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PROSPECTS FOR THE DEVELOPMENT OF ECONOMIC COOPERATION BETWEEN CHINA AND AFRICAN COUNTRIES

Abstract: China's economic cooperation with the African countries has stepped up in recent years. Numerous initiatives are taken by China to deepen mutual relations not only in political but also in economic terms. The paper presents the Forum on China-Africa Cooperation, established in 2000, constituting a mechanism for dialogue and cooperation between China and Africa. The analysis of the size and structure of trade exchange conducted by China with African countries and the influx of Chinese foreign direct investments to this continent has been made. The prospects of further cooperation between China and the African countries have been presented. China's strategy towards the continent has to better respect the need to promote its more balanced development.

Keywords: Forum on China-Africa Cooperation, foreign trade, foreign direct investments, sustainable development.

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1. Introduction

Africa is one of the most dynamically developing regions in the world economy, which, at the same time, has proved its relatively good resistance to the global economic crisis and its implications. In 2013, the economic growth of Africa amounted to an average of 4%, while the world economy reached 3%. It is expected that in 2015 the economic growth in Africa will be at the level of 5–6%. Some countries in sub-Saharan Africa recorded an economic growth of 5% in 2013, and, according to the forecasts, it will amount to as much as 5.8% a year later. However, the political conflicts and social tensions still existing on the continent affect the economic results achieved by individual African countries.¹ Africa is a prospective

¹ AfDB, OECD, UNDP, *African Economic Outlook 2014: Global value chains and Africa's industrialisation*, 2014, DOI: 10.1787/aeo-2014-en, pp. 22, 23.

area, “the hopeful continent”,² and, at the same time, many countries expand their economic presence, including China. Relations between China and African countries are long-lasting. However, it is only in the last few years that the dynamics and nature of actions taken in Africa, not only in the economic sphere but also on the political level, have been intensified. These actions have been supported by a number of initiatives undertaken by this country. It is because there are new countries and international corporations in Africa, which are interested in using the rich potential that is located there, including natural resources. This is reflected in an increase in trade and investment flows. The share of investments made in Africa and expressed in the GDP of the region accounted for about 23% between 2001 and 2012.³

The purpose of this paper is to analyse China’s economic ties with Africa and indicate the prospects for further development of China-Africa relations in the light of changes taking place on the continent.

2. The Forum on China-Africa Cooperation as the primary mechanism for deepening economic relations between China and African countries

In recent years, Africa has become an important place for the Chinese economic expansion. The increasing involvement of China in the region has been initiated by the four groups of motives: political, economic, as well as safety considerations and ideological interests. Gaining Africa’s support for the One-China policy and pursued foreign policy, including in the international arena, inter alia, in the United Nations, is one of the political reasons for the Chinese expansion. China acquires natural resources existing on this continent, as well as Africa is a perspective and large market for the Chinese exporters. In particular, after the crisis in 2008, it became necessary to seek alternative markets for the Chinese industry in the face of weakening demand of the western economies for the export products of China. This country is intensifying its activities in Africa in order to protect the developed businesses, including investment interests and protection of own employees. In contrast, support for the Chinese model of development in some African countries shows that the ideology promoted by China could provide some alternative path of development, representing, at the same time, the ideological indication of the presence of China on the continent.⁴

Mutual relations strengthened due to, established in October 2000, Forum on China-Africa Cooperation (FOCAC) which became effective mechanism for

² The hopeful continent: Africa rising, *The Economist* 2011, December 3, <http://www.economist.com/node/21541015> (retrieved: 6.03.2014).

³ AfDB, OECD, UNDP, *op.cit.*, pp. 29, 30.

⁴ Y. Sun, *Africa in China’s foreign policy*, Brookings, Washington, DC, 2014, http://www.brookings.edu/~media/research/files/papers/2014/04/africa%20china%20policy%20sun/africa%20in%20china%20web_cmj7.pdf, pp. 1–12 (retrieved: 12.06.2014).

dialogue and developed cooperation not only with the African countries at different levels and in various forms, inter alia, through the organisation of ministerial conferences, but also with regional organisations in Africa, in particular with the African Union. The first ministerial conference was held in Beijing in 2000 and the parties emphasised in their drafted declaration that they were “determined to further consolidate and expand China-Africa cooperation at all levels and in all fields and to establish within the framework of South-South cooperation a new-type long-term and stable partnership based on equality and mutual benefit”.⁵

The outcome of consultations was the adoption of the programme for cooperation of China and Africa in the field of economic and social development. The African Human Resources Development Fund was created and the portion of debt was remitted in favour of 31 African countries (in the amount of RMB 10.9 billion). During the next ministerial meeting in Ethiopia in 2003, Addis Ababa Action Plan (2004–2006) was adopted, while the result of the implemented activities was the signing of 382 contracts for aid to African countries and the implementation of duty-free export of selected products from the 28 least developed African countries to the Chinese market. In the course of the next conference, the provisions aimed at deepening mutual relationships were adopted and the action plan for 2007–2009 was accepted. During the fourth ministerial meeting in Egypt in 2009, an Action Plan by 2012 was adopted and 8 activities were identified. Their implementation will strengthen China-Africa cooperation. To summarize the results of implemented initiatives undertaken by China in Africa so far, it should be noted that they also apply to development aid. The African countries have been granted loans on preferential terms in excess of USD 10 billion. Also, special loans were granted by the China Development Bank for 38 projects for the SMEs in Africa (with a value of USD 966 million), the debt of the least developed and most indebted African countries was remitted, and, at the same time, a zero rate on products exported to China from the least developed African countries (at least 60% of exports) has been introduced. Another practical manifestation of China’s aid to the countries of Africa is the projects related to clean energy, aid provided to schools, hospitals, or the construction of new schools. The training workshops for different groups of people, including teachers, have been conducted. Joint research projects and scientific exchange are to be supported by the established China-Africa Science and Technology Partnership Program and The China-Africa Joint Research and Exchange Program. The aid is provided in the event of natural disasters.⁶

⁵ *Beijing Declaration of the Forum on China-Africa Cooperation, 2009/09/25*, <http://www.fmprc.gov.cn/zflt/eng/ltada/dyjbzjhy/DOC12009/t606796.htm> (retrieved: 26.05.2014), point 9. Compiled on the basis of: *Forum on China-Africa Cooperation (FOCAC), 2012/07/18*, <http://www.focac.org/eng/dwjbzjjhys/t952503.htm> (retrieved: 26.05.2014).

⁶ *Forum on China-Africa...; Broad prospects for the new type of China-Africa Strategic Partnership, 2012/07/13, Remarks by Vice Foreign Minister Zhai Jun at the Seventh Lanting Forum*, <http://www.focac.org/eng/ltada/dwjbzjjhys/pw/t951074.htm> (retrieved: 26.05.2014); *Implementation of the*

During the fifth Ministerial Conference, held in Beijing on 19–20 July 2012, with the participation of representatives from China and 50 African countries, and representative of the African Union Commission, the Beijing Action Plan of the Forum for 2013–2015 was adopted. The plan outlines the framework for action not only in the political and social sphere but also in economic terms. The decisions in the economic sphere concerned agriculture and food security, investment and economic cooperation, infrastructure, trade, financial and banking sector, cooperation in the field of energy and resources, information and communication, transportation as well as tourism. China will support the promotion of cooperation in the field of technology and management as well as infrastructure and trade. In the sphere of trade, a specific plan for Africa was decided to be implemented, as well as China committed to improving the structure of exports and quality of the products exported to Africa and to facilitating the implementation of other measures to promote mutual trade.⁷

Strengthening of the relations at the political level was conducive to enhancing China's economic engagement with the African countries, mainly through the dynamic growth of mutual trade and investments made by the Chinese companies.

3. China's economic ties with Africa

In 2012, among the regions of the world, Africa recorded the highest growth in exports, which amounted to 6.1%. The export share of Africa in world exports of goods accounted for 3.5%.⁸ The importance of China's trade conducted with Africa is relatively small, although the mutual turnover shows a considerable dynamic of changes. As recently as in 1995, the share of products imported from Africa to China amounted to only 1.08%. However, already in 2000, it accounted for 2.46% of the total imports of China, and, in 2012, it increased to 6.23%. In turn, the share of exports from China directed to the markets of Africa increased from 2.02% in 2000 to 4.16% in 2012 in total Chinese exports. While in 1995, it accounted for only 1.66%. However, the Chinese market is very important for Africa in terms of import and export. The share of products exported to China increased from 3.76% in 2000 to 18.07% in 2012 in total exports of Africa, while the share of imports from China rose to 14.11% in 2012 in total imports of Africa.⁹

follow-up actions of the Fourth Ministerial Conference of the Forum on China-Africa Cooperation, 2012/07/18, <http://www.focac.org/eng/ltada/dwjbzjjhys/hxxd/t952532.htm> (retrieved: 26.05.2014).

⁷ *Beijing Declaration of the Fifth Ministerial Conference of the Forum on China-Africa Cooperation 2012/07/23*, <http://www.focac.org/eng/dwjbzjjhys/hywj/t954245.htm> (retrieved: 4.06.2014); *The Fifth Ministerial Conference of the Forum on China-Africa Cooperation Beijing Action Plan (2013–2015)*, <http://www.focac.org/eng/ltada/dwjbzjjhys/hywj/t954620.htm> (retrieved: 26.05.2014).

⁸ AfDB, OECD, UNDP, *op.cit.*, p. 75.

⁹ Compiled on the basis of: *China-Africa Economic and Trade Cooperation*, White Paper, Information Office of the State Council, The People's Republic of China, Beijing 2013, August, <http://www>.

The volume of trade between China and African countries is increasing rapidly. As recently as in 1995, imports from China totalled to USD 1,427.0 million, already in 2013, it accounted for over USD 116 billion, exceeding the volume of exports, which amounted to USD 92,682 million that year (it accounted for USD 2,492 million in 1995).

Over the years, changes have occurred in the structure of China's imports and exports conducted with the African countries (Table 1). While in 1995, the imports conducted from China dominated mineral products (36.57%) as well as precious stones and metals (23.4%), already in 2000 the share of mineral products increased to 73%, but in 2013 it declined in favour of other commodity groups, primarily with regard to other unclassified products. In contrast, the structure of China's exports to Africa is dominated by machinery and transport equipment. The share of these commodity groups in the Chinese exports amounted to 26% and 10% in 2013. It should be emphasised that, while the Chinese imports from Africa are dominated by about 20 products, which accounted for 96% of total Chinese imports from the region, in the case of exports – 20 products accounted for 31% of total Chinese exports directed to the market of Africa. South Africa and Angola are leading partners in China, both in imports and exports. China imported products from Africa, mainly from South Africa (41%) and Angola (27%) in 2013. The main recipients of Chinese products in the same year were mainly South Africa (18%), Nigeria (13%), Egypt (9%), Angola (4%) and Libya (3%). China's trade with Africa is increasing. Still, the subject of China's imports from the region is mineral products and raw materials, while China's exports to Africa are dominated by advanced products – this structure has persisted over several analysed years.

The prospect of further deepening of economic relations between China and the African countries was created by signing, in 2011, with the EAC (East African Community), including Kenya, Uganda, Tanzania, Rwanda and Burundi, the framework agreement on economy, trade, investment and technical cooperation. In 2010, the EAC introduced the Protocol on the Common Market, deepening China's interest in further investments in these countries.¹⁰

In recent years, the African countries have become a very attractive market for foreign investors. The dynamics of investments implemented in this region is still high, despite not too favourable trends in the flow of capital in the global economy. In Africa, there was a relatively high increase in the inflow of foreign direct investments

safpi.org/sites/default/files/publications/China-AfricaEconomicandTradeCooperation.pdf (retrieved: 29.05.2014); details obtained from: TRALAC, *Africa-China Trade*, <http://www.tralac.org/resources/our-resources/4795-africa-china-trade.html> (retrieved: 29.05.2014); TRALAC, *Synopsis: Africa-China Trading Relationships*, <http://www.tralac.org/resources/our-resources/4795-africa-china-trade.html> (retrieved: 29.05.2014). Further considerations on trade between China and Africa are based on data and information contained in the source materials referenced in this footnote.

¹⁰ Regional focus China-Africa, *The China Analyst*, 2012, April, <http://www.thebeijingaxis.com/tca/editions/the-china-analyst-apr-2012/123> (retrieved: 6.06.2014).

in 2013 (+9.6%) and in the previous year. FDIs have become an important source of investment in this region, as their share in gross fixed assets amounted to an average of 16% in the period 2001–2011.¹¹

Table 1. The commodity structure of trade exchange pursued by China with Africa in the years 1995–2013 (in %)

Years	1995	2000	2005	2010	2011	2012	2013
More important goods							
China's export to Africa							
Transport equipment	6.61	7.03	8.55	13.65	13.44	10.99	9.99
Textiles and clothing	8.81	12.01	10.65	7.93	7.67	8.82	8.44
Machinery	17.26	19.39	26.44	28.74	26.11	24.53	25.79
Footwear	7.84	4.94	4.12	3.03	3.19	3.66	3.72
Plastic products	0.93	1.79	2.36	2.60	2.95	3.80	3.67
China's import from Africa							
Mineral products	36.57	73.25	77.45	75.59	66.52	59.88	58.27
Other unclassified products	0.00	5.68	2.20	5.08	17.10	25.59	25.88
Base metals	2.99	3.61	4.86	9.24	7.20	5.79	5.53
Precious stones and metals	23.04	2.97	4.58	3.60	3.73	3.44	4.74
Textiles and clothing	0.00	0.00	0.03	0.12	0.12	0.11	0.13

Source: details obtained from: TRALAC, *op.cit.*

While in 2000 the volume of FDI implemented in African countries amounted to USD 9,621.091 billion, in the next year USD 19,942.99 billion was invested, and in 2012 the volume of investments amounted to USD 50,041.06 billion. The cumulative value of FDI made in Africa increased from USD 153,742.5 billion in 2000 to USD 629,632.5 billion in 2012, i.e. four times. The countries of North Africa have become the main direction of the inflow of FDI, as the total stock of FDI involved in this part of the continent amounted to USD 227,186.11 billion in 2012, constituting 36% of the aggregate value of the investments made in Africa so far.¹²

¹¹ AfDB, OECD, UNDP, *op.cit.*, p. 52.

¹² UNCTAD database, <http://unctadstat.unctad.org/ReportFolders/reportFolders.aspx> (retrieved: 29.05.2014).

Still increasing demand for oil and other natural resources primarily attracted the investors' interest in this continent, in particular in the African countries, having significant supplies of such resources. Currently, the emergence of a middle class and changing consumer purchasing behaviour influence the size and structure of their investments on this continent.¹³

In the African countries, FDI is implemented by the investors from the OECD countries, especially from the US, UK and France. The investments made by these countries represent 64% of the total cumulative value of FDI implemented in Africa by 2012. The role of the OECD countries, as a source of investments, has been decreasing in the last few years,¹⁴ but the inflow of FDI from other centres, including China, which has, outside the OECD countries, the largest resources of FDI in Africa, has been rapidly growing.¹⁵

In the years 2004–2012, the volume of FDI implemented by the Chinese investors increased nearly eight times from USD 317 million to as much as USD 2.52 billion in 2012 (Figure 1). The cumulative value of investments by the Chinese capital in Africa amounted to USD 21.73 billion. However, the importance of this area for FDI carried out by the Chinese investors is still relatively small. The share of Chinese investments made in Africa accounted for only 4.1% of the total Chinese investments carried out abroad (accumulated value), in North America, it amounted to 5% (USD 25.5 billion), in Europe 7% (USD 37 billion) by 2012, and other Asian countries USD 364.4 billion (68% of the aggregate value within FDI). The main area of interest of the Chinese investors in Africa includes the following sectors: mining (31%), finance (20%), construction (16%), manufacturing (15%) and others. While FDIs were implemented primarily in such African countries as: South Africa, as the investments made in this country accounted for about 22% of the total Chinese investments made on this continent, and then in Zambia (9%), Nigeria (9%), Algeria, Angola, Sudan.¹⁶

FDI transactions carried out as a part of the acquisition of energy and mineral resources are accompanied by making infrastructure investments relating to the construction of roads and other public infrastructure. In turn, investments in production are carried out in Mali, Ethiopia and other countries that do not have significant resources of raw materials, and they concern, for example, the construction of refineries, glassworks and automotive industry. The value of cumulative investment

¹³ AfDB, OECD, UNDP, *op.cit.*, pp. 52, 54.

¹⁴ *Ibidem*, p. 53.

¹⁵ *Ibidem*, pp. 53, 54.

¹⁶ D. Leung, L. Zhou, *Where are Chinese investments in Africa headed?*, World Resource Institute, 2014, May 15, <http://www.wri.org/blog/2014/05/where-are-chinese-investments-africa-headed> (retrieved: 29.05.2014); G. Xu, L. Xia, S. Schwartz, *China: China's outward FDI reaches new highs on strong growth in 2012–13*, Economic Watch, Economic Analysis, Hong Kong, BBVA Research, 2013, December 17, https://www.bbva.com/wp-content/uploads/migrados/131217_China-Watch_ODI_EN_tcm348-415847.pdf, pp. 6, 7 (retrieved: 26.05.2014).

in this area amounted to USD 3.43 billion in 2012. The relatively new area of ongoing cooperation and made investments are the investments undertaken, among others, in the financial, commercial and services sectors in the field of science and technology as well as energy supply. The investments also resulted in many infrastructure projects.¹⁷

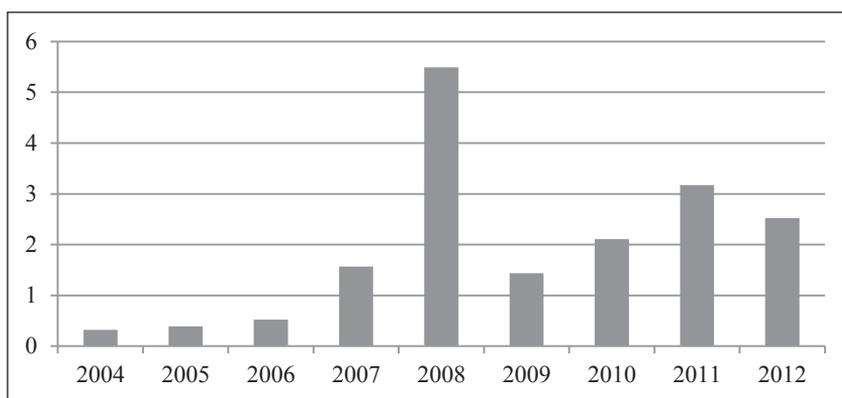


Figure 1. The inflow of foreign direct investments from China to Africa in the years 2004–2012 (in USD billions)

Source: D. Leung, L. Zhou, *op.cit.*

There are many reasons encouraging Chinese investors to conduct FDI in Africa, which has already been mentioned briefly. Although the main reason for the investments undertaken by China is still associated with the availability of raw materials, the investors make investments in search of markets for their products (e.g., Hazan investment in Nigeria related to the production of shoes in response to the local market needs). Among other reasons, there is a desire to acquire adequate position in the procurement market in the field of infrastructure, gain experience and through this entering more demanding markets at a later time (this is done by Huawei company providing solutions for telecommunications), the availability of cheap labour and access to protected markets. The presence of the Chinese investors in Africa comes also as a result of their prior involvement in the aid projects implemented on this continent.¹⁸ Intensification of mutual relations was also reflected in the FDIs made by the companies from Africa and China, the sum of which amounted to more than USD 14 billion and the investments were made in such areas as petrochemical industry, production and processing, wholesale and retail trade.¹⁹

¹⁷ *China-Africa Economic...*, pp. 6, 7.

¹⁸ D. Brautigam, *Chinese investments in Africa*, January 8, 2013, http://uschinacenter.as.nyu.edu/docs/IO/27891/Brautigam_NYU_Chinese.pdf, pp. 2, 3 (retrieved: 29.05.2014).

¹⁹ *China-Africa Economic...*, p. 7.

4. China's strategy towards the African countries

China's economic cooperation with the African countries has gained intensity in recent years. Multiple initiatives are implemented. The cooperation is strengthened by bilateral investment agreements concluded with selected African countries. Another instrument is the China-Africa Development Fund.²⁰ In the context of international strategy pursued by China, Africa plays a supportive role,²¹ at the same time, "the nature of Sino-African ties is largely transactional and reciprocal"²². However, China is intending to reorient the implemented pattern of activities by moving to Africa the production demanding low-skilled workers, so that the Chinese companies could improve their position in the global value chain.²³

The economic activities undertaken by China in Africa are not evaluated explicitly. China is criticised for excessive exploitation of natural resources and exploitation of workers, whose salaries do not often reach the level of the local minimum salary. Practices used by the Chinese companies often distort the conditions of competition present in local markets and cause the collapse of domestic entrepreneurs. Chinese businessmen are alleged to be corrupted. However, in the Chinese enterprises, new jobs are created, and the Chinese entrepreneurs build infrastructure not only in the place of sourcing of raw materials. Sometimes the creation of infrastructure is a requirement for starting exploiting raw materials.²⁴ In view of the emerging criticism of actions of China in Africa, the attention is drawn to the promotion of sustainable development. In the Beijing Declaration of 2012, the need to develop cooperation on new terms is emphasised: "We reaffirm that China and Africa will continue to deepen the new type of strategic partnership of political equality and mutual trust, economic win-win cooperation and cultural exchanges."²⁵ It is not only necessary to strive to further strengthen mutual relations. It is essential to pay more attention to promoting more sustainable trade. While executing projects, the impact on the environment and local conditions should be taken into consideration, the conditions of the environment should be respected and sustainable development should be promoted.²⁶ In the White Paper on economic and trade cooperation between China and Africa from 2013, the importance of this type of action is emphasised.²⁷

²⁰ *Ibidem*, p. 6.

²¹ Y. Sun, *op.cit.*, p. 2.

²² *Ibidem*.

²³ *Ibidem*, p. 6.

²⁴ Trying to pull together, *The Economist* 2011, April 20, <http://www.economist.com/node/18586448> (retrieved: 29.05.2014).

²⁵ *Beijing Declaration...*, point 16.

²⁶ *Deepen Result-Oriented Cooperation and Promote Common Development, 2012/07/18, Speech by H.E. Wen Jiabao Premier of the State Council of the People's Republic of China at the Opening Ceremony of the Fourth Conference of Chinese and African Entrepreneurs*, Beijing, 2012, July 18, <http://www.focac.org/eng/dwjbzjhys/zyjh/t952868.htm> (retrieved: 4.06.2014).

²⁷ *China-Africa Economic...*

5. Summary

The strategy “Go Global” implemented by China is to lead to an increased involvement of the Chinese companies abroad, entering new markets and integration into the global economy. One of such policies is related to Africa. The dynamic expansion of China creates huge opportunities for the African countries, at the same time, it is subjected to criticism. Currently, measures are taken to create a more favourable attitude towards the Chinese policy in Africa. Therefore, the Chinese entities are required to respect sustainable development, also in the field of trade exchange and FDI. Owing to the implemented actions, the structural changes of the continent are under way. Searching for the ways of its further development, Africa should adopt the appropriate strategy of transformation towards the establishment of a strong and varied economy based on the resources.²⁸ Mutual harmonious cooperation with China based on the new conditions of partnership can help to introduce this type of changes.

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²⁸ AfDB, OECD, UNDP, ECA, *African Economic Outlook 2013. Structural transformation and natural resources*, 2013, DOI: 10.1787/aeo-2013-en, p. 113.

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PERSPEKTYWY ROZWOJU WSPÓŁPRACY GOSPODARCZEJ CHIN Z KRAJAMI AFRYKI

Streszczenie: Współpraca gospodarcza Chin z krajami Afryki w ostatnich kilkunastu latach uległa intensyfikacji. Podejmowane są liczne inicjatywy przez Chiny mające na celu pogłębienie wzajemnych relacji nie tylko w wymiarze politycznym, lecz i gospodarczym. W artykule przedstawiono Forum Współpracy Chińsko-Afrykańskiej powołane w 2000 r., stanowiące mechanizm dialogu i współpracy pomiędzy Chinami a Afryką. Dokonano analizy wielkości i struktury wymiany handlowej realizowanej przez Chiny z krajami Afryki oraz napływu chińskich zagranicznych inwestycji bezpośrednich na ten kontynent. Przedstawiono perspektywy dalszej współpracy Chin z krajami Afryki. Strategia Chin wobec tego kontynentu musi w większym stopniu respektować konieczność promowania bardziej zrównoważonego jego rozwoju.

Słowa kluczowe: Forum Współpracy Chińsko-Afrykańskiej, handel zagraniczny, zagraniczne inwestycje bezpośrednie, rozwój zrównoważony.