THE CAUSES AND EFFECTS OF CHINESE INVESTMENT IN AFRICA

Jamey Hurst
INST 422
Spring 2012

Presented in partial fulfillment of the requirements for completion of the Bachelor of Arts degree in International Studies at the Croft Institute for International Studies.

Approved:

____

Advisor: Dr. Michael Harvey

____

Reader: Dr. William Schenk

____

Reader: Dr. Susan Allen

ABSTRACT

China's engagement in Africa represents a radical departure from the modern paradigm of development. To the West, represents a threat to the "Washington Consensus" and the accepted aid paradigm. Due to a paucity of information on this subject, this research aims to consolidate perspectives on this type of investment and identify factors leading to as well as the possible effects of the China-Africa relationship.

BACKGROUND

> *"China's move to Africa is displacing traditional Anglo-French and U.S. interests on the continent."* – Martyn Davies, director of the Center for Chinese Studies Stellenbosch University, South Africa.

Until the end of the 19th century, economic development across the globe was essentially equal. In terms of human development, the population of the African continent was no better or worse than the population of Europe; however, towards the latter part of the 19th century, something changed. The Industrial Revolution propelled the economies of Northern Europe ahead at full force, and other Western countries soon followed suit, which began to trickle down to other non-Western countries, including many African countries. Over the first half of the 20th century, economic development in Africa kept pace with the world average – even higher than some Asian countries. However, something happened during the latter half of the 20th century, and the African continent began to lag behind the industrializing world. Africa's per capita GDP growth began to slow, infrastructure ceased to improve at a rate consistent with other countries, governments across the continent regressed towards authoritarianism, and Africa failed to maintain a level of growth consistent with the global average. As it stands now, Africa is the epitome of the undeveloped world, and Collier even refers to the undeveloped world as "*Africa+,*" a position of dubious honor.[1]

---

[1] Paul Collier, *The Bottom Billion: Why the Poorest Countries are Failing and what can be done about it*, (New York: Oxford University Press, 2007).

Africa's lack of development has led many Westerners to ask: "What can be done to aid Africa in development?" or "how should *we* approach aid and investment in Africa?" The predominant Western philosophy is that *something* had to be done to aid Africa in its path of development, that the West is under obligation to aid in development, and that assisting African was a moral imperative for the West. The phrase "the White Man's Burden" (now echoing with Western ethnocentrism) became a common household term, reflecting the West's imperative to assist the developing world. The only knowledge lacking was when, where, and how do to so. However, questions of development were not merely confined to the concerns of wealthy, concerned benefactors or continent-bound missionaries. Quite the contrary, one of the central concerns of the international financial system, indicated by the Bretton Woods Conference of 1944 following World War II, was the establishment of an international system providing assistance to undeveloped countries through the creation of the International Bank for Reconstruction and Development, the General Agreement on Tariffs and Trade, and the International Monetary Fund. Each of these institutions focus, in some form or fashion, poverty alleviation, infrastructure development, and fostering an environment that will allow undeveloped countries to thrive. Western countries were not the only parties interested in African development – China, too, saw a valuable economic and political ally in the continent.

The Western model of aid stemmed from pragmatic concerns about the ideal way to foster trade with wealthy nations and developing countries, but this stance took on the language of an ideological struggle in later years. The Western countries participating in the Bretton Woods Conference were in essence attempting to create a system that mirrored their *own beliefs* about the ideal economic structure of a country and the conditions necessary to fulfill for economic development, in addition to facilitating the development of post-colonial territories.

However, a few short years after the Bretton Woods Conference, the establishment of a number of communist regimes across the globe would question the fundamental philosophy behind the Western capitalist economy, including foreign aid and investment. Mao Zedong founded a regime based upon his beliefs of the ideal political system, adapting Marxist and Leninist principles to fit the Chinese condition – a political philosophy that would borrow from the West at that time, and then use their own theories against them a few decades later. The China of Mao's era stood weakened by over a century of colonial servitude to the various world powers and largely unindustrialized due to the sentiments of the last Chinese dynasty. Mao sought to remedy the "backwardness" of China, revolutionizing the country economically, politically, and culturally through a series of reforms. By virtue of the Great Leap Forward (1958 to 1960), Mao attempted to revive the China's economy in an almost overnight industrialization through collectivization, while the Proletariat's Cultural Revolution (1966 to 1976) entirely revised the Chinese cultural fabric. While Mao's intentions were noble, his reforms as a whole failed, leaving communist China in apparently shambles by Mao Zedong's death in 1976, but China may not have been as weak as the West was lead to believe.

China's political maneuvering and economic growth provided it with the leverage not only to engage in trade with countries across the globe, but also challenge the West on fundamental foreign policy issues. Beginning with the Reform and Opening Act (1979), China made huge gains economically under the leadership of Deng XiaoPing,[2] boasting one of the world's highest yearly GDP growth rates from the 1980s through the mid 2000s.[3] From the Western perspective, something happened: in the mid-1990s as China was once the go-to

---

[2] Deborah Brautigam, *The Dragon's Gift: The Real Story of China in Africa*, (New York: Oxford University Press, 2009), 9.
[3] The World Bank, "GDP Growth: Annual Percentage." Accessed January 7, 2012. http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG.

location for inexpensive labor and manufacturing, they *suddenly* began outsourcing and investing outside the country, specifically in Africa. China's "abrupt transition" to Africa, contrary to the Western paradigm, marks not the beginning of China's expansion abroad, but rather a strengthening of decades of political and economic cooperation across the globe. The method by which China has engaged African countries stands as a stark counterexample to the West's own involvement there, and its economic success defied Western growth paradigms.

Further explication on the type of investment China has pursued in the past (in addition to their current engagement there) assists in understanding the wider implications of cooperation between these two regions. Existing research (by Western and Chinese scholars alike) identifies three distinct periods in the China-Africa relationship, beginning with the founding of the People's Republic of China (PRC) in 1949. The relationship from this date until soon after Mao's death can be typified at this time more than any other as the traditional donor-recipient model. During this era, the Chinese government under Mao transferred approximately 5 billion dollars of bilateral aid to Africa as a whole, the amount of which was known only to the highest members of the Politburo. This policy would later be revoked when other officials learned of the "excesses" of this policy. During the Maoist years, China offered loans to African governments in a manner resembling current bilateral aid. Some of this aid was devoted to poverty alleviation, while a large part supported infrastructure development as well as the construction of industrial and agricultural facilities. The period following Mao's death to the mid-1990s is typically accepted as the second era of the China-Africa relationship, during which the Beijing shifted its focus from bilateral aid to large-scale economic projects, aimed at winning over African countries politically and defending China's position in international affairs. From the mid-1990s onward, China and Africa have entered the third phase of their relationship, focusing on a return on investments, transferring ownership of investments to Africa in an attempt to rectify the “more wasteful” years of Chinese investment there, and creating additional markets for large Chinese corporations.

As Brautigam argues, it was only after the Beijing Forum on China-Africa Cooperation (FOCAC) hosted in 2006 that the world began to truly appreciate Chinese investment and its ongoing ties with African (Brautigam 2). Chinese investment ceased to be a marginal concern and became a central issue to the US’s foreign policy in Africa. The irony in this upsurge in attention from the Western media is that China had been deeply involved in African political and economic affairs for decades; in fact, the FOCAC was held to commemorate the fifty-year anniversary of the establishment of diplomatic ties between China and Africa.[4] The Western world had simply not been paying attention to China’s involvement in Africa, which renders further study on this topic all the more necessary.

The FOCAC took place upon a backdrop of economic transition for China. Domestically, these years saw a massive increase in the amount of trade and investment between China and Africa, which generated increased attention at this summit. Economically, the pressure of China’s internal market came to a head after three decades of industrialization. Aside from the strain of domestic firms facing increasingly saturated markets in high-tech and large-scale enterprises, China became a net importer of oil in the mid-1990s (the exact date of the shift varies by study),[5] and Africa’s vast oil fields helped provision this resource and China’s corresponding growth. The importation of oil marks a watershed moment for China’s import-

---

[4] Hong, Yonghong. "Trade, Investment, and Legal Cooperation Between China and Africa." *Chinese and African Perspectives on China in Africa*. Ed. Axel Harneit-Sievers, (Uganda: Fountain Press, 2010), 83.

[5] Hongyi Harry, Lai. "China's oil diplomacy: is it a global security threat?" Third World Quarterly, 28, no. 3 (April 2007): 519-537. *Academic Search Premier*, EBSCO*host* (accessed January 9, 2012).

export patterns as a whole, as the arable land, energy, metals, and minerals needed to fuel China's impressive growth were similarly in short supply. The increase of China's commodities imports also corresponds to this same period. In 2006, China pledged to increase the amount of infrastructure loans, double the amount of bilateral aid, and increase funds allocated for debt relief in Africa, a decision essentially linked to China's campaign for further resources. The majority of this "aid" for Africa came in the form of resource-backed infrastructure loans (Brautigam 170), a maneuver that also fit nicely with Beijing's political goals on the continent.

The Chinese have been outspoken on their ultimate aspiration from the inception of Chinese investment on the continent – to promote trade between these two regions and generate returns on the Chinese investment on the continent. Therefore, this research contends that the principal values of Chinese investment in Africa during this third phase of cooperation offer a unique path of development by modern standards. Firstly, China has a long-term orientation in their investment and cooperation in Africa, and secondly Chinese investors tend to view African partners on "equal footing." Third, China is committed to viewing Africa as a market and not a destination for aid (a distinction that will be revisited below).

The ground-level institutions – both government and privately-held corporations – established by China differentiate China's relationship from the traditional North-South donor-recipient model, a dissimilarity that has the potential to negate the deleterious effects of resource rents on the GDP of *rentier* states (more simply put, a country in which the exportation of raw natural resources comprises a significant portion of GDP). The construction and proliferation of special economic zones (SEZs) indicate of Beijing's desire to establish long-term trade with Africa. China has negotiated the construction of seven special economic zones (SEZs) spanning the continent: Zambia-Chambishi, Egypt-Suez, Nigeria-Lekki, Nigeria-Ogun, Mauritius-Jinfei, Ethiopia Oriental, and Algeria-Jiangling. Of these, only the first two were in operation as of late 2010, and the Algeria SEZ is currently suspended.[6]

This being said, this research does not imply that the China's role in Africa is novel for the Western world, for China's development model has its roots in the course of Western development pursued for almost three decades following the Second World War. During this period, the United Stated and Japan both invested in China, and other areas of the world. They emphasized the mutual benefits derived from these investment programs, more specifically, infrastructure development for recipient countries and access to natural resources for the investor. Both established investments resembling current Chinese development programs in Africa, such as resource-backed export credit programs and the extraction of Chinese mineral and gas deposits (*Dragon's Gift* 22-25). The Western developmental paradigm began to shift in the early 1970s due to the failure of Western aid in several countries that came under communist or socialist rule during this time period – Iran, Vietnam, Brazil and Nigeria, for example. The New Directions legislation of 1973 marks the formal shift in aid for the US government, and from the enactment of this legislation forward, the primary focus of American aid programs was poverty alleviation – not economic growth ("African Shenzhen" 28).

What does China's involvement in Africa signify for Africa's economic development? Profit motivation in Beijing marks the key difference between the China-Africa relationship and the West-Africa relationship. What remains to be seen is whether or not this point of view is economically beneficial for the continent. Essentially, both forms of foreign policy (being the pre- and post-New Directions policy) aim to curb poverty in the developing world – the concern is the timetable of this goal. Therefore, the author is uncomfortable with the claim that Chinese

[6] Deborah Brautigam, "African Shenzhen: China's Special Economic Zones in Africa," Journal of Modern African Studies, 49 (2011): 27-54.

investment on the continent wholly neglects poverty alleviation, precisely because the Chinese model takes its design from the previous model of US foreign investment, whose goal was also poverty alleviation. Additionally, a wealthier African population is logically advantageous for Chinese investors, through Africans' ability to consume Chinese-manufactured goods and services. Therefore, the categorization of actors in China as the righteous West and the exploitative Chinese is an inaccurate appraisal of the parties investing in Africa. A more nuanced and multifaceted approach brings to light a more precise interpretation – the finer mechanisms driving the China-Africa relationship and the distinctions between this and Western investment. However, a clearer picture on how *what development is*, in addition to *how the Western world perceives development* is needed before proceeding.

DEFINING AID: THE WEST & CHINA

> *"… Interest in the West is skewed by elite perceptions of China as a rival for resources and influence in Africa, and the tone of the discourse is far more negative that that accorded the Western presence in Africa."*[7]

> *"There is a difference, and it is huge. What they want to help you with is what you have identified as your need. With Britain, America, they identify your needs. They say: "Look, we think you have a need* here*…"* – Sierra Leonean former Minister of Foreign Affairs Alhaji Momodu Koroma (*Dragon's Gift* 139-140).

The establishment of a concise definition of *aid* is crucial to understanding Chinese investment in Africa. Doing so helps put the China-Africa relationship into perspective and explains the discrepancy between Chinese and Western definitions of aid – this debate occurring against a backdrop of media claims about "China's enormous 'aid' budget in Africa." Also, whether or not the Western world collectively considers China's actions as bilateral aid or foreign direct investment (FDI) profoundly influences its perspective on China's "aid" to Africa. These concerns will be addressed in detail in the following section.

[7] Barry Sautman, and Yan Hairong, "The Forest for the Trees: Trade, Investment and the China-in-Africa Discourse," Pacific Affairs, 81, no. 1 (2008): 10.

Many types of financial intervention in developing countries that the West currently designate as "aid" do not necessarily adhere to the definition of that term, as defined by the International Monetary Fund (IMF). Their definition of *official development assistance* (ODA) is lengthy but worthwhile:

> *Flows of official financing administered with the promotion of the economic development and welfare of developing countries as the main objective, and which are concessional in character with a grant element of at least 25 percent (using a fixed 10% rate of discount). By convention, ODA flows comprise contributions of donor government agencies, at all levels, to developing countries ("bilateral ODA") and to multilateral institutions. ODA receipts comprise disbursements by bilateral donors and multilateral institutions. Lending by export credit agencies—with the pure purpose of export promotion—is excluded.*[8]

This definition of *aid* does leave some questions unanswered. This definition provides no guidance in how to define aid to a country involved in a *coup d'état* – should the previous or future government be considered the legitimate government? This situation has caused much vexation for the West as well as China over the past decades in their relationship with Africa, specifically China's endorsement of governments considered illegitimate by the West (e.g. Sudan and Zimbabwe). Also, the closing statements of this definition render Chinese-style export credits difficult to define. The Chinese would argue that by extending these export credits to African countries they are promoting economic development in Africa because these countries would have no other way to gain access to credit by traditional means. Western sources may disagree.

Despite any discrepancies in the definition of *official development assistance,* it will hereafter be used to denote *aid*. Official organizations (i.e. the UN, the WB, the IMF) reporting aid in developing countries utilize this definition, while many other organizations use a less rigid concept of aid – a decision that leads to misinformation in the media on this subject and an

---

[8] The International Monetary Fund, "External Debt Statistics: Guide for Compilers and Users." Accessed January 7, 2012. http://www.imf.org/external/pubs/ft/eds/Eng/Guide/index.htm.

erroneous understanding of Chinese actions on the continent. The Chinese themselves employ a much looser definition to their concept of aid. The term *yuanzhu* describes the majority of Chinese investment in Africa, including both financial and material aid from one country to another. The term itself does not detract from Western confusion of Chinese aid (or investment), as the meaning of *yuanzhu* varies with context, and can range in meaning form government-sponsored bilateral aid to a resource-backed infrastructure loan. The currency in which investment or aid is offered can also generate confusion in the West. Typically, export credits and resource loans are issued in USD, while concessional loans are issued in Chinese currency – *renminbi*. If one is aware of these differences, it can be of use in determining exactly what *yuanzhu* entails in a report, but Brautigam notes a number of instances where American sources have mistaken *renminbi* for dollars, grossly overestimating China's aid expenditure in Africa (*Dragon's Gift* 173).

China *does* maintain an aid budget for Africa that resembles Western conditional loans; however, China currently regards the amount, destination, and goals of its foreign aid as state secrets. Party-controlled news agencies occasionally publish information regarding Chinese aid to Africa, but researchers frequently must estimate the amount of, and also the effects derived from, Chinese aid in Africa. (See figure 2 below.) The secrecy applies equally to resource-backed infrastructure loans and bilateral aid, but much more so to the latter, as maintaining secrecy about an exchange of funds between governments is quite easy in contrast to the construction of a road, railway, or factory. Consequently, there are more reliable statistics on material investment in Africa. The lack of information surrounding Chinese investment in Africa, has inadvertently led to a number of radical conclusions about the nature of Chinese investment in Africa, as evidenced by Western media claims that the Chinese are attempting to "take over the African continent" and exclusively supporting oppressive, authoritative regimes.

As mentioned earlier, the majority of Chinese investment currently does not meet the above requirements as to *what aid is*, and if the author's estimates are correct, China's emphasis on resource-backed infrastructure loans will continue well into the future of China's involvement in Africa. Thus, we collectively must admit that Chinese investment and Western aid are two completely different concepts, and the author has elected to use the term *investment* to describe China's actions in Africa because it more accurately reflects our perception of their actions. Chinese aid meeting the IMF's definition actually encompasses but a small portion of the total amount of aid to Africa (*Dragon's Gift* 170), and comparing Western and Chinese aid is similar to comparing "apples and lychees" (*Dragon's Gift* 162-188).

Chinese infrastructure loans make use of different means to invest in Africa. These resource-backed infrastructure loans function as such: a qualifying country will present 10% of the total loan as a down payment to China's Exim Bank, the state-controlled financial institution backing China's export and buyers' credits. The minimum threshold of the loan is USD two million, and therefore the loaning country's down payment must be at least USD 200,000. The country then receives the face value of the loan, and current stipulation holds that no less than fifty percent of the loan must be used to purchase of Chinese goods or services (in the past, this threshold was higher). The loan is "paid off" through the transfer of natural resources to China, many times facilitated by a Chinese corporation that extracts the resources directly after constructing the necessary infrastructure to do so. Maturity on these loans may vary, at which point the loaning country is responsible for paying back the interest on that loan (*Dragon's Gift* 143).

As noted by Brautigam, when the Chinese government offers an infrastructure loan, a government-owned company provides the technology and constructs the facilities necessary to complete the agreement, and the recipient government can then use the funds from the loan to “purchase” materials and services deemed necessary, which Chinese-owned companies then execute. One of the advantages of this system is less opportunity for the recipient government and/or officials to siphon funds from such an agreement – increasing, or at least establishing incentives for government accountability. The public receives the benefits from this type of engagement without losing a portion of that investment to corruption. Western alarmism at the lack of transparency that dealing with the Chinese entails does not seem justified, especially given the perverse incentives that Western conditional loans can create.

In the same way that Western countries have attempted to prove the superiority of the Washington Consensus through intervention in other countries (e.g. Africa and Latin America), so too does China aim to justify its own development model through its relationship with Africa. The end goal of Chinese investment in Africa *is* poverty alleviation according to official rhetoric, albeit in a more roundabout fashion than Western donors. In order for development to be successful in Africa, it must be a long-term process for the economy to adjust to individuals’ increased wealth and provides the goods and services demanded by the population. In this way, China’s intervention in Africa both draws elements from Western development and its own industrialization experience beginning in the late 1970s. Through the implementation of this style of development, China aims to propagate their own method of development and justify the pillars of the Beijing Consensus – central guidance of critical sectors of the economy, cooperation with like-minded countries, a defense of the one-party state, and massive infrastructure projects.

THEORY: FACILITATING DEVELOPMENT

This chapter represents a consolidation of various perspectives on the role of foreign actors (both government and economic) in promoting development in the poorer regions of the world. The aim of this section is to provide a conceptual basis for understanding Chinese investment in Africa, as well as the relationship among these theories and the effect of each theory on the others. The first section on *market mechanisms in the developing world* examines the possibility of development through the efforts of multinational corporations (MNCs). According to proponents of this model, MNCs have the greatest potential to positively affect developing economies, with incentives to provide low-cost, high-tech solutions to producing goods and creating job opportunities for the developing poor. This model is best conceptualized as a reaction to the West's "failure" precipitate meaningful development in poorer countries precisely because they have ignored the market's capability to alleviate poverty. While there are some similarities in Pralahad's model (discussed below) and Chinese investment, certain distinctions are worth further investigation.

Secondly, the traditional donor-recipient model probes the mechanisms of the Western-style bilateral aid, not only because of the relative size of this style of investment, but also because the Chinese model of development in Africa is as much of a reaction to the Western model of development as a promotion of China's internal economic growth. As of current, this development paradigm is most readily accepted by the West and is most frequently implemented for poverty alleviation. This model implies that poverty itself – and factors accompanying poverty such as low levels of education, a lack of social and economic agency, and traditional sexist and racist biases – perpetuates a lower level of development. Ergo, the best way to alleviate poverty is to strike at these underlying issues.

Finally, the investigation of Dutch Disease explores the possible economic effects of Chinese engagement in Africa, specifically regarding China's role in economic development of *rentier* states. Countries with large reserves of natural resources receive an undue amount of attention from China, and concern that Chinese investment will exacerbate the problems associated with Dutch Disease well warranted. Due to the complex nature of Chinese investment in Africa, China may have unanticipated effects on *rentier* states, but the lack of reliable data on the subject makes a definitive conclusion on this point impossible. Thus, this section aims to provide a theoretical framework for understanding China's role in the development of resource-rich states, while the case studies provide a contextualization of this framework.

I. Market Mechanisms in the Developing World

Pralahad (2010) clarifies the merits of viewing the developing world as a *market* – not as a donation destination. Doing so provides valuable experience to companies participating in those markets, empowers consumers, and encourages long-term involvement in those countries. According to this paradigm, the primary issue surrounding development is a problem of rhetoric. Africa, and the rest of the developing world, should not be viewed as a *burden* for the developed world, but rather a tremendous opportunity for governments and MNCs alike. Governments, multilateral agencies, and corporations require "a better approach to help the poor, an approach that involves partnering with them to innovate and achieve sustainable win-win scenarios where the poor are actively engaged, and the companies providing products and services to them are profitable."[9]

The crux of this argument rests on three assumptions. Firstly, that the developing world is a large and untapped market, and access to this particular market provides an opportunity for

---

[9] Pralahad CK, *The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits*, (Upper Saddle River, New Jersey: Prentice Hall, 2010), 1.

firms in saturated economies to expand and to generate additional revenue in manners previously impossible. Many Chinese firms, although functioning in a substantially younger market, face issues plaguing similar firms in the West, and the prospects of stagnation in their home markets has likely driven China's move to African in recent years. Secondly, the developing world provides additional growth opportunities by providing a forum for innovation. Moving to incorporate the developing world has the potential to both expand the market for existing MNCs and economically enable the population of developing countries. [10] The act of entering developing markets demands that firms revisit their philosophies on packaging, supply chain management, and production; each of these presents a conduit for more effective use of firms' operating budget and precious natural resources. Thirdly, fostering economic growth in the developing world should become an integral part of the work of the private sector, as a failure to do so will further isolate economically disempowered people groups, which has the potential to spur extremist and terrorist actions, thereby posing a threat to the collective global family (*Fortune* 5-6).

The abovementioned research presents a number of worthwhile contributions to the ongoing development debate and redefines the role of corporations in the developing world. Current literature tends to view per capita GDP in terms of a foreign currency, namely USD, which discourages investment in the developing world because doing so effectively underreports the purchasing power of consumers in developing countries. For example, the purchasing power of the African population varies greatly if the consumer purchases imported goods or domestically produced items, with a greater purchasing power for domestic goods. Regarding the collective economies of the developing world in terms of purchasing power parity (PPP), in

---

[10] CK Pralahad and Allen Hammond. "What Works: Serving the Poor, Profitably," The Markle Foundation: World Resources Institute Digital Dividend. Accessed October 2011.

contrast, demonstrates that consumers in developing countries have a much higher potential for consumption than previously thought. Additionally, many of the world's developing poor live in high-cost ecosystems due to "local monopolies, inadequate access, poor distribution, and strong traditional intermediaries" (*Fortune* 11). Under such circumstances, the unwillingness of MNCs to enter many of these markets is understandable; their concerns represent a judicious estimation of these economies and unearth core concerns of the development process. These obstacles are not, however, irreconcilable. MNCs moving into the developing world have an incentive to rectify these inefficiencies, and the involvement of MNCs has the potential to benefit *consumers* and firms alike, through innovations in technology and logistics (*Serving* 8-14). .

For African economies, Chinese investment can provide benefits above and beyond those previously mentioned. The existence of inexpensive imports can compel African firms to revolutionize production as well, with consumers benefitting from goods that may cost from a half to a third of their previous price (Sautman 18), provided that they do not drive local firms out of business. The creation of economies of scale is especially relevant to Chinese-sponsored SEZs on the continent, due to strategic locations close to ports, railways, and areas of high consumption (*Dragon's Gift* 98-99). The reciprocal transfer of knowledge facilitated by a large number of firms operating in close proximity to one another has the potential catalyze less expensive production methods, increase productivity of these firms, and establish a strategy for export diversification,[11] in addition to engendering economies of scale for other firms. Succinctly, participation in developing markets makes firms much more competitive, and this competitive edge explains some of the alacrity with which China has entered the African market.

---

[11] Paul Collier, and Anthony J Venables, "Rethinking Trade Preferences: How Africa Can Diversify its Exports," World Economy, 30, no. 8 (2007): 1341.

It should be noted that not *all* Chinese investment falls within the parameters of Pralahad's argument. Approximately forty percent of Chinese exports to Africa consist of "machinery, transportation equipment, ores, and metals," products with no viable competition in Africa. The structure of African imports from China could undermine African attempts to develop these sectors, should that be a goal of these countries' development strategy. Incentives pushing China to produce more export-oriented consumer goods to Africa may not be present to the same degree as other exporting nations because of a domestic emphasis on these enterprises, sectors which likely receive some sort of government subsidy either through political connections of directors or government subsidies.

These market mechanisms remain an overlooked aspect of the China-Africa relationship – a rather intriguing absence, considering that the majority of Chinese investment in Africa takes the form of MNC involvement. As previously noted, Chinese investment is concentrated in infrastructure, resource extraction and manufacturing, giving African governments and firms numerous opportunities to take advantage of Chinese business and construction enterprises. Furthermore, China has succeeded in providing consumer goods to Africa (e.g. bikes, cars, clothing, etc.) – a feat that no other country has profitably accomplished on the same scale as China. This success in consumer goods speaks to the overall success of their engagement in Africa. China's emphasis on long-term economic growth through the development of local markets is mirrored in Pralahad's assertion, and if for no other reason than the comparable success of Chinese business in Africa, this topic deserves scholarly attention.

II. THE TRADITIONAL DONOR-RECIPIENT MODEL

> "*While the United States and the EU downplay the degree to which these intensified initiatives represent concerted responses to China's robust economic and diplomatic engagement on the continent, it is clear that China, Europe, and the United States are engaged in a triangular competition for influence in Africa.*"[12]

Aid from the West comes primarily in the form of conditional loans; in accordance with the definition of *aid* from the IMF, it *must be* given as a conditional loan. This form of aid is the most widely accepted in the West, and bilateral and multilateral aid functions roughly as follows. A donor country indicates a desire to provide a loan for a specific purpose. The donor country then clarifies the conditions of the loan; frequently, Western governments promote austerity measures such as balancing governmental budgets, removing of egregious tariffs and miscellaneous protectionist measures, downsizing the government payroll, increasing transparency, etc. The recipient country then agrees to the conditions. After agreeing to these conditions, the recipient government receives the money from the donor institution in the form of a loan or some agency receives the support from the donor agency, performing some development or poverty-oriented development program.

Jeffrey Sachs, a prominent development at Harvard's School for International Development, advocates the importance of this type of engagement in promoting development and that a stark increase in traditional aid is the best remedy for the development "crisis" in Africa.[13] He claims that the West has been slow in producing the funds these countries have allocated for developing countries – funds pivotal to poverty alleviation and economic development. In order to remedy this situation, Sachs has championed ratification of the Millennium Development Goals (MDGs) in the UN, presenting an ambitious plan for hunger and

[12] Rupp, Stephanie. "Emerging Postcolonial Interdependencies," *China into Africa: Aid, Trade and Influence*, ed. Robert I. Rotberg (Washington DC: Brookings Institution Press, 2008), 67.
[13] Jeffrey D. Sachs, *The End of Poverty: Economic Possibilities for Our Time*, (New York: Penguin Group, 2006).

poverty alleviation, ecological preservation, education, and world health – succinctly for improving the well being of individuals in the developing world. Sachs proposes that the Western world should collectively offer .07 percent of GDP for the completion of these MDGs (Sachs 299) and postulates the benefits derived from these efforts would suffice to push Africa over the development threshold and catalyze the growth of the middle class.

This affirmation bears a remarkable resemblance to Rostow's Stages of Economic Growth, according to which every country follows a distinct course of development, the most important stage being the "take-off phase," in which a country begins to make large strides in GDP growth and moving from a subsistence-agriculture-based economy to an industrial economy.[14] Rostow has also investigated the workings of structural unemployment as a factor impeding a country's economic development and transition into the take-off phase. The plight of many African countries can be defined as such – businesses are unable to find the skills, materials, or infrastructure to foster internal growth, or worse yet, there may be incentives deterring the formation of firms in these countries.

> "Structural unemployment can be defined as resulting from an inappropriate balance of resources; its existence stems, by definition, from a prior failure of ·investment to flow in appropriate directions, or from a failure of the working force to adjust appropriately in terms of location and skills. Persistent structural-unemployment, therefore, cannot be dealt with simply by a general increase in the level of effective demand… The kinds of spending which might eliminate Italian unemployment, for example, require consideration of the skills available in the unemployed working force, its location, and its mobility… And when one turns to the underdeveloped countries of the world… [this problem is exacerbated]. When adequate skills are lacking in the working force, when mobility of labor is extremely low, when skill in industrial work and high technical knowledge are lacking, measures simply to expand effective demand are of limited use…"[15]

---

[14] W.W. Rostow, *The Stages of Economic Growth: A Non-Communist Manifesto*, (Cambridge: Cambridge University Press, 1960), 4-16.
[15] Rostow, W. W. "A Historian's Perspective On Modern Economic Theory." American Economic Review, 42. no. 2 (1952): 16. Business Source Complete. Web. 8 Jan. 2012.

To a certain degree, the traditional donor model addresses the shortcomings of the previous model: the stimulation of an economy (be it through additional investment, construction of new firms, etc) will not produce long-term growth without addressing the underlying causes of these countries' lower levels of development. Given this logic, promoting economic development requires an analysis of each country's individual situation, with a focus on increasing the economic and social agency of individuals: education programs, infrastructure, healthcare, and opportunities for employment. In this respect, aid appears to have the potential to ameliorate individuals' lives perhaps to a greater degree than corporate investment because it addresses the societal issues driving low development.

Opponents of this model point out several inefficiencies of this system. In the eyes of recipient governments, the austerity measures required by donor governments directly contradict the humanitarian sentiments of pledging a loan. In many cases, countries with budgetary and corruption issues are incidentally the same countries with a high level of poverty (to cite Kenya as but one example) and a population in need of financial support. The recipient country promises to enact these austerity measures in the future, in response to donor governments' demands, and the recipient country receives the loan with no sincere intention of enacting such measures. The aspiration for poverty alleviation through traditional aid remains so strong that Western donors have continued this form of investment despite its ineffectiveness, notwithstanding that the infrastructure to do provide these loans is already in place in these countries.

There is also a growing academic sentiment that aid has become too political in nature to be of benefit to the developing world (*Bottom Billon* 99, *Dragon's Gift* 151). The above statement can be interpreted two ways, both holding an equal bearing on this discussion of the inefficacy of conditional loans. First, a donor country may provide loans to developing country on ideological reasons, even when the recipient government has no intention of budget reform (e.g. Kenya). The West has continued to present the Kenyan government with bilateral aid because it is a functioning representative democracy, even when the Kenyan government has repeatedly misused these funds. Secondly, a donor government may not provide loans to a country on the basis of ideological or historical principles – which is firmly within their right; however, donors may be unduly discriminating against countries in need of financial support for pretty, political reasons. Moreover, the majority of financial inflows to a developing country are directed towards financing existing loans with other institutions or investment, not to humanitarian goals.[16]

Furthermore, competent donor and recipient government to supply funds and implement change are necessary to the successful implementation of this model. While problems with recipient governments have already been addressed to some degree, donor governments present a unique challenge to this issue. Firstly, donor countries are unlikely to present this comparatively large portion of GDP for foreign development, with the exception of several Northern European countries currently giving close to the amount requested in the MDGs (Sachs 302). Recent events reveal hostility towards traditional aid, and Americans increasing political pressure to starkly reduce the American aid budget. To some degree, American aid agencies are responding to these pressures. Secondly, there exists the sentiment that market cooperation should be included in the larger "aid package" and can bolster current development projects.

Even in USAID's publication disclosing its resolution to support the MDGs, in what would presumably be the government's unabashed support of its traditional aid stance, USAID

[16] Barry Bosworth, and Susan M Collins, "Capital Flows to Developing Economies: Implications for Savings and Investment," The Brookings Institution Press (1999): 24.

reveals that it continues to allocate funds for the support of private investment in the developing world. "[Private enterprise in developing countries] increases stability and creates conditions conducive to the investment that drives growth and reduces poverty. Partnerships with the private sector are a smart way, therefore, to help shape and direct private capital, private sector innovations, and private sector talent to countries that might otherwise receive less attention."[17] In short, recent developments have exposed the difficulties in implementing an aid program built solely around the allocation of bilateral aid. Logistic difficulties and a lack of coordination between government agencies (not to mention different countries) plague the implementation of the traditional donor-recipient model, and recipient countries are becoming more vocal in expressing dissatisfaction with the status quo of bilateral aid. Thus, even proponents of traditional aid recognize the usefulness of development through the market.

Additionally, the MDGs have created a paradoxical outcome for China's involvement with Africa. The implementation of this traditional donor-recipient model has indirectly created void for increased Chinese investment in Africa (*Dragon's Gift* 77). After ratification, many Western countries shifted from market-based investment to the MDGs, further eroding the West's focus on market-based development operations after the New Directions Legislation. It is evident that the trade, investment, and aid involving Africa is an highly intricate process encompassing multiple inputs from various sources around the globe, reacting and interacting to constantly shifting ideas about the nature of development and other political climate of each country on a continuous basis.

III. DEVELOPMENT TRAPS AND DUTCH DISEASE

[17] US Agency for International Development, "The United States Commitment to the Millennium Development Goals." Last modified April 2008. Accessed February 4, 2012. http://pdf.usaid.gov/pdf_docs/PDACL239.pdf.

The work of Paul Collier provides a valuable perspective to enter the discussion of Dutch Disease, which he commonly refers to as the "resource trap." Countries with high dependence on the extraction and exportation of natural resources – a.k.a. *rentier* states – are at the highest risk of experiencing Dutch Disease. The mechanisms driving this concept functions as follows: A natural resource begins to occupy a larger portion of the GDP of a country, most commonly through the discovery of a previously unknown resource or an innovation in technology that renders a known resource easier to produce. The value of this natural resource rises, shifting productive forces (labor, capital) towards this sector, and away from other sectors of the economy. This resource then causes the total value of this economy to rise as well, and the exchange rate for this economy rises, reflecting foreigners' desire to hold more of that country's currency.

Dutch Disease has a number of effects on these economies. The resource *does* provide stimulation to a country's economy by increasing the output of an economy, but the majority of research on this topic proposes that the discovery of a tradable natural resource negatively impacts the overall economic standing of a country. Because of the rising exchange rate, other tradable goods from that country become less competitive in the export market, and profits in these sectors begin to fall. Most often, Dutch Disease destabilizes the agricultural sector, as it is a labor-intensive sector *and* receives considerable pressure from other countries producing those same agricultural products (especially true in Africa, where these are a number of countries producing the same agricultural good in comparable climates). As many developing countries rely on agriculture as the primary pillar of their economies, Dutch Disease has the potential to deteriorate the economic standing of large portions of the population in these countries. Furthermore, because of the centralized nature of this resource in comparison to other goods in the economy, elites stand to benefit the most from this added wealth. In a country that has recently discovered oil, for example, high up-front costs prevent the average citizen from reaping the benefits from this resource if the government does not evenly redistribute the wealth generated by its discovery. Much Western research proposes that China's increased trade with Africa intensifies the ill effects of Dutch Disease (already troublesome due to Western demand of these natural resources) through their ever-increasing demand for raw materials to fuel internal growth.

Dutch Disease, in addition to the factors addressed above, also affects the population of *rentier* states on an individual level (Zafar 104). In regards to Dutch Disease, a booming tradables sector (the newly discovered natural resource) draws labor away from lagging tradable sectors, and can "prevent the growth of more labor-intensive industries, such as agro-business and manufacturing" (Sautman 11). This phenomenon causes no change in the non-tradable sectors of that economy (the services sector), and this comparative stability renders the services sector more competitive, drawing more employees to this sector and away from the lagging tradables sector. *Ergo*, resource-rich economies tend to have larger service sectors and smaller manufacturing sectors (Zafar 107-108) and this affects the jobs available in these economies.

Attributing the negative impact of Dutch Disease solely to China's trade with Africa fails to address another factor that affects those same countries at risk of experiencing Dutch Disease: rising commodity prices across the globe. China's pursuit of natural resources in Africa has not taken place in a vacuum; it could be argued that the demand for Chinese goods has magnified *Chinese* demand for natural resources on the continent. Li describes the increase in Chinese demand another way. China's effect on the collective economy of Africa is irrevocably related to

China's ascension from poverty to having the second largest GDP in the world,[18] and Western criticism of China's pursuit of resources is likely unmerited. Whatever specific mechanisms of this process may be, there is a general consensus that growth in world GDP (not just China's) is the driving factor for heightened commodity prices. In other words, because the recent rise in commodity prices has affected various resources across the continent, this may eliminate the effects of Dutch Disease in ay one country. Africa stands to gain in this scenario because of its vast supply of natural resources, in turn giving African countries with the opportunity to fuel internal growth through these sustained commodity prices.[19]

Zafar furthers discourse on this point through an analysis of potential Dutch Disease effects in Africa by clarifying the "terms of trade" for Sub-Saharan countries. Through an investigation of World Bank (WB) and UN Comtrade data, the author has developed a framework for assessing the potential impact of China on Africa's import-export markets, hinging upon each country's "factor endowments." Countries exporting oil, heavy metals, and timber obtained the biggest gains from increased trade and demand from China, and China's increased consumption of these goods has the potential to stabilize otherwise volatile commodity cycles, thereby ensuring future growth. The effect of Chinese trade on mixed metal and agricultural exporters reliant on foreign oil remains uncertain, depending somewhat on the specific goods produced in that country, while countries whose exports are primarily agricultural and reliant on oil and energy imports, are most negatively affected by shifting commodity prices. Frequently, the primary export goods from the countries most negatively affected by trade with

[18] The International Monetary Fund, "World Economic Outlook Database: September 2011." Last modified January 24, 2012. Accessed January 31, 2012. http://www.imf.org/external/pubs/ft/weo/2011/02/weodata/index.aspx.
[19] Anshan Li, "China's New Policy Toward Africa," *China into Africa: Aid, Trade and Influence*, ed. Robert I. Rotberg (Washington DC: Brookings Institution Press, 2008), 39.

China were agricultural products that are not frequently consumed by the Chinese market (e.g., coffee, cocoa), or where the product did not have a competitive advantage over China's other primary agricultural exports (e.g., wheat, beef, corn, and soybeans).[20] In this respect, some African countries are inadvertently affected by China's growth, regardless of investment, aid, and political ties.

The most effective strategy for combating Dutch disease is a revision of the international trade paradigm with the aim of rectifying the effects of Dutch Disease and penalizing countries in violation of international trade law, to which China poses a real threat (Collier 99-174). If for instance, the West was attempting to sanction the actions of a state, such as Zimbabwe throughout the early 2000s, China has the potential to undermine these goals (*Bottom Billon* 86) and has done so (often in the form of resource-backed export credits), under the principles of their "no intervention" mantra.[21] Under different circumstances, access to Chinese loans could delay needed reforms in a developing African country with poor governance by providing implicit support and eliminating incentives for economic reform.

It is judicious to conclude that the Chinese have incentives to maintain the flow of natural resources instead of advocating unpopular human rights reforms in the developing world, and there remains a contingency claiming while the economic effects have yet to be seen, "the political consequences [of this course of action] are bound to prove deleterious."[22] The Chinese

---

[20] Zafar, Ali. "The Growing Relationship Between China and Sub-Saharan Africa: Macroeconomic, Trade, Investment, and Aid Links." *The World Bank Research Observer*. Vol 22, 1. Spring 2007. P. 99-103.

[21] African Forum and Network on Debt and Development, "Publications: Zimbabwe Fact Sheet." Accessed January 9, 2012. http://afrodad.org/index.php?option=com_content&view=article&id=58:publications&catid=8:publications&Itemid=10.

[22] Dennis M Tull, "China's Engagement in Africa: Scope, Significance, and Consequences," Journal of Modern African Studies, 44, no. 3 (2006): 459-111.

axiom in regards to loans, “no intervention in internal affairs,” has the potential to exacerbate this problem, especially if the Chinese are making investment decisions solely on the basis of access to natural resources and ignoring any potential ill-effects that their investment may have on governance in that country. The above claims are indeed valid in the current debate over Chinese involvement in Africa, indicative of a need to establish a set of guidelines for China’s engagement, a sentiment echoed by a number of African researchers.[23][24]

METHODS, VARIABLES & DATA

Chinese investment has extended to every country on the African continent, save Swaziland, which is the only country that has not recognized Taiwan as a part of China (*Dragon’s Gift* 2), and China has engaged in trade with *every* African country. Thus, China’s influence on the continent should not be overlooked, but there is a general paucity of material concerning China’s bilateral aid, development projects, and investment. In an ideal state, the amount and destination of Chinese investment in Africa would be available for public use; however, this has not yet come to pass, largely driven by Chinese secrecy surrounding its investment in Africa.

Both internal and international pressures perpetuate the veil of secrecy surrounding Chinese aid in Africa. Domestically, China fears domestic social unrest will accompany the exposure of China’s investment and aid, due to the large impoverished population of China. The prospect of a negative international reaction equally unnerves Beijing, and the aid budget remains undisclosed. Therefore, the quality of available data concerning Chinese investment in Africa remains low – largely consisting of piecemeal statistics from various communist party-

---

[23] Paul Kamau. "China’s Impact on Kenya’s Clothing Industry." *Chinese and African Perspectives on China in Africa*, ed. Axel Harneit-Sievers, (Uganda: Fountain Press, 2010), 124.
[24] Mbaye, Sanou. "China’s Activities, Africa’s Needs." *Chinese and African Perspectives on China in Africa*, ed. Axel Harneit-Sievers, (Uganda: Fountain Press, 2010), 50-51.

dictated news sources – and fragmented – as a number of African countries lack the capacity to record this data effectively and may not allow international organizations to study internal trends.

Additionally, both parties have incentives to underreport the amount of Chinese aid and investment on the continent. China likely wishes to understate the amount of aid distributed to African countries, to lessen the sentiment that they are influencing the politics and economies of the continent to the degree that they are. African governments, at the same time, do not wish to appear as if they *need* the aid, lest other donors discover their actual aid dependence. Individual case studies may therefore be the most reliable method for researching China's investment with Africa under this set of circumstances. However, the breadth of anecdotal accounts, business statistics, and country-level organizational data renders this virtually impossible for every country.

For these reasons, African countries will each be divided into categories based on two measurements, the total GDP and human development (HDI) for each country. These two measurements allow for four possible outcomes, four categories into which each country can fall (high GDP-high HDI, high GDP-low HDI, low GDP-high HDI, and low GDP-low HDI). Division on the basis of GDP operationalizes the *size* of a particular country's market. African countries are divided into two groups, countries with a GDP over ten billion dollars per year and countries with a GDP less than this figure. The ten billion dollar threshold almost evenly divides the data set into two equal parts, benefitting analysis through two test groups of approximately equal size. Total GDP reveals the potential growth in exports China stands to gain from investing in a certain market – the larger the market, the greater rate of return. Moreover, logic dictates that a larger GDP creates greater possibility for future development, given that the wealth of said country is evenly distributed among the population, and not confined to the bureaucratic elite. In many African counties, a significant portion of wealth is held by a small number of bureaucrats who manipulate the system for their own benefit, but the degree to which this income is unequally distributed remains elusive. Data on income inequality (the GINI index) would be of particular use in this respect, but there is not sufficient data to perform a continent-wide analysis (due to the inability of objective organizations to conduct research and the lack of domestic institutions with the capabilities to do so). For this reason, this study utilizes HDI as a proxy for income inequality.

African countries are also divided on the basis of each country's respective HDI score, utilized because this index includes a number of variables: health, education, and GDP per capita. A higher HDI score entails three potential benefits for Chinese involvement (as well as benefits for Africans themselves): a more educated workforce, higher potential for productivity, and a higher purchasing power for imported Chinese goods. Likewise, a low HDI score presents various impediments to Chinese investment: shorter life spans for workers, lower purchasing power, and a less educated workforce. This study utilizes the HDI framework as set forth by the UN: a score from 1 to .8 signifies *very high* development, .8 to .65 *high* development, .65 to .5 *middling* development, and from .5 to 0 *low* development. (Aside from Seychelles, no African country scores high development, a development that would make an interesting study for further research.)

Thus, this study aims to examine the effects that total GDP and HDI have on Chinese involvement on the continent (See figure 5). Does China present different types of loan programs or distinct forms of business cooperation to countries of varying levels of human development and total GDP? According to the benefits gleaned from involvement with more developed countries, this study hypothesizes that China should be more willing to enter a market possessing a higher human development score and a higher total GDP, tending to ignore markets with a low GDP and low natural resources. The null hypothesis states that China engages African markets without regard to total GDP or HDI and non-market factors are the driving factors of Chinese investment. This study also aims to identify any particular trends within each set of countries, particularly resource rents and population size. An investigation of the resource rents of each data will provide a barometer by which to measure the potential effects of Dutch Disease on each country group.

After establishing to which category each Sub-Saharan African country belongs, one country is selected as a case study from each category, serving as the proxy for China's actions in other countries belonging to this category. This country is then investigated according to the type of Chinese investment found there, the sectors in which China invests (if any), the effects of Chinese involvement in this country, and the potential macroeconomic effects of China's influence. The changes brought about by China's economic growth have created a set of possibly contradictory incentives, the outcome of which has yet to be ascertained. This increase in the value of commodities, especially energy, has revived international interest in the resource-rich countries of Africa driving investment from MNCs and foreign governments alike, including China. From these specific case studies, a comprehensive portrait of China's engagement with Africa will be established. This study utilizes an unorthodox approach to each case study, investigating the historical development of each country, instead of a thematic analysis – the norm for most literature on Chinese investment in Africa. Thus, changes in policies and attitudes from both China and Africa are more apparent than in traditional approaches.

ANALYSIS

> *"Do not forget how other have helped you, and do not forget how you have helped others"* (Li 39).

I. THE FRONT-RUNNERS

The first group of countries included in this investigation is the front-runners, including South Africa, Ghana, Botswana, Kenya, Gabon, Namibia, Equatorial Guinea, Namibia, and the Republic of the Congo (See figure 5). High GDPs and high levels of resource rents scores distinguish these countries. However, none of these countries receive a high development score, a counterintuitive development for countries with a higher GDP, which may indicate the destabilizing effects of Dutch Disease in these countries. Ghana represents the case study for this category with a GDP of 32.3 billion dollars in 2009, an HDI score of .533, natural resource rents as 8.61 percent of GDP in 2009, and no oil rents. Ghana makes an interesting case study, as it is a historically overlooked country regarding Chinese investment on the continent. Oil-producing countries (and manufacturing-reliant countries such as Kenya) generally receive much more international attention. Historical Chinese presence also makes Ghana a worthy study, and it also falls closer to the average in terms of total resource rents and population than any other country in this group.

Historically Ghana has been cursed by internal strife, governmental mismanagement, failed development projects (funded by Britain, the US, and the World Bank), and poor monetary policy, each precipitating its poor economic performance over the middle of the 20th Century. In fact, per capita income in 1983 stood at two-thirds of the 1971 level.[25] The primary agricultural product of Ghana is cocoa, accounting for almost twenty percent of GDP in 1956 (Easterly 222), but its production has been plagued by restrictive tax policies and domestic ethnic tensions. In this colonial era, one Ghanaian ethnic group, the Ashantis, controlled the majority of the cocoa-producing areas and generated a small fortune during. In response to the wealth generated by this

[25] William Easterly, *The Elusive Quest for Growth: Economists' Adventures and Misadventures in the Tropics*, (Cambridge, Massachusetts: The MIT Press, 2002), 26-28.

cocoa, another ethnic group, the Akan, spearheaded the passage of a bill in the Ghanaian congress that froze the price of cocoa in Ghanaian dollars and heavliy taxed cocao production.

The Ghanaian government pursued punitive monetary policies (e.g. overvaluation of the Ghanaian dollar) from independence through the early 1980s, stifling economic performance in other areas as well. In addition to the cocao tax mentioned above, the inflated exchange rate on Ghanaian dollars acted as an indirect tax on cocoa, which had the effect of compelling farmers to abandon cocoa production, falling to three percent of GDP in the 1980s (Easterly 222, 255-56). Draconian government taxes and a fixed exchange rate insulated Ghanaian farmers from the gainful rise of cocoa prices throughout this era and condemned them to increasing poverty. As noted by Easterly, these policies created a “black market premium” on exports, taxing *all* sectors of the economy, not just the cocoa industry.

Onto this stage steps China. Soon after independence, Zhou Enlai visited Ghana during his first trip to Africa in 1964, and he announced the “eight principles” guiding Chinese African engagement there, which speaks to China’s high hopes for Ghanaian economic and political cooperation there (*Dragon’s Gift* 32). Ghana broke political ties with the People’s Republic not soon after Zhou’s visit, possibly due to alarm at the excesses of the Cultural Revolution (*ibid* 67). China implemented its own aid program around the same time that the US and other Western countries were remodeling their own aid ideas. This coincided with the end of the abatement of the worst years of the Cultural Revolution, after which China began to reassert its role in Africa. China established cotton mills on the continent in an effort to stimulate the economies of many African countries reliant on the exportation of raw cotton as one of their first development initiatives on the continent, and Ghana received one of such mills from China (*Dragon’s Gift* 34). Thus, the Chinese presence in Ghana possesses historical elements that demonstrate the

Chinese commitment to this country, and this historic cooperation in low-tech projects paved the way to larger development projects in the 2000s.

The modest beginnings of China-Ghana cooperation were followed by a lull in the China-Ghana relationship throughout the 1980s. However in the early 1990s, China established a number of joint ventures with Ghana, mirroring other investments on the continent, and in the spirit of streamlining previous "extravagant" investments. These investments included the CALF (China International Cooperation Company for Agriculture, Livestock, and Fisheries) International Cocoa Company and the Ghana Shandong Netting Company, the former of which was ultimately not endorsed by the Ghanaian Minister of Finance because of suspicious partisan links. Jerry Rawlings, the Ghanaian leader who came to power in 1979 as a member of the Armed Forces Revolutionary Council, became the de facto dictator of Ghana in 1983. Ghana hosted a presidential election in 1992 (which Rawlings would ultimately win), and it was soon discovered that the CALF project entailed cooperation with a branch of an NGO directed by Rawling's wife, and the Chinese investment was possibly a source of funding for Rawling's own political party (*Dragon's Gift* 201).

In recent years, Chinese engagement with Ghana has taken a number of forms. In the years leading to the 2006 surge in China's trade with the continent, the textile sector of a number of African economies experienced a decline in sales due to the presence of cheaper Chinese alternatives, including Ghanaian mills (Rupp 70). This is an interesting development, especially considering that the Chinese were the very ones to subsidize the Ghana textile sector a few decades before! China has extended Ghana a number of development loans in exchange of Ghanaian agricultural products (coffee and cocoa), in addition to mixed concessional and market loans, the latter of which was enacted in 2007 (*Dragon's Gift* 56 & 175). The China

Development Bank authorized the construction of a "gas-fired power plant" as one of its first development loans in that same year (*ibid* 94). Aside from these large-scale projects, China has surprisingly expressed interest in small and medium enterprises. The China International Fisheries Corporation established a subsidiary in Ghana in coordination with and on the suggestion of a Sierra Leonean fishing firm (*ibid* 223) in the early 2000s.

In large-scale investments in Ghana, China's actions have led to friction with the West. In recent years, the West has grown ever more critical of the use and construction of hydrelectric dams. Africa governments, on the other hand, welcome these dams as a cheap way to utilize their natural resources and provide power to their constituents. Ghana, with vast water resources and a population largely lacking power, turned to China to supply the necessary infrastructure for the Bui Dam (*ibid* 302). Also, some donor countries have expressed discontent with projects that do not directly promote development (housing, stadiums, presidential palaces, etc.). In response severe shortage of housing in Ghana, the Ghanaian government has proposed the STX housing project.[26] Not surprisingly, the IMF rejected Ghana's housing proposal, a rather humiliating rejection for many Ghanaians. In response, the Chinese shouldered the burden of the STX housing project, which will be reimbursed through Ghanaian natural resources.[27]

Aside from these forms of economic cooperation, Ghana and China have also become security partners, as the former is critical source of manganese for China. As with all countries supplying commodities crucial to security goals, the CCP supports the "political status quo and

---

[26] Ghanaian Congress, "BRIEF ON THE GHANA NATIONAL HOUSING PROJECT TO BE EXECUTED BY STX ENGINEERING AND CONSTRUCTION, GHANA LTD." Accessed February 20, 2012. http://www.ghana.gov.gh/index.php/information/speeches/5739-brief-on-the-ghana-national-housing-project-to-be-executed-by-stx-engineering-and-construction-ghana-ltd.

[27] Ghana Web, "Ghana snubs IMF over $3bn Chinese loan." Last modified November 15, 2011. Accessed February 20, 2012. http://www.ghanaweb.com/GhanaHomePage/NewsArchive/artikel.php?ID=223604.

existing governments" in these regions. During the 1960s, Ghana received military training from Chinese experts on guerrilla warfare (Davies 155-56), a blatantly political move for the Chinese. Using the same logic presented above with agricultural cooperation, these rudimentary training exercises paved a path for future military-economic cooperation.

Thus, in "key" countries the Chinese maxim "no intervention in internal affairs" is true only on a technical level. As demonstrated by the Rawlings election scandal, China does not necessarily direct policy in foreign countries (such as Ghana), but it can shape the outcome of internal conflicts or elections through its support of one constituency over another. However, even this more political form of coordination still entails an economic element. These military exchanges are motivated as much by China's attempts to create other markets for domestic companies through international alliances (the development of "military infrastructure," e.g. telecommunications construction from 2003 to 2007 in Ghana), and if anything point to a prevailing economic framework for Chinese engagement in Africa (Shinn 184).

This timeline exposes some general trends in Chinese investment and engagement in Ghana. Historical ties to China may have a greater impact on the authorization of development projects than macroeconomic factors. While China may enjoy the benefits derived from Ghana's large GDP and high HDI, these factors certainly did not spur the establishment of the relationship in the 1960s. Ghana was a poverty-stricken agricultural country at the time, politically and economically unstable after recent independence and rife with ethnic strife. Secondly, China tends to pursue bids for more technologically advanced projects only after cooperation on smaller, agricultural projects (textile mills, cocoa extraction, manganese, and finally the Bui Dam). This occasionally accomplished through outbidding local and international competitors in order to establish future stability and guarantee a market for these domestic companies in the future.[28]

This research views Ghana as an apt representative of the frontrunner countries. Ghana shares a negative trade balance with all countries (having available data) in this group barring South Africa, and the population of Ghana is also sufficiently close to the average to be considered fairly representative in this respect. In terms of total GDP and HDI, Ghana also lies close to the average of this grouping (see figure 5). Ghana's resource overall dependence is lower than the average of the group – a conscious decision.

II. The "Wildcard" Group

The second group of countries includes "wildcard" countries – Angola, Cameroon, the Ivory Coast, Democratic Republic of Congo, Nigeria, Senegal, Tanzania, Uganda and Zambia. This group is considered "wildcard" because while the GDP of these countries is higher, low HDI scores persist. This is more of a more transitional grouping, in which countries have the potential for internal development utilizing the greater GDP of these countries, or should internal development be ignored, sacrifice the welfare of the populous for the enrichment of a few. Compared to the frontrunners, these countries are less reliant on oil (7% compared to 18%) and other natural resource extraction (14% compared to 21%), casting doubt on the validity of the Dutch Disease model as higher dependence on natural resources has not led to lower growth, exemplified by the previous case study.

The China-Zambia relationship takes root in the Mao years, as was the case with the Ghana-China relationship, and there appears to be political motivations behind China's economic cooperation there (or economic motivations driving political cooperation). Among the first

---

[28] Wenran Jiang, "China's Emerging Partnerships," *China into Africa: Aid, Trade and Influence*, ed. Robert I. Rotberg (Washington DC: Brookings Institution Press, 2008), 54.

factories established during the Mao years in Africa was the Mulungushi textile factory, part of China's original plan to "cross the ocean by feeling the stones" (*mozhe shitou guohai*) and establish international cooperation with other developing countries (*Dragon's Gift* 196). The Mulungushi factory incorporated a vertically integrated structure with various levels of production cooperating to create the end product destined for both foreign and domestic consumption (*ibid* 216). China and Zambia saw a lull in their relationship as China devoted attention in domestic problems in the 1970s and 1980s, but no official hiatus as was the case in Ghana. In 1989, the Chinese Foreign Minister, Qian Qichen, visited Zambia in response to increased Taiwanese negotiations in Africa and to rekindle ties with Ghana before Taiwan did so. Taiwan hoped to gain international credibility in the wake of the 1989 Tian'An Men Incident, and Qian visited Africa to make sure that did not happen (*ibid* 68).

Throughout the 1990s, China-Zambia cooperation in resource extraction and manufacturing saw little new developments. China continued to pour money into flailing textile enterprises on the continent, including the Zambian Mulungushi factory. China even began to lease some factories *back* from the African governments for which they built the factories only a few decades before. This did not come to pass in Zambia, but there does seem to be a large amount of Chinese and Zambian cooperation in the maintenance of this facility. The Chinese did not envision maintenance of these facilities as part of their plan on the continent, and these enterprises would come under new management strategies or close down in the following decades (*ibid* 196). These Sino-African companies also face fierce foreign competition for these textiles, and Mulungushi factory began experiencing problems in exports even before the problems precipitated by the dissolution of the Multi-fiber Agreement (MFA) in 2005, further detailed below.

However, the 1990s brought several major developments to China-Zambia agricultural cooperation, and a shift in Chinese engagement on the continent. Zambia passed legislation allowing foreigners to own land in their country during this period, and in 1990 China took advantage of this flexibility, purchasing a tract of land for the China-Zambia Friendship Farm. The success of this enterprise enticed China to pursue similar investments in Zambia, bringing to total number of investments to approxiamtely twenty by 2009 (*ibid* 254). During this time a rather perplexing incident occurred. A Beijing firm was recruited for the construction of a dam in the Baoding area of Zambia, and upon seeing the fertile land of the Zambian countryside, the workers expressed an interest in settling in the area surrounding the dam, with the prospect of creating a farm enterprise similar to the Friendship Farm. This would not come to pass, and no large groups of Chinese workers would ever settle in Zambia. A minister of Chongqing province however, continued to make news reports suggesting a considerable group of migrant workers *had* settled in Zambia over an extended period of time and indicated official endorsement of their settlement. To this day, the events surrounding the Baoding Dam are rather convoluted. African governmnts voiced their concern of Chinese immigration and outright alarm at the prospect of a large-scale Chinese invasion (*ibid* 266-267).

Beginning in the early 2000s, Chinese investment in Zambia has revolved around the Lusaka and Chambishi copper mines,[29] and the accompanying SEZs. As of current, Zambia receives Chinese resource-backed development loans, backed by copper deposits from these mines (*Dragon's Gift* 56). However, China has recently shifted away from selling copper back to China, acting instead as a broker selling Zambian copper to the "highest bidder" (*ibid* 281). In

[29] Sanusha Naidu. "China in Africa: A Maturing of the Engagement?" *Chinese and African Perspectives on China in Africa*. Ed. Axel Harneit-Sievers. 1st Ed, Uganda: Fountain, 2010. 82-88. Print. Copyright Pambazuka Press 2010.

2007, AFRODAD conducted a study of four African countries, including Zambia. All but one of these countries fall into this wildcard category, and all have large natural deposits of oil or precious metals (the others include Angola, Mozambique, and Zimbabwe). AFRODAD points out that much of the agreements on these projects, including the Chambishi Mine, were excluded from the "national protocols" to which other donors are subjected (Dubosse 70-1). China's investment in the Chambishi Mine, and resource extraction projects such as the Lusaka Mine, have likely increased Zambia's foreign debt, which currently stands at over 200 million. China was the largest non-member of the Paris Agreement on Aid Effectiveness lending funds to Zambia (Dubosse 77-8). However, this debt is unlikely to have any long-term effect on Zambia's economic growth, as the loans will be paid off in Zambian copper over the next decades.

China's engagement with Zambia has aroused considerably more contention than in Ghana. Zambia's vocal labor minister, Michael Sata among others, denigrates Chinese involvement in Africa, claiming that Chinese workers are displacing local labor, with the goal of providing a labor market for China's oversized workforce (Rupp 72). Poor working conditions for Zambian laborers, including low compensation and a disregard for safety and environmental considerations mark Chinese investment at the Chambishi mine (*ibid* 80), causing some alarm at the future prospects of Chinese involvement. These are valid concerns for African governments – poor working conditions are not merely confined to foreign investments. "The problems that China has had with African companies, government, and citizens are externalizations of the internal development, human rights, and entrepreneurial struggles simultaneously taking place in China" (Jiang 61). However, attribting poor working conditions entirely to the Chinese is a misrepresentation of facts. Zambian mines have suffered at the hands of all owners – African, European, and Chinese alike.

The myth of non-interference again comes under scrutiny with the China-Zambia relationship. During the 2006 Zambian presidential elections, the opposition candidate Michael Sata made several claims concerning the independence of Taiwan from the mainland, threatening to recognize Taiwan internationally if elected president. The Chinese ambassador to Zambia then responded that China would sever diplomatic and economic ties with Zambia if such an agreement came to pass. Again, China flirts with interference in Zambian politics. Although China does not explicitly endorse one candidate over the other, Zambians benefitting from Chinese engagement certainly had to weigh this possible outcome during the 2006 elections. While China is not actively intervening in Zambian domestic politics, this exchange does cast doubt onto the maxim “no intervention in internal affairs” (*Dragon’s Gift* 150-1). The threat of China breaking off ties with Zambia did not, in fact, come to pass, and the brusque language of the election gave way to a more conciliatory tone regarding Chinese cooperation following Sata’s ascension to power.[30]

Zambia represents the wildcard group, with a historical Chinese presence and exemplifies the situation of many other countries in this group due to high dependence on heavy metal extraction. In regards to natural resource extraction and human development, Zambia falls quite near the average for this group, and with the omission of Nigeria (which could arguably be included as a frontrunner), Zambia falls close to the average for the population and GDP as well. The study of Zambia augments existing research on this group of countries, which focuses primarily on the oil producing countries of Angola and Ethiopia. In other ways, Zambia has generated some international and scholarly attention in recent years through two large-scale

[30] The Global Post, "Zambian election results check Chinese influence in Africa." Last modified September 25, 2011. Accessed February 24, 2012. http://www.globalpost.com/dispatch/news/regions/africa/110924/zambian-election-results-check-chinese-influence-africa.

investment projects in Zambia – the Chambishi Copper Mine and the Tanzania-Zambia (Tan-Zam) railway. As is the case with many countries engaging in aid and trade with China, the exact figures surrounding Chinese involvement remain shrouded in mystery, as the Zambian and Chinese governments alike regard foreign aid as secrets, to be known only to those in high levels of government. Unlike in Ghana, agreements with the Chinese are not subject to approval of the Zambian congress, confined only to a small group of Zambian political elites,[31] and a lack of transparency tends to prevail in this group of countries.

III. Small Island Nations

The third group of countries investigated in this study includes small island nations, with the exception of the landlocked Swaziland – Cape Verde, Mauritius, Sao Tome and Principe, the Seychelles and Swaziland. Notable features of this group of countries include a low average GDP, and a small average population – much lower than the other three subsets, with an average population of approximately 830,000. The comparatively smaller populations of these countries gives these countries a high per-capita GDP as well as a high HDI score. These countries do not rely on natural resources – the group's average stands at .72% of GDP. Not surprisingly, none of these small island nations have oil deposits. The representative country for this subset is Mauritius, an island nation off the east coast of Africa. In many ways, Mauritius is an outlier in this group, but it does hold one of the seven SEZs on the continent, indicating the importance of this group of countries for Chinese economic expansion on the continent.

In the way of available information and current research, this group of countries suffers from a general lack of attention from the West. Development literature tends to focus more of the

[31] Nancy Dubosse. "Chinese Development Assistance to Africa: aid, trade, and debt." *Chinese and African Perspectives on China in Africa*. Ed. Axel Harneit-Sievers. 1st Ed, Uganda: Fountain, 2010. 82-88. Print. Copyright Pambazuka Press 2010.

impoverished countries of Sub-Saharan Africa, a discussion in which these island nations take a back seat. Because of these countries' comparable development, Chinese aid differs greatly from the other subsets in this study. Aid in less developed countries (e.g. Zambia) focuses more on resource extraction and agricultural ventures, but these countries have already created a competitive manufacturing sector, which has led to a development of Chinese-African joint ventures specializing in manufacturing in these countries, which have benefitted from international markets conducive to manufacturing, until the end of the MFA. Mauritius provides an example of the success of the manufacturing sector in coordination and competition with China, and is one of the few countries with existing research regarding Chinese influence. Domestic economic success, relatively stable political systems, and a lack of resources render these countries a rather *lackluster* development study.

Many of these countries do not receive a large degree of attention from the mainland, and combined with the lack of attention from the West, accurate sources of any sort on the China-Africa relationship in these countries is sparse. Sao Tome and Principe do not currently recognize the One China Policy, and therefore do not receive any investment from China. Sao Tome and Principe's as well as Cape Verde are not strategically located as for Chinese trade. Madagascar would make an interesting study for Chinese investment in this group of countries, but in order to preserve the division along the lines of GDP and HDI, it has been omitted from this section. Swaziland also does not neatly fit into this category as it is a landlocked nation. Thus Mauritius and the Seychelles are the only viable choices, and given the SEZ in Mauritius, this country has been chosen for further study.

For all of the other countries in this study, ties to China took root in the early Mao years; the Mauritius-China relationship is approximately *one hundred and fifty* years older than the typical Africa-China relationship. Chinese presence in Mauritius begins in the late 1700s, when two Chinese settlers who came to the island to grow tea.[32] The number of Chinese settlers in Mauritius steadily increased over the next hundred years, and the Chinese businessmen on the island gained increased recognition as their enterprises flourished (*Encounters* 457). These Chinese settlers did not break ties with their motherland upon settling on the island, but rather maintained close kinship ties with family members on the mainland (*ibid* 452); this tendency would prove to be very beneficial to Mauritian development over the next several hundred years, into the 21st century. During the Mao years, there was little contact between China and Mauritius, and only recently have these two countries cooperated on a governmental level. Familial ties to Chinese living on the mainland, as well as a common Chinese heritage between members of the Chinese Diaspora in other Asian countries, have played an important roles in Mauritian economic development, as demonstrated by the large number of Chinese-owned firms in the utilizing Mauritius' EPZ (*ibid* 461).

The 1970s marked an important era for Mauritian development. In 1970, Mauritius laid the foundations for its future economic development with the establishment of a tax-free export-processing zone (EPZ), with an emphasis in value-adding manufacturing for textiles. The initial textile weaving did not take place in Mauritius; Mauritian firms imported cloth from other African countries and make clothes in the EPZ. Two years later, China founded diplomatic relations with the China, and China began to invest in the EPZ ("Flying Geese" 3). In part as a result of the increased demand for Mauritian exports and in part from the bubble in sugar prices, Mauritius experienced its own bout of Dutch Disease following from 1973 to 1974. In response to Dutch Disease, the Mauritian government instituted a set of structural reforms that would

[32] Deborah Brautitgam, "Close Encounters: Chinese Business Networks as Industrial Catalysts in Sub-Saharan Africa," African Affairs, 102 (2003): 447-467.

guarantee the future health of the Mauritian economy. The Mauritian government also encouraged export diversification in the EPZ, and these combined measures fostered sustained economic growth for the following twenty years.[33]

Specialization in Mauritius has allowed this country to compete with China on more equal footing than other countries investigated thus far. The transfer of expertise allowed many local Mauritians, many times Sino-Mauritians, to gain the technological and business skills from Chinese companies investing in Mauritian firms. This soon allowed Mauritians begin investing in their own economy, with 60 percent of all investment in the EPZ coming from locals (*Dragon's Gift* 205). Specialization of certain clothing goods in Mauritius guaranteed a position of continued high exports, and in this instance, Mauritius has maintained competition with China in the textile sector. Thus, we can see a distinct difference in the Mauritius-China relationship and the other countries noted in this study. This relationship is built around traditional kinship ties between Sino-Mauritian immigrants, and in the period following 1972, Mauritius began to compete with China on level footing.[34]

The China-Mauritius relationship has entered another phase in the new millennium, focused on two main areas: increased FDI in other manufacturing projects as well as tourism. In 2003, the Chinese and Mauritian governments established the latter as a certified destination for Chinese tourists, greatly encouraging mainland tourism on the island nation.[35] Following the agreement on tourism, China announced the intent to construct a SEZ in Mauritius in 2007,

[33] Ancharaz, Vinaye. "David V. Goliath: Mauritius Facing Up to China." European Journal Of Development Research 21, no. 4 (2009): 622-643. Academic Search Premier, EBSCOhost (accessed February 23, 2012).
[34] Vinaye Ancharaz, "David V. Goliath: Mauritius Faces up to China," Department of Economics and Statistics, University of Mauritius, 634.
[35] Joshua Eisenman, "China's Post-Cold War Strategy in Africa," China and the Developing World, ed. Joshua Eisenman, Eric Heginbotham and Derek Mitchell (London: M.E. Sharpe Inc, 2007), 44.

which will be completed next year should construction continue as planned. The SEZ boasts the prospect of hosting up to forty Chinese companies, the construction of a dam, a fishery, and a new residential area near the SEZ. In continuing with the prevailing Chinese mentality on economic cooperation in Mauritius, investors hope this SEZ will serve as a "springboard for entry to Africa."[36]

The effect of Chinese competition on Mauritian businesses in the domestic market is lower than what might be expected in an economy of its size. The majority of Mauritian exports are destined for the US and the EU, with little focus on the Asian market. Thus, Mauritius is not directly impacted by imports from China, nor does Chinese business threaten local enterprise to a large degree. Rather, international trends have a much greater effect on Mauritius' economic development. The end of the Multifiber Agreement in 2005 had a much larger effect on the Mauritian economy than Chinese trade, as companies began to shift production to other destinations in preparation for the in the mid-2000s, during which unemployment in Mauritius continued to rise (See figure 11). Currently, Mauritius faces a rising trade deficit, aggravated by the global financial crisis. In 2006, Mauritius' foreign debt stood at 357 million USD, with Chinese imports comprising approximately thirty percent of this number (Ancharaz 627).

Mauritius is not very representative of this sample of countries and makes a more interesting study of a small economy facing China's increased exports. In terms of populations, Mauritius has the largest in the group at 1.3 million people, has the largest total GDP this group at 9.7 billion dollars per year. Mauritius' HDI score is higher than the group's average, along with its per capita GDP. Given the large discrepancies in per capita GDP, no one country is a

[36] Martin J. Davies, "Special Economic Zones: China's Developmental Model Comes to Africa," *China into Africa: Aid, Trade and Influence*, ed. Robert I. Rotberg (Washington DC: Brookings Institution Press, 2008), 144-5.

definitive representation of the others. Cape Verde is likely the most representative, but there is no data on China's relationship with the country. In short, Mauritius is a rather optimistic case study and demonstrates the potential of one country to effectively develop in the face of China's competition.

IV. The "Laggard" Countries

The final group to be analyzed in this study includes the laggard countries. They are considered as such due to a combination of low GDP *and* low HDI, indicating a general failure (or inability) to modernize as other African countries have. This group includes the most members of any of the four subsets, with a total of twenty countries: Benin, Burkina Faso, Burundi, Central African Republic, Chad, Comoros, Eritrea, Ethiopia, the Gambia, Guinea, Guinea-Bissau, Lesotho, Liberia, Madagascar, Malawi, Mali, Mozambique, Niger, Rwanda, Sierra Leone, Togo, and Zimbabwe. In comparison to the other groups, these countries typically have a lower level of resource extraction than the frontrunners as well as the wildcards, averaging roughly a third of the former and less than half of the latter. The only country with a significant portion of GDP derived from resource rents is Chad (at thirty six percent), and is the only oil producing country in this subset. These countries are slightly less populous than the first group, but the combination of a very low GDP and this slightly depressed population gives these countries a dismal per capita GDP – 450 USD per year. (The others are 4,000, 1,000, and 5,00 per year, respectively.) Sierra Leone represents this subset with a GDP of approximately 2 billion dollars per year and an HDI score of .334, lower than the group average for both measures. Sierra Leone represents this group in another way, not overtly mentioned in this study. It is still recovering from civil war, and provides one example of how China's behaves in the face of wars on the continent.

Historical cooperation of China and Sierra Leone begins in the early Maoist years, as China provided military support and bilateral aid to countries who were "fellow travelers on the socialist road" (*Dragon's Gift* 38). China's military support came in the form of training some 150 Sierra Leonean military personnel during the period from 1955 to 1976.[37] Aside from military training, China provided medical teams and medical support from 1973 to 1977 (Li 27). During the 1970s, China established a number of rice farms in Sierra Leone in the spirit of communist cooperation, but none of these enterprises would flourish until the mid-2000s. (Sierra Leone then abandoned the façade of communism to pursue development through capitalism.) China returned to Sierra Leone in the 1980s in the spirit of improving their older projects to find them in poor condition, and Chinese farmers would stay in Sierra Leone until 1993 when the civil war drove them back to China (*Dragon's Gift* 244). Chinese experiences with the failed rice paddies in Sierra Leone foreshadowed the failures of other development projects throughout the 1970s. In the World Bank Africa Report of 1981, Sierra Leone was already considered a heavily indebted poor country (HIPC), with little prospect of being able to pay off said loans over the coming decade (Easterly 125).

Agricultural projects in the 1980s were rife with difficulty for the Chinese. Sierra Leone was one of the first locations in which a provincial agricultural ministry established enterprises in Africa, but unfamiliarity with local politics, as well as a general lower success of agricultural enterprises in comparison to industrial projects, facilitated a rapid decline in this type of engagement (*Dragon's Gift* 239-40). In 1983, China negotiated with the government of Sierra Leone for the construction of the Magbass sugar complex in coordination with the China

---

[37] David H Shinn, "Military and Security Relations: China, Africa, and the Rest of the World," *China into Africa: Aid, Trade and Influence*, ed. Robert I. Rotberg (Washington DC: Brookings Institution Press, 2008), 158.

Complete Plant Export Import Corporation (Complant).[38] Chinese managers ran this firm as a joint venture with the Sierra Leonean government and hired local workers. This was the first instance of such an arrangement in Africa, and the Chinese experience Magbass guaranteed that these projects would not be among future forms of engagement . Workers stole cane alcohol, and officials expected gifts of sugar upon visits to the factory. The central government fixed the price for sugar at approximately one-third of the market price. China did not want to require that the Sierra Leonean government privatize the enterprise, but in they would do so in order to keep the plant profitable (*Dragon's Gift* 58-59). The experiences of the Magbass sugar plant mirror other "wasteful" enterprises on the continent, and Magbass convinced that the prospect of increasing international standing was not worth enduring this level of corruption and difficulty.

The new model of Chinese investment emerged in the late 1980s as joint ventures with trusted local entrepreneurs. In 1985, China established a number of fishing enterprises on the Sierra Leonean coast, and under these agreements, *local entrepreneurs* took the responsibility of dealing with the local governments, as well as paying for all overhead costs (*ibid* 61). These types of firms were more successful than joint ventures with the government, but the Chinese still maintained a presence in these companies to guarantee their profitability. Local crew tended to skim off the catch, but "with the Chinese on board, you can run a boat efficiently" (*ibid* 63).

In the way of natural resources, Sierra Leone possesses large deposits of alluvial diamonds. Before the onset of the Sierra Leonean Civil War, the majority of the revenue from these deposits was funneled to elite bureaucrats, and the average Sierra Leonean received no benefit from this resource. These diamonds proved to be more of a bane than a blessing for

[38] Deborah Brautigam, and Xiaoyang Tang, "China's Engagement in African Agriculture: "Down to the Countryside"," The China Quarterly: 686-706.

Sierra Leone, and they became a major source of funding for the rebels in the Sierra Leonean Civil War.[39]

After the outbreak of the Sierra Leonean Civil War, China took advantage of the conflict playing the two sides of the war off one another and again calling China's "no intervention" mantra into question. Throughout the war, China provided military assistance to the government through the sale of arms and other military equipment. China sold of one patrol aircraft to the Sierra Leonean government during the civil war, but this appeared to be less of a critical transfer of military equipment than a gesture of friendship (Shinn 161). China also sent personnel to aid in UN peacekeeping missions in Sierra Leone, although these groups usually provided assistance to other countries, not infantry. Much to China's embarrassment, Chinese arms found themselves on both sides of the Sierra Leonean conflict, as was the case in other conflicts on the continent (CIA 177-78).

As seen in the first two groups, China-Sierra Leone cooperation entered the realm of resource backed development loans in the 2000s, after the commencement of peace after the Sierra Leonean Civil War. Sierra Leone paid off these loans with agricultural products such as cocoa and coffee (*Dragon's Gift* 56). In 2003, China finally purchased the Magbass sugar complex from the Sierra Leonean government due to government pressures for privatization after the war. Chinese management was more profitable under Chinese ownership, generating profits for the investors (*ibid* 259). Other forms of engagement in the 2000s have centered on the development of hydropower and telecommunications enterprises through resource loans, but concerns of transparency have raised international alarm at these actions. Huawei Technologies

[39] Sahr Kpundeh, "Corruption and Political Insurgency in Sierra Leone," *Between Democracy and Terror: The Sierra leone Civil War*, ed. Ibrahim Abdullah (Pretoria, South Africa: CODESRIA, 2000), 102.

cooperated with the Sierra Leonean government to further the wireless communications system for the telecommunications firm, Sierratel. “There were no bids for this project. ‘Huawei proposed it to Sierratel…’” (*ibid* 140). However, the project *was* profitable, and the funds dedicated to the project went to their correct use (*ibid* 142). The China National Electric Equipment Corporation (CNEEC) repaired the Goma Dam in the early 2000s, which supplies electricity to two provinces of Sierra Leone. China had their eyes on the future and hoped to gain Sierra Leonean trust so they could build the Bikongor Falls Hydroelectric Dam. This expansive project could supply power to Sierra Leone as well as neighboring Liberia, and Sierra Leone would pay off investors with natural resources and revenues from the sale of electricity (*ibid* 144-145). This project would ultimately never come to pass.[40]

Given the criteria of the country comparison utilized in this study, Sierra Leone is fairly representative of this sample. Sierra Leone’s GDP stands slightly under two billion dollars per year, with an HDI score of 0.334 (placing it squarely within the “less developed countries grouping). Sierra Leone is not an oil producer, but resource rents comprise 4.46 percent of GDP, and the population stands at slightly under six million people. No one country falls very close to the average of the group on all markers, although Zimbabwe would make in interesting study. Given Zimbabwe’s current political situation, and the resounding condemnation of Zimbabwe in the international sphere, however, it was not chosen. Conclusive data on the internal affairs of many of these countries is difficult at best because of political instability as well as hostility to the outside world. If there is any sample bias present in this case study, it would likely be presenting an overly negative portrait of this group’s economic and political situation.

[40] United Nations, Office for the Coordination of Humanitarian Affairs, "Sierra Leone: Humanitarian Situation Report." Last modified October 2003. Accessed February 24, 2012. reliefweb.int/node/137272.

DISCUSSION

As for China's engagement with African countries, China did not appear to be any more likely to invest in one country over another on the basis of a country's GDP or human development. If China decided to invest in African countries on the basis of these factors, there would be a disproportionate amount of investment in the frontrunner countries, middling investment in wildcard countries and small island countries, and hardly any investment in the laggard countries. However, the frontrunners, wildcards, and laggard countries all experienced a somewhat equal level of engagement from China, while the small island countries were the only ones to see lower levels of Chinese investment. If anything, it appears that China focuses more on the GDP of a country than human development or a skilled workforce when making investment decisions. However, the Mauritius example demonstrates that China *does* see island nations as a strategic location for certain industries, and further study on the strength of certain sectors of African economies over others may shed light on China's decision-making process for investment.

In a qualitatively-focused study such as this, sample bias has the potential to skew findings. This study has aimed to present an unbiased perspective in the case studies and bring forward any major deviations of each case study from the "typical" country in each group. One major shortcoming of this research is the lack of focus on oil-rich countries. Additionally, the overwhelming majority of China's investment goes to this group of some eight oil-producing states, and a study that depicts China's involvement in these counters is likely to reveal quite different results. There are more scholarly studies on these oil-rich states, and China's involvement likely various greatly from these four studies. However, the majority of countries in Africa are not reliant on oil, and this study presents four of these countries.

Each of the case studies above present unique questions about China's engagement with Africa, and further discussion on each group will bring these to light. Firstly, the Ghanaian example reveals that factors contributing most to Ghana's stagnating development throughout had very little to do with international trade or Chinese development (or investment there). Domestic policymakers, on the other hand, profoundly shaped Ghana's economic fortunes, securing political and economic control for themselves through the marginalization of other ethnic groups. Rawling's rise to power brought more political stability and a loosening of government controls on the price of these agricultural resources, and this single decision had a larger effect on Ghana's economic development than any investment by the Chinese.

Secondly, the Zambian case depicts the "typical" maturity of China-African ties, beginning with small-scale agricultural projects and progressing to more technologically advanced ventures. The Zambian farms represent a major success of Chinese agricultural ventures on the continent – the caveat being that *Chinese* managers run the enterprises. Enterprises run by African managers, or joint ventures with African governments The Mulungushi Factory provides a poignant example of the general failure of joint ventures with African governments spell disaster and wasted energy for foreign investors. China's hesitation to cooperate with African managers remains a major critique of Chinese engagement in Africa, but Western denigration of China's decision is nothing short of a selective perception of the ground situation for investment in Africa. The decision to exclude African managers from companies does not appear malicious in these cases, but rather a commitment to creating economically sound investments that do not require a large degree of maintenance by the investors. Thus, when the Mulungushi Factory began to falter after the abolishment of the MFAs – much to the dismay of Zambian workers – China took the opportunity to rid itself of a nonperforming investment (*Dragon's Gift* 215-218).

The effects of Chinese engagement in Zambia remain mixed. For one, extractive industries, such as the copper mines of Zambia, rely more on fiscal capital and less on human capital than other enterprises, generating more income for the owners and managers of these investments. Potential income generation for Zambians working in these mines remains low, and therefore other investments have greater potential to benefit individual Zambians. For local Zambians, agricultural enterprises have the potential to generate more jobs, but even these jobs remain low technology and low-skill in nature.

Third, Mauritius' experience with the Chinese stands as a stark counterexample to those who assert that Chinese influence on the continent will destabilize small, resource-poor countries. If anything, Chinese investment helped strengthen the economy of Mauritius, to such an extent that Mauritius' development has come at the loss of Chinese manufacturing in other markets. In this same way, Chinese investment in Mauritius has not confined it to perpetual reliance on Chinese imports, and until recently, China exported very few goods to Mauritius. Mauritian exports to China are also of little consequence, and have declined in recent years. Over 60% of exports are devoted to Western countries, and there is little evidence to suggest that this trend will reverse in the coming years (David and Goliath 626-27). Even the construction of the Mauritian SEZ was negotiated on more equal terms, not in the patron-client language of most SEZs, and reveals the ability of small, technologically advanced countries to deal with China on equal footing.

To what then, should we attribute the success of Mauritius? If the example of Mauritius reveals anything particular about the ability of African countries to cope with Chinese involvement, the key to African countries' success lies in the ability of African governments' to create domestic institutions that facilitate economic success. Export diversification is the underlying reason for Mauritius's ability to cope with globalized world. "Mauritius… owes its economic success to the presence (or creation) of institutions that have generated market-oriented incentives, protected the rights of current and future investors, and deterred social and political instability."[41] "Attractive investment laws" encouraged the construction of Mauritius' SEZ (Davies 144), and this is another successful policy proposed by the Mauritian government. Mauritius' development owed some of its success to luck, as import and export prices throughout the 1980s gave Mauritius a GDP growth of 4.3% per year.

Fourthly, Sierra Leone's cooperation with China is intriguing, for a number of reasons. According to the logic of current studies on China's investment in Africa, Sierra Leone should not receive support from China. It is too small, too risky, and too undeveloped. However, neither these factors nor the lack of natural resources have detracted from the alacrity with which the Chinese have entered the Sierra Leonean market. This casts doubt on the claim that the Chinese are only interested in engaging with resource-rich nations. A climate amenable to agriculture spurred the development of agricultural cooperation in this country, and in contrast to the Zambian example, Sierra Leone demonstrates that Chinese engagement has the potential to create local jobs, not undermine them. China also serves a stabilizing role for Sierra Leone, ensuring that locals receive electricity in areas previously ignored by the Sierra Leonean government.

Aside from the lessons gleaned from each of these case studies, this research finds four major themes of China's investment in Africa. The accepted view that China seeks out resources

---

[41] Dambisa Moyo, *Dead Aid: Why Aid is not Working and how there is a Better Way for Africa*, (New York: Farrar. Straus and Giroux, 2009), 34.

for domestic use through their investment in Africa is not evidenced by any of the case studies. Rather, China's primary motivation for investment in Africa is to provide employment opportunities to mainland firms and generating profit. The move to Africa is not a quest for natural resources, with the exception of oil. Zambia's cooper industry and Sierra Leone's production of coffee and cocoa reveal the shift away from mainland's consumption of African resources to brokerage of these goods. Agricultural goods imported from Sierra Leone are resold on the international market, as these goods are not particularly valuable to Chinese consumers. In Mauritius, the majority of goods were not designed for local consumption or Chinese export, but rather for Western markets, even when those goods were manufactured by Chinese workers. Recent developments in Ghana reveal a departure from China's traditional role on the continent, as China has tentatively invested in smaller-scale or single proprietor enterprises (e.g. small-scale fishing firms). Chinese engagement in Ghana serves to create a market for mainland construction firms, such as the Bui dam project (*Dragon's Gift* 280).

Another major theme of Chinese investment in Africa is the importance of previous cooperation on modern-day investment. In each of the cases whose relationship was established in the early years of the PRC, China invests heavily in infrastructure as well as other enterprises. Earlier projects (textile cooperation, development projects such as the Baoding dam) led to later projects with a higher rate of return (such as the Lusaka and Chambishi copper mines), as noted elsewhere (Jiang 54). However, China's methods for acquiring the bids on these projects reveals some less-than-savory practices. China frequently bids on infrastructure development projects below cost.[42] African governments are only too happy to allow China to construct these projects

[42] Jiang Wenran, "China's Emerging Partnerships," *China into Africa: Aid, Trade and Influence*, ed. Robert I. Rotberg (Washington DC: Brookings Institution Press, 2008), 54.

at such a low price, but these governments may have opened up the proverbial Pandora's box by inviting the Chinese into their country – which Segway's into the third theme of this work.

China's actions in Africa dispel any claims of non-intervention in African affairs. China does occasionally refrain from interfering with internal economic and political policy, but instances of outright pursuit of China's interests serve as poignant counterexamples of China's commitment to noninterference in internal affairs. China did little to influence the actions of the Ghanaian's government throughout the period ranging from independence to the early 2000s regarding their policy towards cocoa production, even when a change in policy (loosening controls on the price of cocoa) would have benefitted Beijing. China had no issue with supplying arms to Sierra Leonean militants (or the legitimate government), nor did it see propping up a vehicle for Rawling's electoral funds as problematic, nor was threatening to call off all Zambian investments as "interference." China uses "no intervention" as a way to attract countries disillusioned with Western loans and strapped for cash, but at the core, China's current involvement is every bit as political as Western aid.

Finally, these cases demonstrate the importance of establishing sound domestic policy and fostering an environment conducive to business for economic development in Africa. if Africa's business climate remains as poor as it currently is, and if corruption stays as prevalent as it is in many African countries, there will be no major change in the structure of China's investment. Furthermore, China's experience at the Mulungushi textile factory demonstrate a lack of interest on behalf of Zambians for learning how to run these enterprises (or even a desire for the Chinese to keep running them for the profit of Zambians without having to assume the risk of running the enterprise), a sobering observation for supporters of African development. The failure of the Magbass Sugar Plant is linked more to internal societal factors, the government's role in these factories, and domestic business climate of Sierra Leone than China's role there, and this is equally true for other countries. Ethnic conflict dominates Sierra Leone, much is it did in Ghana a few decades before, rendering any prospect of development difficult (Easterly 276). A societal tendency to view stealing from one's employer as acceptable mirrors similar situations in countries with highly unequal income distribution, and in this respect Africa is not unique. Nevertheless, these tendencies erode the willingness of foreigners to invest in such an environment. Fixing the internal price of sugar lined the pockets of government officials, but this attitude guaranteed a lack of future Chinese investment in the Magbass enterprise.

What is the *future* of Chinese investment on the continent? No existing research claims to accurately predict the future of China's investments in Africa, nor does this study aim to do so. However, given existing information on the topic, several trends are likely. For one, China will continue to pursue more technologically advanced investments with countries maintaining harmonious relationships with Beijing. China has pursued agricultural projects, transportation infrastructure, drilling facilities, dams and ports across the continent and will likely look to high-tech investments during the next phase of the China-Africa relationship. Projects such as the telecommunications network in Ghana foretell similar investments in other countries. Secondly, domestic market pressure will eventually force China to shift from infrastructure projects to manufacturing or other enterprises. As China is learning domestically – one can only build so many roads and dams, dig so many tunnels, and construct so many cell phone towers until the market is saturated. However, China has revealed some unwillingness to alter its method of "development" in these saturated regions, and the road to changing China's engagement in Africa will likely be slow and tedious.

CONCLUSION

China's engagement in Africa does not fit nicely into any one development paradigm. Chinese investment and the exportation of consumer goods do give the impression of being an endorsement of Pralahad's market-based model, but small-scale enterprises and innovative technologies were strikingly absent from these studies. A comparison between China's investment and the traditional donor-recipient model is equally cumbersome. One of the major benefits of China's investment was the supposed de-emphasis on conditionality for development, but China's actions in Zambia, Ghana, *and* Sierra Leone cast this into doubt. At the same time, the necessity of some level of individually-focused development programs (to augment market development programs) is evident through these studies. China's market-based investment provides individuals with employment and income. It does not provide education, healthcare, or a safety net from corruption and conflict.

Also, widespread observations of Dutch Disease through China's increased demand for African goods is markedly absent in these case studies. As noted by Brautigam, this is likely due to the inflated Western perspective of China's activities on the continent, as trade and aid levels are much lower than that of the United States (*Dragon's Gift* 172). The only county that made mention of this phenomenon had the lowest reliance on natural resources! The experience of the Mauritian EPZ reveals that Dutch Disease-style behavior is not solely confined to natural resources. Investment in the EPZ acted in much the same way as a commodities boom in a resource-rich country, which was successfully managed by the Mauritian government. While a study of oil-producing countries may reveal further details, internal factors dictate the success of an individual country, not solely international factors.

This present study has disclosed a number of opportunities for research and study. The most obvious of these is simply increased data of all types on the continent, which may be limited more by internal factors (wars, regime change, etc) than a hesitation to study these countries on the part of Western organizations. Certain areas of particular use would be increased availability of GINI data, along with other social indicators. The development of a viable services sector in African countries would also illuminate the future of African economic development, perhaps augmenting existing data on Dutch Disease in Africa. Moreover, the lack of data on the subject of Chinese investment limits the findings of this study, and until Beijing relinquishes the secrecy of said data, any investigation of Chinese investment on the continent will be similarly limited. Anecdotal data and existing historical accounts reveal certain aspects of Chinese investments, but their utility pales in contrast to a more concrete approach to study. As such, the information as presented above can only reveal so much of China's engagement with Africa.

This present study does indicate some direction for other countries or companies hoping to invest in Africa. Firstly, China has established a proven path for engaging with African countries, first establishing trust through smaller investments and building upon these for multibillion-dollar projects. Many Western countries attempt to enter the friendship phase while ignoring the valuable establishment of the relationship, driven as much by the short-term goals of many Western companies, and countries, as a lack of cultural knowledge in these areas. Secondly, existing Chinese development creates economies of scale in China's area of interest. These resources can be quite valuable for other investments, and China welcomes other countries to participate and utilize the infrastructure they have established. Thirdly, this study has revealed a number of industries of which China has taken a particular interest and simultaneously those opportunities that China is foregoing on the continent, namely the service sector and consumer goods. The areas surrounding these pockets of Chinese investment grow more affluent and will demand more services and goods to take advantage of this newfound wealth. China has largely ignored these opportunities and could be particularly useful to Western companies with a comparative advantage in consumer-oriented goods and services.

Thus, how should we view Chinese investment on the African continent? Chinese investment has certainly provided support to countries that would have received little to none from Western countries; however the benefits of such an approach remain debatable. *Countries* have grown richer through the construction of Chinese infrastructure, but whether the same has happened for *individuals* is yet to be seen. Chinese investments have been concentrated on a select few areas such as mining, drilling, and construction, which do not provide jobs for a large number of local workers, but we cannot forget that China has attempted to establish enterprises with African governments and African workers. The foundational philosophy of these firms is presented above – they aimed to provide jobs to individuals and foster macroeconomic development through these ventures, but internal factors rendered this unachievable.

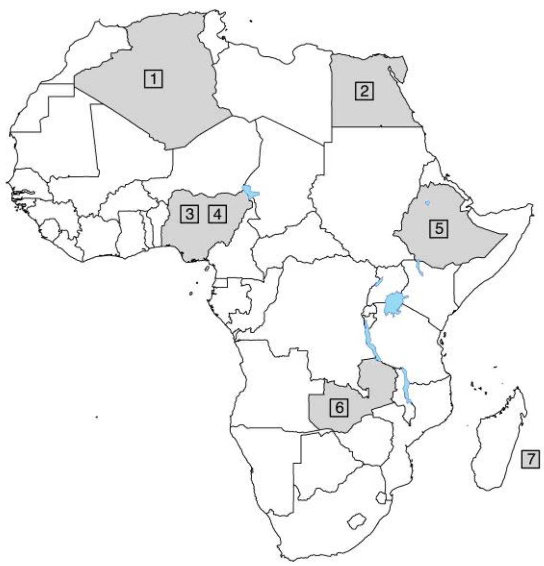
Furthermore, China is not an agent for social or governmental change in Africa. The status quo of African countries receives indirect financial support from the Chinese, many of them labeled as violators of human rights and despots, among other injustices. China displays the advantages of the command economy in its astounding economic growth rate over the last 30 years, and a number of researchers uphold that a single-party government *may not* be detrimental to the strengthening of a country's economy. If anything, China's actions in Africa may strengthen the pro-strong-party sentiments in the developing world, and should these countries maintain economic growth to the degree that China has, it could delay citizens' demands for democracy in the developing world.

To African governments and Africans themselves, the China-African relationship is just as contradictory. Many governments of developing countries cannot receive funds from Western governments, and the West's attitude towards what projects should be considered "legitimate" makes it difficult for even creditworthy countries to gain access to funds for these projects (e.g. Ghana's STX housing project). China is the next available option, but African governments are coming to terms with the fact that inviting China to construct these facilities could make getting rid of them even more troublesome. At the same time, China provides African countries with what they want, when they want it. They provide infrastructure, palaces, stadiums, factories, and trade zones at a low price, and they don't ask too many questions about these projects. China has also made the case that the mainland is on Africa's side; they want to see Africa get ahead, just as China did a few decades before. They want to get rich off of the other's *prosperity*, a welcome relief to Africans who still remember the colonial years. China's relationship with Africa is unlikely to diminish in the coming years, and if anything, it will continue to flourish as the Chinese and African economies grow.

Ultimately, the West's struggle against China's presence in Africa is a futile exercise, and the Chinese are not vacating the continent in the near future. The case has already been made advocating Chinese-style development, and China has won many African countries to their side. The West *should be* asking this: "How are *we* going to win Africa over to *our* side?"

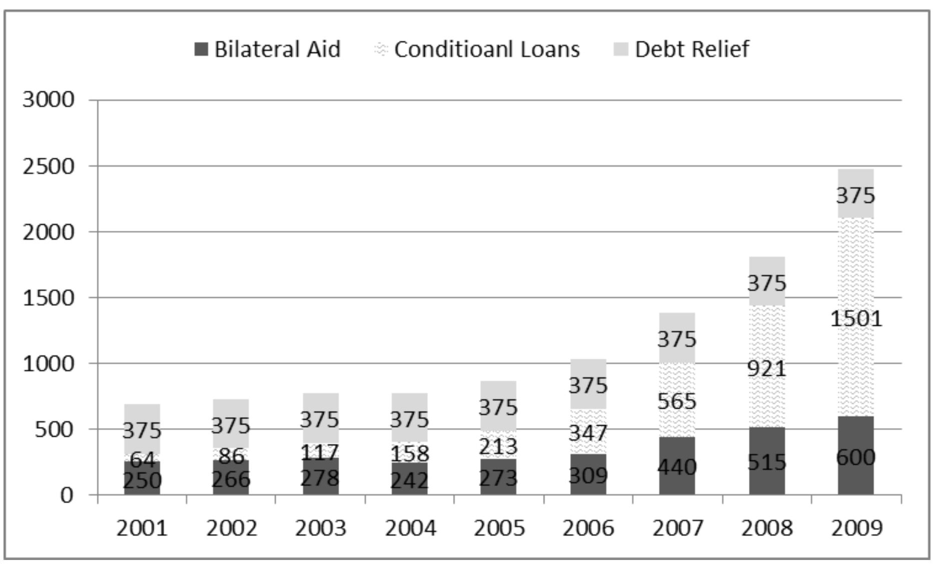
FIGURES AND TABLES

Figure 1 – **Chinese Special Economic Zones**[43]



1 – Algeria-Jiangling
2 – Egypt-Suez
3 – Nigeria-Ogun
4 – Nigeria-Lekki
5 – Ethiopia Oriental
6 – Zambia-Chambisi
7 – Mauritius-Jinfei

Figure 2 – **Chinese Aid to Africa**[44]



[43] Image source: http://ikesharpless.pbworks.com/w/page/13341786/Africa%20map%20quiz%20docs. Data source: Brautigam "African Shenzhen."
[44] *The Dragon's Gift*, 170.

Figure 3 – **Sub-Saharan Africa: HDI Rankings**[45]

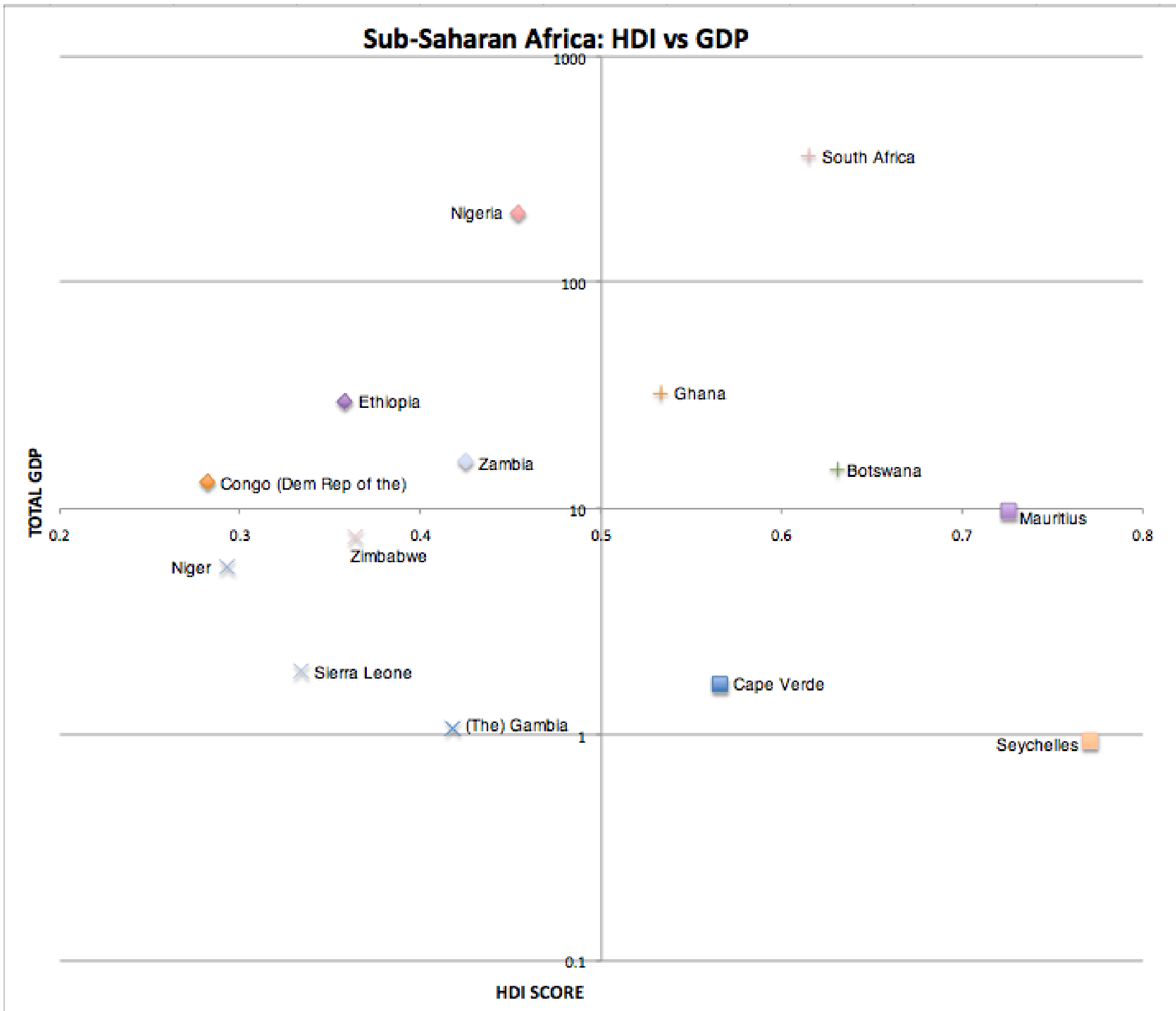
Rank	Country	HDI Score	Rank	Country	HDI Score
----	Very high human development	0.888	21	Uganda	0.442
1	Seychelles	0.771	22	Togo	0.433
----	High human development	0.739	23	Comoros	0.431
2	Mauritius	0.726	24	Benin	0.425
3	Gabon	0.67	25	Rwanda	0.425
4	Botswana	0.631	26	Zambia	0.425
----	Medium human development	0.625	27	Gambia	0.418
5	Namibia	0.622	28	Côte d'Ivoire	0.401
6	South Africa	0.615	29	Malawi	0.395
7	Cape Verde	0.566	30	Zimbabwe	0.364
8	Equatorial Guinea	0.534	31	Ethiopia	0.358
9	Ghana	0.533	32	Mali	0.356
10	Congo	0.528	33	Guinea-Bissau	0.351
11	Swaziland	0.52	34	Eritrea	0.345
12	Sao Tome and Principe	0.506	35	Guinea	0.342
13	Kenya	0.505	36	Central African Republic	0.339
14	Angola	0.482	37	Sierra Leone	0.334
15	Madagascar	0.481	38	Burkina Faso	0.329
16	Cameroon	0.479	39	Chad	0.326
17	Tanzania (United Republic of)	0.461	40	Liberia	0.325
18	Senegal	0.457	41	Mozambique	0.317
19	Nigeria	0.454	42	Burundi	0.313
----	Low human development	0.453	43	Niger	0.293
20	Lesotho	0.446	44	Congo (Democratic Rep the)	0.282

Figure 4 – **Sub-Saharan Africa: Gross Domestic Product: 2010**[46]
(Presented in billions of 2000 US Dollars)

Rank	Country	GDP	Rank	Country	GDP
1	South Africa	363.655	23	Madagascar	8.837
2	Nigeria	202.576	24	Chad	8.557
3	Angola	82.471	25	Zimbabwe	7.476
4	Ghana	32.321	26	Benin	6.574
5	Kenya	32.092	27	Rwanda	5.578
6	Ethiopia	29.717	28	Niger	5.493
7	Cóte d'Ivoire	22.963	29	Malawi	5.397
8	Tanzania	22.543	30	Guinea	4.633
9	Cameroon	22.522	31	Swaziland	3.698
10	Uganda	17.011	32	Togo	3.183
11	Zambia	16.192	33	Lesotho	2.316
12	Botswana	14.866	34	Eritrea	2.117
13	Equatorial Guinea	14.5	35	Central African Republic	1.987
14	Gabon	13.137	36	Sierra Leone	1.905
15	Congo (Democratic Republic of)	13.103	37	Cape Verde	1.665
16	Senegal	12.865	38	Burundi	1.489
17	Republic of Congo	12.03	39	The Gambia	1.059
18	Namibia	11.7	40	Liberia	0.989
19	Mauritius	9.724	41	Seychelles	0.937
20	Mozambique	9.495	42	Guinea-Bissau	0.837
21	Mali	9.389	43	Comoros	0.574
22	Burkina Faso	8.961	44	São Tomé and Príncipe	0.214

[45] United Nations Development Program, "International Human Development Indicators: Human Development Index (HDI) value." Accessed October 31, 2011. http://hdr.undp.org.
[46] The International Monetary Fund: World Economic Database, "Gross Domestic Product: Current Prices." Last modified September 2011. Accessed February 11, 2012. http://www.imf.org/external/pubs/ft/weo/2011/02/weodata/index.aspx.

Figure 5 – **Country Groupings** (Selected)



(Complete)

Group 1: Frontrunners
South Africa
Ghana
Botswana
Kenya
Gabon
Nigeria

Mauritius
Equatorial Guinea
Namibia

Congo (Republic of)

Group 2: Wildcards
Uganda**
Ivory Coast
Ethiopia
Zambia
Benin
Mali
Congo (Democratic Republic of)
Burkina Faso
Mozambique

Niger
Angola
Cameroon
Tanzania
Senegal

Group 3: Island Nations
Madagascar
Seychelles
Swaziland
Cape Verde
Sao Tome & Principe

Group 4: Laggards
Lesotho
Togo
Zimbabwe
Malawi
Chad
Guinea
Comoros
Rwanda
Gambia
Eritrea

C.A.R.
Sierra Leone
Guinea-Bissau
Liberia
Burundi

Figure 6 – **Country Comparison**

Country	GDP (Billion Constant $)	HDI Score	Total Resource Rents (% of GDP)	Total Oil Rents (% of GDP)	Population (Millions)	Per Capita GDP (Constant $)
Group 1 - The Front-Runners[β]	**61.79**	**0.58**	**21.93**	**18.40**	**15.51**	**3984.47**
Botswana	14.866	0.631	3.54	0.00**	1.8	8119.06
Equatorial Guinea	14.5	0.534	55.00	54.38	1.3	11043.41
Gabon	13.137	0.67	44.95	39.93	1.5	8781.42
Ghana	32.321	0.533	8.61	0.00	23.7	1363.81
Kenya	32.092	0.505	1.39	0.00	39.7	807.51
Namibia	11.7	0.622	0.49	0.00	2.1	5518.87
Republic of Congo	12.03	0.528	56.75	52.77	3.9	3112.55
South Africa	363.655	0.615	4.70	0.11	50.0	7274.41
Group 2 - The Wildcards[β]	**45.81**	**0.43**	**15.25**	**8.14**	**43.30**	**1057.79**
Angola	82.471	0.482	38.96	38.64	19.1	4328.50
Cameroon	22.522	0.479	9.42	6.79	20.4	1102.72
Cote d'Ivoire	22.963	0.401	5.91	3.58	22.0	1042.54
Democratic Republic of Congo	13.103	0.282	28.03	3.94	70.5	185.97
Nigeria	202.576	0.454	23.29	20.28	156.1	1298.14
Senegal	12.865	0.457	1.77	0.00	13.1	979.97
Tanzania	22.543	0.461	6.31	0.00	41.3	545.19
Uganda	17.011	0.442	5.19	0.00	34.0	500.66
Zambia	16.192	0.425	18.43	0.00	13.3	1.22
Group 3 - Small Island Nations[β]	**3.25**	**0.62**	**0.72**	**0.00**	**0.65**	**5031.92**
Cape Verde	1.665	0.566	0.00	0.00	0.5	3245.61
Mauritius	9.724	0.726	0.01	0.00	1.3	7590.94
Sao Tome and Principe	0.214	0.506	1.27	0.00	0.2	1296.97
Seychelles	0.937	0.771	0.00	0.00	0.1	10647.73
Swaziland	3.698	0.52	2.32	0.00	1.2	3133.90
Group 4 – The Laggards[β]	**5.75**	**0.37**	**6.19**	**1.53**	**12.76**	**450.68**
Benin	6.574	0.425	1.90	0.00	9.6	681.67
Burkina Faso	8.961	0.329	3.70	0.00	14.7	609.76
Burundi	1.489	0.313	11.33	0.00	8.3	180.03
Central African Republic	1.987	0.339	7.26	0.00	4.6	429.34
Chad	8.557	0.326	36.38	33.69	10.2	837.03
Comoros	0.574	0.431	1.03	0.00	0.7	861.86
Eritrea	2.117	0.345	1.41	0.00	5.3	397.71
Ethiopia	29.717	0.358	5.01	0.00	84.8	350.44
The Gambia	1.059	0.418	3.23	0.00	1.7	611.79
Guinea	4.633	0.342	10.55	0.00	10.3	448.46
Guinea-Bissau	0.837	0.351	3.54	0.00	1.6	508.51
Lesotho	2.316	0.446	1.77	0.00	2.5	911.09
Liberia	0.989	0.325	15.63	0.00	4.3	229.41
Madagascar	8.837	0.481	2.00	0.00	21.3	414.90
Malawi	5.397	0.395	2.52	0.00	15.7	343.45
Mali	9.389	0.356	1.27	0.00	13.4	700.62
Mozambique	9.495	0.317	8.52	0.00	21.6	439.89
Niger	5.493	0.293	1.67	0.00	14.6	375.44
Rwanda	5.578	0.425	3.30	0.00	10.0	557.91
Sierra Leone	1.905	0.334	4.46	0.00	5.8	325.75
Togo	3.183	0.433	4.51	0.00	7.0	457.13
Zimbabwe	7.476	0.364	5.21	0.00	12.6	594.51

[β] Averages of groupings

* ".." = No data available

** "0" = score of zero

Figure 7 – **Sub-Saharan African: 2010 Population** (Billions)[47]

Rank	Country	Pop.	Rank	Country	Pop.
1	Nigeria	156.051	23	Rwanda	9.998
2	Ethiopia	84.799	24	Benin	9.644
3	Congo (Democratic Republic of the)	70.458	25	Burundi	8.271
4	South Africa	49.991	26	Togo	6.963
5	Tanzania	41.349	27	Sierra Leone	5.848
6	Kenya	39.742	28	Eritrea	5.323
7	Uganda	33.977	29	Central African Republic	4.628
8	Ghana	23.699	30	Liberia	4.311
9	Cote d'Ivoire	22.026	31	Republic of Congo	3.865
10	Mozambique	21.585	32	Lesotho	2.542
11	Madagascar	21.299	33	Namibia	2.12
12	Cameroon	20.424	34	Botswana	1.831
13	Angola	19.053	35	The Gambia	1.731
14	Malawi	15.714	36	Guinea-Bissau	1.646
15	Burkina Faso	14.696	37	Gabon	1.496
16	Niger	14.631	38	Equatorial Guinea	1.313
17	Mali	13.401	39	Mauritius	1.281
18	Zambia	13.257	40	Swaziland	1.18
19	Senegal	13.128	41	Comoros	0.666
20	Zimbabwe	12.575	42	Cape Verde	0.513
21	Guinea	10.331	43	São Tome and Príncipe	0.165
22	Chad	10.223	44	Seychelles	0.088

Figure 8 – **Natural Resource Rents: 2009** (% of GDP)

Rank	Country Name	2009	Rank	Country Name	2009
1	Congo, Rep.	56.75	23	Sierra Leone	4.46
2	Equatorial Guinea	55.00	24	Burkina Faso	3.70
3	Gabon	44.95	25	Guinea-Bissau	3.54
4	Angola	38.96	26	Botswana	3.54
5	Chad	36.38	27	Rwanda	3.30
6	Congo, Dem. Rep.	28.03	28	Gambia, The	3.23
7	Nigeria	23.29	29	Malawi	2.52
8	Zambia	18.43	30	Swaziland	2.32
9	Liberia	15.63	31	Madagascar	2.00
10	Burundi	11.33	32	Benin	1.90
11	Guinea	10.55	33	Lesotho	1.77
12	Cameroon	9.42	34	Senegal	1.77
13	Ghana	8.61	35	Niger	1.67
14	Mozambique	8.52	36	Eritrea	1.41
15	Central African Republic	7.26	37	Kenya	1.39
16	Tanzania	6.31	38	Mali	1.27
17	Cote d'Ivoire	5.91	39	Sao Tome and Principe	1.27
18	Zimbabwe	5.21	40	Comoros	1.03
19	Uganda	5.19	41	Namibia	0.49
20	Ethiopia	5.01	42	Mauritius	0.01
21	South Africa	4.70	43	Cape Verde	0.00
22	Togo	4.51	44	Seychelles	0.00

Figure 9 – **Sub-Saharan Africa Total Oil Rents: 2009** (% of GDP)

[47] The International Monetary Fund: World Economic Database, "Population: Persons." Last modified September 2011. Accessed February 11, 2012. http://www.imf.org/external/pubs/ft/weo/2011/02/weodata/index.aspx.

Rank	Country Name	Oil Rents	Rank	Country Name	Oil Rents
1	Equatorial Guinea	54.38	23	Mauritius	0
2	Congo, Rep.	52.77	24	Mozambique	0
3	Gabon	39.93	25	Namibia	0
4	Angola	38.64	26	Liberia	0
5	Chad	33.69	27	Madagascar	0
6	Nigeria	20.28	28	Malawi	0
7	Cameroon	6.79	29	Mali	0
8	Congo, Dem. Rep.	3.94	30	Lesotho	0
9	Cote d'Ivoire	3.58	31	Guinea	0
10	South Africa	0.11	32	Guinea-Bissau	0
11	Uganda	0	33	Kenya	0
12	Zambia	0	34	Eritrea	0
13	Zimbabwe	0	35	Ethiopia	0
14	Swaziland	0	36	Gambia, The	0
15	Tanzania	0	37	Botswana	0
16	Togo	0	38	Burkina Faso	0
17	Niger	0	39	Burundi	0
18	Rwanda	0	40	Cape Verde	0
19	Sao Tome and Principe	0	41	Central African Republic	0
20	Senegal	0	42	Comoros	0
21	Seychelles	0	43	Benin	0
22	Sierra Leone	0	44	Ghana	0

Figure 10 – **Sub Saharan Africa Exports Minus Imports: 2009**[48]

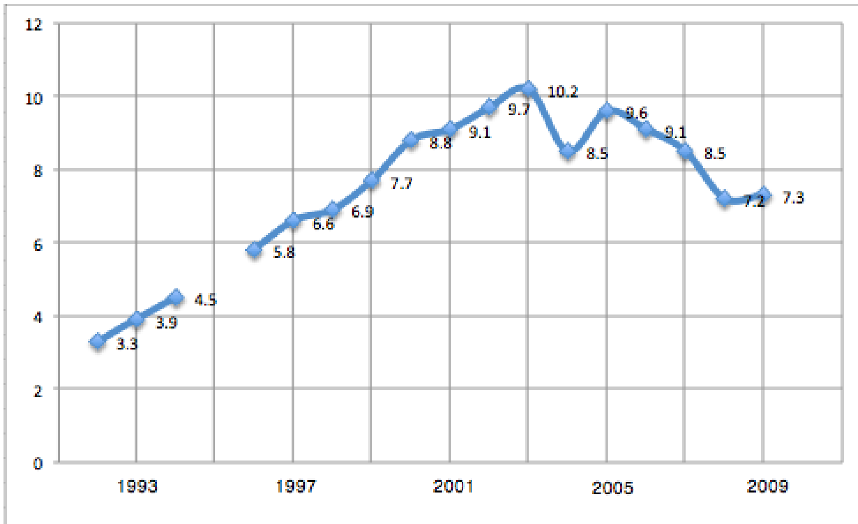
(Current million US Dollars)

Rank	Country	EX-IM	Rank	Country	EX-IM
1	Nigeria	25341	23	Rwanda	-772
2	Angola	18168	24	Niger	-797
3	Cote d'Ivoire	4185	25	Lesotho	-853
4	Zambia	906	26	Namibia	-983
5	South Africa	534	27	Mozambique	-1275
6	Guinea	-10	28	Uganda	-1461
7	Sao Tome and Principe	-75	29	Mauritius	-1565
8	Guinea-Bissau	-81	30	Senegal	-2028
9	Gambia, The	-86	31	Ghana	-2207
10	Swaziland	-121	32	Tanzania	-2539
11	Mali	-213	33	Kenya	-4988
12	Sierra Leone	-242	34	Ethiopia	-5281
13	Burundi	-277	35	Central African Republic	** ..
14	Seychelles	-301	36	Chad	..
15	Liberia	-379	37	Comoros	..
16	Cameroon	-389	38	Congo, Dem. Rep.	..
17	Togo	-412	39	Congo, Rep.	..
18	Burkina Faso	-482	40	Equatorial Guinea	..
19	Benin	-513	41	Eritrea	..
20	Botswana	-568	42	Gabon	..
21	Cape Verde	-677	43	Madagascar	..
22	Malawi	-727	44	Zimbabwe	..

[48] The World Bank, "World Development Indicators and Global Development Finance." Accessed February 11, 2012.

** Indicates no data available.

Figure 11 – **Unemployment in Mauritius** (% of Total Workforce)[49]



[49] The World Bank

BIBLIOGRAPHY

African Forum and Network on Debt and Development, "Publications: Zimbabwe Fact Sheet." Accessed January 9, 2012. http://afrodad.org/index.php?option=com_content&view=article&id=58:publications&catid=8:publications&Itemid=10.

Ancharaz, Vinaye. 2009. "David V. Goliath: Mauritius Facing Up to China." European Journal of Development Research 21, no. 4: 622-643. Academic Search Premier, EBSCOhost (accessed February 23, 2012).

Bosworth, Barry, and Susan M Collins. "Capital Flows to Developing Economies: Implications for Savings and Investment." *The Brookings Institution and Georgetown University*. (1999).

Brautigam, Deborah. "African Shenzhen: China's Special Economic Zones in Africa," Journal of Modern African Studies, 49 (2011): 27-54.

Ibid. "Close Encounters: Chinese Business Networks as Industrial Catalysts in Sub-Saharan Africa." African Affairs. 102. (2003): 447-467.

Ibid. *The Dragon's Gift: The Real Story of China in Africa*, (New York: Oxford University Press, 2009).

Ibid. "'Flying Geese' or 'Hidden Dragon': Chinese Business and African Industrial Development," Draft chapter, The Politics of Contemporary China-Africa Relations (2007), 1-22.

Ibid and Xiaoyang Tang. "China's Engagement in African Agriculture: "Down to the Countryside"." The China Quarterly. : 686-706.

Collier, Paul. *The Bottom Billion: Why the Poorest Countries are failing and what can be done about it*, (New York: Oxford University Press, 2007).

Ibid, and Anthony J Venables. "Rethinking Trade Preferences: How Africa Can Diversify its Exports." World Economy. 30. no. 8 (2007).

Davies, Martin J. "Special Economic Zones: China's Developmental Model Comes to Africa," *China into Africa: Trade, Aid, and Influence*, ed. Robert I. Rotberg (Washington DC: Brookings Institution Press, 2008), chap. 7.

Dubosse, Nancy. "Chinese Development Assistance to Africa: aid, trade, and debt." *Chinese and African Perspectives on China in Africa*. Ed. Axel Harneit-Sievers. 1st Ed (Uganda: Fountain, 2010), 70-81.

Eisenman, Joshua. China's Post-Cold War Strategy in Africa. China and the Developing World. Edited by Joshua Eisenman, Eric Heginbotham and Derek Mitchell. London: M.E. Sharpe Inc, 2007.

Easterly, William. *The Elusive Quest for Growth: Economists' Adventures and Misadventures in the Tropics*. Cambridge, Massachusetts: The MIT Press, 2002.

Gamora, Gedion and K Matthews. "Ethio-China Relations: Challenges and Prospects." *Chinese and African Perspectives on China in Africa*. Ed. Axel Harneit-Sievers. 1st Ed (Uganda: Fountain, 2010), 92-107.

Ghanaian Congress, "BRIEF ON THE GHANA NATIONAL HOUSING PROJECT TO BE EXECUTED BY STX ENGINEERING AND CONSTRUCTION, GHANA LTD." Accessed February 20, 2012. http://www.ghana.gov.gh/index.php/information/speeches/5739-brief-on-the-ghana-national-housing-project-to-be-executed-by-stx-engineering-and-construction-ghana-ltd.

Ghana Web, "Ghana snubs IMF over $3bn Chinese loan." Last modified November 15, 2011. Accessed February 20, 2012. http://www.ghanaweb.com/GhanaHomePage/NewsArchive/artikel.php?ID=223604.

The Global Post, "Zambian election results check Chinese influence in Africa." Last modified September 25, 2011. Accessed February 24, 2012. http://www.globalpost.com/dispatch/news/regions/africa/110924/zambian-election-results-check-chinese-influence-africa.

Hong, Yonghong. "Trade, Investment, and Legal Cooperation between China and Africa." *Chinese and African Perspectives on China in Africa*. Ed. Axel Harneit-Sievers. 1st Ed (Uganda: Fountain, 2010), 82-90.

Hongyi, Harry, Lai. "China's oil diplomacy: is it a global security threat?" Third World Quarterly 28, no. 3 (April 2007): 519-537. Academic Search Premier, EBSCOhost (accessed January 9, 2012).

The International Monetary Fund, "External Debt Statistics: Guide for Compilers and Users." Accessed January 7, 2012. http://www.imf.org/external/pubs/ft/eds/Eng/Guide/index.htm.

The International Monetary Fund, "World Economic Outlook Database: September 2011." Last modified January 24, 2012. Accessed January 31, 2012. http://www.imf.org/external/pubs/ft/weo/2011/02/weodata/index.aspx.

Jiang, Wenran. “China's Emerging Partnerships.” *China into Africa: Aid, Trade and Influence*, ed. Robert I. Rotberg. (Washington DC: Brookings Institution Press, 2008), chap. 3.

Kamau, Paul. "China’s Impact on Kenya’s Clothing Industry." Chinese and African Perspectives on China in Africa. Ed. Axel Harneit-Sievers, (Uganda: Fountain Press, 2010), 128-138. Copyright Pambazuka Press 2010.

Kpundeh, Sahr. *Corruption and Political Insurgency in Sierra Leone*. *Between Democracy and Terror: The Sierra Leonean Civil War*. Edited by Ibrahim Abdullah. Pretoria, South Africa: CODESRIA, 2000.

Li, Anshan. “China's New Policy toward Africa.” *China into Africa: Aid, Trade and Influence*. Edited by Robert I. Rotberg. (Washington DC: Brookings Institution Press, 2008), chap. 2.

Mbaye, Sanou. "China’s Activities, Africa’s Needs." *Chinese and African Perspectives on China in Africa*, ed. Axel Harneit-Sievers, (Uganda: Fountain Press, 2010), 39-54.

Moyo, Dambisa. Dead Aid: Why Aid is not Working and how there is a Better Way for Africa. (New York: Farrar, Straus and Giroux, 2009).

Naidu, Sanusha. "China in Africa: A Maturing of the Engagement?" *Chinese and African Perspectives on China in Africa*, ed. Axel Harneit-Sievers. (Uganda: Fountain Press, 2010), 25-38.

Pralahad, CK. *The Fortune at the Bottom of the Pyramid: Eradicating Poverty through Profits*, (Upper Saddle River, New Jersey: Prentice Hall, 2010).

Ibid and Allen Hammond., "What Works: Serving the Poor, Profitably." The Markle Foundation: World Resources Institute Digital Dividend. Accessed October 2011.

Renard, Mary-Françoise. "China's Trade and FDI in Africa." African Development Bank Group: Working Paper Series. 126 (2011).

Rostow, W. W. "A Historian's Perspective on Modern Economic Theory." American Economic Review. 4. no. 2 (1952). Business Source Complete. Web. Accessed 8 Jan 2012.

Ibid. The Stages of Economic Growth: A Non-Communist Manifesto, (Cambridge: Cambridge University Press, 1960), 4-16.

Rupp, Stephanie. "Emerging Postcolonial Interdependencies," *China into Africa: Aid, Trade and Influence*, ed. Robert I. Rotberg (Washington DC: Brookings Institution Press, 2008), chap. 4.

Sachs, Jeffrey D. *The End of Poverty: Economic Possibilities for Our Time*, (New York: Penguin Group, 2006).

Sautman, Barry, and Yan Hairong. "The Forest for the Trees: Trade, Investment and the China-in-Africa Discourse." Pacific Affairs. 81, no. 1 (2008): 9-29.

Shinn, David H. "Military and Security Relations: China, Africa, and the Rest of the World," *China into Africa: Aid, Trade and Influence*, ed. Robert I. Rotberg (Washington DC: Brookings Institution Press, 2008), chap. 8.

Tull, Dennis M. "China's Engagement in Africa: Scope, Significance, and Consequences." Journal of Modern African Studies. 44. no. 3 (2006): 459-111.

The World Bank, "GDP Growth: Annual Percentage." Accessed January 7, 2012. http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG.

United Nations Development Program, "International Human Development Indicators: Human Development Index (HDI) value." Accessed October 31, 2011. http://hdr.undp.org.

United Nations, Office for the Coordination of Humanitarian Affairs, "Sierra Leone: Humanitarian Situation Report." Last modified October 2003. Accessed February 24, 2012. reliefweb.int/node/137272.

US Agency for International Development, "The United States Commitment to the Millennium Development Goals." Last modified April 2008. Accessed February 4, 2012. http://pdf.usaid.gov/pdf_docs/PDACL239.pdf.

The World Bank, "World Development Indicators and Global Development Finance." Accessed February 11, 2012.

Zafar, Ali. "The Growing Relationship between China and Sub-Saharan Africa: Macroeconomic, Trade, Investment, and Aid Links," The World Bank Research Observer. 22. no. 1 (2007): 103-130.