THE POLITICAL ECONOMY OF SINO-AFRICAN COOPERATION: OPPORTUNITIES AND RISKS

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DEDICATION

This Research Paper is dedicated to all the young people of the world, who would seek for a just and equitable world.
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To God be the glory, this far He has brought me.
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ABSTRACT

This paper focuses on Sino African co-operation; with the objective of explore opportunities and limitations of this engagement. It first introduces the main concepts and debates on Sino African engagement and proposes two theoretical constructs for assessing the extent to which Africa has benefited from this cooperation as well as the extent to which the development prospects for Africa have been hindered. As a result it explores the channels through which, in spite of the challenges and limitations, Africa can capitalize on the robust co-operation it has with China.

This paper therefore attempts to examine the development experiences of Africa in its co-operation with China. It will explore the lively contrasts in the political and economic nature, magnitude, gravity and urgency of development prospects, opportunities and threats presented by Sino-African engagement for SSA. It is my hope that this study will contribute towards the continued analysis of development options, goals, objectives, plans and priorities for Africa in keeping with its own unique requirements, resources, ideologies and the genius of its peoples.

Keywords
<table>
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<tr>
<th>Acronym</th>
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<tr>
<td>AfDB</td>
<td>African Development Bank</td>
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<td>AGOA</td>
<td>Africa Growth and Opportunity Act</td>
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<td>ATC</td>
<td>Agreement on Textiles and Clothing</td>
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<td>AU</td>
<td>African Union</td>
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<td>C&amp;T</td>
<td>Clothing and Textiles</td>
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<td>CNPC</td>
<td>China National Petroleum Cooperation</td>
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<td>DCs</td>
<td>Developing Countries</td>
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<td>ECLA</td>
<td>Economic Commission for Latin America</td>
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<td>EPZ</td>
<td>Export Processing Zones</td>
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<td>GATT</td>
<td>General Agreement on Tariffs and Trade</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>LDCs</td>
<td>Least Developed Countries</td>
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<td>MFA</td>
<td>Multi Fibre Agreement</td>
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<td>MNCs</td>
<td>Multi National Corporations</td>
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<td>NEPAD</td>
<td>The New Partnership for Africa's Development</td>
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<td>NWG</td>
<td>New World Group</td>
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<tr>
<td>OECD</td>
<td>Organization for Economic Cooperation and Development</td>
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<td>ONGC</td>
<td>Oil and natural Gas Corporation (India)</td>
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<tr>
<td>PRC</td>
<td>The People's Republic of China</td>
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<tr>
<td>SINOPEC</td>
<td>The China Petrochemical Corporation</td>
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<td>SSA</td>
<td>Sub-Saharan Africa</td>
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<tr>
<td>UNCTAD</td>
<td>United Nations Commission on Trade and Development</td>
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<td>UNECA</td>
<td>United Nations Economic Commission for Africa</td>
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<td>USITC</td>
<td>United States International Trade Commission</td>
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<td>WTO</td>
<td>World Trade Organization</td>
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CHAPTER 1:

THE POLITICAL ECONOMY OF SINO-AFRICAN COOPERATION: OPPORTUNITIES AND RISKS

1. INTRODUCTION

1.1 The Problem

With the rapid integration of China into the world economy and polity, developing countries are being impacted in complex ways. China's immense size and rapid rate of growth, its insatiable thirst for natural resources and growing political and economic power is influencing the world economy and redefining the rules of the game in unprecedented ways. Its growing presence in the global stage is providing opportunities for development as well as posing risks to developing countries, emerging economies and advanced countries.

The increasing integration of China's labour forces and capital resources into the world economy and rapid growth presents opportunities for and challenges to a wide range of policy issues in the advanced and developing world. However, China's impact on developing countries and more so to African countries and the corresponding policy responses seem to be less understood. Consequently, the impact of China on Africa, has been largely ignored.

Due to the rise of China, the developing world has seen significant shifts in geopolitical alignments. In the last ten years there has been a significant geo-political shift with many African countries increasingly aligning themselves with China. This period has also seen a marked increase in trade and investment volumes between Africa and China. Consequently, an international discourse has emerged that has seen different theories and reasons advanced by Sino-African scholars on the nature or Sino-African cooperation. Some analysts have referred to Beijing's demand for raw materials and energy as well as foreign policy of non-interference and mutual reciprocity as one of the factors that could possibly explain the growing relationship between China and Africa.

The impact of Sino-African engagement is also argued by different scholars to be as diverse as the driving factors of this relationship. Scholars like Carmody and Owusu (2006:45) argue that the nature of Beijing's relations with Africa is strengthening authoritarian states while at the same time fuelling conflict. The preceding notion notwithstanding, Chinese engagement with Africa is widely perceived as a positive developmental model at best and a neo-colonizing power at worst. This characterization of Sino-African engagement notwithstanding does not overshadow the symbiotic attractive power of China, once an impoverished country under western imperialism and later held back by its own pursuit of inappropriate forms of socialism yet now clearly resonating with African elites looking for alternatives to western developmental models.

Although Sino-African engagement has seen a marked resurgence in the current decade, it is imperative to recognize the danger of overestimating the historic and
present impact and underestimating the potential future impact of China on African countries. In partial response to this need, this research therefore seeks to explore the impact of China on Sub-Saharan countries (SSA) and how these influence its developmental prospects. Questions arise as to whether this cooperation between China which is a developing country and Africa has any benefits for Africa in terms of strengthened south-south cooperation that enhances SSA’s developmental prospects or is simply neo imperialism through resource extraction.

Contrary to common perception, African countries are far from being mere spectators to the economic and political rise of China—they are players. In light of the growing economic and political power of China and its influence on the growth patterns of African countries, this research attempts to answer the following question:

To what extent do current trends in Sino Africa co-operation enhance development prospects for Africa?

By addressing this question, the research aims to add to the efforts of identifying the opportunities and challenges represented by a growing Sino African engagement to African countries and the implications therein.

The sub questions are:

- In what ways does contemporary Sino-African co-operation promote or hinder south-south co-operation? To what extent does it lean towards dependency?
- How does contemporary Sino African engagement address Africa’s development needs and priorities? How can Africa best exploit the rise of China to meet its development needs and priorities?
- What risks does Sino African engagement pose to development and poverty eradication in the continent? How if possible can these risks be mitigated?

1.2 Research Methodology

This research being exploratory in a qualitative as well as quantitative manner will rely on secondary data sources. Secondary data will incorporate comprehensive literature reviews of Chinese foreign policy towards Africa as well as SSA’s strategies of engagement with China, conceptual frameworks on south-south cooperation and dependency theory, official trade statistics between Africa and China and official government reports about Sino-African cooperation. Statistics will be accessed in the relevant databases including IMF, World Bank, AfDB, AU and UNCTAD, UNECA as well as the Chinese Ministry of Commerce and the Chinese Ministry of Trade and Industry,

1.3 Limitations

To begin with, the impact of China’s ascendancy into the global arena and the implications thereof of its engagement with Africa have to some extent been ignored in the literature. Secondly, the existing literature on Sino-African relations has mostly focused on the activities that characterise the said engagement without emphasising on the theoretical underpinnings. Most of the available literature therefore is more descriptive than theoretical and does not seem to suggest a valid framework for assessing new dimensions of Sino-African cooperation.
1.4 Structure of the Paper

The paper has been structured into five chapters. The introductory chapter locates the Sino African question in a global context, while teasing out the main questions as well as describing the methodology and limitations of the study. The second chapter establishes the conceptual and analytical framework as well as the contextual background. The third chapter explores the major trajectories of Sino-African engagement and their implications for development. The fourth chapter presents the general findings policy challenges. The final chapter concludes by putting forward some possible future research areas.
CHAPTER 2

2. LOCATING SINO-AFRICAN COOPERATION IN THEORY - TOWARDS AN ANALYTICAL

2.1 China's Africa Thrust

This chapter discusses China's Africa policy towards Africa in the context of efforts to support and advance South-South co-operation and overcome dependency. The first section traces the nature of Sino-African relations in the context of a globalizing world by focusing on economic and political aspects. The second part suggests a theoretical framework through which this relationship will be explored while the final part concludes with a framework through which the impacts for development can be assessed.

China is the sixth largest economy in the world and is poised to double its GDP in 25 years thus becoming a major economic power alongside the United States, the European Union and Japan according to a study done by Harvard University. From 1979-2004, average growth rate in China was 9.4 percent a year for its economy and 16.7 percent for international trade. In the same period, 220 million people as a result of long term economic reforms were lifted from below the poverty line. By 2004, China's gross domestic product (GDP) had reached $1.65 trillion. These developments in China are currently shaping international economic policies and geopolitical global thought. On the other hand though, China is still classified as a low income developing country with a per capita GDP of $1000 placing it in the same league with many SSA countries.

For much of the last half of the last century, Africa has increasingly occupied an important place in Beijing's foreign policy. It is estimated that Sino-African trade has grown from $4 billion in 1995 to $55.5 billion in 2006. According to incomplete statistics from China, Chinese companies have invested in Africa in excess of $625 million with $135 million being invested in 2004 alone. Forecasts predict a growth trend of up to $100 billion by 2010 (Guijin 2006:15). In addition, China has cancelled the debt of 31 African countries amounting to nearly $1.3 billion and abolished tariffs on 129 types of goods from 29 LDCs in Africa (Wissenbach 2007: 8). Yu (1965) no wonder posits that if China secures her dominant position in Asia, then Africa would constitute its primary area of focus for contemporary Chinese policy.

Politically, China has embarked on a series of high profile visits to African countries to establish and cement bilateral relations as well as initiate talks for greater economic cooperation. 2006 saw a high profile visit to Africa by Chinese Foreign Minister Li Zhaoxing (Mali, Nigeria, Liberia, Senegal, Cape Verde and Libya) followed by the release of the Africa Policy Statement that outlined terms of reference for Sino-African engagement. The same year saw President Hu Jintao visit the continent (Kenya, Nigeria and Morocco) as well as the premier Wen whose leg took him to the Democratic Republic of Congo (DRC), Egypt, Ghana, South Africa, Uganda, Tanzania and Angola. 2007 began with another round of visits by Foreign Minister Li and President Hu. Infact since assuming office in
2003, President Hu has visited Africa thrice. In total the following countries have been visited by high profile government officials of the PRC: Cameroon, Sudan, Liberia, Zambia, Namibia, Mozambique, South Africa, Seychelles, Botswana, Eritrea, Equatorial Guinea, Guinea Bissau, Benin, Chad, Central African Republic, Mali, Nigeria, Liberia, Senegal, Cape Verde, Libya, Kenya, Nigeria, Morocco, DRC, Egypt, Ghana, South Africa, Uganda, Tanzania and Angola. According to Liu Guijin, the PRC’s ambassador to South Africa, these high profile missions not only signify China’s intentions for promotion of development in Africa but have further been reinforced by the launch of Forum on China-Africa Cooperation (FOCAC) in 2000 and ministerial meetings held in Beijing in the same year and in Addis Ababa in 2003. These events were followed by two important documents namely, the Beijing Declaration and the Addis Ababa Action Plan. President Jintao’s pledges to Africa in November 2006 serve to illustrate China’s rhetoric to its engagement with Africa (See Box 1).

Box 1: Hu Jintao’s Pledges to Africa

To forge a new type of China-Africa strategic partnership and strengthen cooperation in more areas and at a higher level, the Chinese Government will take the following eight steps:

- Double its 2006 assistance to Africa by 2009.
- Provide $3 billion of preferential loans and $2 billion of preferential buyer’s credits in the next three years.
- Set up a $5 billion China-Africa development fund that will encourage Chinese companies to invest in Africa and support them.
- Build a conference centre for the African Union to support African Integration for countries to strengthen themselves through unity and support.
- Cancel debt in the form of all the interest-free government loans that matured at the end of 2005 owed by the heavily indebted poor countries and the least developed countries (LDCs) that have diplomatic relations with China.
- Further open China’s market by increasing from 190 to over 440 the number of zero tariff items exported from the LDCs in Africa having diplomatic ties with China.
- Establish three to five trade and economic cooperation zones in the next three years.
- Over the next three years, train 15,000 African professionals; send 100 senior agricultural experts to Africa; set up ten special agricultural technology demonstration centres; build 30 hospitals and provide $300 million of grants for 30 new malaria prevention and treatment centres; dispatch 300 youth volunteers; build 100 rural schools and double the number of Chinese government scholarships from the current 2000 per year by 2009.


From the foregoing, it is plausible that China’s expanding trade and investment relations with African countries presents real opportunities for insertion of Africa into the global economy. However this also calls for complementary reforms by China to support more vigorous African development. In recognition of this, the China Year of Africa which climaxed in November 2006 with a meeting of 48 delegations of African political and business leaders attending the Forum on China-
Africa Cooperation in Beijing (FOCAC) agreed on a joint economic and social program. From the African end, links with China are defined by economic interests ranging from trade linkages, aid and debt relief, human resources development and broadly defined political factors such as the need for fragile states' to escape from Western pressure from the West and NGOs for transparency, accountability and good governance (ibid).

In the wake of China's phenomenal economic development and its growing presence in the global geo-politics, divergent debates have emerged concerning China's development strategy and foreign policy and the resultant impact both globally and regionally, including Africa. Recent academic literature in Sino-African engagement has focused on the driving factors of this relationship. China's relentless growth in the last decade and resultant energy demand has led various scholars to posit that China's increasing presence in Africa is solely driven by its incessant demand for oil and raw materials to fuel its industry. Klare and Volman (2006) argue that Africa has transformed from a 'convenient pawn on the global chessboard' to an 'arena of strategic and geopolitical competition' for not only the West but also other emerging powers including China. Other scholars have referred to China's increasing interest in Africa as a strategy to buttress China's own position in the international system (Taylor 2006).

In summary, it is important to recognize that China's impact on Africa goes beyond economic indicators. From the China-end, its engagement with Africa reflects a mixture of narrowly defined economic impacts and broader geo-strategic concerns with regard to China's long term energy and resource security quest as well as strengthening of political support for its aspiration for a greater global role in the UN and support for one China policy (ibid).

While all these positions are relevant for the analysis of Sino African engagement, this research seeks to focus on how the dependency/south-south cooperation dichotomy can be utilized to examine the impacts of Sino African ties and how they influence development and poverty alleviation. Given that contemporary research focus on Sino African engagement is fairly recent, lessons learnt so far would serve to enrich the dynamics of this engagement as regards the ways in which the political economy of Africa should change to reflect emerging developments.

The succeeding section seeks to locate the framework in which Sino African cooperation, opportunities and limitations for Africa can be analyzed. In order to conceptualize and analyze the scope, significance and consequences of Sino-African co-operation, this study will draw from two key theories of development and underdevelopment namely south-south cooperation and dependency theory. The first part introduces general definitions of south-south cooperation and dependency. The second part explores the nature of Sino African cooperation and whether it is an issue of south-south cooperation or dependency both in theory and in practice. The succeeding section discusses some aspects of contemporary dependency that are relevant to the Sino-African debate and SSA's development prospects. The final part uses elements of this analysis to explain how Africa has benefited from stronger ties with China and the threats this same engagement poses. General discussions follow on the complexities of Sino-African cooperation as well as the significance of south-south cooperation and dependency binary for developing countries developmental prospects. South-south cooperation will be utilised to identify the impacts and possibly opportunities of Sino-African cooperation. Dependency theory on the other hand will be utilised to examine not only the limitations of this cooperation but also to contrast Sino African
cooperation with Africa's alignment with the west to some extent (especially in regards to petro politics).

2.2 South-South Cooperation

South-south cooperation is a concept that has increasingly gained currency with governments in the South in the context of a widening North-South economic and political divide and deepening global contradiction, competition, and the emerging dynamics in the positions and actions of governments both in the South and in the North (Keet 2006:7). This resurgence in South-South co-operation peeked in the 1980s and 1990s due to two major developments-impacts of changes in technology on the competitive strategies of MNCs and the search for new development strategies in the South prompted by the difficult economic situation in which most countries found themselves during the 1980s (Mytelka 1994:13). Combined, these two developments have opened a window of opportunity for a new focus on innovation-driven co-operation both within and across countries in the South and between the North and South (ibid). For such efforts to succeed however, the interests, capabilities and strategies of domestic actors must be taken into account (ibid:13). South-south co-operation in this context is defined as the 'promotion of economic interaction among developing countries at the bilateral, regional and global levels to achieve the goal of collective self reliance through trade, investment, technological transfers and appropriate economic and political co-operation through policy synchronisation' (Alden: 1999).

Studies done in the Caribbean and in South America illustrate that NGO’s, labour and farmers’ associations, private companies, consumer groups and researchers traditionally have been brought into the process only sporadically, and even then their role has remained subject to institutional direction from above (ibid). Mytelka (1994) goes on to stress that the traditional models of south-south cooperation have often operated as disincentives to forms of regional cooperation outside their formal ambit. South-south cooperation is therefore seen as an effective strategy to challenge advanced countries within international political and economic structures that are partial to the interests of the said countries. South – south cooperation in this regard is therefore perceived as an alternative strategic base to equip developing countries to maximize benefits in an increasingly globalizing world dominated by northern interests.

Locating Sino African co-operation in a south-south framework is a complex exercise given the fact that China’s emphasis on south-south cooperation is seen as a key element in its efforts to oppose unilateral global dominance (Zhao 2006:99). Mbuende in Shelton (2006) identifies several cooperation objectives advanced by Beijing:

- Improve existing consultative mechanisms and make greater use of these channels
- Strengthen contacts between governments
- Update and sign bilateral agreements according to changes in the bilateral economic and trade situation, so as to provide legal insurance for bilateral co-operation and
- Actively broaden the contact channel and gradually expand the scale of trade
Mytelka (1994) posits that south-south framework therefore has a potential to present an instrument through which developing countries can strengthen their international competitiveness. Different forms of south-south cooperation and networking policies for actors across national boundaries (in the developing world) are all important avenues through which Sino-African cooperation can have positive impacts for China and African countries. However it is worth noting that trade is not the only channel for south-south cooperation although trade seems to be the most dominant channel in Sino-African cooperation. South-south cooperation between China and Africa can and indeed needs to take innovative directions other than trade. These should include knowledge intensity of production, role of innovation in international competition, enhanced competitiveness through moving away from raw materials production to manufacturing diversification. This kind of focus would increase possibilities of positive-sum games which would negate traditional assumptions that south-south cooperation is more likely to lead to zero-sum games if not negative impacts for the weaker countries.

Diverse actors and interests can interact to support or constrain effective south-south cooperation. It is also important to clarify the policy agenda for promoting such cooperation in ways that strengthen developing countries ability to compete in global markets and highlighting the importance of such cooperation for improved North-south economic relations (ibid:7)

2.3 Dependency

The succeeding sections in this chapter will discuss some aspects of contemporary dependency that are relevant to the Sino-African debate and SSA's development prospects. Contrary to common perceptions in the discourse of development and underdevelopment, dependency theory is far from dead and still holds much relevance in the modern world. Dependency theory is a critique of the development strategies and policies followed in Latin America and in other periphery countries marginalized by western hegemony and imperialism (Conway and Heynen 2002:97). This school of thought is widely accepted as developed by a group of economists associated with the United Nations Economic Commission for Latin America (ECLA). This initial orientation of dependency has been transformed by a range of dependency perspectives by various scholars such as Andre Gunder Frank, Paul Baran, Samir Amin etc. Despite the controversial debates surrounding it, like any body of knowledge, it still offers relevant insights that help illuminate and explain the nature of and growing economic distance between advanced and developing countries as well as the slow growth of the latter countries (Ghosh 2001:133).

Dependency theory by definition is 'a theoretical construct that attempts to shed light on historically embedded political and economic relations of peripheral and capitalist countries within a broad global political and economic context' (Conway and Heynen 2002:97). For purposes of this study it is important to note that there are two major perspectives on the dependence school of thought-the classic school of thought and the contemporary school of thought. Both schools of thought lend meaning into this study by highlighting ways in which Sino-African

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1 The term of 'dependencia' attributed to Conway and Heynen (2002)
cooperation could easily degenerate into a dependency relationship that further enhances underdevelopment in Africa. The first part of this section will discuss classical dependency theory as propounded by scholars like Paul Baran, Andre Gunder Frank, Laclau and Lall while the second part will discuss contemporary dependency theory as argued by scholars like Wallerstein. This section will conclude by analyzing the relevance of these two strands of dependency on Sino-African Co-operation.

Paul Baran adopted a Marxist approach in expounding the reasons for Latin America's underdevelopment as a condition precipitated by political and economic relations between advanced countries and powerful elite classes in developing or pre-capitalist countries (ibid:97). These types of partnerships perpetuated underdevelopment or hindered capitalist development of pre-capitalist countries in several ways according to Baran. These alliances benefited a minority elite class at the expense of overall economic development for the greater population. Secondly, these types of linkages sustained core countries ability to continue to exploit peripheral countries through surplus extraction. This contributed towards maintaining and enhancing the traditional systems of continuously availing domestic resources for the capital development of core countries as well as appropriation of generated surplus by elites in peripheral countries of Latin America. This state of affairs hence ensured a monopolistic subordination of Latin American countries by core countries through a steady flow of cheap primary resources.

Baran's perspective on dependency was further developed by Andre Gunder Frank. While Baran focused on the relationships of dependency based on class based stratification of the Latin American society and the domination of elite classes in periphery countries and core countries, Frank develops this idea further by focusing on the markets and the dependent nature of peripheral countries and goes on to suggest the means to overcome this exploitative relationship between core and periphery countries. Frank's prognosis sheds light on the concept of 'development of underdevelopment' (Conway and Heynen 2002: 97) as the mechanism through which core countries developed at the expense of under developing periphery countries. Frank further argued that decolonization and the transitioning to self rule in Third World countries was a mere fallacy that did not diminish underdevelopment of periphery countries but instead reinforced it contributing thus to greater unequal relations. Apart from articulating dependency notions at national scale, Frank also argued that dependency relations were evident at regional levels as well between cities and non-urban peripheries—what he classified as metropolis-satellite concept. This concept however will not be elaborated seeing as it is that it is less relevant to the study. Frank proffers a solution to the dependency problem by arguing for revolutionary action as the means towards upstaging or reforming international capitalist relations and in its stead embedding socialist ideals within the political systems of periphery countries. Dependency therefore according to Frank is a monopolistic core-periphery or metropolis-satellite structure perpetuated by advanced countries that permeates the economy, polity and society of developing countries by under developing them. Frank illustrates this structural relationship using examples from Brazil and Chile. He argues that Brazil is a classic example of national and regional underdevelopment through dependency structures which promoted the expansion of capitalism that led to the incorporation of Brazil's hinterlands and core into the global economy by transforming them into export nodes. These centuries' long processes according to Frank led to the underdevelopment of the economy, polity and society of Latin American countries in the long term.

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Frank’s notions of *dependencia* have received criticisms from various quarters most notably by Lacau who asserted that Frank’s analytical method is significantly flawed because it erroneously interpreted Marx’s notion of production modes. Lacau goes on to argue that Marx downplays the significance of class relations at the expense of market relations because profitable production in the market is not necessarily a sign of capitalist production (Conway and Heynen 2002:100).

Lall also critiques Frank’s position on dependency by arguing that those characteristics that exist within dependent countries and characterise dependent countries also exist within other non-dependent countries as well (Lall: 1975 in ibid). Lall hence points out that certain characteristics advanced as unique to dependent countries are simply a consequence of capitalist processes in general and not dependency per se. Samir Amin (1974a, 1976b ) in (ibid:100) is another notable contributor to the dependency debate who examined the dependent economic relations between Africa and Europe and their destructive nature. Walter Rodney of Guyana (1972) in (ibid: 101) also argues the case of dependency by pointing out the destructive nature of and consequences of capitalism, colonialism and imperialism on the African continent.

This brings us to the New World Group (NWG) of dependency theorists or contemporary dependency scholars. The NWG has its roots in a Caribbean avant-garde movement which sprung up in Georgetown-Guyana in 1962 against the backdrop of modernization ideologies and Marxist ideologies and conceptualization of development. The NWG focused on Guyana’s development dilemma by moving beyond the scenario of underdevelopment as explained by state centric notions of low technologies, inadequate infrastructure, savings’ gap, unskilled and undifferentiated labour markets to explanations of underdevelopment as a function of the Caribbean’s structural dependant linkages with Europe in terms of its value system and economic relations (Marshall 2002:103). The NWG scholars posited that decolonization processes and resort to self rule were not enough to mitigate processes of underdevelopment as long as domestic economies remained dependant on foreign capital and terms of trade set by imperialists. This is a crucial point worth noting for Sino-African engagement in light of the large amounts of FDI (mostly in the energy sector but also in the construction industry) by China into Africa as well as the vibrant commodity market between China and Africa.

One salient aspect of the NWG for this Sino-African examination is its emphasis on the international workings of the Caribbean economy as the major contributing factor towards the underdevelopment of the region. The internal workings of the region refer to the plantation economy of the Caribbean and its structural features which ensured the underdevelopment of the region namely land requirements of plantation production which restricted domestic food production, deterioration of terms of trade because of rising food and other imports which cause balance of payment problems as well as weak education systems that inhibited avenues for product diversification and improvements (Marshall 2002:104). This is a marked departure from the classical dependency perspective which is premised on externalist determinist notions to explain Caribbean underdevelopment. Havelock Brewster (1973) in Marshall (2002:104) took this plantation economy argument further by pointing out that foreign capital could not champion industrialization in accordance with common needs and the utilization of the internal market. This state of affairs was made possible because of the inherited structural nature of plantation economy such as its lack of internal dynamic, reliance on outdated technologies and hierarchical management practices which reinforced the region’s subordinate role in its alliances with core firms and countries (ibid 104). Nevertheless it is worth noting that the characteristics of the Caribbean and indeed
Latin American peripheral economies, polities and societies extended to colonial relations between Britain and West Indies and Spain respectively (ibid 104).

From the foregoing, NWG differ from dependentistas\(^2\) and structuralists differ in the sense that the latter two focus on centre-periphery relations in the context of the gridlocked nature of macro-historical features that lock peripheral countries into a vicious cycle of surplus exploitation and poverty. The NWG has been criticised by various quarters ranging from scholars like Best questioning its relevance and activist orientation. Others like Marshall (2002:10) argued that the NWG fell short of its original intentions (to add to the canon of work seeking to identify the role of dependency in the underdevelopment of periphery countries) for two main reasons. First, the NWG was compromised by its dalliance with administrations of the day, public service and career-absorption into the intelligentsia-according to Marshall’s own words and secondly it has been criticized as lacking lasting explanatory power. Nevertheless, the dependency construct according to the New World associates had operative power in the sense that it offered a critical basis for challenging the colonial mode of accumulation. Secondly it offered insights into how history and social fact influenced economic paradigms which increasingly came under fire at that time (ibid: 106). Although the NWG suffered considerable onslaught due to divisions over strategies, tactics and modes of resistance to neo-colonialism (ibid: 105), it is still a useful theoretical construct to draw on in order to inform the theoretical framework of the study at hand.

Wallerstein (1974,1979,1980) in (Conway and Heynen 2002:100) departs from the classical dependency and NWG perspectives and takes a contemporary stand by commenting on commercial relations between core countries and Latin America, the historical dominant and subordinate relational structures, emerging cores, their peripheries and semi-peripheries through emergence of capitalism to the presently era of globalization. Wallerstein adapted the classic dependency theory by expanding upon Frank’s ideas to emerge with the World System’s Theory which provides a useful analytical tool for understanding global commercial capitalist relationships (ibid: 101)

Although dependency theory in the classic sense is concerned with the imperialist and neo-colonialist relationships of DCs and LDCs and the resultant impacts on LDC economies and polities, dependency theory in this context of Sino-African engagement will seek to shed light on how this engagement may lean towards dependency -i.e. dependency of one developing country on another. In this regard and in order to elaborate how dependency between China and Africa might arise in a different sense other than the classical sense-it is appropriate to discuss further the nature of classical dependency and then distinguish it from neo-dependency-dependency between developing countries where one is more developed than the other. This analysis of the dependency perspective of development would then lend relevance to this study in two ways. Baran talks about the perpetuation of dependency through alliances between elite classes in peripheral countries and core countries. This is especially evident in resource rich countries that stand to gain from the windfall of high commodity prices of natural resources such as oil, diamonds and other minerals. The question to ask is whether

\(^2\) Emphasis is Don D. Marshall’s in his article –The New world Group of Dependency Scholars: Reflections on a Caribbean Avant-Garde Movement
such a scenario can arise in alliances between China and resource rich countries in Africa which export oil, diamonds, gold and other resources to China. This trend will be pursued in greater deal in the succeeding chapters. Secondly, there’s a danger of developing dependency on China for aid, technology, trade, capital formation, -areas in which developing countries depend on advanced countries and increasingly to a greater extent on emerging economies like China, India, Brazil and South Africa as well. This is a tenuous situation in the sense that such an unequal relationship is prone to lead to the exploitation of the weaker country by the stronger one. (Ghosh 2001:133).

In addition, dependency involves a considerable degree of moral hazard by giving full power to the more advanced country to influence the socio-economic and even political life of the dependant country whether for better or for worse(ibid:133). Questions arise as to whether China like the West will extract surplus from Africa through aid, unequal trading regimes, technology transfer and other mechanisms meant to fuel Chinese economic boom at the expense of Africa’s development (Ghosh 2001:133).

It is in this framework therefore that research seeks to analyse the core aims and potentials, misconceptions and inherent limitations of Sino African co-operation in the context of south-south co-operation and dependency. Kaplinsky et al (2006) propose a synthetic framework for assessing the impact of China on SSA involves three primary channels of transmission-trade, FDI/production and aid. These are simultaneously channels of south-south co-operation which can ad well degenerate to channels of dependency and hence require a focus on complementary-competitive dimensions of impacts-both direct and indirect (ibid).

It is worth noting that impacts on African countries and unevenly felt across countries and across diverse sectors as well as between the three different channels hence the need to maximize on opportunities while minimizing threats in ways that enhance development prospects for Africa through sustained poverty alleviation.
3. TRAJECTORIES OF ENGAGEMENT

Although China's presence in the global economy is increasingly being felt in both developing and advanced countries, the impact of its unprecedented growth on African countries has not been extensively explored. As this study is going to document, African economies and polities are being affected differentially by the ascendancy of China in the global politico-economic centre stage. Trade volumes both in terms of exports and imports between China and SSA as well as FDI in key sectors such energy have seen significant upward surges since the 1990s although some export products by select countries have experienced adverse effects. This chapter is divided into four major sections based on the different channels of cooperation between China and African countries. Section one focuses on the trade channel and impact by highlighting import and export statistics between China and Africa. The following section looks at selected sector studies-namely oil and clothing and textile industries. The third and final section deals with governance issues and the implications of China's involvement thereof. Different countries will be examined as a cross-cutting element by examining the differential impact of Chinese involvement in their economies and polities. In the process of examining select country impacts in the different channels of engagement analysis, it is worth noting how countries with limited engagement with China fare such as Kenya, how countries with relative technological sophistication and similarity with China such as South Africa fare and how countries with controversial political regimes such as Zimbabwe fare.

3.1 Trade Ratios

As already mentioned in preceding chapters, economic linkages between China and Africa span hundreds of years dating back to the 16 century when Chinese ships sailed to the Eastern coast of Africa. However, robust economic relations between China and Africa span over five decades with an unprecedented rise in the 1990s owing mostly to China's economic boom. Trade statistics in the period 1990-2005 show significant increases in import and export volumes between China and Africa.
Figure 1: Import Export Statistics between China and Africa, 1990-2003

The period of 1990-2000 shows relatively little growth which nevertheless accelerates especially after 2000. The trade deficit between China and Africa narrows around the time that export and import ratios shoot up after 2000.

Figure 2: China’s Share in African Trade

Figure 2 depicts a clear illustration of China’s share of total African trade between the period 1990-2003. Again, the period after 2000 sees a significant rise in trade ratio of China as a percentage of total trade output of Africa. Several reasons could be advanced to explain this growth one of them being increased Chinese investment interests in SSA as well as increased demand for African imports fuelled by China’s runaway economic growth.

3.1.1 Exports from Africa to China

China has and is experiencing an increasing demand for diverse commodities as a result of a growing consumer market as well as rapid growth of industries. This demand boom for imports creates market opportunities for many countries not the least SSA. African countries are involved in the import expansion of the Chinese economy across sectors ranging from food commodities, cotton to other raw materials such as ferrous iron, steel and of course oil and gas. The bulk of African exports to China is dictated by China’s energy demands vis a vis Africa’s traditional comparative advantage in labour intensive commodities as well as natural resource based materials. Hence a greater share of African exports to China includes petroleum, minerals and timber to fuel China’s booming industrial growth.

Table 1: Share of China in Exports of Selected African Countries, 2003

<table>
<thead>
<tr>
<th>Country</th>
<th>% Share of China</th>
</tr>
</thead>
<tbody>
<tr>
<td>Angola</td>
<td>23.20%</td>
</tr>
<tr>
<td>Botswana</td>
<td>0.10%</td>
</tr>
<tr>
<td>Cameroon</td>
<td>4.40%</td>
</tr>
<tr>
<td>Congo DR</td>
<td>2.20%</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>0.70%</td>
</tr>
<tr>
<td>Ghana</td>
<td>1.60%</td>
</tr>
<tr>
<td>Kenya</td>
<td>0.3%</td>
</tr>
<tr>
<td>Mozambique</td>
<td>2.30%</td>
</tr>
<tr>
<td>Namibia</td>
<td>2.90%</td>
</tr>
<tr>
<td>Nigeria</td>
<td>0.50%</td>
</tr>
<tr>
<td>Rwanda</td>
<td>4.20%</td>
</tr>
<tr>
<td>Senegal</td>
<td>1.4%</td>
</tr>
<tr>
<td>Somalia</td>
<td>5.60%</td>
</tr>
<tr>
<td>South Africa</td>
<td>4.60%</td>
</tr>
<tr>
<td>Sudan</td>
<td>40.90%</td>
</tr>
<tr>
<td>Tanzania</td>
<td>2.60%</td>
</tr>
<tr>
<td>Uganda</td>
<td>0.2%</td>
</tr>
<tr>
<td>Zambia</td>
<td>1.70%</td>
</tr>
</tbody>
</table>

Table 1 illustrates percentage share of total exports to China of selected countries in SSA. Angola, Cameroon, Congo DR and the Sudan have significant export ratios with China towards its energy needs for petroleum. Cameroon and Congo DR as well as Mozambique and Tanzania export timber while Ghana, Namibia and Zambia export non-ferrous base metals for China’s industries. Cameroon, Sudan and Tanzania supply cotton to feed Chinese textile and clothing industry as well. Africa exports raw materials to China in largely unprocessed or with little value added ensuring that countries that cannot add value to their products are not locked out of this market. South Africa’s steel and iron exports are the exception to this.

Although some of the countries don’t exhibit significant export ratios with China, it is likely that China will provide a significant export market for these and other SSA economies in the near future on account of the developments in the Chinese consumer and labour markets. Changing poverty incidence dynamics, rising incomes and a growing middle class with higher purchasing power in China are restructuring demand for consumer goods especially those with high income elasticity. These include food products like fish and meat products, beverages as well as fruit products (Jenkins and Edwards 2006:127). It is this expansion of demand for food products both now and in the near future that has the potential to create a significant market for SSA whose industries and exports are largely agricultural based. Some of the countries in Table 1 such as Botswana, Ethiopia, Kenya, Senegal and Uganda export less than one percent of their exports to China. These countries could be potential unexploited export markets as argued by the International Trade Centre (ibid: 127)

3.1.2 Imports from China to Africa

As already illustrated in figures 1 and 2, imports from China into SSA saw a significant rise from 1998 onwards. The bulk of SSA imports from China consist of manufactures including but not limited to garments and shoes. The impact of Chinese imports can be analysed in two ways, positively and negatively to both consumers and producers. On the one hand, imports compete with domestic producers leading to diminishing output and job losses. On the other hand availability of cheap Chinese import benefits local consumers through reduction of purchase prices. Jenkins and Edwards (2006:129) argue that although consumer welfare outweighs producer loss in the long run, increased competition from imports may have negative impacts in the short run especially where structural rigidities impede rapid resource reallocation. Previous studies conducted by (ibid) indicate that imports from China may not necessarily affect domestic employment rates negatively because Chinese imports are at the expense of imports from other countries.

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3 It is to be noted that the bulk of the high trade ratios for countries like Angola and the Sudan constitute export of oil and oil products as opposed to other commodities.
Table 2: Share of China in Total Imports to Africa, 2003

<table>
<thead>
<tr>
<th>Country</th>
<th>% Share of Imports from China</th>
</tr>
</thead>
<tbody>
<tr>
<td>Angola</td>
<td>3.50%</td>
</tr>
<tr>
<td>Botswana</td>
<td>0.90%</td>
</tr>
<tr>
<td>Cameroon</td>
<td>4.80%</td>
</tr>
<tr>
<td>Congo, DR</td>
<td>2.70%</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>6.40%</td>
</tr>
<tr>
<td>Ghana</td>
<td>9.10%</td>
</tr>
<tr>
<td>Kenya</td>
<td>6.40%</td>
</tr>
<tr>
<td>Lesotho</td>
<td>2.20%</td>
</tr>
<tr>
<td>Malawi</td>
<td>1.90%</td>
</tr>
<tr>
<td>Mozambique</td>
<td>2.80%</td>
</tr>
<tr>
<td>Namibia</td>
<td>1.95%</td>
</tr>
<tr>
<td>Nigeria</td>
<td>7.10%</td>
</tr>
<tr>
<td>Rwanda</td>
<td>1.10%</td>
</tr>
<tr>
<td>Senegal</td>
<td>2.70%</td>
</tr>
<tr>
<td>Sierra Leone</td>
<td>3.10%</td>
</tr>
<tr>
<td>Somalia</td>
<td>1.00%</td>
</tr>
<tr>
<td>South Africa</td>
<td>5.90%</td>
</tr>
<tr>
<td>Sudan</td>
<td>14.20%</td>
</tr>
<tr>
<td>Tanzania</td>
<td>9.10%</td>
</tr>
<tr>
<td>Uganda</td>
<td>5.10%</td>
</tr>
<tr>
<td>Zambia</td>
<td>2.70%</td>
</tr>
</tbody>
</table>


3.1.3 Implications of Imports and Exports on Competition in Third Markets.

It is likely that African countries are less likely to face significant competition from China owing to the fact that SSA industries are more land and natural resource intensive as opposed to Chinese industries which are more labour intensive. This means therefore that African exports differ from Chinese exports hence unlikely to face significant competition in third markets.4

4 With the exception of the textile and garment industry which will be discussed in the sectoral part of this research. For example the elimination of the Multi-Fibre Agreement (MFA) quotas has led to textile and garment factory closures in various countries as well as job losses.
3.2 Sector Studies

At the sector level, two strategic sectors will be studied namely, oil which is the number one traded commodity between China and Africa, secondly will be the textiles industry which is shrouded in controversy and complexity on the other hand because of Africa’s extensive involvement in the industry from raw materials to finished product as well as in terms of the textiles industry role as a driver towards industrialization and Chinese involvement in the same sector.

3.2.1 Hu’s Oil is African Oil?

China is the second-largest global consumer of oil after the US with an estimated 25 per cent of its oil requirements coming from Africa (Servant 2005 in Yates 2006:219). By the end of 2005 there were more than 600 Chinese state companies with business interests in Africa some of which were specifically geared towards oil prospects. The Beijing China-Africa Forum in 2000 is largely credited for this proliferation of Chinese oil interests in Africa.

Chinese oil activities in the continent range from geo-physical exploration, well drilling, pipeline construction to construction of ports and refineries. This scenario raises very pertinent questions key to African development prospects, governance issues as well as political issues. Yates (2006) poses a very significant question by asking whether the Chinese will develop a ‘sphere of influence’ (bilateral-diplomatic, military-technical, financial-economic) in Africa as a result of its energy forays and in the context of the changing dynamics of oil geo-politics. These questions gain real significance bearing in mind that while China currently meets one quarter of its oil needs via African exports, the US has also predicted that by 2025, it will meet one quarter of its oil import needs from Africa as well. This situation remains tenuous especially so in light of the volatility of energy security both in terms of availability as well as security in oil producing countries like Iran, Iraq, Sudan, Nigeria and the so called resource curse and the multitude of associated with it. Therefore, will the US and China become rivals in the scramble for Africa’s oil or will one country establish a dominant geo-political sphere of influence? Is this increased bilateral relations between African countries and China a real opportunity for real foreign exchange earnings for growth and development or is it a passing cloud in China’s quest for energy sources to quench its booming economy? Yates (2006:220) reports that there are few regions in the world capable of meeting China’s demands for oil, namely: Siberia, the Caspian Sea and Africa. Of the three, he argues that Africa being the most backward economically and weakest politically is also the most open to Chinese energy forays. So what implications do these concerns posited by various analysts and scholars portend for African development and governance?

Several reasons have been advanced for China’s energy forays into Africa. First, the Chinese administration is keen to protect its energy interests in the Middle East but is wary of America’s military and political dominance in the region and the subsequent threat posed to its energy security due to the Iraq/US war. Secondly, China is on a quest to establish influence in largely unexploited (in terms of extent of and potential for oil exploitation as well as extent of available reserve) regions like Africa both to ensure its energy security but also to acquire alternative spheres of influence (to bolster its image as a regional and global actor).
Prior to the Iraq's invasion, China's energy map was concentrated in the Middle East region with heavy Chinese investment in the Iraqi oil patch. To this end Beijing advocated for the lifting of UN sanctions in Iraq in order to begin work in relation to a multi million dollar contract signed by the PRC's largest state owned oil firm—China National Petroleum Corporation (CNPC) (Zhao 2006:44). The war jeopardised China's energy stakes in Iraq so much so to the extent of redefining its basic conception of the geo-politics of oil (ibid: 44). Accordingly, rather than compete with the world's super power for Middle East's energy supplies, Beijing is diversifying its energy interests by intensifying investment in new and potential stocks in Africa and other parts of the world. This new strategy hence enables the PRC's state owned oil corporations to secure investment agreements involving energy exploration, pipelines and refinery facilities with African countries that produce oil, gas and other resources. This has led to an expansion of its relations with several oil rich African countries which according to modest estimates supplied 28, 7 percent of China's crude oil imports in 2004(Zweig and Bij: 2005).

Therefore, developments in the political situation in the Middle East and US involvement has contributed to China's energy diversification strategy which is a boon to African countries with oil and gas resources as it allows them to exploit as yet untapped resources and gain leverage to negotiate for better deals with other oil importing countries (ibid:45).

3.2.1.1 An Overview of the Actors

CNPC/PetroChina: CNPC is the most dominant Chinese oil company operating in Africa. In order to highlight the significance of CNPC's interests in Africa and its magnitude in terms of its centrality, it is imperative to shed light on a few facts about it. CNPC was China's domestic onshore oil company monopoly before liberalization reforms in 1998 geared towards the commercialization of the state's principal oil and gas companies. CNPC as a result of these measures is now a vertically integrated oil firm engaging in 'upstream exploration and production to downstream refinement and distribution' (Yates 2006:220).

Sinopec: The China Petrochemical Corporation (Sinopec) is the largest petrochemical and petrol refining company, producer and distributor of oil products (both retail and wholesale gasoline, diesel as well as jet fuel). In addition, it is also the leading petrochemicals producer. Sinopec Corporation is listed as a masthead on the New York and Hong Kong stock exchanges, to diversify ownership and also as a strategy to raise capital.5

These two major oil companies, CNPC and Sinopec were joined by two other state oil companies namely China National Offshore Oil Cooperation (CNOOC) for offshore production and Sinochem for oil imports and exports. Sinopec retained its previous operations for refinement and distribution and CNPC onshore production. Although distinct, these companies have over time integrated to undertake similar operations. No wonder Klapp (1987) in his discourse on oil policy in advanced and developing countries referred to these Chinese state owned oil companies as 'sovereign entrepreneurs' just like the old national European oil companies.

5 Quoted from the Sinopec website: http://english.sinopec.com
3.2.1.2 China in the Sahara Oil Fields

2006 marked the 10th anniversary of China’s entry into the Sudan’s oil fields. The association between China and the Sudan in oil interests was precipitated by Sudanese’s president Omar Al-Bashir visit to China in 1995 where he invited CNPC to join Sudan’s Greater Nile Petroleum Operating Company which China did the very next year (Yates 2006:222). In order to appreciate the significance of China’s entry into the Sudanese market and indeed the geopolitics of Africa’s oil, it is worth giving a brief overview of the players involved in the Sudanese oilfields and the circumstances surrounding China’s entry. Oil in the Sudan was originally discovered by an American company called Chevron in the 1970s. However Chevron did not succeed to produce any oil due to the outbreak of the civil war which pitted the Black Christian South against the Arab Muslim North. The killing of Chevron employees in 1984 by southern troops marked the beginning of US sanctions which prohibited American companies from transacting business in the Sudan then labelled a rogue state by the US. To make matters worse, the first major oil discoveries occurred near the North/South divide escalating fighting between Arab Northerners and African Southerners (Reeves 2001). Since US companies were prohibited by sanctions from engaging in business and commercial interests in the Sudan, the market was open to more players to take advantage of the discovery of oil in the Sudan. Chevron’s departure was followed by a host of Canadian companies the last of (Talisman Energy) which entered into a consortium with Asian state oil companies operating in Africa. These included China’s CNPC, ONGC and Malaysia’s Petronas (Yates 2006:223). Following the success of this consortium and with the Sudan state oil company as a silent partner, thousands of Chinese engineers and roughnecks began drilling for oil and building a 1000km long pipeline from the oil fields to the Port of Sudan over a record period of 18 months.

In the intervening period since then, Sudan has become a significant oil exporter in meeting China’s demand — reports indicate that Sudan currently meets seven percent of China’s oil needs. However, Professor Zhu Weilie of Shanghai International Studies University, quoting from sources in China’s Ministry of Foreign Affairs opines that Sudanese oil makes up 10 percent of China’s oil imports (Goodman:2004). This may seem like an insignificant figure but it is worth noting that 25 percent of Sudan’s oil exports are destined for China. Presently, CNPC has a 40 percent stake in the Sudan consortium and presides over the pipeline, refinery, port and oil tankers.

Judging from these figures, China is definitely an important player in the Sudanese economy and polity. To begin with, Sudan has received in excess of $500 million since 1999 from its oil exports to China of which 80 per cent, Goodman asserts has been exchanged for arms from China, making China the largest arm supplier of the Sudan. Chinese made armoury-tanks, bombers, fighter planes, rocket propelled grenades, helicopters and machine guns—have been used to uproot tribal communities in the South living along the proposed pipeline path of the China Petroleum Engineering & Construction Corporation which is a division of CNPC. Although Chinese authorities have denied direct involvement in the

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6 CNPC has also opened the its first petrol station in Africa in Khartoum.
murderous evictions, the Sudanese Update (2005 as quoted by Yates: 2006) reported that at least on one occasion villagers accused Chinese men of harassment and systematic rape. These allegations and others against the Sudanese administration as reported by Human Rights Watch indirectly involve the Chinese or in the least complicity on their part. Goodman (2005) goes on to report that the helicopters used to rain down bombs on villagers were fuelled at heliports maintained by a Chinese oil company further entwining China in acts of complicity in wanton destruction of lives and homes. Quoting from a Human Rights Report, Goodman (2005) reports about the Nuer town of Nhialdui which was annihilated by a troop of 7000 government soldiers:

Mortar shells landed at dawn. Then came helicopter gun-ships, directing fire at the mud-walled huts. ...‘any human being who could not get away was killed, even children', said Chief Tunguar Kuuyguong, who lost three of his 10 children that day. Even as people fled, walking more than seven miles to settle on a treeless plain, the bombs continued to rain down and the helicopter gun-ships buzzed in pursuit.' We could see the helicopters and try to hide in the grass,' said David Majang. ‘People stripped off their colourful robes to try to blend in with the scrub' (Goodman 2004)

3.2.1.3 Politics of Africa’s Oil and Implications for Governance

What about the role of China in petro-governance? China has come under sharp criticism over Sudan’s Darfur region and complicity in war crimes and human rights violations. China has significant oil investments in the Sudan which has been accused of genocide in the western region of Darfur. Infact it is reported that CNPC owns a greater part of the oil field in Southern Darfur (Yates: 2005). Despite the international outrage against the atrocities carried out in the Darfur region with full knowledge by the Khartoum government, in September 2004, China threatened to veto any sanctions against the Sudan by the UN Security Council. The Chinese ambassador to the UN in New York is reported to have said, ‘China has a long tradition of friendly relations with Sudan’ (ibid). Yet when CNPC decided to raise capital in the New York and Hong Kong bourses, it cleverly distanced itself from the developments happening in the Sudan.

This raises questions about China’s responsibility towards governance in light of human rights violations in the Sudan and by extension in Zimbabwe as well where Chinese presence is increasingly growing. China’s role as a development partner is hence questionable and its policy of non interference seems to be abating rather than helping the human rights atmosphere in these two countries. It is worth asking questions whether China can exercise economic muscle in African countries and boost trade and investment indices while ignoring other development factors like human rights especially displacement of people because of natural resource extraction and sale of arms to dictatorial regimes.

China in addition signed a $300 million, 10 million barrel crude oil purchase agreement with Libya which has been sanctioned by the US since 2004 (Zhao 2006:44). China’s energy diversification and its increasing presence in the energy sectors of developing countries is raising opposition in the West especially the US, ‘the world’s largest energy consumer, that China is not only challenging the West’s historic dominance in Africa, Latin America and Asia, but also undermining Western efforts to promote transparency and human rights in these developing countries and damaging US interests and values’ (Zhao 2006:45). It is particularly a concern as China is pursuing deals with countries that are off limits to western
companies because of sanctions, security concerns, human rights violations or the threat of bad publicity (Zhao 2006:45). While it is not evident whether the west challenges Chinese oil interests in Africa merely because of human rights violations or whether there are under-currents of competition for energy security and spheres of influence, what is clear is that China’s embroilment in human rights violations are becoming more glaring as the intensity of Chinese investment in the sector increases. Some analysts have expressed concern that China’s active quest to secure energy supplies in Africa and Latin America may have fuelled an energy ‘cold war’. Under these circumstances, therefore, it is not totally surprising to observe that when the CNOOC put together an $18.5 billion takeover bid for California firm Unocal Corp in early 2005, the fierce opposition in US congress prompted CNOOC to abandon the bid. However, from the Chinese perspective, implementation of the diversification strategy has borne fruit as China’s Middle East oil imports were reduced from 50.9 per cent of total imports in 2004 to 45 per cent in 2005 (Zhao 2006:45)

3.2.2 Clothing and Textiles

The clothing and textile (C&T) sector is chosen for three major reasons. First C&T is the largest manufacturing sector focusing on exports and secondly, it has been a beneficiary of the Multi Fibre Agreement-MFA (which expired on 31 December 2004 with removal of quotas) and is now a beneficiary of African Growth and Opportunity Act-AGOAA (Kaplinsky and Morris: 2006). The third reason has significant implications for development in the continent. C&T industry has historically (and successfully) been used as a vehicle to catapult developing countries onto the path towards industrialization and hence enhanced prospects for growth and development.

From the foregoing, it is plausible that perhaps no sector has experienced such turmoil as a result of trade liberalization in line with WTO’s Agreement on Textiles and Clothing (ATC) as well as the Uruguay Round of General Agreement on Trade and Tariffs (GATT). These WTO protocols effectively ensured the incorporation of previously protected clothing and textile industries into the competitive world trade regime. WTO member states had to scale down tariffs in compliance with these protocols thus ending the Multi Fibre Agreement (MFA) which had been in force in the industry since the 1970s.

Studies conducted by the US International Trade Commission (USITC:2004) and the Organization for Economic Co-operation and Development’s (OECD) (Audet 2004) predicted that SSA countries alongside other states like Bangladesh and Mexico would be hardest hit due to liberalisation of the clothing and textile industry. China and India were predicted to be the countries that would emerge most competitive in the liberalised trade regime by gaining greater market access to US and EU markets as a result of the elimination of trade quotas. Today, China is the most competitive clothing exporter globally. According to an OECD trade policy working paper, as at the beginning of 2005, Chinese exports to US in some clothing and textile categories grew by up to 1000 percent. Consequently, the EU and US as well as other countries, put restrictions on the share of Chinese clothing and textiles flowing into their markets. Very few SSA countries it is worth mentioning, took up a similar action to limit Chinese C&T imports to protect their own industries-due to various reasons which will be discussed in the succeeding paragraphs.
This sub-section therefore will provide an overview of the C&T industry before and after the expiration of the MFA and the implications for the said industry in SSA in light of China’s rise in this particular industry as well as in the context of liberalisation of the sector in accordance with WTO’s ATC and the Uruguay Round of the GATT. To conclude, there will be a summary on the future of the C&T industry in SSA as regards its implications for development prospects.

3.2.2.1 Background

The MFA came into force in 1974 to protect advanced countries’ C&T industries from cheap imports from developing countries. The MFA signalled the beginning of an era of punitive restrictive measures against developing countries and a blatant violation of the GATT protocol of the WTO. Velia (n.d.: 1) in Yates (2006) aptly described it as:

the primary instrument of developed country protection against developing country textile and clothing exports...providing a free-standing multilateral framework for the proliferation of discriminatory quantitative restrictions against 35 developing countries and economies in transition in clear violation of the spirit of GATT, from which it was an agreed derogation.

Although the MFA was renewed several times, mounting pressure in the 1980s signalled the incorporation of the C&T sectors into the global trade regime through the Uruguay Round of GATT from 1986 to 1994. The ATC stipulated that all WTO member states be given a period of 10 years to liberalise their C&T sectors and finalise by 1 January 2005. Nordas (2004) reports that findings of this round of talks on C&T liberalisation indicated that the welfare gains would constitute between 42 and 67 percent of total gains of the round of which the greater share would accrue to the US and EU as bulk importers. In summary, the elimination of the MFA drew mounting discontent from the developing world due to the manner in which delaying tactics were employed by the advanced nations and WTO in effecting changes as well as the unfair adjustment of MFA quotas.

This contextual background is relevant for the analysis of the C&T sectors in light of Sino-African engagement for several reasons because it is in this background that China enters the SSA market and contributes to the reconfiguration of the dynamics of SSA’s C&T industries. The liberalization of the C&T sectors under the ATC was not only fraught with problems but the termination of the MFA instead of levelling the playing field to enhance the prospects of developing countries, did little to increase market access to the EU and US. Infact in September 2004, nine developing countries submitted a plea to the WTO’s council on goods expressing their grievances about the foreseeable destructive outcomes of the MFA on their C&T industries including massive job losses coupled with social dislocation given the labour intensity of these sectors in terms of job creation especially for women. A WTO study conducted to find out the effects of the termination of the MFA on the labour market found out that workers rendered unemployed by the MFA elimination were less likely to find gainful formal employment at a similar level of remuneration due to constraints posed by the limited economic diversification in developing countries (Nordas, 2004:30-1).

The main reason why the expiry of the MFA spelled doom for many SSA countries with robust C&T sectors is rooted in the quota system granted to developing countries by the US and European states. The MFA allocated limited quotas to countries which when fully utilised would enable manufactures to move
to other countries which had not exhausted their quota allowance. For example if the quota allocation for Lesotho was filled, a manufacturer would expand operations to another country which still had a full quota, say to Mauritius. So manufactures operational expansion was primarily determined by availability of MFA allocated quotas and not other considerations like labour costs and so on. This ensured that countries with less than perfect production conditions would still enjoy sector security and anticipate growth in the long run. However, with the expiration of the MFA, manufacturers were now free to relocate based on other factors such as labour costs, proximity to markets, economies of scale and so on (van der Westhuizen: 2006). Consequently the south-south competition for the new markets, effectively elbowed out the small developing countries while handing out an advantage to larger developing countries like China and India (ibid). Studies show that the percentage of total African clothing imports into the US calculated to be at high risk of losing against Chinese competition was 84 per cent, second highest after Mexico’s 90 per cent (Appelbaum 2004).

Further studies conducted by USITC indicated that SSA countries would be the hardest hit in spite of the mitigating impacts of AGOA7 and its preferential treatment to specific products from eligible African countries. Infact various scholars posit that the intended benefits of AGOA would be negated by the impact of the termination of the MFA due to its rules of origin stipulations., Mattoo, Roy and Subramanian (2002:1) in the outcomes of a study they conducted found out that had the rules of origin allowed unlimited access to textiles into western markets, it would have cancelled the negative effects of the MFA expiry. They go on to document how countries like South Africa were severely affected because they are not classified under LDC status. Countries like Lesotho suffered plant closures, job losses as well as revenue loss with the expiry of MFA which ensured China gained advantage due to its competitiveness. In any case, it is not clear-cut whether China is solely to blame for the woes in the clothing and textile industry in SSA or the expiry of the MFA.

3.2.2.2 Impact of China’s Competitiveness

To assess the outcomes of MFA expiry, introduction of AGOA, Chinese domination of the C&T sector and the resultant impacts on development prospects, this section will focus on three countries namely: Lesotho, Kenya and South Africa. Before embarking on a country by country analysis, it is important to give a comparison of export rations before MFA expiry and after AGOA introduction. A study conducted by Kaplinsky and Morris (2006) found out that in the first ten months after MFA expiry, exports from AGOA countries fell by up to 14 percent while Chinese exports for similar products rose by 65 percent in the same time frame8. They go on to document how market share for AGOA economies in the US rose from 3.4 to 4.4 percent between 2001 and 2004 but fell from 4.3 to 4.2 percent between 2000 and 2006.

7 AGOA is a system put in place to give preferential access to certain products from eligible African states. However critics ague that the intended benefits of AGOA are constrained because of its burden some rules of origin regime.
8 See Annex A
**Lesotho and China:** The value of overall exports from Lesotho fell by 15 percent while for China rose by an incredible 125 percent. The overall value for Lesotho’s top ten exports fell by eight percent while the value for similar products in Chinese exports increased by 190 percent. This is not to say that Lesotho did not make any gains from AGOA. The limited gains in its top five export products accrued through its exports of denim jeans which were manufactured using material from the denim mill completed in 2004. These gains however cannot compare to the overall negative effects—for example unit prices fell up to three percent as well as overall market share for all products except denim. China’s market share for the same products exported by Lesotho to the US rose including denim category. There was overall decline between July 2004 and July 2005 in firms engaged in production of labour intensive products such as knitwear as well as in employment levels.

**Kenya and China:** Unlike Lesotho, Kenya’s AGOA exports stabilized in the immediate year after MFA expiry. Overall export performance was better than export performance of the leading ten products-showing a marked departure from the norm of most countries. By contrast, China’s export performance for the same top ten products rose by more than 357 percent as a result of halving of unit export prices unlike Kenyan unit prices which remained unchanged. Consequently, Kenya’s market in its top ten products share fell from 1.5 to 1.3 percent while China’s grew from 2.4 to 10.3 percent between 2004 and 2005. In addition the number of firms engaged in export fell from 30 in 2004 to 25 by June 2005. This decline in export oriented firms in Kenya’s Export Processing Zones (EPZ) was accompanied by a decline in employment levels from a peak of 36,348 in 2003 to 31,745 in June 2005.

**South Africa and China:** Of all the African countries facing negative effects because of the MFA expiry and China’s involvement in the industry, none suffered more adverse effects than South Africa. South Africa’s AGOA exports declined by 50 percent after the elimination of MFA quotas by the end of 2005 while China’s exports doubled in the same period. Unlike other countries however, South Africa’s unit export prices remained stable as China’s declined by more than half. Its share of the US market as well shrunk by half in the same period after MFA quotas elimination. In contrast with Lesotho, Kenya and indeed other countries involved in export of clothing and textiles, South Africa faced additional pressure from Chinese competition resulting from the penetration of its domestic market by cheaper Chinese imports. This led to increased job loss for thousands of workers in both the formal and informal sectors.

The value of African clothing and textile exports to the US fell by 16 percent in the by the end of 2005 despite a slight increase in export volumes because of a fall in unit prices by more than 10 percent. In a similar vein, China’s share for similar products exported by AGOA economies grew dramatically while those of

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9 See Annex A, Table 2  
10 See Annex C, Table 3  
11 See Annex D, Table 4
AGOA countries shrunk. As already reiterated over and over, employment levels in the C&T sector fell dramatically in all the three countries due to plant closures and many more not expressly mentioned here like Swaziland and Madagascar. Lesotho and South Africa (was not initially granted LDC status under AGOA alongside Mauritania) were more affected than Kenya (exports rose slightly). Share of SSA exporters to the US market saw significant growth between 2001 and 2004 due to a combination of MFA quotas and AGOA arrangements but fell in 2005 after removal of MFA quotas.

3.2.2.3 Clothing and Textiles to Industrialization: Implications of China

To analyse the impact of China on the C&T sector in the post MFA era, competitive/complimentary and direct/indirect matrix based on the framework Kaplinsky and Morris (2006) utilised to analyse the impact of Asian drivers on SSA industrialization will be employed. Kaplinsky and Morris (2006) have argued that China’s impact on industrialization is mostly felt through the trade and production channels.

The table below is a summary of the outcomes of MFA expiry as well as the implication of China’s presence in the C&T sector post MFA.

Table 3: Impact of China on the SSA C&T Sector

<table>
<thead>
<tr>
<th>Trade</th>
<th>Direct</th>
<th>Indirect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complimentary</td>
<td>SSA Fabric imports</td>
<td></td>
</tr>
<tr>
<td>Competitive</td>
<td>Indigenous textile sector faces undue competition from cheap Chinese exports</td>
<td>Intense pressure on pricing and market share-China decrease prices and consequently gains larger market share</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Production and FDI</th>
<th>Direct</th>
<th>Indirect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complimentary</td>
<td>Sustained FDI by firms from Taiwan initially to obtain quota access and take advantage of high effective subsidy</td>
<td></td>
</tr>
<tr>
<td>Competitive</td>
<td>Chinese firms compete for scarce resources thus reducing opportunities for local firms</td>
<td>Disinvestment and investment relocation</td>
</tr>
</tbody>
</table>

Source: Kaplinsky and Morris (2006) with elements of own elaboration

These findings are significant for development prospects in SSA in four ways. First are the negative effects associated with globalization and their impact on SSA. One of the features of our globalized world is surplus capacity and multiplication of supply sources for buyers who can afford. It is in this context that SSA is rendered unable to compete effectively in global markets.
weak economic and bargaining power SSA has little resources to effectively compete for scarce resources on a level playing field without losing out all together. For instance, the C&T sector has faced an aggregate decline in clothing exports of up to 16 percent according to Kaplinsky and Morris (2006). Does this mean that SSA requires a non level playing field where SSA industries enjoy subsidies geared towards enhancing their competitiveness in a world market dominated by Asian competitors?

Secondly, is what Kaplinsky and Morris (2006) refer to as ‘...the terms of trade effect and the emergence of classic Dutch Disease symptoms but with a regional sting in the tail.’ The regional sting here refers to the fact that Southern African countries seem to be more affected than other regions. They go on to argue that one of the major causes of South Africa’s economic growth has been the robust export performance of its hard commodity exports which has appreciated the exchange rate. The exchange rate appreciation in turn has worsened South African exports in C&T (and in other sectors as well) as well as manufactures exports from Swaziland and Lesotho (although they are not bulk commodity exporters) whose currencies are pegged to the rand.

Finally, the C&T sector as earlier mentioned has widely been perceived as a country’s catalyst to industrialization because of the many linkages associated with the sector as well as its ability to generate positive external economies unlike natural resource based commodity industries. If this is so, then SSA’s shot at industrialization are very slim on account of competition from China. This has major implications for the future trajectory of industrial development of SSA.

3.4 China and Governance in Africa

The debate on global governance can be traced back to the end of the cold war when a bi-polar power constellation gave way to a quasi uni-polar power structure. This growing salience of global governance issues was largely precipitated by the recognition that growing globalisation was generating trans-national and global problems that could not be solved within the scope of nation states practicing go it alone strategies. There was increasing recognition and acceptance therefore of the need to tackle these emerging problems politically and on the basis of new forms of ‘governance beyond the nation state’ (Kennedy et al.:2002, Rosenau: 1997, Zurn: 1998, Donahue and Nye: 2000). In the intervening period to date therefore, issues ranging from climate change, international financial crises, migration, humanitarian issues, terrorism, debt, property rights and so on have dominated global governance discussions.

For this reason, Messner (2000:84) defines the purpose and aim of global governance as, ‘development of a system of institutions and rules as well as of new mechanisms of international co-operation that make it possible to deal on a continuous basis with the problems posed by global challenges and trans-boundary phenomena’. Global governance processes and institutions therefore aim to minimise and mitigate the challenges, turbulence and crises associated with a globalizing world. Far from being a mere political process, Messner (2004) reiterates that global governance has developmental objectives as well. These, he argues, were couched in a neo-liberal framework to promote economic growth through liberalisation in the 1990s. It is not until towards the end of that period that discussions about governance that includes a multiplicity of actors across different levels began to emerge (Rodrik: 1997, Maggi and Messner: 2002). However, even this recognition of the need to include states, private and public sector in the global
governance process did not contribute a lot of space for developing countries to meaningfully participate in global governance. In a similar vein, critiques argue that the events of September 11, 2001 were as turning point in the global governance debate by redefining the dynamics of world politics, power and both state and non-state actors in an increasingly globalizing world. The subsequent responses of the US (and the Iraq war) renewed the debate about the future of a unilateral world order presided over by a ‘lone superpower’ (Cooper: 2003, Daalder and Lindsay: 2004, Mead: 2004). Since then, many observers basing their arguments on the way the global architecture structure was defined by post September 11 events have argued that the US will be the only global superpower for sometime to come. In relation to this, Kagan (2003) asserts that only the US can assert a sustained influence on global governance issues. If this were true, developing countries therefore became effectively marginalised. Nevertheless, a new angle has emerged in the global governance debate that focuses on the impact of emerging countries like China and India on global governance (Goldman Sachs: 2003, Friedman 2005 and 1999). It is this twist in the debate that illuminates the role of China in governance issues in Africa.

3.4.1 Locating China in Global Governance

China’s sheer size, populace and runaway growth have ensured it a place in the group of anchor countries as well as the status of ‘driver of global change’ in the global governance architecture. These characteristics taken on by China bear enormous implications not only for global governance but also for governance in the developing countries that China engages with not the least SSA countries. However, it is worth noting that until recently, little reference has been made to China in the global governance and global politics debate. It is only from 2003-2004 that China began to feature significantly in global governance debates as a significant ‘driver of global change’ (Kennedy et al.: 2002, Commission on Global Governance: 1995, Zurn: 1998, Held et al.: 1999, Rosenau: 1997). This fact is reinforced further by the treatment of China by US authors who ignore the potential role of China as a key actor of not only global change but regional change as well. Zbigniew Brzezinski (2004), an influential foreign policy expert has argued that China being poor cannot pose any real political challenge for the US. Joseph Nye (2002:22) on the other hand posits that, ‘China has a long way to go before it can become a peer competitor to the United States.’ Ivo Daalder and James Lindsay (2004) as well in their global governance analyses of transatlantic relations have largely ignored the potential role of China in global governance architecture. In any case, only recently have some of the leading ‘global players’ in debates on international relations started to put China (and some of them also India) into their frameworks of global power constellations.

In summary, all the strategies and scenarios of future global politics developed until 2003/2004 have deliberately ignored the significance of China and other potential drivers of change relevant for the African context and the need to build up an inclusive and cooperative multi actor, multi state global governance.

12 Derived from ‘Asian drivers of global change’—a term that has gained currency among analysts of the emerging Asian economies of China and India.
architecture that includes powerful actors in the global economy, polity and governance such as China.

China’s significance in terms of its potential role in the contemporary global governance architecture is as a result of its characteristics which bear profound impacts in world economy and politics. It is for these reasons that China is forcefully redefining the economic and consequently the political balance of power globally (Messner and Humphrey: 2006). The current global governance architecture is unilateralist in type and unstable in nature and hence fraught with contradictions and vulnerability. Messner and Humphrey (2006) posit that the rise of China and India as relevant actors in global governance and the world economy is leading to the formation of a de-facto multipolar constellation. They further reiterate that by 2015-2030, the US, China, India and possibly the EU will constitute significant poles of power in the global governance architecture (ibid). The future interaction and indeed present interaction among these key actors of global governance will influence whether and how contemporary trans-national and global problems are dealt with and what role the world’s developing regions will prove able to play in world politics and the world economy (ibid). The emergence of China and India present challenges for the US and EU who currently are significant actors in the architecture of global governance. They also raise questions as to whether the two actors will integrate China and India into a system of effective multilateralism or whether unbridled competition for spheres of influence could lead to new instabilities and turbulence. This would have the impact of shifting focus away from contemporary challenges of globalization and development such as poverty, environmental degradation, climate change, recurrent conflicts and state and market failures.

3.4.2 Challenges for SSA

The competition and policy options resulting from this redefined power constellation will present significant impacts and challenges for developing countries more so SSA. Ultimately, the rise of China is altering the dynamics of governance in Africa in lasting ways. Given the rise of China, and its involvement in the economics and polity of African states, we have to rethink the dynamics of governance in the African context. Several challenges can be identified at present:

To begin with, China’s rise is generating mounting ‘socio-economic adjustment pressure’ in many SSA countries (Messner and Humphrey, 2006:2). Developments in the Chinese labour markets are having significant repercussions for SSA countries in various sectors. China’s vast reserve army of skilled and unskilled labourers effectively ensure low wage costs which translate into cheap exports. In addition China’s quest for technology learning as well as its growing skilled labour force has led to China’s entry into high value added and technology intensive

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13 Although the study conducted by Humphrey and Messner (2006) for the GDI Policy Briefing Paper 1/2006 titled Unstable Multipolarity? China’s and India’s Challenges for Global Governance focused on challenges for governance on a global scale, some of those findings can be extrapolated to regions which I have attempted to judiciously do.
industries (ibid:2). This translates into a win-loose scenario where SSA countries seem to be on the loosing end especially in sectors such as C&T. Well, it may be true that China’s economic boom has also led to increased demand for primary goods thus benefiting SSA, but exports of agricultural goods and raw materials are not sufficient to ensure sustained growth and development because raw material and mineral based industrialization does not provide sufficient linkages like other industries. In addition and as already mentioned, Chinese clothing and textile exports pose serious threats to the C&T industry in Africa, a sector which has seen significant growth and success in those countries that engage in it. What about countries that are not rich in resource based raw materials? Are there economic alternatives to dependence on resource based economic and industrial activities? In addition, the strengthening of resource based economies for is likely to have political consequences and repercussions for governance. Humphrey and Messner (2006) reiterate that emphasis on resource based rent economies at the expense of other industries is likely to undermine efforts in political liberalization especially in countries with poor governance track records.

Secondly, as China becomes a major player in the global governance architecture questions arise about whether it will continue to play the role of ‘advocate’\textsuperscript{14} for developing countries or focus on its own interests which do not have to necessarily coincide with those of the developing world as already characterised by the asymmetric economic relations between China and African countries. Historically, China has always aligned itself with developing countries' whether to champion for fairer trade rules at the WTO, transparency at IMF and World Bank or greater representation for developing countries in the global governance and political structures like the UN. It is unclear whether this status quo will be upheld as dynamics in the global governance architecture play themselves out and as the global power constellation gets redefined by the emergence of rising regional economic powerhouses such as China, India, Brazil and even South Africa not to mention numerous East Asia countries.

Third, the emergence of China as a significant economic actor thrusts its political characteristics in the limelight. China being undemocratic as well as non-liberal has implications for the legitimacy of its role in global governance processes which draw legitimacy from the actors who shape these processes Humphrey and Messner (2006). Implications for enforcement of human rights and environmental standards arise given China’s authoritarian regime as well as its co-operation with resource rich African countries with questionable governance track records as well as a history of human rights violations. It seems efforts to bolster human rights, advance democratic principles as well as foster conflict prevention and resolution are in jeopardy in countries where Chinese interests risk being affected as a result of the above. China’s bilateral relations so far with Zimbabwe, the Sudan as well as countries outside Africa like Myanmar, Uzbekistan, Iran already point potential lines of conflict where human rights standards are in direct conflict with China’s economic interests. China for instance being a member of the UN Security Council

\textsuperscript{14} A term used by Humphrey and Messner (2006), to describe the relationship between China, India (as emerging actors of global governance) and Southern countries.
vetoed possible sanctions against the Sudan for atrocities in the Darfur region largely because it feared its oil interests in the region would be jeopardized.

In addition, China’s foreign policy towards Africa is guided by principles of non-interference in internal affairs of a country. This is a two pronged strategy which is laudable for respecting principles of sovereignty and states’ right to self determination but at the same time opens up loopholes for lapses in accountability, transparency, good governance and abuse of power. China is laudable for writing off the bad debts owed it by African countries in the spirit of development cooperation. However, some policy analysts like Humphrey and Messner (2006) contend that China’s policy of non interference in its bilateral relations with African countries undercut efforts aimed at enforcing social, environmental and transparency standards which Western development co-operation has been pegging their aid on in terms of conditionalities based on the former and other standards. Nevertheless it is worth noting that China’s polity and economy which are authoritarian and market oriented respectively is appealing to a number of African as well as even Latin American countries who would follow the Chinese model of development. Humphrey and Messner (2006) aptly describe this scenario by referring to the (post)Washington Consensus as being challenged by a Beijing Consensus15. In this regard, China is tacitly acquiring a soft power as countervailing force against Western influence in the continent. As already stressed over and over again-this has implications for enforcing good governance, transparency and accountability in light of the fact that China attaches no conditions to its bilateral relations as well as the principle of non-interference in the affairs of sovereign states. At this point and since Chinese foreign policy to Africa is highly intoned with the principle of non interference-it is useful to contrast the same principle with that of non-intervention. Does non-interference automatically translate into non-intervention? And if on the one hand China upholds the right of sovereignty for very state while at the same time rising to be a significant actor in the global governance architecture, to what extent can it employ its resources-both political and economic to uphold such a role by ensuring rule of law in the countries with which it engages in. Drawing from Humphrey and Messner’s (2006) immense contribution towards this debate it is worth considering whether China will aggressively push for multilateralism bearing in mind its dalliance with the US on the Kyoto Protocol. Humphrey and Messner (2006)argue that China being signatory to the Bush Administration’s ‘climate initiative’ is a clear signal of efforts to undercut the multilateral Kyoto process and other efforts aimed at reducing carbon dioxide emissions and reversing climate change. Thus, the direction China takes in its bilateral processes with other key actors in the global governance arena on key issues such as climate change will have implications for future global governance processes.

Fourth, China’s insatiable demand for natural resources and energy versus issues of sustainable development and environmental conservation (which had been relegated to the back burner in the last ten years or so) have placed back the issue of sustainability back on the world politics agenda (Humphrey and Messner, 2006).Conservative estimates project China’s energy demand to rise by 50 percent

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by 2015. China’s share of global carbon dioxide emissions today stands at 16.5 percent and is projected to rise to 25 percent in 2025. For purposes of comparison, Germany’s stands at a mere 3.5 percent of global share. China also is the second largest importer of timber after Japan. China by all means is now matching the US in terms of consumption of global resources. So on the one hand we see a country high on consumption indices like the world’s super-power, on the other hand is an equation of sustainability begging to be solved. This is the flip side of the debate on sustainability and global climate policy. Humphrey and Messner (2006) refer to this new development as the renaissance of geo-economics and geopolitics. This in fact refers to how the competition for dwindling energy resources in Africa, Latin America and other previously untapped regions are changing the dynamics of the contemporary multipolar power dynamics as well as the shape of the future architecture of global governance. Humphrey and Messner (2006) aptly and (rightly so) voice the concern of whether poverty oriented development policy will fall victim to the resource oriented regional strategies pursued by not only the big powers but the regional ones as well.

Finally, the turbulence associated with and the conflictual nature of transitioning to a multipolar power constellation consisting of the established super power (i.e.) and rising powers like China and possibly India and Brazil is likely to generate conflicts. When China embarks on the process of developing its own global governance strategies contrary to those of the US and EU which are historically firmly established in African affairs, there will be implications for this shift in power constellation as well as the contemporary spheres of influence within Africa.
CHAPTER 4

4 IS CHINA THAT DIFFERENT?

Is China a viable alternative to the strategies and other spheres of influence that SSA has engaged with to enhance its developmental prospects? Drawing from the preceding chapters, it is evident that the determinants for Chinese presence in Africa are primarily resource and energy based in order to sustain its economic boom. The resources that are of great interest to China presently are in relative abundance although much of it is unexploited due to capital constraints and political turbulence. These under-investment gaps are being filled by Chinese companies especially in the oil sector. For a number of these countries this is mostly new investment where Western countries for one reason or another have been unable to succeed in similar ventures. This is not to downplay China’s role in the controversial politics of oil and the implication of human rights violations.

Secondly, trade between Africa and China has been marked by high turnovers year on year. Exports have tripled since 2001 while total trade has exceeded expectations. In 2006, total trade grew to $38 billion and International Monetary Fund (IMF) projects this figure to reach $100 billion by 2010. The number of Chinese companies investing in Africa has also grown such that by 2006, 800 Chinese companies had invested $1 billion in 49 countries in the continent (Wissenbach 2007: 8; Alves and Draper 2006: 22). These drivers of growth-trade and investment- have been complemented by debt cancellation amounting to $1.27 billion and tariff elimination on select export products.

All these have favourably impacted on the growth and development prospects for Africa. For example between 2001 and 2004, Africa’s real gross domestic product (GDP) grew at an average 4.2 percent yearly compared to 3.3 percent in 1997-2001. By 2004, SSA’s growth had reached 5.4 percent presenting an eight year high. This positive growth has been pegged on the high global prices for select commodities produced and exported by Africa which in turn is pushed by China’s high demand for the same products. Although Africa depends on a narrow range of export commodities, this may not necessarily constrain development prospects. Rising commodity prices are improving terms of trade, a condition driven as well by price decreases of Chinese exports. This means that the purchasing power of both consumers and producers is improving. Finally resource rich countries are also registering improved export indices hence reducing balance of payment problems and macro-economic instabilities. In conclusion, African growth is experiencing a steady growth phase after more than 20 years of decline.

On one hand therefore, China’s commercial activities in Africa are not any different from other actors except perhaps in scale and scope. In this regard, more robust Sino-African cooperation may not drastically impact Africa’s long term development prospects because the robust bilateral trade is heavily resource dependent and when the commodities boom dies, African countries may find themselves back in square one.

There are important differences as well since no bilateral or multilateral relations can be an entirely win-win situation. As some of the case studies have indicated, certain aspects of Sino-African cooperation have negatively impacted on Africa’s development prospects. Broadly speaking, certain risks are associated with this engagement and can be classified as both political (governance) and economic
On the political, China has largely been misinterpreted or misunderstood as an alternative to imperialist powers and western established institutions of governance. China’s foreign policy like any other country is largely driven by its own interests and should therefore not be misunderstood as an altruistic benefactor having African interests at heart. This erroneous perception of China downplays the potential threats China poses to Africa’s developmental prospects such as development of industrial bases. It must be understood that China’s foreign policy to Africa and to any other country for that matter is more pragmatic than ideological and hence driven by commercial needs rather than altruistic needs. As such, it is pretentious to imagine that China can in totality meet Africa’s developmental expectations. As already mentioned China is also a developing country faced with its own numerous challenges as well and hence has neither the capacity nor will to sustain lasting developmental prospects for Africa.

The biggest risk presented by Sino-African cooperation could easily be governance related. The New Partnership for Africa’s Development (NEPAD) has reiterated that public and private governance in Africa is a necessary prerequisite for growth and development. China currently has bilateral relations with countries that have had less than stellar track records for human rights, transparency and accountability. These include Nigeria, Sudan, Zimbabwe, Democratic Republic of Congo (DRC) as well as Angola, countries which rank highly on Foreign Policy’s Failed State Index (Westcott 2006 in Alves and Draper 2006: 25). China has been variously accused of complicity in human rights violations in countries where it has economic interests. These governance problems although linked to Africa’s resource wealth and the idea of resource curse cannot be wholly attributed to China’s economic and political activities in the continent. China’s involvement may have certainly exacerbated some of these problems but it is worth mentioning that problems with resource abundance have long existed even before China’s entry into these countries. In relation to this China’s emphasis on non interference on the affairs of sovereign states has been blamed for worsening an already tenuous governance situation by multilateral donor agencies. However this position is questionable bearing in mind that conditioned backed assistance has failed to make meaningful impact on governance indices in the past, hence the major responsibility for solving Africa’s governance problems do not lie with China or other external actors but with African countries themselves.

On the economic level, three types of risks facing Africa can be identified: direct competition in domestic markets, indirect competition in export markets and risks associated with natural resource wealth (Alves and Draper 2006: 26). Although Africa is likely to face few problems in third markets because of the diversity in export profiles of both China and Africa, evidence suggests that this cannot hold for the C&T industry. China has elbowed out many SSA C&T export products by driving down its unit prices. The situation in the domestic market is more promising because cheap Chinese imports have led to gains for both consumers and producers both as final consumption goods and as production inputs. However China’s competitiveness in the manufacturing sector is likely to deny African countries opportunities to develop their own industrial bases. This therefore demands for Africa to explore alternative channels for rapid development such as services although owing to the inadequate skill level in the continent, this is likely to be quite a challenge.

Finally, there is the risk associated with abundance in resources and the so called Dutch disease which can lead to industrialization when labour and capital move to resource based non-tradable sectors at the expense of tradable manufacturing sector. However this scenario might not obtain in Africa because of
its poverty in real terms as well as the negligible impact currency appreciation has on production and manufacturing.
CHAPTER 5

5. CONCLUSION

5.1 Balancing the Score Card

The rise of China both regionally and globally and its growing presence in SSA raises pertinent policy issues for SSA for governments, civil society, private sector and other bi-lateral and multilateral partners. African policy makers in the public and private realms need to move develop a critical understanding of China’s policy direction towards Africa and in response generate a coherent policy response that best captures opportunities for development while limiting risks that impede development prospects. This growing Chinese presence in SSA therefore raises major policy challenges for SSA ranging from trade related aspects, manufacturing, governance and natural resource related investment.

China poses risks to Africa’s fledgling manufacturing sector especially in the C&T sector. It is imperative therefore for African countries to devise explicit steps to protect their industries while at the same time building on their existing capacities to enhance competitiveness. Secondly rents accruing from the commodity boom have to be judiciously and transparently managed to avoid problems associated with the resource curse. Countries like South Africa and Botswana have successfully managed to do so and much can be learnt from their experiences. Third, there is need to balance capital intensive production of hard commodities with labour intensive production of manufactures to minimise the associated risks of resource production such as corruption, violence and fragile states (Kaplinsky, McCormick and Morris 2006:3). In addition resource based capital intensive production may not necessarily lead to poverty alleviation and income redistribution if rents accrue to corrupt bureaucrats and regimes.

Linked to this, African governments need to closely examine its links with China especially in its bilateral relations with fragile states in order to foster transparency, environmental and corporate governance which unfortunately has been undermined by China’s presence in countries like Sudan and Zimbabwe. In addition, there is need for a coherent and informed response on how to manage historical links with the EU and North American, strengthen links with other African economies and polities as well as enhance Sino-African linkages. This is crucial because despite the concerted pressure to wholly embrace the look East policy, Africa cannot do away with either of these linkages at the expense of another. Finally, African economies must develop and strengthen the capacities of its governments, corporate and informal sectors as well as civil society in order to deal effectively with changing environments, develop strategic responses to these environments and effectively implement these strategies. This is important if Africa is to grasp the opportunities offered by China and minimise the threats which it poses.

These policy challenges require country and continent specific policy responses and as such certain knowledge gaps need to be filled for this to be successful. First, there is need for further studies to assess the future impact of China on Africa in terms of enhancing Africa’s competitiveness and productivity.
There is need for base-line studies and analyses to assess the changing future impact of China on SSA. Secondly, analyses of the determinants of SSA competitiveness and the steps required to enhance productivity (for example, in clothing, textiles, footwear and furniture, as well as in export-oriented food crops). Secondly, there is need for a thorough assessment of the direct and indirect impacts of China's trade on income distribution and poverty alleviation Africa in order to develop appropriate policy responses. Third, there is need for further country studies on the differential impact of China in order to draw lessons for future engagement strategies as well as identify potential future opportunities and risks as well as lessons on how to cope with challenges posed by China.
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ANNEX A

Table 1: AGOA versus China; Top 5 AGOA Clothing Exports to US, Jan-Oct 2005 versus Jan-Oct 2004

<table>
<thead>
<tr>
<th>Item</th>
<th>AGOA exports Jan-Oct 2005 ($)</th>
<th>Value change (%) YTD 05/04</th>
<th>Unit price change (%) YTD 05/04</th>
<th>AGOA market share (%) 2001</th>
<th>AGOA market share (%) 2004</th>
<th>AGOA market share (%) 2005&lt;sup&gt;5&lt;/sup&gt;</th>
<th>China market share (%) 2004</th>
<th>China market share (%) 2005&lt;sup&gt;5&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>1,234,000,000</td>
<td>-6</td>
<td>66</td>
<td>1.6</td>
<td>2.6</td>
<td>2.1</td>
<td>15.8</td>
<td>24.4</td>
</tr>
<tr>
<td>1</td>
<td>138,800,000</td>
<td>-19</td>
<td>266</td>
<td>-5</td>
<td>-57</td>
<td>4.34</td>
<td>5.44</td>
<td>4.15</td>
</tr>
<tr>
<td>2</td>
<td>96,600,000</td>
<td>-16</td>
<td>96</td>
<td>-10</td>
<td>-68</td>
<td>3.61</td>
<td>6.70</td>
<td>4.82</td>
</tr>
<tr>
<td>3</td>
<td>98,000,000</td>
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<td>317</td>
<td>-4</td>
<td>-55</td>
<td>2.27</td>
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<td>164</td>
<td>-3</td>
<td>-43</td>
<td>2.97</td>
<td>5.22</td>
<td>5.36</td>
</tr>
<tr>
<td>5</td>
<td>58,300,000</td>
<td>-22</td>
<td>694</td>
<td>-4</td>
<td>-34</td>
<td>3.53</td>
<td>4.22</td>
<td>3.27</td>
</tr>
<tr>
<td>Avg</td>
<td>63,700,000</td>
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<td>203</td>
<td>-0.6</td>
<td>-45.9</td>
<td>3.4</td>
<td>4.4</td>
<td>4.2</td>
</tr>
<tr>
<td>Top 10&lt;sup&gt;*&lt;/sup&gt;</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3</td>
<td>9</td>
</tr>
</tbody>
</table>

<sup>*</sup> weighted average

YTD 2005

Source: Calculated from [http://dataweb.usitc.gov](http://dataweb.usitc.gov) data, accessed on 10th January 2006

Table 2: Lesotho versus China; Top 5 Lesotho Clothing Exports to US, Jan-Oct 2005 versus Jan-Oct 2004

<table>
<thead>
<tr>
<th>Item</th>
<th>Lesotho exports Jan-Oct 2005 ($)</th>
<th>Value change (%) YTD 05/04</th>
<th>Unit price change (%) YTD 05/04</th>
<th>Lesotho market share (%) 2001</th>
<th>Lesotho market share (%) 2004</th>
<th>Lesotho market share (%) 2005&lt;sup&gt;5&lt;/sup&gt;</th>
<th>China market share (%) 2004</th>
<th>China market share (%) 2005&lt;sup&gt;5&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>322,110,000</td>
<td>-15</td>
<td>125</td>
<td>0.53</td>
<td>0.97</td>
<td>0.77</td>
<td>8.00</td>
<td>16.78</td>
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<td>59,400,000</td>
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<td>266</td>
<td>-9</td>
<td>-57</td>
<td>1.42</td>
<td>1.73</td>
<td>1.51</td>
</tr>
<tr>
<td>2</td>
<td>35,000,000</td>
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<td>96</td>
<td>-12</td>
<td>-68</td>
<td>0.95</td>
<td>2.40</td>
<td>1.75</td>
</tr>
<tr>
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<td>33,100,000</td>
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<td>164</td>
<td>-8</td>
<td>-45</td>
<td>1.28</td>
<td>1.60</td>
<td>2.22</td>
</tr>
<tr>
<td>4</td>
<td>24,000,000</td>
<td>-26</td>
<td>558</td>
<td>-5</td>
<td>-53</td>
<td>2.56</td>
<td>6.88</td>
<td>7.26</td>
</tr>
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<td>5</td>
<td>9,300,000</td>
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<td>684</td>
<td>-10</td>
<td>-34</td>
<td>1.39</td>
<td>1.14</td>
<td>0.62</td>
</tr>
<tr>
<td>Avg</td>
<td>20,200,000</td>
<td>-8</td>
<td>190</td>
<td>-3.1</td>
<td>-46.3</td>
<td>1.2</td>
<td>1.8</td>
<td>1.5</td>
</tr>
<tr>
<td>Top 10&lt;sup&gt;*&lt;/sup&gt;</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3.3</td>
<td>9.0</td>
</tr>
</tbody>
</table>

<sup>*</sup> weighted average

YTD 2005

Source: Calculated from [http://dataweb.usitc.gov](http://dataweb.usitc.gov) data, accessed on 30th October 2005

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1. Women's Or Girls' Other Pullovers, And Similar Garments, Of Cotton, Knitted Or Crocheted, Containing Less Than 36 Percent By Weight Of Flax Fibers
2. Men's Or Boys' Other Pullovers, And Similar Garments, Of Cotton, Knitted Or Crocheted, Containing Less Than 36 Percent By Weight Of Flax Fibers
3. Men's Trousers And Breeches, Not Knitted, Of Cotton, Not Imported As Parts Of Playsuits, Blue Denim
4. Boys' Trousers And Breeches, Not Knitted, Of Cotton, Not Imported As Parts Of Playsuits, Blue Denim
5. Women's Trousers And Breeches, Of Cotton, Not Knitted, Blue Denim
Table 3: Kenya versus China; Top 5 Kenya Clothing Exports to US, Jan-Oct 2005 versus Jan-Oct 2004

<table>
<thead>
<tr>
<th>Item</th>
<th>Kenya exports Jan-Oct 2005 ($)</th>
<th>Value change (%) YTD 05/04</th>
<th>Unit price change (%) YTD 05/04</th>
<th>Kenya market share (%)</th>
<th>China market share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Kenya</td>
<td>China</td>
<td>Kenya</td>
<td>China</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>226,990,000</td>
<td>0</td>
<td>86</td>
<td>0.14</td>
<td>20.19</td>
</tr>
<tr>
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<td>49,400,000</td>
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<td>317</td>
<td>0.35</td>
<td>2.37</td>
</tr>
<tr>
<td>2</td>
<td>26,500,000</td>
<td>22</td>
<td>894</td>
<td>1.07</td>
<td>1.50</td>
</tr>
<tr>
<td>3</td>
<td>11,300,000</td>
<td>-48</td>
<td>158</td>
<td>0.19</td>
<td>1.55</td>
</tr>
<tr>
<td>4</td>
<td>5,000,000</td>
<td>-66</td>
<td>705</td>
<td>0.94</td>
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<td>2125</td>
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<td>4.36</td>
</tr>
<tr>
<td>Avg</td>
<td>13,200,000</td>
<td>-9</td>
<td>357</td>
<td>0.5</td>
<td>1.5</td>
</tr>
</tbody>
</table>

*weighted average

Source: Calculated from dataweb.usitc.gov data, accessed on 30th October 2005

Table 4: SA versus China; Top 5 SA Clothing Exports to US, Jan-Oct 2005 versus Jan-Oct 2004

<table>
<thead>
<tr>
<th>Item</th>
<th>SA exports Jan-Oct 2005 ($)</th>
<th>Value change (%) YTD 05/04</th>
<th>Unit price change (%) YTD 05/04</th>
<th>SA market share (%)</th>
<th>China market share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SA</td>
<td>China</td>
<td>SA</td>
<td>China</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>101,000,000</td>
<td>-39</td>
<td>71</td>
<td>0.37</td>
<td>21.47</td>
</tr>
<tr>
<td>1</td>
<td>18,200,000</td>
<td>7.6</td>
<td>96</td>
<td>1.3</td>
<td>0.9</td>
</tr>
<tr>
<td>2</td>
<td>5,900,000</td>
<td>-64.4</td>
<td>154</td>
<td>0.3</td>
<td>1.3</td>
</tr>
<tr>
<td>3</td>
<td>2,800,000</td>
<td>-67.1</td>
<td>256</td>
<td>1.2</td>
<td>0.3</td>
</tr>
<tr>
<td>4</td>
<td>1,000,000</td>
<td>-86.2</td>
<td>158</td>
<td>0.4</td>
<td>0.6</td>
</tr>
<tr>
<td>5</td>
<td>2,100,000</td>
<td>-68.0</td>
<td>71</td>
<td>0.1</td>
<td>0.9</td>
</tr>
<tr>
<td>Avg</td>
<td>4,200,000</td>
<td>-48</td>
<td>212</td>
<td>0.7</td>
<td>0.7</td>
</tr>
</tbody>
</table>

*weighted average

Source: Calculated from dataweb.usitc.gov data, accessed on 30th October 2005