Africa and China: A Strategic Partnership?

Judith van de Looy and Leo de Haan

Abstract

Relations between Africa and China have increased over the years and become more dominated by China’s economic interests. With an annual growth rate of 8-9 per cent, and a booming economy, China’s dependency on accessing natural resources is a top priority and has accordingly expanded its horizons. Africa, with all its seemingly unlimited natural resources, is an ideal partner. In addition, the African continent as a whole offers a potential market for China’s low-value manufactured commodities. This paper is an attempt to present an overview of contemporary Sino-African relations and the state of trade relations, with special emphasis on natural resources and the export market for Chinese products and investments in Africa.

Introduction

China’s relations with Africa during the twentieth century were geopolitically motivated, as it was a way of opposing the super powers and western hegemony. China stated to share a common identity with Africa, as a Third World country itself. However, in the 1990s this approach towards Africa became more economically motivated. Increasing numbers of Chinese companies are developing connections in Africa with the aim of increasing trade between China and the African continent. This relationship between China and Africa has not gone unnoticed. Questions about how to deal with this development and its consequences are being raised. This paper is an attempt to present an overview of contemporary Sino-African relations and the state of trade relations, with special emphasis on natural resources and the export market for Chinese products and investments in Africa.

Sino-African Trade

China and Africa have concluded various trade agreements in the past.
The first initiatives were taken in the framework of the 1955 Bandung Conference. This agreement was merely political, but while establishing diplomatic ties with African countries, economic and cultural agreements were also signed by both parties. In 2000, the first large-scale conference on Sino-African trade was held in Beijing. According to China, the purpose of the Sino-African Forum was ‘the construction of an international political and economic order and [to] explore new Sino-African cooperation’. Over 40 African states with 80 foreign ministers and ministers in charge of international economic cooperation were present. In addition, 17 international and regional organizations, NGOs and entrepreneurs were also in attendance to discuss South-South cooperation, the North-South dialogue, debt relief, and Chinese economic cooperation with African states. The conference produced two key documents, namely, the Beijing Declaration and the Programme for China-Africa Co-operation in Economics and Social Development. The latter described Chinese investments in Africa, financial cooperation between China and the African Development Bank Group (ADB), debt relief and cancellation, agricultural cooperation, natural resources and energy, education and multilateral cooperation.

Figure 1: China’s Total Imports and Exports, 1978-2004


In 2003, the second China-Africa Cooperation Forum was held in Addis Ababa when Prime Minister Wen Jiabao declared that Chinese economic assistance and investment ‘comes with the deepest sincerity and without
any political conditionalities’. During the meetings in 2000, South Africa raised the issue of debt relief, which China opposed. However three years later it announced debt relief for African countries to the tune of US$1.27 billion and granted aid packages to several states. By making this gesture towards African states, China placed itself on equal terms with the West regarding operations in Africa.³

China’s post-Maoist era is characterized by economic expansion. The figure below shows the total value of China’s exports and imports between 1978 and 2004. It can be seen that from 1994 onwards growth has increased and now exceeds US$100 billion.

Trade between China and Africa has quadrupled since 2000 when trade between Africa and China totalled around US$10 billion. Just five years later it had increased to US$28 billion. Table 3 shows the development of Sino-African trade between 1999 and 2003. China is now Africa’s third largest commercial partner after the United States and France, and the second largest exporter to Africa after France. Remarkably, Britain – as a former colonial power – has been left far behind by China.⁴

Table 1: Sino-African Trade, 1999-2003 (in US$ million)

<table>
<thead>
<tr>
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<th>1999</th>
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<th>2002</th>
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<tbody>
<tr>
<td></td>
<td>6459.3</td>
<td>10563.5</td>
<td>10755.7</td>
<td>12346.9</td>
<td>18487.1</td>
</tr>
</tbody>
</table>


China’s economic relationship with Africa can be divided into: the drive for resources; new export markets; and new investment opportunities for Chinese companies. Exports from Africa to China are primarily commodities and oil, while African imports from China consist of manufactured goods such as industrial products, electrical equipment and machinery, textiles and household utensils.

Resources: Exports to China

China currently has the fastest growing economy in the world, with an annual growth rate of 8-9 per cent. But such rapid economic development in the post-Maoist era has required a steady and growing supply of oil. A major change came about in 1993, when China became an energy importer instead of a net exporter. China’s demand for oil has been
so rapid that in 2004 the country became the world’s second largest oil importer after the US. The growing demand is due to not only an expanding economy but also to a generally wealthier society with its increased demand for consumer goods such as cars and refrigerators. It is estimated that the Chinese demand for oil will increase by 156 per cent between the years 2001 and 2025.

Figure 2: Oil Demand and Net Imports, 1971-2004

![Figure 2: Oil Demand and Net Imports, 1971-2004](image)

Source: IEA, Oil Information 2005

China is seeking new suppliers to fulfil its oil requirements in order to diversify its sources and achieve energy security. In Africa, where new reservoirs have recently been found, China has every possible chance of success when it comes to exploiting new sources. To gain and retain control of these sources, it is allocating considerable military, politico-diplomatic and economic resources.

Africa possesses around 8 per cent of the world’s oil reserves and 11 per cent of world oil production. It is estimated that production in Africa is rising 6 per cent annually. By 2007, it will reach seven million barrels a day and by 2010 this figure is estimated to become eight million. New deep-water oil discoveries have been made in the Gulf of Guinea, more specifically in Nigeria, Angola and Equatorial Guinea. International oil companies are continuing to invest in the continent; good conditions are offered by African leaders and most of the oil is being found offshore which has advantages for the loading of tankers and provides a degree of stability in oil production levels. African oil is also of high quality.

A quarter of China’s oil imports come from Africa: from Algeria, Angola, Chad, Sudan, Nigeria, Gabon and Equatorial Guinea. The thirst for oil is
becoming so important that even the ‘One China Principle’ is being disregarded since Chad has diplomatic relations with Taiwan. A new pipeline from Chad to Cameroon opened in 2003 so that oil from Chad can be transported directly to a major port. Even though this trade in natural resources has a positive effect on the trade balance, it has some disadvantages as well. The production of oil merely requires capital investment and labourers are not required in large numbers. Moreover, in countries where oil is abundant, governments tend to focus on the wealth-generating oil sector and to neglect other sectors. Corruption is mentioned as a frequent problem.

As the need for energy becomes even greater in the future, the scenario described above can be expected to become more common. The international community has already accused China of unethical practices in Africa. The boxes below describe the cases of Sudan and Angola and their relationship with China.6

Box 1: China in Sudan

Sudan’s total oil reserves are currently estimated at five billion barrels. The country produces about 500,000 barrels a day and this figure is likely to increase to 750,000 b/d in 2006. According to the WTO, oil exports to China accounted for 64 per cent of Sudan’s total oil exports in 2004. China’s first oil imports from Sudan were in 1995. China’s National Petroleum Corporation began oil exploration there and has expanded steadily. In 1997, the US imposed economic and trade sanctions on Sudan and China then moved in to fill the gap that Western countries had left. Currently, China National Petroleum is the largest shareholder and essentially controls the Sudanese energy sector as it is the main investor in Sudanese oil production. China covered the cost of most of the US$15 billion 932-mile pipeline to Port Sudan where it is building a tanker terminal. In 2005, approximately 10,000 Chinese workers were employed in Sudan. Both China and Sudan benefit from this relationship. China has been able to diversify its oil resources and become less dependent on other oil-producing countries while Sudan has found a reliable economic partner that does not question its domestic political situation. China has offered a financial lifeline to the Sudanese government. In addition, China’s position on the UN Security Council has meant that Sudan has avoided serious sanctions by the West. The UN Security Council passed Resolution 1556 which demanded that the Sudanese government disarm the Janjaweed and bring to justice those leaders who had incited and carried out human-rights abuses. The Security Council threatened to consider further sanctions if the government failed to comply. China, as a permanent
member, threatened to use its veto power and urged the West to ‘cool down’. As mentioned earlier, China has assisted Sudan financially and militarily even though it was aware of the widespread ethnic cleansing taking place in Darfur. Human Rights Watch has for this reason accused China of cooperating in the genocide in Darfur since 2003. In conclusion, good relations between the two governments have resulted in China being the main stakeholder in the oil business in Sudan. To procure oil for its expanding economy, China has supported the Sudanese government both financially and politically and ignored any related ethical issues. In other words, energy security overrides other concerns.


Box 2: China in Angola

Angola is currently recovering from a thirty-year civil war and donors from western countries are assisting in the much-needed reconstruction of institutions and the economy. China is also present in Angola, assisting in infrastructure reconstruction. China offered Angola a ‘soft’ loan of US$2 billion with no political strings attached in March 2004. The terms of the loan specify its repayment within 17 years at an interest rate of 1.5%. The money has been earmarked for reconstruction and development projects such as railways, electricity and administrative buildings. However, the terms of the agreement are advantageous for China as 70% of the construction projects are to be assigned to Chinese companies. Domestic contractors can be awarded only 30% of the projects covered by the loan, a fact that is causing consternation among Angolan businessmen. Moreover, it is expected that the loan is not going to create livelihood opportunities for the poor. A second important term of the agreement is that China can import 10,000 barrels of oil a day from Angola. Angola currently exports 25% of its oil to China. The loan, which was initially intended for the reconstruction of the country, is being used for other purposes as well. According to Global Witness, some of the money has been used for government propaganda in the 2006 elections. Global Witness has declared that part of the problem lies in the country’s unwillingness to be more transparent about its oil revenues. It prefers to sign commercial loans backed by oil than cheaper loans from large international institutions.
such as the World Bank and the IMF that demand reforms and transparency. China’s loan therefore is undermining the international pressure being put on the government to invest in the development of Angola.


Another natural resource that China needs to import from Africa to support its own economic growth is timber. Until recently, the demand for timber was met by domestic loggers. However in 1998, the Yangtze River overflowed resulting in 2,500 deaths and billions of dollars in damage. Following these floods, the Chinese government banned logging in large parts of China and has begun to protect its healthy forests and replant woodlands that had already been cleared for agriculture. These measures were taken to prevent further large-scale disasters, such as the 1998 floods. Internal pressure has forced China to import timber from other countries and imports of industrial wood have more than tripled since 1993. China is now importing considerable amounts of wood from the forests of Cameroon, Congo, Equatorial Guinea, Gabon and Liberia. But in Cameroon, exports from illegal logging amount to 50 per cent of total exports of wood, and in Congo, Equatorial Guinea and Liberia the figure has risen to 90 per cent. The types of wood that are being exported are not declared in national trade statistics, which makes it impossible to determine its real impact.7 According to the Chinese Ministry of Foreign Affairs, the main exporting countries are Nigeria, the Central African Republic, Equatorial Guinea and Gabon. China is the world’s leading exporter of textiles and clothing. In spite of its own domestic production, China still needs to import cotton, which it does from the US. However, the share of the African countries that export cotton – Burkina Faso, Benin, Mali, Guinea, Nigeria, Togo and the Central African Republic – has increased since the mid-1990s.8

China not only imports oil and minerals from Africa, it is also interested in importing food to feed its own population.9 China is currently investing in agriculture, fisheries and related secondary production in Africa and
has already signed contracts with Sierra Leone, Gabon, and Namibia to allow Chinese fishermen to fish in their coastal waters. In addition, they have leased agricultural land in Zambia, Tanzania, and Zimbabwe.  

To conclude, certain African countries – mainly Sudan and Angola with their oil exports – are the prime exporters of African natural resources and commodities to China. Congo, Equatorial Guinea, and Gabon export timber as well as oil, while exports from South Africa to China comprise mainly of manufactured goods.

![Figure 3: African Exports to China, by Country](image)

**Source:** *China Statistical Yearbook 2005, National Bureau of Statistics of China*

**Imports from China**

Africa does not only export resources to China. Many goods are also being imported from China. Even though the African market is relatively small for consumer goods – Africa’s population totals approximately 800 million – China has been able to find a ready market for its cheap, low-quality consumer products and it is trying aggressively to take control of the African market. According to one Chinese trade analyst, ‘Chinese products are well-suited to the African market. At the moment, China is in a position to manufacture basic products at very low prices and of satisfactory quality.’

Many products are produced in state-owned factories in China and sold through a growing informal network of trading posts across urban and rural Africa. The number of Chinese traders in Africa has increased since the 1960s when Chinese traders settled in Africa on a large scale. In 1949, there were about 27,000 Chinese people in Africa and this number had grown to 130,000 by 1999. Most of these traders settled in Mauritius, Madagascar, and South Africa but, according to observers, the number
of Chinese in West Africa is increasing as well. These African traders import Chinese goods that are attractively priced for the African market where purchasing power is limited. African businessmen too increase their profit margins in this process by cutting out intermediaries. This is the case in almost all African countries and the African market is being flooded with cheap Chinese products.\textsuperscript{13}

Thus, Africa is a new and interesting market with excellent conditions for the Chinese with its many potential customers for cheap Chinese products. The imported goods are mostly household utensils, mechanical and electric products, textiles and clothes. China is focusing its exports on countries with large populations, for example, South Africa, Nigeria, Egypt, Morocco and Algeria. These five countries, with their relatively high purchasing power by African standards, together account for 58 per cent of African imports from China.

\begin{figure}[h]
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\includegraphics[width=0.5\textwidth]{figure4.png}
\caption{African Imports from China, by Country}
\end{figure}

\begin{table}[h]
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\begin{tabular}{|c|c|}
\hline
\textbf{Country} & \textbf{Import from China}\% \\
\hline
South Africa & 21\% \\
Nigeria & 7\% \\
Egypt & 7\% \\
Morocco & 6\% \\
Algeria & 7\% \\
Sudan & 10\% \\
Benin & 12\% \\
Togo & 3\% \\
Ghana & 3\% \\
Kenya & 2\% \\
Tanzania & 4\% \\
\hline
\end{tabular}
\caption{African Imports from China, by Country}
\end{table}


One of the main commodities that China exports to Africa is textiles, a sector in which it is able to compete with Africa due to its low labour costs. In fact, Chinese textile exports are undermining local African production and concern about this is growing. China has increased its textile and clothing exports even further since its accession to the WTO in 2001. Table 4 shows the rapid increase in China’s share of the market since becoming a member of the WTO. \textsuperscript{14}
Table 2: China’s Share of Total Imports, in Selected Countries

<table>
<thead>
<tr>
<th></th>
<th>Textiles (per cent)</th>
<th>Clothing (per cent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>19.3</td>
<td>35.2</td>
</tr>
<tr>
<td>Japan</td>
<td>41.1</td>
<td>66.5</td>
</tr>
<tr>
<td>South Africa</td>
<td>5.9</td>
<td>18.5</td>
</tr>
<tr>
<td>Switzerland</td>
<td>3.9</td>
<td>5.2</td>
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</tbody>
</table>


Recently, the share of Chinese textiles in the South African market increased even further and 86 per cent of South Africa’s clothing imports currently come from China. Not only has the domestic market been affected by the sudden rise, exports of African textiles have also been hit. The growth of Chinese exports to the US is negatively affecting the previously promising growth that African exports were enjoying in this field. This negative impact on African exports comes from the ending of the Multi-Fibre Agreement (MFA), which had allowed countries like the US to place quotas on clothing and textile imports from certain countries. The MFA lasted for 30 years from 1974 until 2004 and was designed to set quotas on the levels of imports of textiles and clothing from ‘developing’ to ‘developed’ countries, essentially safeguarding industries in the industrialized countries and controlling the level of market access for imports from developing countries. In 2000, the US and 48 African states drew up the African Growth and Opportunity Act, (AGOA), which gave African states full access to the American market and resulted in textiles becoming a major growth opportunity. Southern Africa in particular began to focus on its textile industry. However once the MFA ended on 1 January 2005, the export of Chinese textiles to the US began to flourish and African exporters could not compete. More than ten clothing factories in Lesotho closed in 2005, and South African exports to the US dropped from US$26 million in the first quarter of 2004 to US$12 million in 2005. 15

China’s involvement in the African textile sector is not new and the country has always been pragmatic about international trade. In 1999, Chinese investors set up factories in Lesotho and Swaziland to take advantage of the AGOA agreement and have duty-free access to American markets. In this way, China could avoid US and EU quotas on Chinese
textiles. When the MFA ended, China simply closed the factories, leaving thousands of people unemployed. Production in China itself was cheaper and therefore more profitable.

**Box 3: Chinese Arms in Africa**

Arms have always been among the Chinese commodities exported to Africa. During the struggle for independence, China exported arms to fight western imperialism and, later, China supported African states with weapons during the Cold War. An ideology for a new world order lay at the root of these exchanges. And China is still exporting arms to certain countries although the reasons behind these exports has become less idealistic. Selling arms to some African leaders improves bilateral relationships and can enhance Chinese access to oil and natural resources. China does not demonstrate much concern for human rights, which they consider to be a Western concept. Some experts say that China is now selling military equipment worldwide and views Africa as a potential market for the sale of military hardware. The involvement of China in African politics also becomes clear when one looks at the military exchanges between China and African states. Over the years Chinese defence ministers have paid numerous visits to their African colleagues and vice-versa. According to the Congressional Research Service, China’s arms sales to Africa between 1996 and 2003 made up 10 per cent of all arms transfers to Africa. During the Ethiopian–Eritrean war in 1998, it delivered arms to both sides for a total of more than US$1 billion. China sold the Sudanese government weapons and helicopters that were used in Darfur to terrorize the local people. In 2000, Zimbabwe delivered eight tons of Zimbabwean ivory in exchange for a shipment of small arms. And in 2004, China sold the Zimbabwean army 12 fighter jets and 100 trucks in a deal worth more than US$200 million. The shift of allegiances by President Mugabe is understandable: having been rejected by the West, he designed a new ‘Look East’ policy. Nowadays, nearly all of Zimbabwe’s trade is with China, which is investing in minerals, roads and agriculture.


**Chinese Investments in Africa**

A third characteristic of trade relations between Africa and China is investment by Chinese companies in Africa. By 2004, nearly 700 Chinese companies were operating in 49 African countries. Chinese state companies
invest mainly in oil, mines, fishing, woods and precious metals and infrastructure as well as in sectors that the West has neglected because they are less profitable. For example, China has reopened the Zambian copper mines and is looking for oil fields off the coast of Gabon. In 2004, Chinese investments in Africa accounted for more than US$900 million. This is around 6 per cent of total investments of US$16 billion in Africa.¹⁶

Not surprisingly, China is investing in countries where it is getting its natural resources from. In 2004, oil-exporting countries such as Algeria, Libya, Nigeria and Sudan accounted for 54 per cent of total Chinese investments. Zambia is also an important trade partner and China recently reopened the Chambezi Mining Company. Other countries that received a relatively large share were Ethiopia and Botswana.¹⁷ According to the Chinese, Botswana has a politically stable environment and enjoys amicable relations with its neighbouring countries. Moreover, its products enjoy free access to the whole Southern African market. All these factors are in fact positive reasons why increasing numbers of Chinese businesses and investments – ranging from construction, textiles, services and wholesale and retail industries – are coming to Botswana.¹⁸

Not all Chinese investment in Africa is viewed positively by the international community. First, Chinese (construction) firms have lower costs and can consequently outbid their western competitors, winning contracts for projects. International observers fear that the Chinese way of doing business – paying bribes and attaching no conditions – undermines local efforts to increase transparency and good governance. And the IMF and the World Bank are unable to then put as much pressure on countries because they are supported by China. Finally, Chinese companies are bringing their own labourers to work in Africa. In areas where unemployment is already high, the effects of migrant Chinese labour will be felt over time. For example in Angola, some domestic suppliers and retailers have had to close down because they could not compete with the Chinese. In other parts of Africa resentment against the Chinese is also being felt.¹⁹ Though each of these critiques is legitimate in its own right, the selectivity with which they are put forward sometimes raises questions about the sincerity of the commentator.

Conclusions

Relations between Africa and China have increased over the years and...
become more dominated by China's economic interests. With an annual growth rate of 8-9 per cent, the Chinese economy expanded enormously, and accessing natural resources became a priority. China had to broaden its horizons. Africa, with all its seemingly unlimited natural resources, was an ideal partner. In addition, the African continent as a whole was a potential market for China's low-value manufactured commodities.

Exports from Africa to China are based on natural resources: oil is the most important resource. About 25 per cent of Chinese oil imports are from Africa, with its major sources being in Sudan, Angola, Nigeria and Chad. Other important resources are cotton and timber, the latter often being exported illegally to China. Furthermore, China is investing in the agricultural sector because the land available for agriculture in China is decreasing as its population increases. African imports from China are primarily low-value commodities to countries with large populations, for example, South Africa, Nigeria, Algeria and Egypt. Current trade relations between China and Africa trigger large investments by Chinese companies in Africa with construction projects in infrastructure development, buildings and factories.

Sino-African trade and aid relations have implications for Africa. One advantage is the increased room for manoeuvre for African states now that they are no longer totally dependent on the West. In addition, increasing oil production has boosted the revenue of African states. On the other hand, exports of textiles and household utensils from China dominate the African market and, as a consequence, African factories have had to close. China is Africa's third biggest trading partner, after the United States and France. China is fast becoming a dominant player in Africa. However, Africa is less important for China. In spite of increased oil exports from Africa, the continent's total trade with China amounts to only 2 per cent of its international trade.

What stands out is that increasingly the West seeks to withstand economic competition from China in Africa by shifting as it were the encounter to an ethical field of human rights, corruption and good governance which economic relations should respect in all circumstances.

References/End Notes

Africa and China: A Strategic Partnership?

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