altruist mission. Obviously the gains from Africa are enormous which prompts China to invest there. China's biggest interest is in the oil – it buys more than one-third of Africa's oil. In addition, China's industries are getting raw materials such as coal from South Africa, iron ore from Gabon, timber from Equatorial Guinea and copper from Zambia. Chinese products have flooded markets in Johannesburg, Luanda, Lagos, Cairo, Dakar and other cities, towns and villages in Africa. Those goods include clothing, jewellery, electronics, building materials and much more. 'Even little things like matches, tea bags, children's toys and bathing soaps are coming from China,' says Bankole Aluwe of Alaba market in Lagos, Nigeria. African consumers like Chinese products because they are affordable.

## **Largest Trading Partner**

In an article in 'This Is Africa', a *Financial Times* publication, Sven Grimm and Daouda Cissé state that in recent years China's economy at times has grown at more than 10 per cent a year, while cheap labour has helped reduce production costs — hence cheaper products. They also note that 'The low level of the yuan [the Chinese currency] compared to the other major world trading currencies such as the US dollar, the euro and the yen' attracts African importers.

China's give-and-take relationship also plays out in other forms. Chinese construction firms are acquiring enormous construction contracts. The China Railway Construction Corp. (CRC) signed a \$1.5 billion contract in September 2012 to modernize a railway system in western Nigeria. That same month, China South Locomotive and Rolling Stock Corporation, the largest train manufacturer in China, signed a \$400 million deal to supply locomotives to a South African firm, Transnet. In February 2012 the CRC announced projects in Nigeria, Djibouti and Ethiopia worth about \$1.5 billion in total (Chuen2008:56).

## **Criticism against China**

China has been perceived by the Western media as being excessively aggressive in its marketing strategy. China has come under criticism when the government of the Democratic Republic of the Congo leased thousands of unutilized hectares of land to ZTE International, a Chinese company, in a deal that Oxfam, a UK charity, and others have labelled a 'land grab.' The furore over land adds to growing criticisms of the manner of China's aggressive Africa penetration. Many Africans often refer to the poor quality of Chinese products and blame their low prices for the collapse of local industries. Comatex and Batexci, two leading textile companies in Mali, have been severely affected by cheap fabrics from Asia (Brautigam 2009:80).

Performance assessments of some Chinese investors have not been stellar. The managers of Chinese-run mines in Zambia have been accused of not taking adequate safety measures for their local workers. A Chinese oil firm is exploring in a Gabonese national park, angering environmentalists.

In the face of a shrinking labour supply, sluggish growth, and excess industrial capacity and savings, China is pushing to upgrade its own economic structure and to increase outbound investment. Prominently, China has promised to massively increase its trade and investment ties with Africa. Understanding these trends and their domestic drivers offers insight into the direction and speed of China's economic reforms and these particular pathways of China's own economic internationalisation. This can also better inform Sino-African policy-making (Brautigam 2009:80).

## **Criticism from the West**

In the view of David Shinn, former US ambassador to Burkina Faso and Ethiopia, the West is nervous about China's activities in Africa. Mr. Shinn adds that China's policy of non-interference in the internal affairs of African countries and its fast approach to aid delivery makes it more attractive than the Western donors, whose aid often comes with demands to improve human rights and democracy.

US Secretary of State Hillary Clinton recently warned against a 'new colonialism in Africa', in which it is 'easy to come in, take out natural resources, pay off leaders and leave.' It was a veiled jab at China, according to the Guardian, a UK newspaper. But Ms. Clinton's point echoed across the continent, and it appears that African leaders are now trading cautiously.



South African President Jacob Zuma warned in July that the current ‘unbalanced’ trade pattern is unsustainable. He was referring to the tendency of Africa to export raw materials to China while largely importing only cheap manufactured goods. Maged Abdelaziz, the UN Secretary-General’s special adviser on Africa, told Africa Renewal that the continent must develop a strategy for its dealings with emerging economic giants such as China, Brazil and India.

Along this line, talks began in South Africa in June 2011 to merge three regional trade groupings (the East African Community, the Common Market for Eastern and Southern Africa and the Southern African Development Community) into a ‘grand free trade area’ incorporating 26 countries with a combined gross domestic product of \$1 trillion. Such a combined strength could give Africa a more assertive voice at the negotiating table (Brautigam 2009:83).

## **Conclusion**

It is quite clear from the above mentioned arguments that China is here to stay in Africa. The relationship is mutual and largely beneficial to both. One also has to remember here that Africa is a vast continent having 57 countries. China’s dealings with one would be largely different from the other. Andrew Kennedy in a study conducted on 3 countries of Africa and their negotiation with China – Uganda, Zambia and Tanzania points out that it has been largely beneficial all round. He has a word of caution for the African countries. According to Kennedy, China’s investment is not altruistic. It is geared towards profit making. The African countries can be largely benefited from this Asian giant if their governance is sound and if they are capable of driving a hard bargain during negotiations (Brautigam 2009:89).

The underlying theme of recent investment is that China is now beginning to see Africa as a real business opportunity as opposed to just using these infrastructure packages as a means to get access to the natural resources. As Grimm states, ‘having a much longed-for business partner instead of a donor, requires African actors engage with these partners at the level of business, not aid’.. (Chuen2008:57). This is shown with the kind of investment we are seeing China make in Uganda where it is investing in the refinery plant to allow Uganda to supply refined oil to domestic customers

and countries in the region. This must be the preferred option for any country looking to gain foreign investment, which is to use this money to take advantage of the natural resources in the market and get their national contribution as far up the value chain as possible. At the same time the country concerned must be realistic that there needs to be some benefit to those looking to invest, in other words the relationship is moving onto a proper business footing as opposed to the rapacious colonial behaviour which China has been accused of undertaking.

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