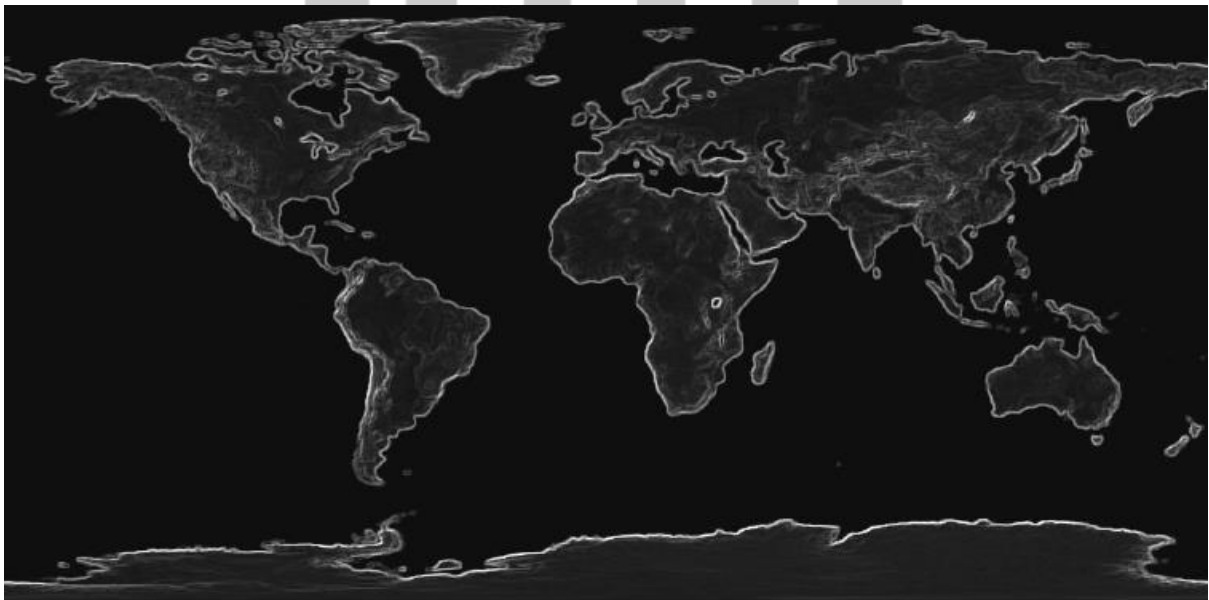




CHINA'S FOREIGN TRADE POLICY TOWARDS SUB-SAHARAN AFRICA

China, with a potential and prosperous economy, advances in its effort to obtain more energy resources and raw materials.

Veritas et Aequitas



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• INTRODUCTION

In the following work we will analyze which are the main objectives of China regarding their foreign trade policies towards Sub-Saharan Africa in the last ten years. First of all, we will introduce a general idea in order to set some aspects just to understand which the situation is regarding Chinese foreign trade in Africa. Secondly, we will tackle which are the Chinese investments, trade agreements, power imbalances and some other topics with the African countries. Finally, a conclusion needs to be considered in order to clarify the several concepts that have been analyzed during the entire work.

Before we get started, China has always been interested in Africa, in their trade relationship origins China was driven by ideological motivation. The first relationship between them was engaged during the Bandung Conference of Non-Aligned Nations in 1955 in which China offered support to decolonizing Africa.

But nowadays, China is interested mainly for economic reasons due to the fact that Africa is considered to be a powerful economy in the future thanks to its incipient economy and a growing demography. So, China has engaged fully into the dispute for the energetic, mineral and food goods of the continent in order to supply their economy, one of the fastest growing economies in the world. China, with a potential and prosperous economy, advances in its effort to obtain more energy resources and raw materials. Therefore, Africa fits its purposes and China has renewed its attention for the continent by reconfiguring its geopolitical alliances and establishing economic and diplomatic ties with most of the 54 African states (GARCÍA ENCINA, 2006).

Hence, regarding trade relationship with Africa, China's interests can be summary in four main points (HANAUER and MORRIS, 2014b):

- Natural resources access, especially gas and oil.
- Markets for China's exports.
- Political legitimacy in international fora.
- Prosperity, security and stability on the continent, both for African countries and to ensure safety for China's investments and their commercial activities.

However, despite the economic growth started almost twenty years ago with the launch of the first Forum on China-Africa Cooperation, their relationship remains unbalanced due to the African region deficit with China.

• CHINESE TRADE IN THE SUB-SAHARAN AFRICA REGION

In the following section we will tackle which has been the evolution of the Chinese investments in the Sub-Saharan Africa region, and both countries position regarding their trade relationship.

Earlies 2000s

China-Africa relationships have been driven mainly by the Forum on China-Africa Cooperation, an institution of dialogue and collective cooperation created by the Chinese. It organizes meetings of important officials and ambassadors from China, 45 African countries and 17 international organizations as observers. Moreover, the Forum established mechanisms in order to expand diplomatic relationships, trade and investments between both parties, and has ensured consultations on international affairs. China also engaged a relationship with the Southern African Customs Union, formed by South Africa, Botswana, Lesotho, Namibia and Eswatini, so as to achieve



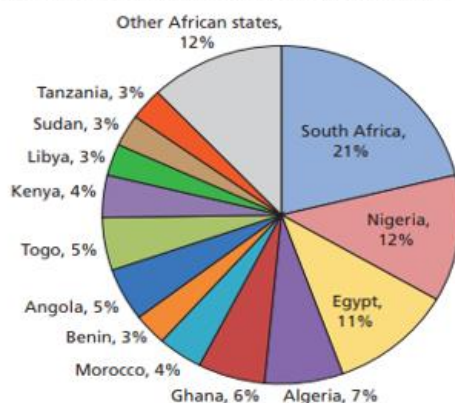
a preferential agreement in the commercial exchanges and participate in bilateral and regional forums driven to favor Chinese investment in the Sub-Saharan countries (GARCÍA ENCINA, 2006). However, only 2.8% of the Chinese trade exchanges were established with Africa and less than 4% of China's annual FDI was directed to Africa. These numbers help not to overestimate the importance that Africa occupies in the foreign policy of the Asian giant, although it has become its third commercial partner, behind the European Union and United States. It means that Africa has become the main source of that fuel, creating a symbiotic relationship that had benefited both parties.

China's FDI into Sub-Saharan Africa has grown rapidly in recent years. Following a substantial growth in trade with Africa and a growing need for resources, large and predominantly state-owned Chinese enterprises (SOEs) entered in SSA (Sub-Saharan Africa) as investors and as contractors creating infrastructures and public buildings thanks to Chinese-aid. Moreover, the small and medium enterprises joined the private sector in Sub-Saharan Africa.

Hence, we can agree that China-Africa trade has shown an astonishing growth over the past decade. Their trade has increased twenty-fold, approximately \$10 billion in 2000 to \$199 billion in 2012, it represents an annual growth rate of almost 16%. In 2012, China's imports from Africa represented \$113 billion and African imports from China at \$85.32 billion. It shows that China emerged as a key trade partner for Africa. So, Africa is importing relatively more goods from China if its compared with the imports decrease in the European Union, and therefore China is increasing their participation to 13% in 2012 from 2% in 1995. From China's point of view, China-Africa trade represented a number, relatively modest, comprising only 5.13% of the total Chinese exports and imports in 2012. However, this partnership trade had an important and significant impact for Africa, representing 16.13% of the continent's total exports and imports in 2012 (HANAUER and MORRIS 2014a).

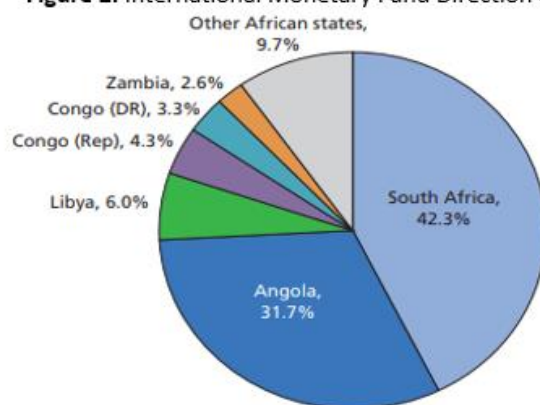
Moreover, the statistics (Figure 1) shows that more than a half of Chinese exports in 2012 were concentrated, mainly, in two Sub-Saharan Africa countries: South Africa (21) and Nigeria (12).

Figure 1: International Monetary Fund Direction of Trade Statistics



On the other hand, the astonishing majority of Chinese imports in 2012, around 87%, were established in two Sub-Saharan Africa countries (Figure 2): South Africa (42) and Angola (32).

Figure 2: International Monetary Fund Direction of Trade Statistics



China's economic relationship with Africa was based largely on resource extraction (petroleum, metal and gas) in which China increasingly relies more heavily on oil imports from abroad and therefore Africa's resources conforms to an important pillar in their trade relationship. Despite the importance of 90% of China's oil imports are from Africa, many African countries do not have valuable raw materials to export to China and have developed large trade deficits with China (HANAUER and MORRIS, 2014b).

Otherwise, China's exports to Africa were represented by machinery, transport equipment, manufactured, miscellaneous articles etc. The manufactured goods imports have granted Africans to expand their range of consumer products thanks to relatively cheap products accessible to a large number of people.

Recent Years

Up to 2014, the bilateral trade between China-Africa driven has been growing exponentially, but the region now has a deficit with China. The slowdown in the Chinese economy and the redirection of its economic model towards private consumption were reflected in a relevant decline of demand for African commodities. Chinese investment in Africa is no longer linked with resource extraction and now extends to services, utilities, transportation and processing industries. Weaker growth in China's economy and the decline of the imports and exports from the China-Africa trade partnership means that the Asian giant will not need nearly as much oil, gas, copper, iron or other resources to impulse their economic expansion (ROTBERG, 2015).

Besides, China is the continent's single biggest trading partner. It means that a slowing Chinese economy translates into less demand for Africa's resources and less investment in infrastructure. Hence, this situation had inevitable consequences for exporters that are occurring even nowadays in Africa. The countries that have benefited the most from China's trade expansion and those with a less diversified economy felt the effects of Chinese lower demand commodities. Moreover, the Sub-Saharan Africa region had a significantly higher export dependency than other emerging countries such as South-East Asia.

Therefore, the decline of China-Africa imports and exports, caused by the rebalancing of China's economic model, has had a negative impact on growth in Sub-Saharan Africa and the African continent as well. Besides, at the 2015 Forum on China-Africa Cooperation (FOCAC) organized in Johannesburg, China guaranteed support of \$60 billion over the period 2015-2018. Xi Jinping has also engaged the Belt and Road Initiative (BRI) which is supposed to provide financing for Africa. Nevertheless, the reality is that the public debt in the median Sub-Saharan African country rose from



34% of GDP in 2013 to 53% in 2017. More than 40% of low-income countries in the Sub-Saharan African region are now classified at high-risk of debt difficulty (CHEN and ROGER, 2018).

Furthermore, nowadays Beijing urgently needs a diplomatic win. The difficult political and economic position from the “trade war” with Donald Trump and the criticism of the BRI such as the “neo-colonialism” in Africa or a giant “debt trap” for African countries have raised doubts about the Chinese economic and political foreign campaign. Hence, at this critical international situation, FOCAC served as the key event. Xi Jinping, during the latest FOCAC summit in Beijing 2018, announced “Eight Actions” to succeed the “Teen Cooperation Plans” at Johannesburg 2015 FOCAC meeting. So, China renewed another financing commitment of \$60 billion for Africa, but with a recalibration of the China-Africa cooperation (CRISAFULLI, 2018).

Qian Keming, Vice-Minister of China’s commerce, announced that China will set new measures to further deepen economic and trade ties with Africa at the Beijing FOCAC. Measures that, theoretically, help Africa’s growth out by driving local economic growth and creating more job opportunities.

To conclude, Wei Jianguo, the Vice-President of China Centre for International Economic Exchanges, declared that in the next ten years China-Africa trade partnership will not remain in traditional sector such as textiles but shift to hi-tech sectors or so called as Artificial Intelligence (SHUIYU, 2018).

• CONCLUSION

To sum up with the present work, we can agree that the China-Africa trade partnership had boomed during the early 2000s. Moreover, China has been signing several trade and investment agreements with at least 45 African countries in order to create a trade sphere between China-Africa. So, in these scenarios the Forum on China-Africa Cooperation helped out by promoting and engaging this trade partnership. Despite its importance as a third partnership, behind the European Union and United States, Africa does not represent an important reference in Chinese foreign trade. China benefited during a long period by exploiting Africa’s natural resources in order to feed Chinese economic model.

On the other hand, for Sub-Saharan Africa, their commercial partnership with China supposedly had a relevant impact in the SSA’s countries and represented an important value in SSA’s imports and exports. Moreover, it represented a substantial change in Sub-Saharan Africa’s people social live because they changed their range of consumer products.

Nevertheless, in 2014 China-Africa commercial relationship shifted towards a commercial decline due to, mainly, a change in the Chinese economic model in which they are no longer linked with resource extraction and now extend to services, utilities, transportation and processing industries. This situation has caused important consequences in the SSA’s countries by creating a high public debt. Nonetheless, this scenario has not caused relevant effects into their trade partnership.

Although, it seems that China, maybe pressured by the international situation, wants to change the situation in the Sub-Saharan African countries in order to reestablish a prosperous commercial exchange with them and to stabilize their economies by investing in Africa thanks to FOCAC summits.

Finally, we have to take into account that China-Africa economic relations seems to have been pushing the complex debate about it. On one hand there is broad recognition that China’s engagement in Africa has positively contributed to the African growth over recent years. However, there are other points of view which have questioned the balance and quality of the trade relationship from an African point of view, noting that China has been exploiting African countries in order to



achieve their natural resources, so-called “neo-colonialism”. As the last point, have highlighted the potential for African countries to take advantage of their economic ties with China.





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