Like the West, Africa must be guarded in its relations with China

Olu Fasan says that it is about time that African countries take a longer-term view of the costs and benefits of their relationship with China.

Napoleon once said that, "When China awakes, the world will tremble". Being the world's second largest economy, and one of the biggest manufacturing and trading nations and foreign investors, China has, indeed, awoken, and the world is paying attention. However, for most critics, the problem is not China's achievements, but the economic model that underpins them, and how China is using its economic power, particularly in Africa.

The Beijing Consensus

A former Time magazine editor, Joshua Cooper Ramo, described the China model as the "Beijing Consensus", which is China's answer to the "Washington Consensus", the liberal, free market approach. China's state capitalism turns the key elements of the Washington Consensus on their heads, particularly given the lack of market conditions in much of the Chinese economy. Indeed, the absence of market forces in China's industry was precisely why the World Trade Organisation (WTO) classified China as a non-market economy (NME) in its Accession Protocol, when it joined the organisation in 2001, and although the NME provision expired in December 2016, the EU and the US have, so far, not granted China a market economy status.

Nigeria's President Buhari and South Africa's Jacob Zuma shake hands
Photo Credit: GovernmentZA via Flickr CC BY-ND 2.0

The evidence suggests that China creates barriers that impede the entry of foreign firms. For instance, global internet companies, such as Facebook, Google and Twitter are blocked in China. There are also regulations restricting competition: multinational companies that operate in China are not allowed to compete on equal terms with local firms. Moreover, China is often accused of intellectual property (IP) rights abuses. Recently, President Trump launched investigations into alleged IP theft by China, threatening unilateral actions under Section 301 of the Trade Act of 1974.

Global economic imbalance

Chinese mercantilism is also believed to contribute to global economic imbalance. China is often accused of holding down its currency to support exports and reduce imports, which results in low domestic consumption. While China may not be actively manipulating its currency today as it used to do, there are still concerns that its exchange rate is hardly flexible and market-based. There is also the old-fashioned protectionism, such as China's recent banning of several dozen European cheeses on safety grounds even though like domestic cheeses are considered safe. Add to that the widespread concern about dumped Chinese exports, such as steel, due to overcapacity.

In sum, the West's view is that China's economic advantage "is not due to a natural product of free market forces". But if the West frets about how China gains its economic advantage, what might Africa be concerned about?

The African perspective

In her paper, titled Africa in China's foreign policy, Yun Sun argues that China's approach to Africa, underpinned by its "Going Out" strategy, has economic, political, security and ideological dimensions. On the economic front, China wants to secure Africa's natural resources for its domestic growth, target Africa's market for its finished products, and have a dominant investment presence in the continent. Politically, China wants to lock in Africa's support for its global positions and interests, particularly the One China policy. On security, China's priority is to protect its investment and people in Africa. And ideologically, China wants to spread its model, the "Beijing Consensus", across Africa.

An asymmetric relationship

However, China's economic engagements with Africa are almost entirely on its terms. For instance, as Sun points out, Chinese loans are usually backed by African natural resources, and its infrastructure development aid is mostly tied to service contracts, with 70 per cent of such contracts going to Chinese companies, and the rest open to local firms, many of which are also joint ventures with Chinese groups. Sun cites analysis showing that Africa is China's second-largest supplier of service contracts.

Therefore, China's investments in Africa mainly create businesses for Chinese companies and jobs for Chinese people. While China imposes "technology requirements" on foreign firms operating in its country, there is no evidence that its investments in Africa involve the transfer of skills and technology. Rather, there are concerns about poor labour standards. In a paper titled *China's model for Africa*, Sara Hsu states that African workers hired by Chinese companies are paid "extremely low wages" and "frequently suffer verbal and physical abuse from Chinese managers and are treated as inferiors".

Trade flows

The power asymmetry also manifests in the structure of China-Africa trade. More than 80 per cent of China's imports from Africa are commodities and raw materials, while its exports to the continent are manufactured goods to the continent. Moreover, Africa has a massive trade deficit with China, with the continent's 54 countries recording a US$34bn deficit with China in 2015 on a total trade of US$172bn, With China planning to ban petrol and diesel cars and to reduce its dependence on imported foreign oil, Africa's trade deficit with China is likely to grow unsustainably in the future.

Africa's most favoured nation

Notwithstanding the above, views of China in Africa continue to be strongly positive. For instance, according to a recent BBC World Service poll, Nigeria is "the world's most pro-Chinese nation, with 85 per cent of respondents having a positive opinion of China", while 63 per cent of Kenyans have a positive view of the country. Evidently, Africans welcome China's economic activities in the continent, despite their downsides. Furthermore, Africans broadly see China as a healthy counterbalance to Western influence.

Political and ideological allies

China describes its policy on aid and investment in Africa as: "Business is business: We don't attach political conditions"[1]. In truth, while China may not care about human rights and democracy in African countries, it expects political loyalty. For instance, South Africa, China's largest trading partner in Africa, twice refused an entry visa to the Tibetan exiled leader, Dalai Lama, to avoid offending China.

In April last year, the Nigerian president, Muhammadu Buhari, took nine ministers and six state governors on a "working visit" to China, and returned with an offer of a US$6billion infrastructure loan. It is hardly surprising then that, in January this year, the Nigerian government had to demonstrate its loyalty publicly by publishing, apparently at China's insistence, a joint statement in local newspapers, stating that "Nigeria agrees that One China policy is at the core of its strategic partnership with China".

But Africa is not only supporting China politically, it is also embracing its economic ideas, particularly its attitudes to borrowing and debt. Infrastructure-and-property-fuelled growth in China is believed to have led to a US$6.8 trillion debt, prompting the IMF to warn about China's reluctance to rein in "dangerous" levels of debt. Similarly, African countries are borrowing heavily to fund infrastructure projects, raising concerns about debt burdens and the sustainability of the projects.

Moreover, many African countries have embraced Chinese protectionism. For instance, the Nigeria Industrial Revolution Plan, which cites China's development model as an example to follow, is based on using state protection to create national champions, and promote import-substitution.

A worthwhile relationship?

Ramo argues that China's economic power is serving "like a magnet working on grains of iron to align other nations' economic interests iron with the Middle Kingdom's". Well, it seems that this magnetic effect is particularly strong in Africa. Most African countries have rejected the reform-oriented Economic Partnership Agreements (EPAs) with the EU, on the basis that it is unbalanced and would lead to an influx of EU products in Africa. Yet, they have embraced lopsided economic relationships with China that would have the same effects, without the reforms.

Of course, Africa cannot ignore China, and, unfortunately, it is a rule-taker, lacking the West's clout to dictate the terms of its engagement with the country. Yet it must start questioning the relationship, and take a longer-term view of its costs and benefits. The West frets about how China gains its economic power, Africa must worry about how it uses that power in the continent.

Dr Olu Fasan (@olu_fasan), a trade lawyer and political economist, is a Visiting Fellow at the LSE and a member of the International Trade Policy Unit at the International Relations Department.

[1] A Chinese special envoy, Liu Guijin, quoted in Ferguson, N (2011), "Civilisation", Penguin, at p.317