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China & Africa: Assessing the Relationship on the Eve of the Fourth Forum on China Africa Co-operation (FOCAC IV)

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Foreword

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The renewed importance of Africa in China's foreign policy came to light in 1996 during President Jiang Zemin's tour of Africa, when the idea of creating the Forum for China–Africa Co-operation (FOCAC) was raised. In 2000, the first FOCAC was held in Beijing. This was subsequently followed by FOCAC II in Addis Ababa in December 2003, FOCAC III in Beijing in 2006 and FOCAC IV in Sharm el Sheikh in 2009. Each FOCAC adopts an action plan that lists a series of activities to be jointly pursued during the course of the succeeding three-year period. To date, however, the lack of a permanent institutional structure to serve as a follow-up mechanism has been identified by many as an area of weakness. The fact that engagement with the African Union (AU) is being strengthened is, therefore, a step in the right direction. Managing the partnership through well-established structures will go a long way towards enhancing the potential for a more structured dialogue between Africa and China. The AU will, therefore, be highly instrumental in this regard.

China's presence in Africa continues to attract attention and is a matter that will continue to be debated for the foreseeable future. Whether the relationship is a win-win one or not depends on the perspective from which one evaluates the engagement. Statistics show that China's investment in Africa reached $26 billion at the end of 2008 and total trade amounted to $106.8 billion, an increase of 45.1% over the 2007 figure.

The financing of China's activities in Africa continues to be supported by the Export-Import Bank, China Development Bank and China–Africa Fund. This is welcome, particularly at a time when Africa as a continent is embarking on proactive measures with a view to gaining a greater share of global trade and investment flows, while reducing reliance on official development assistance. Despite the criticism that China fails to tackle issues such as human rights and environmental protection, and threatens local jobs, overall, many in Africa view the Chinese presence positively. In addition to greater opportunities for trade and investment inflows, China's presence in Africa comes with a number of benefits, including the opportunity for Africa to be more assertive on the world stage; increased development aid (including technical assistance); and massive investment in infrastructure development.

Above all, China has successfully asserted itself as a credible alternative to Africa's traditional development partners. Until recently, Africa's co-operation with the rest of the world took the form of North–South engagement with few or no alternatives. In light of the unfavourable global trading and financing environment, Africa has remained disadvantaged for decades. Heavy subsidisation of Western farmers by their governments and stringent criteria for African products to enter Western markets, coupled with capacity constraints in most African countries, have literally kept Africa marginalised. Furthermore, the current global system has continued to exacerbate this unfavourable scenario. With very little voice to change the status quo, Africa continues to be unable to gain any significant market share in world trade, hence the continuation of the dependency syndrome.

With the changing geo-political landscape and the emergence of China as a global player, stronger

relations between Africa and China have indeed created an immense opportunity for Africa to become more assertive on the world stage. With China offering opportunities for co-operation in a whole range of areas (trade, investment, education, agriculture, finance, infrastructure, etc.) predicated on the principles of non-interference in domestic affairs, mutually beneficial co-operation and common development, all of which translate into the 'no strings attached' concept and greater flexibility, Africa has a real opportunity. This opportunity is not only limited to the direct benefits that such co-operation brings to the continent, but also the greater leverage it creates for Africa in its dealings with the West. Today, thanks to China, Africa can turn down any offer from the West if too many strings are attached. This can be considered a phenomenal change from the position of weakness from which Africa is used to negotiating.

In view of the foregoing, it is up to Africa to fully utilise both the direct and indirect opportunities emanating from engagements with China, including in terms of its relationship with the West. Engagement with China has created an unprecedented opportunity for Africa to influence the direction and scope of these engagements, particularly within the context of the ongoing drive to address the scourge of poverty, enhance trade and investment, and effectively integrate into the global economy.

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Introduction

Can Chinese pragmatism lead the European Union to reformulate its co-operation policy with Africa?

Le pragmatisme chinois peut-il conduire l'Union européenne à reformuler sa politique de coopération avec l'Afrique?

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China is slowly but surely becoming a key player in Africa. It is doing so through making huge investments in infrastructure, providing financial assistance without any conditions, providing political support in international forums and flooding the African market with Chinese products. This process, carried out through these different channels, does not seem to be to the liking of the West. And rightly so. Generally, it blacklists China for:

- overburdening African countries with debts through a lax policy of loans just as they were, under the impulsion of the West, emerging from their bad debts or reducing their debts;
- hindering the African private sector with a trade balance largely in favour of China;
- encouraging African countries to engage in poor corporate and political governance due to unconditional Chinese loans; and
- supporting African countries that abuse basic human rights.

In brief, many doubts are cast on China regarding the sincerity of its relations with Africa and the genuineness of its desire to help this continent to extricate itself from poverty and misery, while there are fears of its undeclared intention to grab the vast agricultural, mining and energy resources abounding in Africa. Are these doubts and fears justified or baseless? Is the West afraid of being replaced or overtaken by China? Will China win the battle against the West in Africa? Assuming that China wins, will its association with Africa not give it additional weight in its attempt to become a key player on the world stage? It would take a clever man to find the exact answers to these questions or to unravel the real intentions of the Chinese in Africa.

La Chine est en train de s'implanter en Afrique lentement, mais sûrement. Elle le fait par l'entremise d'investissements massifs dans les infrastructures; d'assistance financière sans conditionnalités de toutes sortes; de soutien politique dans les instances internationales; d'inondation, par les produits chinois, des marchés africains. Cette implantation, à travers de multiples canaux, ne semble pas être du goût des Occidentaux. Et pour cause. Généralement, ils mettent la Chine à l'index, au motif que ce pays contribuerait à :

- surendetter les pays africains, par une politique laxiste de prêts, alors que ces pays, sous l'impulsion des Occidentaux, étaient en train de sortir du cul-de-sac de la mauvaise dette ou du surendettement;
- handicaper le secteur privé africain, du fait d'une balance commerciale largement avantageuse pour la Chine;
- encourager les pays africains à s'enliser dans la mauvaise gouvernance économique et politique, du fait de ses prêts à conditionnalité zéro;
- soutenir les pays africains qui fouleraient aux pieds les droits humains élémentaires.

En somme, une foule de soupçons pèseraient sur la Chine quant à la sincérité de ses relations avec l'Afrique; quant à son réel désir d'aider ce continent à sortir de la pauvreté et de la misère; et quant à ses intentions inavouées de faire main basse sur les nombreuses ressources agricoles, minières et énergétiques dont regorge le continent.

Ces soupçons sont-ils ou non fondés? L'Occident a-t-il peur de se voir supplanter ou déborder par la Chine? La Chine va-t-elle gagner la bataille que lui livre l'Occident en Afrique? Dans l'hypothèse où la

We do not intend to indulge in such an exercise, whose outcome would seem problematic, but, instead, wish to limit ourselves to the facts. The first fact is that Africa greatly needs resources to finance its numerous infrastructure projects in order to attain the Millennium Development Goals by the year 2015 and to succeed in its economic and political integration.

The financing needs of the African continent are huge. But after more than half a century of co-operation with Europe, Africa appears to be a continent going round in circles instead of moving towards progress and development. In other words, co-operation with Europe, which dates back to the Yaoundé Conventions, has not so far enabled Africa to taste development and control its destiny so as to co-participate in the management of world affairs.

But the paradox in this regard is that Europe is extremely rich and yet cannot properly help its African partners to emerge from poverty.

This constraint on access to European funds is explained by the Europeans as being due to the weak absorption capacity of African countries and by the Africans as due to the complex nature of the procedures for accessing the funds and justifying their use.

Thus, the European Development Funds have succeeded one another without the amounts being fully used. Another fact is that Europe, through these financial instruments, divides Africa into three geographical areas:

i. those countries that benefit from the Mediterranean Economic Development Area Financial Instrument, which has been replaced since 2007 by the European Neighbourhood and Partnership Instrument;
ii. Africa south of the Sahara, (excluding South Africa), which benefits from financial instruments emanating from the Cotonou Agreement; and
iii. South Africa, which benefits from the Trade, Development and Co-operation Agreement together with Asia and Latin America.

Attached to this attempt at dividing up Africa are the various economic partnership agreements, whose implementation is greatly detrimental to regional integration efforts in the geographical area covered by the Cotonou Agreement.

This multitude of financial instruments (with the attendant harm caused to the ongoing integration

Chine remporte cette bataille, son association avec l'Afrique ne lui conférerait-elle pas un atout additionnel dans sa conquête du monde? Bien malin qui pourrait trouver une réponse exacte à ces interrogations et aux préoccupations sous-jacentes ou qui pourrait percer le secret ou le mystère des Dieux et être ainsi en mesure d'appréhender les intentions réelles de la philosophie chinoise en Afrique. Sans prétendre nous livrer à un tel exercice dont la conduite s'apparenterait à une véritable gageure, nous voudrions nous contenter de simples constats.

Le premier constat est que l'Afrique a énormément besoin d'argent pour financer ses multitudes projets d'infrastructure, atteindre les OMD à l'horizon 2015, et réussir son intégration économique et politique.

Les besoins de financement du continent africain sont extrêmement élevés. Mais après plus d'un demi-siècle de coopération avec l'Europe, l'Afrique offre l'image d'un continent qui fait du surplace dans sa quête vers le progrès et le développement. En d'autres termes, la coopération avec l'Europe, qui remonte aux Conventions de Yaoundé, n'a pas jusqu'à présent permis à l'Afrique de connaître le développement et de maîtriser son destin, afin de co-participer à la gestion des affaires planétaires.

Mais le paradoxe, c'est que l'Europe est extrêmement riche, sans toutefois parvenir à aider convenablement ses partenaires africains à sortir de la pauvreté. Ce deuxième constat tient au fait que l'Europe détient une pléthore d'instruments financiers (bilatéraux et communautaires) destinés à l'Afrique. Chacun des ces instruments est doté d'enveloppes substantielles. Mais là où le bât blesse, c'est que l'accès à ces fonds est extrêmement difficile. Cette contrainte en termes d'accès aux Fonds européens est expliquée, côté européen, par la faible capacité d'absorption des pays africains et, côté africain, par la complexité des procédures d'accès et de justification de l'utilisation des fonds.

Ainsi, les Fonds européens de Développement (FED) se succèdent sans que les enveloppes y afférentes soient totalement consommées.

Autre constat frappant, l'Europe, à travers ses instruments financiers, scinde l'Afrique en trois zones géographiques :

i. L'Afrique du Nord, qui bénéficie de l'instrument financier MEDA (*Mediterranean Economic Developement Area*), remplacé depuis 2007 par l'ENPI (*European Neighberhood and Partnership Instrument*) ;

process on the continent), which generally are not well understood by African partners and do not respond appropriately to the shortages of funds experienced by Africa, would partly justify the 'great love' between Africa and China. This relationship between China and Africa, when assessed in terms of the elements on which it is structured, seems to be potentially a long-term one.

Today, China appears to be the great friend of Africa and seems to understand the continent better by giving it the necessary assistance (which is not subjected to any conditionalities), by mining the resources considered recently as non-profitable by the West, by providing a solution to the underdevelopment of physical infrastructure and by giving Africa political support in forums where the continent is not represented.

Can the budding and growing relationship between Africa and China make the European Union (EU) revisit its co-operation with Africa? Two types of reply are given to this important question.

On the one hand, there are those who affirm that the revival of EU interest in Africa in recent times is the harbinger of a new type of co-operation in gestation. According to the supporters of this argument, the penetration of China into Africa is the root cause of the renewed interest of Europe in Africa.

This revival of interest is reflected in the preparation of the Strategy for the Development of Africa, entirely designed by the EU and proposed to Africa. It is this strategy that was transformed into the Joint Africa–Europe Strategy, adopted in Lisbon in December 2007. Consequently, this growing interest is manifested in the increase in European initiatives in various sectors, particularly in the areas of conflict prevention and peacekeeping operations.

On the other hand, there are those who argue that the presence of the Chinese in Africa has not affected the Africa–Europe partnership. Such an assumption, often defended in European circles, suggests that European fears are motivated by the constituent elements of Chinese co-operation with Africa, which reverse the trend towards good corporate and political governance and observance of human rights in Africa that emerged after the fall of the Berlin Wall. This positive trend, the result of the West's co-operation with Africa, may grow blurred and place Africa in a position of 'eternal beginning'.

ii. L'Afrique au Sud du Sahara (exception faite de l'Afrique du Sud), qui bénéficie des instruments financiers issus des Accords de Cotonou;
iii. L'Afrique du Sud, qui bénéficie de l'ACDC (Accord sur le commerce, le développement et la coopération), aux côtés de l'Asie et de l'Amérique latine.

À cette tentative de charcutage géographique, vient se greffer les APE dont la mise en œuvre porte un énorme préjudice aux efforts régionaux d'intégration dans la zone géographique couverte par les Accords de Cotonou.

Ces nombreux instruments financiers (avec comme corolaire le tort causé aux processus d'intégration en cours sur le continent), généralement mal compris par les partenaires africains et ne répondant pas convenablement aux déficits en ressources en Afrique, justifieraient partiellement le grand Amour naissant entre l'Afrique et la Chine.

Cet amour naissant, par le biais des éléments autour desquels il se structure, semble s'inscrire dans la durée. Aujourd'hui, la Chine apparaît comme le Grand Ami de l'Afrique.

Elle semble mieux comprendre l'Afrique, en lui apportant l'aide voulue (qui n'est soumise à aucune condition); en exploitant les ressources minières naguère jugées non rentables par les Occidentaux, en apportant une solution au sous-développement des infrastructures physiques; en apportant son soutien politique dans des instances où l'Afrique n'a pas droit de cité; etc.

L'amour naissant et grandissant entre l'Afrique et la Chine peut-il amener l'Union européenne à revisiter sa coopération avec l'Afrique? Deux types de réponses sont apportés à ce grand questionnement.

D'une part, il y a ceux qui affirment que le regain d'intérêt que manifeste l'Union européenne à l'égard de l'Afrique, ces derniers temps, est le signe annonciateur d'une nouvelle coopération en gestation. D'après les tenants d'une telle thèse, la pénétration chinoise en Afrique serait à l'origine de l'intérêt renouvelé de l'Europe pour le continent africain. Ce regain d'intérêt s'est traduit par l'avènement de la «Stratégie pour le Développement de l'Afrique», entièrement conçue par l'Union européenne et proposée à l'Afrique. C'est cette stratégie qui a été transformée en Stratégie conjointe Afrique-Europe, adoptée à Lisbonne en décembre 2007.

The conditions for European action in Africa, therefore, find full justification here: place Africa in a sustainable manner on the path of good governance and observance of human rights, which Europe sees as a *sine qua non* for the continent's real development and genuine movement towards progress.

Therefore, according to the supporters of this second view, this is the only concern that led to the reactivation of Africa–Europe relations and not the new Chinese involvement with Africa.

These two types of co-operation, therefore, emanate from two logics. The Western approach suggests that good governance, the establishment of the rule of law. and the observance of human rights precede and condition economic and social development. According to this approach, the adoption of these virtues constitutes a necessity for Africa to succeed in its economic takeoff, enabling it to take up the challenges of the contemporary world.

The Chinese approach points out that only development can lead to economic and social stability, good governance, the rule of law and the observance of human rights. In such an approach, which China believes is what Africa needs today, it is necessary first to establish strong and sustainable economic growth, ensure the continent's development *lato sensu*, create jobs for its peoples, and free the continent from its state of poverty and misery. And when Africa attains all these objectives, peace, good governance and the observance of human rights will impose themselves. In other words, development will generate good governance and the systematic adoption of the virtues of the rule of law.

Do democracy, good governance and the observance of human rights lead to growth and development? Or is it growth and development that motivate democracy, good governance and the observance of human rights? Which of the two theses is closer to the truth? History and time will help us to know more and respond better.

But we think that Africa should not wait to know this historical verdict before beginning to assert its autonomy of action and its sovereignty over its future and destiny. To do that, its leaders have the duty and obligation to provide it with a genuine strategy enabling it to co-operate with both Europe and China, without, however, losing its identity and its autonomy of action.

Aussi, ce regain d'intérêt se manifeste-t-il à travers la multiplication des initiatives européennes dans des secteurs variés, particulièrement dans les domaines de la prévention des conflits et du maintien de la paix.

D'autre part, il y a ceux qui soutiennent que la présence chinoise en Afrique n'a produit aucun effet sur le partenariat Afrique-Europe. Une telle thèse, souvent défendue dans les milieux européens, suggère que les craintes de la partie européenne résideraient dans le fait que les éléments constitutifs de la coopération chinoise sont de nature à annihiler la tendance à la bonne gouvernance économique et politique et au respect des droits de l'homme, observée en Afrique dans la mouvance de la chute du mur de Berlin. Cette tendance positive, fruit de la coopération «Afrique-Occident», risque de s'estomper et de mettre l'Afrique dans une posture de «perpétuel recommencement».

La conditionnalité qui accompagne les interventions européennes en Afrique trouve donc ici sa pleine justification : positionner durablement l'Afrique sur le chemin de la bonne gouvernance et du respect des droits de l'homme, condition *sine qua non* de son réel épanouissement et de son avancée véritable vers le progrès. Selon les tenants de cette deuxième thèse, c'est donc ce seul souci qui fonde le réchauffement des relations Afrique-Europe, et non les multiples pistes d'implantation explorées par les autorités chinoises. Ces deux types de coopération procéderaient par conséquent de deux logiques. L'approche occidentale suggère que la bonne gouvernance, la primauté du droit et le respect des droits de l'homme précèdent et conditionnent le développement économique et social.

Selon cette approche, l'adoption de ces vertus constitue un passage obligé pour l'Afrique pour réussir son décollage économique en vue de relever tous les défis du monde contemporain. L'approche chinoise, quant à elle, fait remarquer que seul le développement peut conduire à la stabilité économique et sociale, à la bonne gouvernance, à la primauté du droit et au respect des droits de l'homme.

Dans une telle démarche, ce dont l'Afrique a besoin aujourd'hui, c'est d'abord de créer une croissance économique forte et durable, assurer son développement *lato sensu*, procurer de l'emploi à ses nombreuses populations, rompre avec les situations de pauvreté et de misère, etc. Et lorsque l'Afrique aura réalisé tous ces objectifs, la paix, la bonne gouvernance, les droits de l'homme, etc. s'imposeront d'eux-mêmes. En d'autres

The lack of such a strategy is likely to transform Africa into a Sino-European battleground to feed their greedy industries with raw materials and to find markets for their manufactured goods in an industrial environment where competition for gaining a share of the market will be increasingly sharp. In our humble view, this historical role of providing the African Union with a genuine strategy for co-operation with the rest of the world must lie with the Commission of the African Union, the premier architect of the implementation of the economic and political integration programme of the continent.

If it does not do so, individual African countries will not be in a position to face the exigencies of international co-operation, which is likely to transform Africa into an easy prey for the most powerful countries of the contemporary world.

'A country has no friends, it has only interests', a former head of state of a European country once said. Africa must draw inspiration from this assertion of its relations with the rest of the world by having a genuine co-operation strategy, which is the only means to avoid, in a dignified manner, becoming a victim of the appetite of the imperialisms of our times.

Finally, if the pragmatism of China, the new great friend of Africa, can encourage Europe to revisit its co-operation policy with Africa with the aim of achieving the real development of the continent, the entire population of Africa would rejoice and would be grateful yet again to China.

termes, le développement entraînera dans son sillage la bonne gouvernance et l'adoption systématique des vertus d'un État de droit.

La démocratie, la bonne gouvernance et le respect des droits de l'homme conduisent-ils à la croissance et au développement? Ou bien la croissance et le développement suscitent-ils la démocratie, la bonne gouvernance et le respect des droits de l'homme?

Laquelle des deux thèses se rapproche le plus de l'objectivité? L'histoire et le temps aideront à en savoir plus et à mieux répondre à ces questions.

Mais nous pensons que l'Afrique n'a pas à attendre que ce verdict historique soit connu pour commencer à affirmer son autonomie d'action, sa souveraineté quant à son avenir et à son destin. Pour y parvenir, ses leaders ont le devoir et l'obligation de la doter d'une véritable stratégie qui lui permette de coopérer avec l'Europe et la Chine, sans pourtant perdre son identité et son autonomie d'action. L'absence d'une telle stratégie est de nature à transformer l'Afrique en un champ de bataille sino-européen pour alimenter leurs industries gourmandes en matières premières et pour trouver des marchés à leurs produits manufacturés, dans un environnement industriel où la compétition pour la conquête des parts de marché devient de plus en plus âpre. À notre humble avis, ce rôle historique qui consiste à doter l'Union africaine d'une véritable stratégie de coopération avec le reste du monde doit revenir à la Commission de l'Union africaine, premier architecte de la mise en œuvre de l'agenda de l'intégration économique et politique du continent. Si elle ne le faisait pas, les pays pris individuellement ne seraient pas en mesure de faire face aux exigences de la coopération internationale, ce qui est de nature à transformer l'Afrique en proie facile à inscrire au tableau de chasse des grands pays du monde contemporain.

«Un pays n'a pas d'amis, il n'a que des intérêts», disait un Chef d'État historique d'Europe. L'Afrique doit s'inspirer de cette assertion dans ses relations avec le reste du monde, en se dotant d'une véritable stratégie de coopération, seul moyen de s'extraire dignement des appétits des impérialismes contemporains.

Somme toute, si le pragmatisme de la Chine, ce grand ami de l'Afrique pouvait amener l'Europe à revisiter sa politique de coopération avec l'Afrique pour un véritable développement de celle-ci, les nombreuse populations africaines s'en réjouiraient et seraient reconnaissantes encore une fois à la Chine.

FOCAC

China and Africa: Assessing the Relationship on the Eve of FOCAC IV

Joint AU–SAIIA workshop
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Background notes on FOCAC

Dr Chris Alden[1]

President Jiang Zemin and Li Peng's Africa–Asia tours in 1996 and 1997, respectively, were a prelude to the full revival of a focus on Africa in China's foreign policy that materialised at the dawn of the 21st century. In fact, it was during the 1996 trip that Jiang Zemin formally raised the idea of creating the Forum for China–Africa Co-operation (FOCAC). In the discussions with African governments and their representatives that followed, it was decided that meetings at a ministerial level would be held every three years, with China and African countries alternating as hosts of the event.

The first FOCAC ministerial summit took place in 2000 (10–12 October) under the aegis of the third generation of leaders, and was hosted in Beijing by President Hu Jintao and Premier Zhu Rongji. The Beijing Declaration, signed at the end of the meeting by China and all of the 44 African states represented, works as the founding document of the forum. According to it, FOCAC is a collective dialogue platform for co-operation between China and Africa, based on equality and mutual benefit, that seeks to promote economic and social development. Through fostering solidarity among developing countries, it ultimately aims to favour the emergence of a new, just, equitable political and economic world order in which developing countries participate more effectively in the international process of decision making.

FOCAC assumes as its ideational base the principles stated in the constitutive charters of the United Nations and the African Union (AU), plus the Five Principles of Peaceful Co-existence, with particular reference to the peaceful settlement of disputes, non-interference in countries' domestic affairs, mutually beneficial co-operation and common development. It also highlights some other specificities of the Chinese co-operation model, namely the 'no strings attached' concept and a more flexible approach to what concerns human rights universalism, as it points out some possible limits justified by different development levels or socio-cultural particularities. This ideational base, adopted in the Beijing Declaration, was sanctioned in all the subsequent documents adopted in the subsequent summits.

The first summit set the basic procedures, structure and contents of the new phase in China–Africa co-operation, which were gradually developed in subsequent ministerial meetings. Indeed, the first action plan (Programme for China–Africa Co-operation in Economic and Social Development 2001–2003) established an extensive list of areas for co-operation that, while having remained basically the same, has been developed with regard to content, and has been reorganised into different categories, in 2003 and 2006, translating into a gradually more structured and focused approached from Beijing. The main areas of co-operation lined up in this first action plan were: inter-governmental relations (promote high-level exchanges, provide development assistance to support policies of receiving countries, give preferential access to China), trade and investment (which is supposed to play a leading role in bilateral co-operation), infrastructure, financial co-operation, debt relief, tourism, migration, agriculture, natural resources and energy, science and technology, medical care and public health, education and human resources development, the environment and biodiversity, and co-operation in multilateral forums.

Furthermore, this first action plan also established the three-level follow-up mechanism, a light institutional body, in order to evaluate implementation progress. At the top level stands the ministerial meeting (summit), taking place every three years. On the subsequent level is a senior office meeting, to take place every two years. Both the ministerial and senior office meetings are to be held alternatively in Beijing and in an African country.

Finally, regular meetings are to be held at ambassadorial level in Beijing.

The second FOCAC ministerial meeting took place in Addis Ababa in 2003 (15–16 December). Some 44 African countries sent representatives and China was represented by its new premier, Wen Jiabao. The approved Action Plan 2004–2006 reorganised the extensive list of co-operation fields advanced in the previous programme into three main categories: political affairs, multilateral co-operation and economic development. In practical terms, this change did not introduce much progress, and the action plan continued to be mostly general. Regarding political affairs, emphasis was put on peace and security issues through the intensification of China's participation in peacekeeping operations in Africa, as well as in de-mining activities, fighting terrorism and tackling non-traditional security issues, namely trafficking, illegal migration and transnational crime. In terms of multilateral co-operation, the action plan proposed to intensify consultation between China and Africa within international multilateral institutions so as to safeguard common interests and strengthen co-operation in areas identified by the New Partnership for Africa's Development (NEPAD), such as infrastructure, health, agriculture and human resources. The matter of economic development gathers the largest number of co-operation fields, namely, agriculture (technological and human resources development), infrastructure, trade and investment (mutual greater market access), tourism, debt relief, development assistance, natural resources, energy development, and social development.

The third FOCAC summit, held in Beijing in 2006[2] (4–5 November), was attended by an impressive number of high-level officials from 48 African countries and signalled the upgrading of bilateral co-operation by setting up a strategic partnership between China and Africa and advancing a large number of concrete tasks to be achieved during the 2007–09 action plan, most of which were actually achieved ahead of time. The declaration made a call for enhanced South–South co-operation and North–South dialogue in order to promote African development. It also reiterated the appeal made in the previous declarations for the reform of the UN and of other multilateral institutions (the International Monetary Fund and World Trade Organisation) and the pledge of supporting African NEPAD goals through FOCAC's action plan.

The action plan issued at FOCAC III is by far the most focused and ambitious of all three thus far, advancing a range of concrete measures to be taken by China. It is divided into four co-operation categories: political, economic, international affairs and social development. Social development was previously placed within the economic category.

Within the political co-operation category, it proposes the continuation and enhancement of high-level visits and co-ordination in major regional and international affairs. Furthermore, it proposes the setting up of a FOCAC political dialogue mechanism among foreign ministers to take place on the sidelines of the UN General Assembly each September in New York, which has taken place ever since. Other concrete measures include promoting contacts between legislatures and local governments, consular and judicial co-operation, and co-operation between China and the AU and sub-regional forums.

Economic co-operation is, again, the largest category in the action plan. Although the core areas of economic co-operation remain the same (agriculture, investment and business co-operation, trade, finance, infrastructure, energy resources, science and technology), this category has expanded to include new areas such as information, air and maritime transport, and quality inspection. Another change to the economic category in relation to the previous action plan is that social development now constitutes a new, separate category of its own.

Co-operation in social development integrates development assistance and debt relief, human

Deepening ties with Africa in the 1990s

Between June 1989 and June 1992, Chinese Foreign Minister Qian Qichen visited 14 African countries. In 1990, China–Africa aid amounted to $374.6 million spread among 43 recipients, compared to $60.4 million in 1988 distributed among 13 countries.

resources development, culture, education, medical care, environmental protection, tourism, people-to-people exchanges (particularly youth and women), and co-operation in terms of news and the media.

The action plan has been a resounding success in almost every area, having achieved most of its goals and even gone beyond some of the targets, including the $100 billion trade volume target for 2009, which was surpassed a year early ($107 billion). Even in terms of mechanism institutionalisation, progress has been remarkable, namely with the dialogue platform during the UN General Assembly, the establishment of the China–Africa Chamber of Commerce and Industry, the agreement for facilitation and protection of investment, and the agreement to avoid double taxation.

Some criticism has arisen, however, related to the absence of a permanent institutional structure. Formally, FOCAC is under the aegis of the Ministry of Foreign Affairs (although it integrates the minister and vice minister of commerce as co-chairpersons) and has no multilateral permanent body. A secretariat based in the premises of the African Department of the Chinese Ministry of Foreign Affairs serves as a follow-up mechanism in between FOCAC meetings. Aside from that, FOCAC meets once a year at the level of African ambassadors in China, twice a year at the senior level and every three years at the summit level. The lack of a permanent secretariat is not, however, an exclusive feature of FOCAC, as most other regional co-operation forums share similar features. For example, this is also the case with the China–Arab States Co-operation Forum, created in 2004 to promote trade and co-operation in various fields between China and 22 countries of the Arab League. Although the areas of co-operation differ slightly, as the emphasis of this forum naturally rests on energy co-operation (gas, oil and renewable power — over 40% of China's oil imports originate from Arab League countries, while trade has risen from $37 billion in 2004 to $132 billion in 2008) and counter-terrorism, the modus operandi is similar, with foreign ministerial meetings happening every two years (Cairo September 2004, Beijing June 2006 and Bahrain May 2008) and two-year action plans being issued.

FOCAC III Action Plan (2007–2009)

Agriculture: *Dispatch 100 agriculture experts and set up ten demonstration centres.*

Investment: *Set up a $5 billion Development Fund to encourage investment by Chinese companies and establish three to five trade and economic co-operation zones.*

Trade: *Increase export items eligible for zero tariff entering the Chinese market from 190 to 440.*

Development assistance and debt relief: *Double assistance by 2009; $3 billion preferential loans and $2 billion in export buyers' credits; cancel interest-free loans due by end of 2005 by African LDC and HIPC*

Human resources development: *Train 15 000 African cadres.*

Education: *Build 100 rural schools; double scholarships to African students to 4 000 a year.*

Medical care and public health: *Build 30 hospitals; provide RMB 300 million in anti-malaria drugs; set up 30 centres for the prevention and treatment of malaria.*

FOCAC

'China and Africa: Assessing the Relationship on the Eve of FOCAC IV'

Joint AU–SAIIA workshop, Addis Ababa, Ethiopia
25 September 2009

Welcoming speech by H. E. Mr Gu Xiaojie
Ambassador of the People's Republic of China (PRC) to the Federal Democratic Republic of Ethiopia and Representative of the PRC to the African Union

On behalf of the Chinese Government, I would like to register my appreciation to the African Union Commission and the South African Institute of International Affairs for convening on the eve of the Fourth Ministerial Conference of FOCAC this significant workshop concerning China-Africa relationship, which is considered by both officials and scholars, Chinese and international, as a subject of great consequence to be discussed and studied.

And it is a great honour for me to share with you, my friends, some important information about FOCAC, and my speech will be composed of the following three parts:

- implementation of the outcomes of the 2006 Beijing Summit of FOCAC;
- preparatory work for the forthcoming conference; and
- how China is promoting the Sino-African relationship against the background of the global financial crisis.

Ladies and gentlemen,

The convening of the Beijing Summit in 2006 deepened the traditional friendship of the Chinese and African peoples and opened up a new era in the history of two continents. Over the past three years, the follow-up actions of the summit have been implemented smoothly with the concerted efforts made by both China and African countries. The frequent high-level visits, contacts and consultations between the leaders of both sides have enhanced the political relation and encouraged a deeper pragmatic co-operation. The first dialogue between Chinese and African ministers was held in 2007, during the United Nations General Assembly, after the establishment of a regular Sino-African ministerial-level political dialogue mechanism. With this enhanced strategic trust, China and Africa have strengthened co-operation and mutual support in international affairs and issues of common concern.

The eight political steps, announced by H.E. Mr Hu Jintao, president of the People's Republic of China, at the Beijing Summit, aimed to reinforce the Sino-African pragmatic cooperation and to support the development of African countries, have been implemented with positive success: an increase in assistance to Africa, the accomplishment of zero-tariff policies, the fulfilment of debt-cancellation programmes (except for Somalia), and the launch and operation of the China-Africa Development Fund. And the establishment of trade and economic co-operation zones has also achieved some encouraging results. Right now, the Chinese side has trained 11 400 African professionals, sent 166 young volunteers to Africa and selected 100 senior agricultural experts to be sent, respectively. Meanwhile, projects such as the building of hospitals, treatment centres to fight malaria, special agricultural technology demonstration centres and rural schools in Africa are going well too.

And in accordance with the follow-up procedure mechanism consulted and decided during the previous ministerial conferences, the Fourth Ministerial Conference of FOCAC will be convened on 8-9 November 2009 in Sharm el Sheikh.

And in accordance with the follow-up procedure mechanism agreed on during the previous ministerial conferences, the Fourth Ministerial Conference of

FOCA will be convened on 8–9 November 2009 in Sharm el Sheikh, Egypt, with China as the Co-Chair. After consultations between the Chair and Co-chair, the theme of this conference was defined as 'Deepen co-operation, jointly meet challenges, and seek common development', and the objective as to review the implementation of the follow-up actions of the FOCAC Beijing Summit and to formulate a blueprint for China-Africa cooperation in the next three years.

Just before this, the General Secretary of the Chinese Follow-up Committee of FOCAC visited Africa, while China has held two rounds of consultations with African diplomats to China. In line with the spirit of consultation on an equal footing and jointly holding the conference, the relevant preparatory work has been stepped up and has progressed smoothly through close co-ordination between Egypt and China. Two documents, the FOCAC Sharm el Sheikh Declaration and the FOCAC Sharm el Sheikh Action Plan (2010–2012) will be adopted at the conference.

As the sideline activities for the ministerial conference, the China-Africa Media Workshop, the China-Africa Youth Festival and the Civil Society Friendly Organisation Forum have been held successfully. Other similar activities such as the China-Africa Women Forum and the Third China-African Business Conference will be held in the near future.

Ladies and gentlemen,

The world today is undergoing a negative experience caused by the global financial crisis. The Chinese Government will, within its capacity, provide assistance to African countries to face the challenge:

- Firstly, it will implement unswervingly all outcomes of the Beijing Summit of FOCAC. In the face of difficulties resulting from the crisis, China will continuously implement the follow-up actions of the Beijing Summit and honour its commitments to Africa to provide assistance to Africa, to cancel debt and to achieve zero-tariff treatment, etc.
- Secondly, it will encourage Chinese enterprises to maintain trade with and investment in Africa, and to commit to neither withdraw investment nor stop production, and definitely not to dismiss staff in order to mitigate the impact of the crisis.
- Thirdly, it will call the international community to refrain from neglecting the development of the African continent. China appeals to developed economic institutions to meet the needs of developing countries, including African countries, while adopting macroeconomic policy to address the crisis.

China believes that, in the common pursuit of friendship, peace, co-operation and development, the new type of China-Africa strategic partnership will be deepened and the traditional friendship of two continents' peoples will be enhanced.

Declaration

Forum on China–Africa Co-operation Sharm el Sheikh Action Plan (2010–2012)

12 November 2009

1. PREAMBLE

1.1 Ministers in charge of foreign affairs and economic cooperation from China and 49 African countries (hereinafter referred to as 'the two sides') met in Sharm el Sheikh, Egypt, on 8–9 November 2009 for the Fourth Ministerial Conference of the Forum on China-Africa Cooperation (FOCAC).

1.2 The two sides spoke highly of the FOCAC Beijing Summit and the Third Ministerial Conference held in Beijing in November 2006, recognizing that the new type of China-Africa strategic partnership featuring political equality and mutual trust, economic win-win cooperation and cultural exchanges, which was defined at the historic summit, opened broad prospects for deepening China-Africa cooperation, and set an example of South-South cooperation.

1.3 The two sides reviewed with satisfaction the implementation of the follow-up actions in the three years after the Beijing Summit, and were generally pleased with the comprehensive and effective implementation of the Forum on China-Africa Cooperation Beijing Action Plan (2007–2009) adopted at the Beijing Summit. They reiterated their firm goal of further developing the new type of China-Africa strategic partnership.

1.4 In keeping with the purposes of deepening the new type of China-Africa strategic partnership to seek sustainable development, and in order to implement the outcomes of the conference and chart the course for cooperation in all fields in the next three years, the two sides jointly worked out and adopted this Action Plan.

2. POLITICAL AFFAIRS, AND REGIONAL PEACE AND SECURITY

2.1 High-level Exchanges

The two sides noted that since the FOCAC Beijing Summit, there have been more frequent exchanges of visits and meetings on multilateral occasions between leaders of the two sides. The two sides agreed to maintain the momentum of high-level exchanges with a view to increasing mutual understanding and friendship, and deepening mutual trust and cooperation.

2.2 Dialogues and Communication in Various Forms

2.2.1 Recognizing the importance of increasingly diverse dialogue mechanisms to the deepening of the new type of China-Africa strategic partnership, the two sides resolved to give full play to the existing mechanisms, such as the bilateral commissions, strategic dialogues, foreign ministries' political consultations, and joint/mixed commissions on economic and trade cooperation, so as to enhance planning and guidance for the relations between the two sides.

2.2.2 The two sides appreciated the smooth launch of the mechanism of regular political dialogue between foreign ministers of the two sides set up at the Beijing Summit and the success of its first round. The two sides agreed to hold, under this mechanism, the second round in 2010 on the sidelines of the United Nations General Assembly.

2.3 Contacts Between Political Parties, Legislatures and Local Governments

2.3.1 The two sides will further strengthen exchanges between political parties and enhance experience sharing on governance.

2.3.2 The two sides will continue to expand friendly contacts between the National People's Congress of China and parliaments of African countries as well as the Pan-African Parliament to promote mutual understanding and deepen their relations.

2.3.3 The two sides noted that increasingly active local exchanges have become an integral part of China-Africa relations. They resolved to further promote exchanges and cooperation between governments at provincial and other local levels and to actively support twinning arrangements between the two sides.

2.4 Consular and Judicial Cooperation

2.4.1 Recognizing the need to strengthen personnel exchanges, the two sides agreed to increase cooperation in handling consular cases concerning their citizens in a proper and timely manner.

2.4.2 The two sides agreed to further promote exchanges and cooperation between their respective judiciaries and law enforcement departments, and to jointly improve the capability to prevent, investigate and combat crimes. The two sides also agreed to intensify cooperation between their immigration authorities to resolve the issue of illegal migration through consultation.

2.4.3 Noting the importance of legal exchanges, the two sides agreed to hold a FOCAC Legal Forum at an appropriate time.

2.5 Cooperation Between China and the African Union and Sub-regional Organizations in Africa

2.5.1 The two sides applauded the important contributions made by the African Union (AU) and sub-regional organizations in Africa to actively resolving African issues and promoting the African integration process as well as sub-regional economic integration and peace and development in Africa.

2.5.2 The two sides noted with satisfaction that China and the AU have set up and launched the Strategic Dialogue Mechanism and agreed to exchange views on China-Africa relations and other major issues through this mechanism. They support the AU in playing a bigger role in regional and international affairs.

2.5.3 To facilitate the development of relations, China expressed welcome to the establishment of an AU representative office in Beijing at an appropriate time.

2.5.4 The two sides noted that the FOCAC and the New Partnership for Africa's Development (NEPAD) share the objective of promoting peace and development in Africa, and agreed to continue exploring flexible and practical ways to enhance exchanges and cooperation between the two mechanisms.

2.5.5 The Government of China will reinforce its partnership with African regional organizations in the field of institutional capacity building necessary to conceive and execute regional projects.

2.5.6 To support African countries in their efforts to strengthen themselves through unity, China will enhance dialogues and exchanges with sub-regional organizations in Africa to exchange views with them on ways to better promote African integration and enhance cooperation between the two sides, and to actively explore the possibility of cooperation under the FOCAC framework.

2.6 Cooperation in the Fields of Peace and Security

2.6.1 The Chinese Government will continue to support the United Nations Security Council in playing a constructive role in solving conflicts in Africa and continue to support and participate in UN peacekeeping missions there. It will strengthen cooperation with countries concerned in the UN Peace Building Commission and support countries in their post-war reconstruction processes.

2.6.2 The Chinese Government appreciates the concept and practice of 'Solving African Problems by Africans'. It will continue to support the efforts of the AU, other regional organizations and countries concerned to solve regional conflicts, and will intensify cooperation with African countries in peacekeeping theory research, peacekeeping training and exchanges and in supporting the building of peacekeeping capacity in Africa.

2.6.3 The African side expressed appreciation of the appointment of the Special Representative for African Affairs by the Chinese Government, as well as China's efforts to enhance communication and dialogue with African countries in peace and security affairs and its active participation in efforts to resolve issues of instability and insecurity in Africa.

2.6.4 The African side welcomed China's counter-piracy efforts in the Gulf of Aden and off the coast of Somalia in line with the spirit of relevant UN Security Council resolutions, which the two sides believed are conducive to security of the shipping routes in the waters concerned and peace and security in the region.

3. COOPERATION IN INTERNATIONAL AFFAIRS

3.1 The two sides expressed the view that the international situation is undergoing the most profound changes and adjustment after the end of the Cold War. The international financial crisis has led to a world economic recession and has brought about profound and complex changes to the international political and economic landscape. Therefore, it is of even greater importance to strengthen China-Africa cooperation in international affairs.

3.2 The two sides reaffirmed that Africa should be fully represented in the arrangements related to the world economy. The African side stressed the urgent need to enlarge the G20 and other existing mechanisms for international economy. The Chinese side expressed its full understanding for this request and stressed that existing mechanisms for international economic order must be balanced to ensure the fair representation of Africa.

3.3.1 The two sides reaffirmed their respect for the Charter of the United Nations, the Five Principles of Peaceful Coexistence and other universally recognized norms governing international relations.

3.3.2 The two sides will work together to uphold the important role of the United Nations in international affairs and promote multilateralism and democracy in international relations.

3.3.3 The two sides supported reform aimed at improving the authority and efficiency of the United Nations. Such reform should be based on democratic consultations and be conducive to upholding solidarity among member states, and should fully accommodate the concerns of developing countries.

3.3.4 The two sides reiterated that developing countries should play a greater role in the United Nations, including its Security Council, and priority must be given to increasing the representation of developing countries, particularly African countries, in the Security Council.

3.3.5 The two sides stand for reforms in the international financial system, and will work to increase the representation and say of developing countries and build an international financial system that is fair, just, inclusive and orderly.

3.4 The two sides noted that achieving the Millennium Development Goals (MDGs) remains an urgent and arduous task. The two sides hold that the current international financial crisis has made the realization of the MDGs more difficult, particularly for African countries which face bigger challenges. The two sides call on the international community, developed countries in particular, to promptly deliver their pledges of assistance and debt relief, continue to step up assistance and investment, and help African countries in particular to overcome the difficulties and realize the MDGs at an early date. China will exert its effort in this regard.

3.5 In tackling climate change, the United Nations Framework Convention on Climate Change and its Kyoto Protocol should be taken as the main channel, and the mandate of the 'Bali Roadmap' should be observed. Efforts should be made to seek a comprehensive solution within the framework of sustainable development. The international community should make active efforts to tackle climate change under the principle of 'common but differentiated responsibilities'. China recognized the urgent need of African countries to enhance their capacity to adapt to climate change, took note of the vulnerability of small island nations and the states of river deltas prone to flooding, and stressed that combating climate change is not an excuse to reduce attention to Africa's development. China supports Africa's legitimate demands, including those for more financial support and necessary technological transfer from developed countries to Africa. China stands ready to strengthen cooperation with Africa in tackling climate change.

3.6 The two sides will further coordinate position and continue to work for a successful conclusion of the Doha round negotiations within 2010 on the basis of respecting the negotiation mandate of the Doha development agenda and locking in the progress already made. The negotiations must address the concerns of developing countries, particularly least developed countries, in real earnest and realize the Development Round's goals. The negotiations should also address the specific concerns of Small and Vulnerable Economies to facilitate their full integration into the multilateral trading system.

3.7 The two sides reaffirmed their respect for the principle of universality of human rights, with no prejudice to the cultural and social particularities with regard to perceiving and applying the concept, and with priority on the right to development. The two sides oppose politicization and double standards in the field of human rights.

3.8 The two sides condemned terrorism in all its forms and manifestations. The international community should make every effort to combat terrorism in accordance with the Charter of the United Nations and other universally recognized international law and norms governing international relations. The two sides will strengthen counter-terrorism cooperation in order to safeguard their own national security and promote new progress in international counter-terrorism cooperation.

4. ECONOMIC COOPERATION

4.1 Agriculture and Food Security

4.1.1 The two sides commended Africa's efforts in embracing a growth-oriented agricultural agenda through the Comprehensive African Agricultural Development Program (CAADP) aimed at increasing agricultural growth rates.

4.1.2 The two sides noted that food security is a major challenge facing the international community and it is particularly serious for African countries. Agricultural development holds the key to food security in Africa, and is essential for Africa's endeavor to eradicate poverty, ensure people's livelihood and develop the economy. The two sides decided to prioritize agriculture and food security in their cooperation.

4.1.3 The two sides were pleased to see the deepened and orderly growth of agricultural cooperation between China and Africa. They pledged to maintain and strengthen such cooperation and expand, in particular, cooperation in agricultural infrastructure, grain production, breeding industry, exchanges and transfer of practical agricultural technologies, and in processing, storage and transportation of agricultural products.

4.1.4 The Chinese Government offered to do the following:

– In the course of the next three years, send 50 agricultural technology teams to Africa and help train 2,000 agricultural technicians for African countries.
– In the course of the next three years, increase to 20 the total number of agricultural technology demonstration centers built for African countries.
– Continue to run well the agricultural technology demonstration centers already built. The centers will start to carry out experiments, demonstration projects, and training programs in crop seed selection, farming, fish breeding and animal raising.
– Implement the decision to contribute US$30 million to the United Nations Food and Agriculture Organization (UNFAO) to set up a trust fund, and actively use the trust fund to support South-South cooperation between China and African countries under the framework of the UNFAO Special Program for Food Security.

4.2 Investment and Business Cooperation

4.2.1 The two sides took note of the continued growth of two-way investment between China and Africa after the Beijing Summit in 2006, especially the fast growth of Chinese investment in Africa. The African side welcomes investment from China, and acknowledges its important role in bolstering local economic growth and sustainable development.

4.2.2 The two sides will continue to promote the conclusion and implementation of bilateral agreements on investment promotion and protection, and create a sound environment with a view to scaling up mutual investment. Governments of China and African countries give encouragement and support to their competitive businesses in investing in each other's country so as to raise the level and quality of cooperation for mutual benefit and win-win results.

4.2.3 The Chinese side offered to increase the size of the China-Africa Development Fund to US$3 billion to support the expansion of investment from Chinese businesses to Africa.

4.2.4 The two sides will continue to do a good job in establishing overseas business cooperation zones in Africa, intensify efforts to attract investment, actively encourage more Chinese companies to make investment in the cooperation zones, and provide facilitation to African small and medium-sized enterprises (SMEs) to develop their business in the zones.

4.2.5 Noting the outcomes of the China-Africa Business Conference held during this Ministerial Conference, the two sides will further encourage their business communities to strengthen cooperation and deepen economic and trade links.

4.3 Infrastructure

4.3.1 The two sides were of the view that underdeveloped infrastructure is an obstacle to Africa's development and integration. China's contribution to infrastructure development in Africa in recent years was appreciated.

4.3.2 The two sides agreed that infrastructure will remain a priority in China-Africa cooperation. In this context, the African side hopes that the Chinese side will support development projects that promote regional integration. Recognizing Africa's urgent need for infrastructure development, the Chinese side will support the building of major infrastructure projects in Africa to promote Africa's economic and social development.

4.3.3 The Chinese side will increase investment and play a larger role in infrastructure development in Africa through providing loans and free assistance to African countries and encouraging investment by Chinese companies. In the next three years, the Chinese side will provide US$10 billion of preferential loans to African countries, which will be used mainly to support infrastructure and social development projects.

4.4 Trade

4.4.1 The two sides will continue to promote trade between China and Africa, and broaden their economic cooperation, which is currently dominated by trade in goods, so that it becomes multi-pronged to include trade in goods, investment, trade in services, technology and project contracting.

4.4.2 The two sides were pleased to see the smooth implementation of the tariff exemption policy toward Africa, which has generated increasing benefits to the countries concerned. The two sides will continue to improve China-Africa trade mix and promote trade balance.

4.4.3 The Chinese side promised to further open its market to African countries. It offered to, in a phased manner, grant tariff exemption treatment to 95% of exports from the least developed countries (LDCs) in Africa having diplomatic relations with China. As the first step, the goal of zero tariff treatment for 60% of products originating therefrom will be met in 2010.

4.4.4 The two sides agreed to further enhance cooperation in customs, taxation, inspection and quarantine, and to conclude and implement relevant cooperation agreements for the sound development of China-Africa trade. China is ready to establish cooperation mechanisms with African countries on the supervision and administration of imports and exports and strengthen regulation of product quality and food safety in imports and exports to the benefit of consumers in China and Africa.

4.4.5 An African commodities trade center will be established in China and preferential policies such as fees reduction and wavering will be adopted for participating African enterprises to promote export of African commodities to China.

4.4.6 The Chinese side will establish three to five logistic centers in Africa to help improve business facilities in African countries.

4.4.7 The two sides agreed to properly handle trade differences and frictions through friendly consultation under the principle of mutual understanding and mutual accommodation.

4.4.8 The two sides agreed to encourage the usage of national and regional arbitration organs in resolving contractual conflicts between Chinese and African enterprises.

4.5 Finance and Banking Sector

4.5.1 The two sides will continue to step up cooperation between relevant Chinese financial institutions and African financial institutions in support of African regional economic integration.

4.5.2 The two sides will encourage business exchanges between the commercial banks of the two sides and the opening of branches in each other's country on mutually beneficial commercial terms so as to provide financing support to major China-Africa economic and trade cooperation projects and create a favorable financial environment for China-Africa economic and trade cooperation.

4.5.3 The Chinese side supported the establishment by Chinese financial institutions of a special loan of US$1 billion for African SMEs development to help the growth of African SMEs.

4.6 Energy and Resources Cooperation

China and Africa enjoy complementarity and cooperation potential in energy and resources. China will continue to cooperate with Africa, in keeping with the principles of mutual benefit and sustainable development, and try to raise the added value of the energy and resources products of African countries and enhance their capacity for intensive processing.

4.7 Information and Communications

China will further enhance cooperation with the information and communications authorities of African countries. It will step up training for African personnel in this field and give encouragement and support to competitive Chinese information and communications companies in getting involved in the building of communications infrastructure in Africa and engaging in mutually beneficial cooperation with African counterparts.

4.8 Services Sector

The two sides took note of the increasing role of the services sector in boosting the economy, and agreed to intensify exchanges and cooperation in this field with a view to improving the economic and industrial structures and transforming the growth pattern.

4.9 Transportation

In view of the deepening cooperation and exchanges between China and Africa, and their huge potential in transportation development, the two sides agreed to continue to encourage and support more flights and shipping links to be set up by their airlines and shipping companies.

5. COOPERATION IN THE FIELD OF DEVELOPMENT

5.1 Assistance and Debt Relief

5.1.1 Africa appreciated the development assistance China has provided to Africa in diverse forms over a long period of time and the reduction and cancelling of debts for Africa. Africa took note of the remarkable strengthening of relevant measures following the Beijing Summit, which is conducive to the early realization of the MDGs in Africa.

5.1.2 Despite its own difficulties caused by the impact of the global financial crisis on the Chinese economy, China expressed commitment to further scaling up assistance to Africa, and prioritizing cooperation areas concerning people's well-being, such as agriculture, infrastructure, public health, education, human resources development, clean energy and environmental protection.

5.1.3 The Chinese Government offered to cancel due debts of interest-free government loans that will mature by the end of 2009 owed by all heavily-indebted poor countries and the LDCs in Africa having diplomatic relations with China.

5.2 Human Resources Development

5.2.1 The two sides noted with satisfaction that with the joint efforts of the two sides, the scholarships, seminars and training programs China had sponsored made an important contribution to the human resources development of Africa.

5.2.2 The Chinese Government will continue to provide training for people from different sectors in Africa as the need arises, and pay special attention to raising the quality of such training. The Chinese Government undertakes to train a total of 20,000 people in various sectors for African countries in the next three years.

5.2.3 The Chinese side will make a US$1.5 million contribution to support NEPAD's projects to train nurses and maternity assistants in Africa.

5.2.4 The African side undertakes to provide necessary support in the selection of trainees and logistics.

5.3 Education

5.3.1 The two sides expressed satisfaction with the continued progress in China-Africa education cooperation in recent years. The two sides stressed that better education is the basis of and holds the key to social stability and economic development, and the two sides will build on the existing achievements to further enhance their cooperation.

5.3.2 The Chinese Government offered to:

– Help African countries to build 50 China-Africa friendship schools in the next three years.
– Propose implementation of the 20+20 Cooperation Plan for Chinese and African Institutions of Higher Education to establish a new type of one-to-one inter-institutional cooperation model between 20 Chinese universities (or vocational colleges) and 20 African universities (or vocational colleges).
– Admit 200 middle and high level African administrative personnel to MPA programs in China in the next three years.
– Continue to raise the number of Chinese governmental scholarships and increase the number of scholarships offered to Africa to 5,500 by 2012.
– Intensify efforts to train teachers for primary, secondary and vocational schools in Africa, and help African countries train 1,500 school headmasters and teachers over the next three years.
– Continue to promote the development of Confucius institutes, increase the number of scholarships offered to Chinese language teachers to help them study in China, and double efforts to raise capacity of local African teachers to teach the Chinese language.

5.4 Cooperation in Science and Technology and Technology Transfer

5.4.1 The two sides agreed to hold a FOCAC Science and Technology Forum in due course and proposed to launch the China-Africa Science and Technology Partnership Plan to help African countries develop their own science and technology capacity.

– The Chinese side will carry out 100 joint research and demonstration projects in the next three years.
– The Chinese side will invite 100 African post-doctoral students to conduct scientific researches in China.
– The Chinese side will offer research instruments to all African scientific researchers who return to their home countries to work upon completion of their long-term joint research tasks in China.

5.4.2 To present African countries with China's recent science and technology achievements in high, new and practical technologies, China will co-host with Egypt the China Exhibition on Innovative Technology and Products in Cairo in early December 2009.

5.4.3 Noting the important role of technology transfer in enhancing African countries' capacity-building, China will encourage and promote technology transfer to Africa in various cooperation areas, in particular, the transfer of advanced applicable technologies with a major impact on Africa's economic and social development, such as technologies for drinking water, agriculture, clean energy and health.

5.5 Cooperation in Poverty Reduction

5.5.1 Recognizing that poverty eradication is an arduous task for both sides, and noting Africa's pressing need to accelerate the poverty reduction process, the two sides will step up cooperation and exchanges in this field.

5.5.2 China will continue to share experience in poverty reduction with African countries through seminars and training sessions in order to jointly raise development capacity and make poverty alleviation efforts more effective.

5.6 Medical Care and Public Health

5.6.1 The two sides agreed on the importance of strengthening health systems in Africa and improving its abilities to tackle the major challenge of diseases.

5.6.2 The two sides noted with pleasure the deepening health cooperation between the two sides. In particular, the hospitals and anti-malaria centers that China has undertaken to build will play a positive role in improving the health care level and protecting people's health in African countries.

5.6.3 The two sides will step up exchanges, particularly their joint efforts to prevent and treat major communicable diseases like HIV/AIDS, malaria, tuberculosis, avian influenza and influenza A (H1N1). The two sides will continue to enhance cooperation in setting up mechanisms to handle public health emergencies.

5.6.4 The Chinese Government offered to:

- Provide RMB500 million yuan worth of medical equipment and malaria-fighting materials to 30 hospitals and 30 malaria prevention and treatment centers built by China for Africa in the coming three years. China will invite African professionals working in malaria prevention and treatment centers to training programs in China in an effort to ensure sustainable development of the project.
- Continue to help relevant African countries train a total of 3,000 doctors, nurses and administrative personnel over the next three years.
- Continue to do a good job in sending medical teams to Africa.

5.7 Climate Change and Environmental Protection

5.7.1 The two sides noted the positive measures adopted by both sides to jointly tackle climate change. China had organized seminars and training programs on climate change, forest resources cultivation, the use of new energy, environmental management and pollution prevention and control for African countries.

5.7.2 To help African countries adapt to climate change and strengthen environmental protection, China will step up human resources training for African countries and expand bilateral exchanges and cooperation in the above-mentioned fields.

5.7.3 The two sides proposed the establishment of a China-Africa partnership in addressing climate change and the holding of senior officials consultations on a non-regular basis. The Chinese Government offered to assist African countries with 100 small-sized well digging projects for water supply and clean energy projects of biogas, solar energy and small hydro-power plants in the next three years.

5.7.4 China is ready to advance cooperation with African countries in environment surveillance, continue to share with African countries data from the China-Brazil Earth Resources Satellite and promote the application of the data in land use, weather monitoring and environmental protection in Africa.

5.7.5 China will help African countries better protect the ecosystem and biodiversity and improve the comprehensive treatment of desertified areas and the relevant surveillance capacity.

5.8 Disaster Reduction and Relief

5.8.1 The two sides recognized that enhanced cooperation in disaster reduction and relief is an effective means for the two sides to build capacity for preventing natural disasters, eradicating poverty and maintaining sustainable social development. They expressed satisfaction with the sound cooperation between the two sides in the relevant areas. China expressed gratitude to African countries for their support and all forms of assistance in the wake of the devastating Wenchuan earthquake.

5.8.2 China will be glad to share experience with African countries in reducing drought risks, and will send experts to Africa in due course to disseminate technologies and promote their application. China plans to co-sponsor, together with the United Nations International Strategy for Disaster Reduction, a China-Africa international seminar on reducing drought risks in Africa in 2010.

5.8.3 China will strengthen exchanges and cooperation with African countries in surveillance and prevention of earthquake and other disasters as well as technical training in those areas.

5.9 Tourism

5.9.1 The two sides noted the recent good progress made in China-Africa tourism cooperation, the growing number of tourists and, in particular, the remarkable increase in Chinese tourists visiting Africa. African countries welcome this increase and will encourage their citizens to travel to China.

5.9.2 The two sides noted that developing tourism is an effective way to promote national economic growth and cultural exchanges. They will take concrete steps to make travel both ways more convenient. In response to Africa's request, the Chinese Government will add more eligible African countries to the list of the Approved Destination Status (ADS) for Chinese tourists.

5.9.3 The Chinese side reaffirmed its support to Chinese enterprises' investment in the tourism sector in Africa, and to greater efforts to promote African tourist destinations.

6. CULTURAL AND PEOPLE-TO-PEOPLE EXCHANGES AND COOPERATION

6.1 Culture

6.1.1 The two sides noted with satisfaction that China-Africa cultural exchanges and cooperation have kept expanding with fruitful results in recent years. Recognizing the splendid histories and cultures of both China and Africa, the two sides agreed to strengthen cultural exchanges and mutual learning to help advance dialogue and exchanges among different civilizations.

6.1.2 The two sides agreed to remain committed to China-Africa cultural exchanges and cooperation, and decided to:

- Hold the FOCAC Culture Forum in due course, and strengthen regular consultations between government cultural departments of the two sides.
- Continue to follow through on projects under the implementation plan of the China-Africa bilateral government cultural agreements, and conduct mid-term assessment on their implementation.
- Work together to promote 'Cultures in Focus' events in China-Africa cultural exchanges. 'African Culture in Focus' events will be held in even number years in China and 'Chinese Culture in Focus' in odd number years in Africa.
- Faithfully implement the China-Africa exchange of visits program in the cultural field, and strengthen exchanges and cooperation between cultural and art authorities and professionals of the two sides.
- Strengthen cooperation and build more Chinese cultural centers in Africa to facilitate regular cultural exchanges, public understanding and research.
- Promote cultures of the two sides through new technologies such as the internet to increase mutual understanding.

6.2 Press

6.2.1 The two sides will continue to strengthen exchanges and cooperation between press departments of the Chinese and African governments, and support the annual press workshop for African officials.

6.2.2 The two sides will promote mutual visits between Chinese and African press department officials, editors and journalists, support the posting of journalists to each other's country by news organizations of the two sides, and encourage news media of the two sides to step up objective and fair coverage on China and Africa.

6.2.3 The two sides will increase cooperation in radio and television program production by conducting exchanges at various levels and in various forms.

6.3 Exchanges between Academia and Think Tanks

6.3.1 The two sides noted that dynamic exchanges between academia and think tanks are instrumental in increasing mutual understanding between the peoples.

6.3.2 The two sides proposed to implement a China-Africa joint research and exchange plan to strengthen cooperation and exchanges between scholars and think tanks of the two sides through a variety of ways, such as seminars, mutual academic visits, and joint research projects.

6.4 People-to-People, Youth and Women Exchanges

6.4.1 The two sides noted that people-to-people exchanges are conducive to mutual understanding and important to the deepening of China-Africa friendship. The two sides remain committed to promoting people-to-people exchanges.

6.4.2 The two sides held that more China-Africa youth exchanges provided a new impetus to China-Africa traditional friendship and met the needs of both sides. The two sides expressed satisfaction with the active youth exchanges after the Beijing Summit.

6.4.3 The two sides resolved to continue to increase dialogue and exchanges between the younger generations, and advance practical cooperation between youth organizations and young people in youth affairs, social development, culture, sports, and volunteer service.

6.4.4 The two sides support the Tunisian initiative, proposing the year 2010 as the 'International Year of the Youth' as well as the organization of an international conference for the youth that will be convened under the auspices of the UN and other relevant international organizations .

6.4.5 Noting the results of the FOCAC Women's Forum held in Cairo and the release of the FOCAC Women's Forum Declaration 2009, the two sides held that the forum helped to enhance the role of women in promoting economic and social development and enriched China-Africa traditional friendship.

6.4.6 The two sides recognized the importance of promoting gender equality and the status of women, and resolved to strengthen exchanges and cooperation between Chinese and African women in multiple forms, such as seminars and technical training.

6.5 Sports

6.5.1 China appreciated African countries' active support for and participation in the Beijing Olympic Games in 2008. The two sides agreed to further increase sports exchanges and cooperation.

6.5.2 China fully supports the Africa Cup of Nations, scheduled for January 2010 in Angola, as well as the 2010 FIFA World Cup, to be hosted by Africa for the first time, and wishes both events complete success.

6.6 World Expo

China expressed appreciation to African countries' active participation in World Expo 2010 Shanghai. China offered due support to African countries in their participation with a view to fully showcasing Africa's economic development, progress, opportunities, culture and to promoting a better understanding of Africa in the world. African countries appreciated this and wished the Shanghai Expo a complete success.

7. FOCAC

7.1 The two sides noted with satisfaction that since the establishment of FOCAC in 2000, follow-up mechanisms and procedures have been introduced such as the Ministerial Conference, the regular political dialogue between Chinese and African foreign ministers, the Senior Officials Meeting (SOM), and consultations between African diplomatic missions in China and the Secretariat of the Chinese Follow-up Committee. The two sides agreed that FOCAC has become an important platform for collective dialogue and an effective mechanism of practical cooperation between China and Africa.

7.2 The two sides recognized the need to further strengthen FOCAC as China-Africa relations continue to expand and deepen. The two sides give encouragement and support to relevant departments in China and Africa in holding sub-forums within the FOCAC framework in order to boost cooperation between functional departments of the two sides.

7.3 Following the FOCAC follow-up mechanism procedures, the two sides decided to hold the Fifth Ministerial Conference in 2012, and the 8th SOM in 2011, both to be held in China.

African Monetary Fund / Fonds Monétaire Africain

Yaoundé, Cameroun
7 September / Septembre 2009

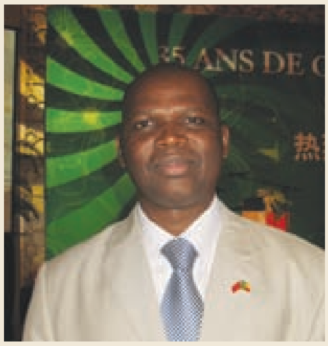
After signing the Memorandum of Agreement to facilitate the establishment of the Technical Steering Committee responsible for developing all the founding texts of the African Monetary Fund:

- Offices and equipment were provided to the Commission of the African Union by the authorities of Cameroon on September 7, 2009.
- Experts of the steering committee were recruited. This expert group is supervised in its activities by Professor Jean-Marie Gankou.
- The first founding texts, particularly the protocol and the constitution, must be submitted to decision-making bodies of the African Union for consideration and adoption at the Summit of Heads of State and Government in 2010.

Après la signature du protocole d' accord devant faciliter l'installation du Comité Technique de Pilotage chargé d'élaborer tous les textes fondateurs du Fonds Monétaire Africain :

- Les Bureaux et équipements ont été offerts à la Commission de l'Union africaine par les autorités du Cameroun le 7 Septembre 2009.
- Les experts du Comité de Pilotages sont recrutés .Ce groupe d'experts est supervisé dans ses activités par le Professeur Jean-Marie Gankou.
- Les premiers textes fondateurs, particulièrement le protocole et les statuts devront être soumis aux organes de décision de l'Union africaine, pour examen et adoption au sommet des Chefs d' Etat et de gouvernement en 2010.

China's Relations with African Sub-regions: The Case of West Africa



Guillaume Moumouni

Until recently, 'China in West Africa' has been less exposed to the scrutiny of observers of China–Africa links than China in North, East, Southern, or even Central Africa. The reasons are both historical and ideological. Historically, apart from West Africa, all other sub-regions were known to the Chinese as early as the tenth to the sixth centuries BC. Indirect[1] and direct interactions existed since 138–126 BC, when Zhang Qian accomplished his diplomatic mission for the Han Dynasty.[2] Moreover, after independence, only a handful of states in West Africa (Guinea, Mali and Ghana, and Senegal to a lesser extent) adopted a progressive stance, which was the main drive to relations with Mao's China. At the same time, both China and West Africa relied heavily on non-alignment discourse to call for mutual support in Cold War-dominated world affairs, which produced a congruence of political interests.

This report aims at shedding light on the Chinese involvement in the sub-region and the implications for incumbent governments and constituencies, as well as regional institutions. Five core areas are covered: political interaction; the economy (specifically, development assistance and contracting); environmental and labour implications; trade and investments; and governance. To bring out existing particularities in China's involvement, we elaborate on four case studies: Benin, Nigeria, Côte d'Ivoire and Liberia. For the purposes of this publication, we will be presenting two of these cases, Benin and Côte d'Ivoire. Our assessment of the Chinese impact on West African development looks closely inter alia at the governance factor. This is based on the Ibrahim Index on African Development. This is a five-variable index, with variables including: safety and security; rule of law, transparency and corruption; participation and human rights; sustainable economic development; and human development.

We wish to assess the Chinese impact on each of these variables. The measurement for each case study is expressed in term of contribution to governance. Such an assessment will be less complex to make than measuring the negative impact, which will need much disaggregated data. There are basically three characterisations of contribution: Weak, Fair, and Strong. The scale is from 0 to 5: 'Weak' is from 0 to 2 (0–2); 'Fair' is above 2 and equal to 3 (>2–3); and 'Strong' is above 3 and equal to 5 (>3–5).

1. Summary of basic findings

The findings of this study can be summed up within five core areas, discussed below.

1.1 Political relations

Generally speaking, West Africans (governments and civil societies alike) have a positive image of their political relations with China. Beijing's involvement is globally understood as providing an opportunity to African countries to be more assertive on the world stage. Political relations are bilateral and no significant sub-regional framework is designed to formalise Chinese involvement.

Bilateral relations are basically limited to the governmental level, and decentralisation so far does not play any meaningful role in upholding top-level engagement. From this perspective, we have hardly noticed any significant interactions among Chinese and West African political parties, provinces or municipalities.

West African embassies in Beijing are not highly valued in co-operation with China. On the one hand, African governments have a flawed tendency to communicate more with the Chinese embassies in their own countries than with their own embassies in Beijing. On the other hand, there is some deficit of communication between the Chinese Ministry of Foreign Affairs (MFA) and the African embassies in Beijing. In several matters (including donations, official visits, etc.), African embassies are presented with a fait accompli.

1.2 Development aid

Chinese development aid has been increasing moderately for a few years. Since the last Forum for China–Africa Cooperation (FOCAC) summit held on 3–5 November 2006, aid programmes have multiplied. But there is solid evidence of a linkage between substantial aid programmes and the availability of exchangeable natural resources. The nature of aid has shifted from grants and technical assistance to economically oriented preferential loans, limited grants and technical assistance.

The scope of intervention has been broadened. Initially limited to preferential loans, grants and technical assistance in education, health, agriculture and few basic infrastructures sectors, Chinese aid has now extended to high technology and fundamental research, thanks to the last FOCAC.

Notwithstanding Chinese technical assistance particularly in agriculture, technology transfer from China to West Africa still has a long way to go. An illustration for this finding is that Chinese technical assistance is still needed to maintain some of the items of infrastructure built decades ago. Local technicians often find it very difficult to operate Chinese-built infrastructure due to the language barrier and a lack of spare parts. However, the Chinese have set a high standard in term of completion of aid projects.

The promotion of the private sector is not much of a priority in China's involvement in West Africa. Although Beijing has been active in infrastructure construction, which is only part of the overall strategy to reduce the cost of doing business in the sub-region, strengthening the private sector is an imperative that has been rather overshadowed in the co-operation process.

1.3 The environment and labour

There is an increasing awareness of the need for environmental protection among Chinese companies operating in West Africa, but a strong concern still remains as to the extent to which their activities impact on the environment.

More local labour is employed by Chinese companies compared to a decade ago. However, managerial skills are almost completely held by the Chinese themselves. The lack of local technical competence can only partly explain this phenomenon. The main reason may be that Chinese companies are often keen to implement a traditional method of direction and control, which does not match individual goals with those of a particular organisation.

1.4 Trade and investments

Trade is dominated by two imbalances: imbalance in the structure of goods traded, meaning raw materials from the sub-region to China and manufactured products back to the sub-region; and imbalance in trade value, where West Africa is definitely not part of the continent's trade surplus with China.

Investment has been constantly on the rise, driven primarily by extractive industries. Telecommunications seem to be the exception that confirms the rule.

1.5 The governance enigma

Due to the complexity of the concept, our assessment has only taken into account the contribution of Chinese co-operation to the formation of good governance. Against this backdrop, we found that the overall impact of the Chinese involvement on the governance of three selected case studies (Nigeria, Côte d'Ivoire and Liberia) is weak. However, the impact is fair in Benin. This particular report will highlight only two of the case studies, Benin and Côte d'Ivoire, as they are indicative of the difference found in Chinese relations to stable and unstable environments in West Africa. The differences in the Chinese contribution to governance reflect both the rationale of Chinese foreign policy and the ability of particular states to attract Beijing's intervention in some sectors rather than others.

2. Regional overview of China in West Africa

As a result of China's historical heritage and also the need to fuel its rapidly expanding economy, most Chinese attention was concentrated in the first the instance on the large oil producers on the continent (Sudan, Angola, Algeria, etc.). Beijing's interest in West Africa sharpened after it was discovered that the Gulf of Guinea contained one of the most significant oil reserves in the world, accounting for more than 7% of such reserves. The sub-region's oil output in 2010 is projected to be at least twice its level in 2000 (see Table 1).

Table 1: Projection of oil production in selected West African countries by 2010 (in thousands of barrels/day)

	2000	2005	2010
Nigeria	2 040	2 555	3 500
Côte d'Ivoire	7	55	85
Mauritania	0	0	125
Guinea Bissau	0	0	250
Ghana	N/A	0.7*	120**

Source: Firoze Manji & Stephen Mark, eds, African Perspectives on China. Fahamu, 2007, p. 19
* <http://www.indexmundi.com/ghana/oil_production.html>
** Robert Darko Osei & George Domfe, 'Oil production in Ghana: Implications for economic development', Real Instituto Elcano, 2008, p. 5

It should also be noted that important oil reserves have been discovered in other countries in the region, including Mali, Niger, Benin and Guinea. Against this backdrop, the Chinese presence in West Africa has been remarkable since the beginning of the new millennium, but also thanks to the improving of political relations with most countries in the sub-region and as a result of the vitality of the huge West African market.

2.1 The political economy of China–West Africa ties

Since the end of the 1980s, the West African region has been the theatre of tremendous political transformations that has shaken its social foundation. Democratisation uprooted monolithic regimes and the once-subservient civil societies broke from their chains and finally became empowered, becoming the matrix for political consciousness and genuine watchdogs of government actions.[3] As in other parts of the continent, liberal democracy has been adopted as the most desired political system. The process is still under way, as political stability is yet to come or to be consolidated. The fratricidal war in Côte d'Ivoire, the uncertainties prior to the Sierra Leonean national elections and those in Togo in 2007, the miraculous avoidance of chaos in the presidential elections in Nigeria in the same year, the continuous Touareg rebellion in northern Niger and Mali, the precarious security situation in Liberia, etc. all reflect some of the concerns surrounding the region's experience with liberal democracy.

The fragility of the democratic venture raises the problematic of the indigenisation of political liberalism, its implications for economic development and the handling of foreign interventions. Partly, some of these dilemmas are being approached by diversifying links with foreign powers. Nowadays, this means developing a new policy based on the so-called 'Look East' principle.

Politically, the vast majority of West African states enjoy excellent relations with the People's Republic of China (PRC). Apart from Burkina Faso (since February 1994), and the Gambia (since July 1995)[4], all the remaining states in the region have diplomatic relations with Beijing. They constitute an important source of support for the PRC, as witnessed by the support of these countries during several votes by the UN Human Rights Commission on China's alleged poor human rights record.[5]

Likewise, China has been supportive of the West African cause within the UN, the World Trade Organisation (WTO) and several international institutions. Although China is perceived as one of the major subsidisers of domestic cotton producers, it has been active in supporting West Africans' pleas to end subsidies. On the sideline of the last FOCAC held in Beijing on 3–5 November 2006, the Chinese minister of commerce, Bo Xilai, met with his West African counterparts from Benin, Côte d'Ivoire, Mali, Senegal and Togo. On the agenda was the subsidies issue, because these five countries are cotton producers. As a result, China committed itself to help process part of the West African cotton crop in situ. It also promised to push for the implementation by developed nations of WTO Hong Kong resolutions, which prohibited cotton export subsidies.[6]

However, compared to other sub-regions on the continent, West Africa used to be a real diplomatic challenge to Beijing. As an illustration, two out of four African states that have official relations with Taiwan are in the region.[7]

2.2 Trade and investment

The nature of goods traded with West Africa is a reflection of Chinese trade with the rest of the continent: raw materials purchased in the region and manufactured goods exported back to it. However, the continent as a whole has been enjoying a trade surplus for the last three to four years. The particularity in the case of West Africa is the huge trade deficit (see Table 2). In some cases (Benin and Nigeria in particular), trade is the most sensitive dimension in the sub-region's co-operation with China.

The investment sector has at the same time undergone a revamping in recent years. Like other regions on the continent, West Africa woos China for its huge investment capability. From 2002 to 2007, China's foreign direct investment (FDI) grew sevenfold, from \$2.5 billion to \$18.7 billion.[8]

Aggregate FDI inflows to West Africa reached \$7 billion in 2006, as a result of important investments in several sectors by European and Asian multinational companies. Thanks particularly to Chinese FDI in the booming oil industry in Nigeria, the latter was the main destination, accounting for 80% of Chinese FDI to the sub-region. In Ghana, inflows tripled to \$435 million, but largely as a result of investment by two US firms: Newmont Gold Company and Alcoa (in an aluminium company, Valco).[9]

While the continent as a whole enjoyed more than a \$2 billion surplus in 2006, a deficit of \$745 million in 2007,[10] and another \$5 billion surplus in 2008, West Africa accumulated consecutively a deficit of more than \$6.5 billion, \$9 billion and \$14 billion, respectively, in the same period (see Figure 2). Only Mauritania and Burkina Faso enjoyed a slight surplus. This phenomenon is due to the fact that West Africa is the sub-region least utilised by the Chinese for sourcing raw materials on the continent. It is expected that the surge in natural resources exploration and exploitation in the region will help reduce some of the trade imbalances with China.

Table 2: China's trade with West African countries, 2006–08 (in billions of dollars)

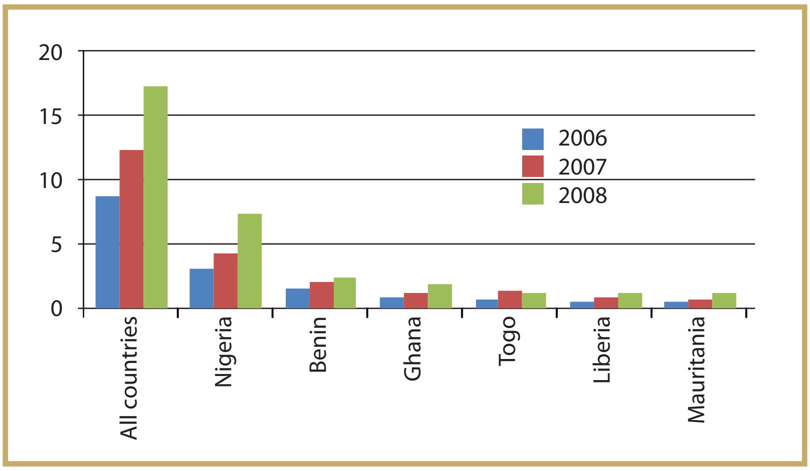
		Import-export amount			Balance in favour of China		
Rank*	Country	2006	2007	2008	2006	2007	2008
	All 16 countries	8.70	12.39	17.26	6.60	9.16	14.31
1	Nigeria	3.13	4.32	7.27	2.57	3.26	6.25
2	Benin	1.54	2.08	2.41	1.36	1.86	2.19
3	Ghana	0.88	1.27	1.83	0.72	1.16	1.64
4	Togo	0.72	1.40	1.24	0.68	1.35	1.17
5	Liberia	0.53	0.80	1.14	0.52	0.80	1.13
6	Mauritania	0.51	0.70	1.23	-0.29	-0.44	-0.86
7	Côte d'Ivoire	0.35	0.45	0.60	0.10	0.37	0.45
8	Senegal	0.19	0.36	0.40	0.17	0.31	0.39
9	Guinea	0.18	0.35	0.36	0.16	0.17	0.31
10	Mali	0.18	0.16	0.23	-0.03	0.09	0.10
11	Gambia	0.16	0.19	0.18	0.16	0.18	0.17
12	Burkina Faso	0.21	0.20	0.10	-0.17	-0.04	-0.01
13	Niger	0.07	0.03	0.17	0.07	0.02	0.16
14	Sierra Leone	0.04	0.06	0.08	0.03	0.05	0.07
15	Cape Verde	0.01	0.01	0.01	0.01	0.01	0.01
16	Guinea Bissau	0.006	0.007	0.007	0.006	0.007	0.006

* Average ranking in the region for the last three years' trade with China.
Source: Author's own calculations based on data provided by the Chinese Ministry of Commerce (MOFCOM), <http://www.mofcom.gov.cn>

2.3 Labour overview

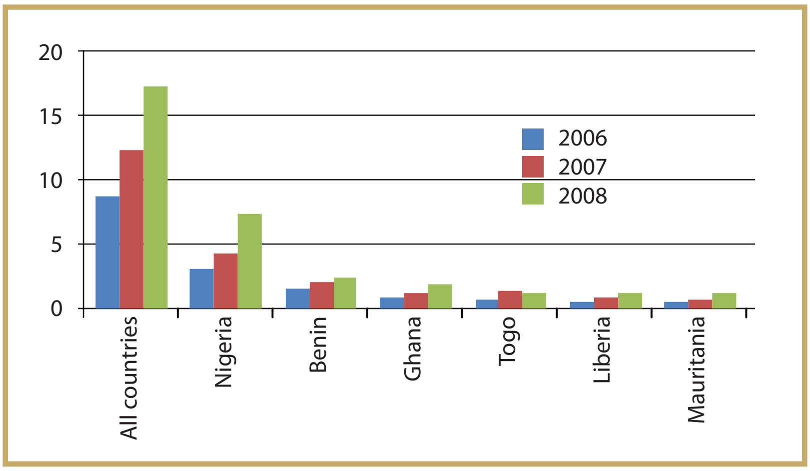
There is a relatively high level of problems with regard to Chinese-recruited local labour: strikes; attempts to assault Chinese employers; the permanent dissatisfaction of the latter and their complaints of local workers' laziness, irresponsibility and incompetence, etc. However, it seems that there is less dissatisfaction among both locals and foreigners in non-Chinese

Figure 1: Evolution of China's trade with the region and with selected countries, 2006–08 (in billions of dollars)



Source: Author's own calculations based on Table 2

Figure 2: Evolution of China's trade balance with the region and with selected countries, 2006–08 (in billions of dollars)



Source: Author's own calculations based on Table 2

foreign or bidden companies. It has been reported that resignations of local qualified employees from China's leading telecommunications company, Huawei, are quite frequent.[11] Here and there, local skilled employees are often discontent because their competences are not properly valued.

Closely scrutinised, this situation is inextricably linked to the Chinese management philosophy. It is a top-down model, where only a single approach (either in a technical or managerial sense) is allowed. Theoretically speaking, it is a complete reflection of the traditional view of direction and control, or, as McGregor coined it, Theory X. If we paraphrase McGregor in reporting Chinese perceptions of Africa's labour force, we can identify the following features:[12]

- The average African worker is lazy and will avoid work if possible.
- As a result of their laziness, most of them need to be coerced, controlled, directed and threatened with punishment to get the maximum output from them.
- The average African worker prefers to be directed, wishes to avoid responsibility, has relatively little ambition, and wants security or subsistence above all else.

With such a perception in mind, the Chinese employer will give little or no credence at all to his/her employees' creativity, ingenuity, engagement or self-control. Instead, he/she will seek to direct the particular employee in everything, which is highly demanding in terms of time and resources.[13]

Henceforth, there is a great need for the Chinese entrepreneurs to adopt McGregor's Theory Y, which is related to the integration of individual and organisational goals. It is based on the following assumptions:[14]

- All people are committed to some degree to physical and mental effort.
- External coercion and threat of punishment are inefficient, while commitment can make people exercise self-direction and self-control.
- People learn better not only when they are taught, but also when they are given responsibility.
- The capacity to exercise a relatively high degree of imagination, ingenuity and creativity in the solution of organisational problems is widely, not narrowly, distributed in the population.
- In most organisations, the intellectual potentialities of the average employee are only partially exploited.

As for the living conditions of Chinese-recruited local workers, they are hardly better than the national average. In most Chinese companies, the reference point for unskilled labour is the basic salary. By adding a small amount to this basic salary, Chinese employers expect their employees to be very happy, which is not actually the case. The simple reason is that, in common understanding, the reference point for the basic salary in foreign companies is the national average, not the national basic salary.

2.4 Corporate responsibility

Corporate responsibility is a new concept for most Chinese companies operating in Africa.

In March 2006, China launched its 11th Five-year Plan (2006–10). This plan rests on three pillars: a harmonious society; resource efficiency; and global responsibility and reduced environmental destruction.[15] This is indicative of the central government's awareness of the responsibility of its multinational companies (MNCs). During President Hu Jintao's 30 January–10 February 2007 tour of eight African countries, he consistently urged Chinese enterprises to have more regard for corporate responsibility, i.e. to abide by local laws and regulations, promote environmental protection, be charitable to local populations, etc.

On 28 August 2007, the Chinese Ministry of Commerce hosted a meeting attended by 67 companies operating in Africa, the Ministry of Foreign Affairs, the Bureau of Customs, the Chamber of Commerce and Industry, the Bureau for Quality Inspection, the State Assets Commission, the Bureau for the Supervision of Foods and Drugs, the Chamber of Electrical Machinery Merchants, the Chamber of Construction Companies, and the Ministry of Commerce and its branches in a dozen of provinces. As a result, the 67 companies operating on the continent (including a large number working in West Africa) have committed themselves to follow the president's instructions through the initiative entitled 'Establish corporate responsibility and create Sino-African relations on the basis of a harmonious mutual benefit'. The initiative solemnly promises:

- to provide good-quality products and services, reject counterfeit products, and re-establish the reliability and sincerity of Chinese companies;
- increase mutual exchange and support among Chinese companies, as well as increase common awareness of risks;
- provide more job opportunities for local people, increase their salaries and social welfare, and enhance sustainable development;
- abide by local laws and international business ethics;
- create awareness of environmental protection and build environmentally friendly companies;
- respect local religions and traditions, integrate into local societies and live in harmony with these societies; and
- earnestly participate in social activities, including those related to health, education and environmental protection.[16]

The increasing dissatisfaction vis-à-vis poor Chinese corporate responsibility in Africa has led officials to take the lead in refining Beijing's initial approach to the so-called 'Go global' initiative. MNCs are called upon to avoid exporting China's own dysfunctions. Beijing is now trying its best to anticipate problems before things get worse.

2.5 China–ECOWAS relations

The Economic Community of West African States (ECOWAS) was created in 1975. It was initially composed by 16 states, before Mauritania withdrew from the organisation in December 2000.[17] It is probably the most publicised regional organisation in sub-Saharan Africa. The simple reason for this is that ECOWAS is the largest of all sub-regional organisations on the continent: the organisation encompasses nearly 300 million people, much more than any other African sub-region. ECOWAS is also well advanced on the road towards co-ordinating and harmonising national policies in sectors such as agriculture, trade, industry, transport, telecommunications and energy. In the area of trade liberalisation, the ECOWAS region became a free trade area in January 2000 and its common external tariff was supposed to be operational in January 2008.[18] Most importantly, it is engaging in supra-national operations (peacekeeping in Liberia and Sierra Leone, the plan to create a common currency, etc.) that which were not initially part of its treaty. Nigeria played a determinant role in such an outcome. As a pioneer of ECOWAS's establishment, Nigeria was eager to regain influence in the region, which was sharply reduced during the Nigerian civil war. As it succeeded in convincing Francophone West Africans to join in the creation of the organisation, it gradually deployed its resources and power within ECOWAS to achieve its strategic interests.

However, fulfilling non-treaty objectives was facilitated by the fact that the organisation failed to achieve its formal goal, which is economic integration.[19] Of course, forging a large and strong trading bloc is the necessary step to foster an integrated economy.

It goes without saying that the quasi failure of ECOWAS to meet its original targets has crippled its functional links with foreign powers such as China. As a matter of fact, co-operation between China and ECOWAS is very limited in scope. But thanks to the personal commitment of the ECOWAS president, Dr Mohamed Ibn Chambas, China's interest in the organisation is growing. Here, we will deal basically with China's interactions with ECOWAS in a multilateral perspective.

It is now self-evident that China nourishes some interest in multilateralism. Beijing's objective in integrating multilateralism within its strategic choices is not, of course, to seek leadership of particular institutions, nor does it wish to become involved in internal institutional rivalries. For Beijing, taking advantage of these bodies and mechanisms is fundamental. In handling both bilateral and multilateral affairs, the Chinese leaders still combine the popular precepts of 'keeping a low profile' (*tao guang yang hui*) or 'never tak[ing] the lead' (*jue bu chu tou*) and 'caring for one's own business' (*you suo zuo wei*). Since the early 1990s, such a policy was favoured as a result of a better understanding of world affairs and the belief that the current era was dominated by peace and development. Beijing is also eager to take more responsibility in world affairs, as was reflected by the role of stabiliser that China played during the Asian financial crisis in 1997.[20]

South–South co-operation is central to Beijing's appeal to the so-called 'New International Economic and Political Order'.[21] The Beijing Summit has given a further opportunity to China to assert its commitment to South–South Co-operation and its appeal to the new order and multilateralism.

It remains true that for China, FOCAC is primarily a framework to access the huge African market and the continent's natural resources, as well as to gain political support. The Chinese presence in West Africa is a reflection of such multilateral preferences. A key factor of these preferences is China's commitment to a multilateral framework while operating on a bilateral basis.[22]

In April 2007, China's Council for the Promotion of International Trade (CCPIT) hosted the Sino–West African trade and investments symposium. The African delegation was headed by the chairman of the ECOWAS Commission, Dr Mohamed Ibn Chambas. Exchanges with Chinese entrepreneurs and officials covered several sectors. The African delegates submitted to their counterparts regional projects related to the construction of railways, highways, harbours, power stations and gas pipelines. Integrating the region through telecommunications projects was also on the agenda. As one could expect, the Chinese showed great interest in these projects. They did so particularly when the president of the ECOWAS Bank for Investment and Development (EBID), Christian Adovelande, promised to lower the investment risk by providing guarantees and loans for Chinese enterprises. Meanwhile, the Export and Import Bank of China (Exim Bank) also promised to provide guarantees for Chinese enterprises.[23]

As a concretisation of the above initiative, ECOWAS and CCPIT co-organised the first China–ECOWAS

Economic and Trade Forum in Beijing and Wuhan on 23–26 September 2008. The function in Wuhan was a science and technology exhibition by nearly 200 Chinese companies, which provided a platform to the entrepreneurs on both sides for further negotiations. The overall aim of the forum was to identify, establish and develop business contacts for possible joint ventures. From the ECOWAS perspective, the main purpose of the event was:

> *Our aim is to focus on infrastructure for wealth creation.'*
>
> Christian Adovèlandé, president of EBID

- to attract long-term and low-cost funds and technology from China to develop and interconnect public infrastructure (roads, power, telecommunications, ports and harbours, natural resources exploitation, railways, etc.) in the 15 states of ECOWAS and, in the process, encourage sustainable economic development, growth and economic integration in the ECOWAS zone;
- to create a conducive framework for private sector institutions and entrepreneurs in the ECOWAS zone to meet with their Chinese counterparts and, from their interactions, to form joint ventures that will lead to the recapitalisation and re-equipping of production facilities and the enhancement of the ability to produce efficiently;
- to promote trade between the ECOWAS zone and China; and
- to create a framework for the private sector in ECOWAS countries so that they can extend their global reach.[24]

The event was well noted in China, as ECOWAS was represented by 450 delegates, including officials and entrepreneurs. During the opening ceremony, Dr Chambas announced that contracts worth $37 billion were to be signed, which represented almost 20 times the total FOCAC III business portfolio,[25] while ECOWAS went to the event with 120 sets of co-operation proposals. Above all, it is expected that the forum will lay the foundation for an institutionalisation of China–ECOWAS relations.

Furthermore, China is one of ECOWAS's supporters in term of regional peacekeeping operations. In September 2004, China provided aid material worth RMB 1 million (about $125,000) to ECOWAS for its peacekeeping activities.[26]

In Beijing, ECOWAS member states are trying to work as a body to co-ordinate their activities there. Before the last Beijing summit, ECOWAS ambassadors appointed in the Chinese capital met to submit a common road map. But at the end of the day, the agenda of the forum was set by the Chinese government and all 48 African states were to participate as individual entities. In fact, there was no room for regional blocs. Despite this, FOCAC was launched in 2000 based on a suggestion by the group of African ambassadors in Beijing in order to create a more organised multilateral framework with China. As far as West Africa was concerned, its eyes were on power interconnection projects such as the Adjaralla hydroelectric dam between Benin and Togo.[27]

As far as the trading sector is concerned, both the ECOWAS Revised Treaty (1993) and the West African Economic and Monetary Union (WAEMU) Revised Treaty (1994) have put an end to bilateral trade agreements signed by member states (Article 3-2d-ii of the ECOWAS Treaty and Articles 82-c and 84 of the WAEMU Treaty). For instance, in the context of the Economic Partnership Agreement with the European Union (EU), ECOWAS has taken the lead in negotiating the terms of the so-called ECOWAS–EU free trade zone, even though individual states may have different agendas. Such a mechanism does not exist in a practical sense when it comes to co-operation with China.

However, as stated above, China is not in principle against multilateralism. This was illustrated early in 2008 by Beijing's involvement in planning meetings organised by development partners in Nouakchott and Monrovia in favour of Mauritania and Liberia. Such a move is consistent with the Chinese effort to counteract suggestions that they are phasing out Westerners through China's assistance to and galloping trade with Africa.

While ECOWAS is developing a policy vis-à-vis China, the Francophone countries' WAEMU has been a formal partner of Beijing for years.

2.6 China–WAEMU relations[28]

The West African Economic and Monetary Union appears to be the most advanced sub-regional organisation on the continent. It is endowed with very important integrating instruments such as a common currency, the CFA franc; a common external tariff; a multilateral surveillance mechanism that oversees the economic and financial environment of each member state; a common trade policy; etc. It is also true, however, that these instruments are not fully efficient in their own right.

China's co-operation with WAEMU is basically through the West African Development Bank (BOAD),[29] which is affiliated to the Central Bank of West African States (BCEAO): BCEAO owns 46.46% of BOAD aggregate shares.

China and WAEMU opened negotiations in 1999. On 29 November 2004 in Beijing the then WAEMU chairperson, Dr Thomas Yayi Boni (the current Benin president) signed three documents with his counterpart of the People's Bank of China. These were a memorandum of understanding; an agreement on the entry of China to WAEMU as a shareholder signed between the People's Bank of China representing the PRC and WAEMU; and a recognition of payment. China bought 160 shares (worth about $16 million), representing the largest of category B members or non-community members in 2004. However, by 2008 France became the largest non-community shareholder as it increased its share from $12.8 to $51.2 million (see Table 3). This is obviously an attempt to circumvent the Chinese slowly developing but significant influence within BOAD.

After Beijing had joined, the People's Bank of China organised a business opportunities seminar in the Chinese capital in August 2005. The seminar aimed at creating a partnership environment among Chinese businesspeople and African regional and sub-regional development banks, including the African Development Bank (AfDB) and BOAD. Business opportunities in Africa, particularly procurement opportunities and policies and infrastructure operations of the ADB and BOAD, were introduced to the Chinese participants. China also contributed $18,600 to the Learning Activity on Girl's Education, co-financed by Canada.[30]

Furthermore, on 22–23 November 2006, BOAD and China organised the 'China Economic Day' at the bank's headquarter in Lomé (Togo). BCEAO and WAEMU were two key collaborating institutions. About 100 Chinese delegates and over 500 participants from member states, businesspeople and bank officials participated in the event. The main objective was to contribute to the promotion and development of commercial links between China and WAEMU. The event was also meant to ensure some transfer of technology through Chinese direct investment in the zone.

A conference was organised that gave the Chinese delegates an opportunity to explain how they had progressed through extreme poverty to emergence. The WAEMU participants called for the conclusion of a global agreement between the institution and China on enhancing the value of the cotton sector, in line with the conclusions of the meeting held in Dakar (Senegal) of WAEMU ministers in charge of trade and industry on 16 November 2006 and the promise made by the Chinese minister of commerce, Bo Xilai, on the sidelines of the FOCAC summit in Beijing.

Table 3: Structure of BOAD capital as of 30 June 2008 (in millions of dollars)

Shareholder A	Capital subscribed	%	Shareholder B	Capital subscribed	%
Eight member states	626.4*	46.46	**France**	51.2	3.80
BCEAO	626.4	46.46	**Germany**	4	0.30
			Belgium	11.2	0.83
			EU	8	0.59
			ADB	4	
			India	1	0.07
			China	16	1.19
Sub-total	1,252.8	92.92	**Sub-total**	95.4	7.08

* Each member state subscribed an equal amount of $78.3 million.
Source: BOAD, 2007. Calculation based on the currency rate $1 = 500 CFA francs

During the celebration of the 'China Economic Day', two agreements were signed. The first was signed by the assistant to the governor of China's Central Bank, Wang Majun, and the interim president of BOAD, Issa Coulibaly, and dealt with a $1 million Technical Cooperation Fund. The second agreement was signed between BOAD and Exim Bank for a provision by the latter of a EUR 70 million export credit (2.58% interest rate for 20 years and a ten-year delay before repayment starts) for WAEMU member states that have diplomatic relations with China to purchase Chinese electrical machinery and high-technology equipment. The fund was also supposed to assist Chinese companies to co-operate with member states on a bilateral basis in resource exploitation, building projects, telecommunications, transport, agriculture, tourism, etc.[31] Nonetheless, as noted above, the ultimate goal of China's commitment to BOAD remains to engage WAEMU members on a bilateral basis.

3. China in Benin[32]

3.1 Political relations

Benin was a French colony, formerly called Dahomey. In the wake of independence on 1 August 1960, Benin became a theatre of political unrest and multiple coups d'état. When the military came to power in 1972 and proclaimed a socialist revolution two years later, they actually ended the political chaos. Unfortunately, the leadership became so corrupt that they were unable to convert the popular enthusiasm and political stability they had achieved into social progress. The outcome was economic collapse and the convening of an inventive national conference in 1990, which paved the way for transition and multiparty democracy.

As for relations with the PRC, it should be noted that the then Dahomey first had official relations with Taiwan from 1962 to 1964, before shifting to Beijing from 1964 to 1966. Taiwan resumed links from 1966 to 1972 before the Revolutionary Military Government led by Mathieu Kérékou took power and reconnected Benin to the PRC. General Kérékou was a deep admirer of the PRC, particularly Mao Zedong, whose style of dress he has made part of his own lifestyle to date.

The evolving of Sino–Benin relations went the way imposed by ideology and the Cold War for almost two decades. But changes eventually occurred both in China and Benin that helped both sides turn a new page in their co-operative history. In fact, Benin ceased to uphold the socialist banner and China started to focus on economic affairs and trade in its foreign affairs. More importantly, the current government of Benin has drafted a bill to be submitted to parliament to enshrine the 'one-China policy' in a permanent legal framework so as to forestall any shift back to Taiwan. In effect, the proposed bill was to support the Anti-Secession Law passed on 14 March 2005 by the Tenth Session of the Third Plenary of China's People's Congress.

The importance devoted to China is striking when one looks at the organisational chart of the Ministry of Foreign Affairs. The Asia-Oceania Department is divided into two offices: one is in charge of continental Asia and the other in charge of insular Asia and Oceania. The first office comprises two sections: Section One is entirely in charge of China, while Section Two deals with ten other states, including India and Pakistan.

The years 2004, 2006 and 2007 witnessed a reinforcement of Sino–Benin relations, thanks to high-level visits by both states. In June 2004, Vice President Zeng Qinghong paid a historic visit to Benin, while Foreign Minister Li Zhaoxing did the same three years later. On 29 August 2006, during the state visit by President Thomas Yayi Boni to Beijing, the two states issued a joint communiqué in which they affirmed the entry of bilateral relations into a new development era. On the basis of what they called the development of new opportunities, both states reaffirmed their will to strengthen high-level interactions, consolidate political sincerity and broaden their sphere of co-operation in every field, with a focus on agriculture, basic infrastructure, health and telecommunications.

However, since President Boni's state visit and his pledge to support Chinese investment in the oil sector, no Chinese MNC has settled in Benin in order to benefit from the credit line. It appears that this credit line, which was verbally promised, was eventually linked to the exclusive exploration and exploitation of mines, such as those for iron ore. As for oil, it has proved to be a difficult sector for the Chinese because other companies, including Nigerians, Americans and Canadians, have been exploring Benin's offshore oil. Besides, as a liberal economy, monopoly in the mining sector is almost impossible. It seems that such an obstacle, along with the perceived small size of the oil reserves, is the major cause of the reluctance of Beijing to enter Benin's oil sector.

Since China is increasingly eager to rationalise its development aid to African countries, the Benin government has assigned to its diplomatic representation in Beijing the mission of attracting private Chinese investment. Marginally, some kind of decentralisation has been attempted. A partnership has been established between the province of Hubei and two referring hospitals in Benin: Hôpital de la Mère et de l'Enfant and Centre National Hospitalier et Universitaire in Cotonou. Also, the Sèmè Industrial Free Zone has been linked to the Shenzhen Industrial Processing Zone, but the Sèmè zone has not become operational so far. At the provincial level, only one Benin province is twinned to a Chinese counterpart.

3.2 Trade and investments

Benin is China's second-largest commercial partner in West Africa after Nigeria. Trade volumes between Benin and China reached $1 billion in 2005, with China's export increasing to $950 million. In 2006, trade volumes rose to $1.05 billion.[33] As is shown in Table 2, Benin's trade deficit rose from $1.3 billion in 2006 to $2.1 billion in 2008, an increase of 62%. The peak in 2008 was almost half the country's gross domestic product (GDP). However, some of these goods are re-exported to neighboring countries, including Nigeria and inland countries (Burkina Faso, Niger and Mali).[34] Chinese exports are textiles and garments, electrical machinery, light industrial products, consumer goods, home appliances, etc.[35] Meanwhile, Benin exported basically cotton and cotton sub-products (threads, raw fabrics and basin fabrics), which accounted for 98% of total exports.[36]

The textile sector is the most sensitive issue in Sino–Benin relations. Basically, two factors summarise this sensitivity:

Firstly, in spite of the Chinese investment in two major textile factories, imports from China are believed to disrupt the potential of these factories and other government-supported factories to supply the domestic market.

Secondly, for the last ten years, discontent has mounted among local wholesalers and manufacturers due to what used to be called 'unfair Chinese competition'. Wholesale and retail sale by the same importer; imitations of trade marks such as Vlisco, Super Wax and Madras; anarchic reduction of prices; and illegal importing (across porous frontiers) are the direct cause of this dissatisfaction.

The importance of textiles in Benin's economy and China's involvement makes it necessary to elaborate on this sector.

Before February 1990, when Benin organised its famous national conference to shift peacefully from a monolithic socialist regime to a liberal democracy, textiles were imported according to fix quotas. Not more than six importers were authorised each year under very stringent conditions: a deposit in foreign currency of the equivalent of 100 million CFA francs (about $143,000) in a local bank and agreement to abide by the quota allocated to each importer. In addition, foreign importers were allowed to sell in detail only upon special authorisation by the minister of commerce, which could be revoked at any time. The 90-005 Act passed on 15 May 1990 by parliament annulled all discriminatory measures between local and foreign traders. For almost ten years, the textiles sector did not experience any major disruptions. Problems arose from the year 2000 onward for a number of reasons: the dramatic increase of Chinese textile importers (from only three in 1999 to over 15 in 2002); the substantial reduction of profit margins for Benin traders in their market share in Nigeria (due to direct imports to Nigeria by an increasing number of Chinese there), where more than half of textiles exported to Benin were re-exported; an uncontrollable fall in prices due to fierce competition among Chinese importers; and retail business by the Chinese, which was not actually illegal (with the 90-005 Act still being in force).

As a result of the above situation, local textile businesspeople have targeted the Chinese as their major threat. On 3 December 2001, tension mounted. The Benin Ministry of Commerce responded to it by forbidding the Chinese to become involve in retailing: those who represented factories had to sell by containers and importers could only sell wholesale (at least five bundles at a time). In addition, importers should compensate for any losses suffered by their local customers if prices fell within a month after a transaction.

Upon pressure by local businesspeople, boutiques and warehouses belonging to nine Chinese importers were closed on 28 May 2003. Apart from initially known reasons, others have been added such as dumping; discriminatory prices against Indo-Pakistanis and Lebanese during their purchases in China; and the refusal of Chinese in Benin to sell to local businesspeople. Eventually, the boutiques and warehouses were reopened a month later upon the firm promise by the Chinese to help put an end to the strife. The Economic and Commercial Service of the Chinese Embassy in Cotonou played a vital role in the outcome of the negotiations.

In 2004, issues pertained to the re-exportation from Benin of textiles and other banned Nigerian goods such as frozen poultry provoked tension between Benin and its eastern neighbour, resulting in the unilateral Nigerian move to close its frontier with Benin. As an economy that is largely dependent on re-exportation to Nigeria, Benin almost starved because of the tension.

Despite the flaws linked to the Chinese presence in the textile sector,[37] it appears obvious that Chinese businesspeople have often taken advantage of the legal void in the commercial sector in Benin, i.e. the non-revision of the 90-005 Act and the confusing prohibition of retail trade by non-Africans.

Another issue that is still relevant is the one related to counterfeited and copied textiles. In fact, this was not an issue until recently when representatives of the Dutch company John Walkden, manufacturer of Vlisco Wax, found their business survival threatened by Chinese copies and counterfeit products, which were sold ten times cheaper than the originals. The minister of commerce issued an order asking the Chinese counterfeiters to stop importing such goods after they had exhausted their current stocks. Again, the regulation was issued when conditions for its implementation were not met: Vlisco Wax's designs were not protected by the African Intellectual Property Organisation. It was after the Chinese drew the attention of the minister to this fact that John Walkden started registering its designs. Although copies are still being made, it is expected that the situation will come under control, particularly after the Benin Ministry of Commerce started imposing sanctions and, more importantly, it sent a letter directly to the major counterfeiter, the China-based Phoenix Hitarget, informing it about the protected designs.[38] However, a ministerial order in 2005 prescribed that John Walkden's new designs would be considered public goods in a time frame of three years, starting from 25 October 2008. So, what comes next is a wait-and-see issue.

As for investment, although only seven Chinese state-owned enterprises (SOEs) have settled in Benin so far, they represent the bulk of China's investment in the country. This is the opposite of the commercial sector, where over 95% of Chinese investment is private owned. To enhance the investment sector in Benin, the two countries signed an agreement on investment promotion and protection in 2004. China invested in about 30 projects. The most notable are agricultural machinery, where Yitwo invested $16 million; medical and drinkable alcohol extracted from cassava by Sucrerie Complant du Bénin for $24 million; in the textile sector, Compagnie Béninoise des Textiles a Sino–Benin joint venture was based on a Chinese loan worth $24 million, where the Chinese own 51% of the shares; a motorcycle assembly plant, Jianshe Co. Ltd. is a joint venture worth $16 million, with 40% provided by the Chinese, etc.[39]

During President Yayi Boni's state visit to Beijing, some other arrangements were also made: Exim Bank granted a preferential loan of $20 million in the form of export credit to Benin for the creation of a cyberpost system by the Chinese telecommunication giant ZTE and opened a credit line of $1 billion to finance various economically viable projects in Benin. However, the latter credit line has never been the object of any formal protocol or agreement. It has been assumed that the imminent construction of an exchange in Cotonou by the Chinese is part of such a credit line.[40]

China has also shown great interest in the financing of the Adjaralla hydropower project, which will help secure energy autonomy for Benin and Togo. So far, China has promised to provide a $30 million loan as partial funding for the project. The director of Exim Bank, Li Ruogu, paid a visit to Benin on 25 January 2008 to discuss details of the project, along with items related to road construction, railway renovation and the erection of an administrative building. It has been decided that the hydroelectric plant would be built by the Chinese company Hydro. It is therefore no wonder that, at the end of the visit, Li Ruogu was made an officer of the National Order of Benin.

3.3 The economy

The Benin population was about nine million in 2007. Its GDP was about $4.7 billion and per capita income $611 per annum.

Several construction projects have been funded by the Chinese: the administrative building of the Ministry of Foreign Affairs completed in 2008 (worth $10 million); the Chinese Centre for Economic and Trade Development in Benin; and a 100-bed hospital in Parakou (435 km north of Cotonou) to be completed by 2009.[41] A plea has been made by the Benin government to have the Chinese government help with harnessing Africa's second-largest wetland in Ouémé Department, but the Chinese have not given any clear response so far. On the other side of the country, as part of the 'Eight Measures' promised during the 2006 Beijing summit, China is now building one of the demonstration centres for agricultural technology in Sèmè (in the south-east).

The main challenges posed by the Chinese involvement are as follows:

- CBT is facing a dilemma of under-capacity in its production because of the lack of cotton supplies (a paradox in a cotton-producing country) and difficulties experienced in finding markets due to Asian, particularly Chinese, competition: 75% of imports from China are textiles, not to mention the share that enters illegally from Lomé in Togo. This is why China is seen both as a predator and partner of Benin's textile industry.
- Partly due to mismanagement and partly to fierce Chinese competition, three major state textile factories had closed down by 2004: the Chinese-invested Sitex, Sobetex (Cotonou) and Ibetex (Parakou). Thanks to massive government involvement and BOAD funding, Sitex and Ibetex have resumed production.
- The Chinese-built Stade de l'Amitié (Friendship Stadium) used to face a huge problem of maintenance because the equipment is Chinese made and very few local technicians know how to operate it. In 2005, as Benin was preparing to host the African Under-20 Football Cup, Chinese expertise was even called in to fix the scoreboard. This raises once more the issue of technology transfer from China.
- Timber smuggling to China has reached an unsustainable level that has forced the government to suspend timber exports. However, a few Chinese settled in Cotonou are still operating, at times using the porous frontier with Lomé. Pressure by and the poverty of local timber workers are also making it hard to respect the regulation. The pace of deforestation is increasing in momentum. But it should be added that a great deal of these timber products are also illegally brought to Benin from Nigeria and re-exported through Lomé.

3.4 Governance

Good governance has been a leitmotiv of the current government led by President Thomas Yayi Boni since April 2006. Benin's ambition is to become an emerging economy by 2020. The country has received a favourable assessment in its African Peer Review Mechanism evaluation at the AU's summit in Addis Ababa on 30 January 30–1 February 2008. The result is a substantial portfolio of $2.5 billion to boost the Benin economy. However, there is a wide gap between the goodwill expressed by the president and the reality, as his own government is involved in a series of corruption scandals.[42]

China's overall impact on governance is fair. The strongest lever is human development, where China is one of the most active among foreign donors. Debt cancellation and infrastructural building have also conferred a fair mark on the sustainable economic development sector (see Table 3).

i. In July 1995 China offered a preferential export credit of RMB 3 million ($375,000) to the Benin national army for the purpose of buying Chinese ammunition, medical equipment, uniforms, etc. This followed a pledge by the Benin minister of national defence during an official visit to Beijing from 16 October to 1 November 1993. Furthermore, China donated two Class C patrol ships and $200,000 for careenage work and spare parts. Also, an annual training programme for army officers, including marine forces, has been on the agenda for almost ten years. The dormitory for the Military Girls High School in Natitingou (in the north-west) has been built by the Chinese for $500,000. An officers club has been built as well.

ii. As for development aid, it has been more or less on the increase, although inconsistently so: it was $7.5 million in 2000, $2.5 million in 2002, $6 million in 2004, $5 million in 2005, $9 million in 2006 and $9.5 million in 2007.[43] Comparatively, aggregate development aid to Benin was $214 million in 2000. Although China's aid in relative terms has been increasing more than aggregate aid, in absolute terms it is not really significant compared to aggregate value. The proportion of China's aid to global aid in Benin is as follows: 3.5% in 2000, 0.9% in 2002, 1.7% in 2004 and 1.6% in 2005. China lagged far behind the top ten aid providers of Benin for 2005.[44] These top ten provided up to 81% of aggregate aid in that year. Even compared to donors such as ADB and BOAD, China's share is still small. However, China's inconsistency reflects the donation situation at aggregate level. As a percentage of GDP, the world's contribution has evolved as follows: 13% of Benin GDP in 2000, 10% in 2002, 8% in 2004 and 7% in 2005.

Table 4: Chinese development aid to Benin, 2000–07 (in millions of dollars)

Year	Amount	Increase (%)	World	China's share (%)
2000	7.5	NA	214	3.5
2002	2.5	-66	270	0.9
2004	6	140	343	1.7
2005	5	-17	312	1.6
2006	9	80	N/A	N/A
2007	9.5	5.5	N/A	N/A

Source: Author's own calculations based on data provided by the Institut National de la Statistique et de l'Analyse Economique, Benin, December 2007

iii. As for human capital, hundreds of Benin cadres, students and military officers have been trained in China. In 2004–05 alone 100 scholarships were offered to cadres and military officers for training and seminars. In the following year, 322 scholarships for short training programmes were granted. In 2007, more than 400 Beninois had the opportunity to participate in training programmes in China. However, as many respondents have acknowledged, the short training programmes are designed primarily to introduce China to the 'trainees' and give them the opportunity to tour the country.
In addition to hosting one of the three Chinese cultural centres in Africa, Benin is also host to the Confucius Institute.[45]
Chinese medical aid includes the dispatching of an aggregate 380 medical doctors to various regions in Benin, the construction of Lokossa hospital (in the west of the country) worth $7.5 million and the 100-bed hospital in the north mentioned above.

iv. As far as sustainable development economic is concerned, the most notable effort made by China is the cancellation of Benin's official debt reaching maturity by 2005. The global amount incurred was RMB 190 million or approximately $24 million.

Table 5: China's contribution to governance in Benin

	Measurements			Overall impact	
Variables	Weak 0–2	Fair >2–3	Strong >3–5	Measurement	Qualification
Safety and security		2.5		2.5	Fair
Rule of law, transparency and corruption	2				
Human rights	1				
Sustainable economic development		3			
Human development			4		

4. China in Côte d'Ivoire

4.1 Political relations

For decades, Côte d'Ivoire has been an epitome of the so-called 'Françafrique' (a pejorative term for France–Africa special links). It is no exaggeration to say that under the 'father of the nation', Houphouët Boigny, Côte d'Ivoire was both France's pawn and partner.[46] With the help of the single-party system oiled by high incomes from coffee and cocoa, the Houphouët Boigny regime survived all kinds of internal crises. The country even enjoyed some kind of prosperity for almost two decades. The death of Houphouët Boigny in 1993, however, propelled enduring destabilising factors: south–north rivalry, factional struggles, unequal distribution of state resources, the potential weakness of the state, etc. The civil war that divided the state into two for five years (2002–07) was the logical outcome of the Houphouët Boigny legacy. The Ouagadougou Agreement, which the main belligerents (Laurent Gbagbo and Guillaume Soro) signed with much enthusiasm on 3 March 2007 now gives hope for the stability of the whole region.

Turning to Sino–Ivorian ties, Côte d'Ivoire did not recognise the PRC until 2 March 1983. The recognition happened after 20 years of official ties between Abidjan and Taipei.

Although Côte d'Ivoire was influenced by France, its relations with China gained momentum during the civil war, and Chinese aid to President Gbagbo was crucial in forestalling French political and military pressure.[47] Along with the United States and Russia, China assisted with the vote for the final draft of Resolution 1721 in 2006, which otherwise would have revoked the Constitution and put Gbagbo in an illegal position. Moreover, China provided substantial military aid until the UN enforced an arms embargo on the country. In Abidjan, when people praise China for the quality of its co-operation, they often simultaneously criticise links with France. As far as Sino–Ivorian bilateral relations are concerned, an agreement on cultural co-operation was signed in 1992. In 1994, 1998 and 2002, the states signed three agreements to co-operate in the sector of higher education.

4.2 Trade and investments

Bilateral trade amounted to $353 million in 2006 exceeding the benchmark of $300 million for the first time. Chinese exports were worth $227 million, while Côte d'Ivoire's were $125 million.[48] By 2008, two-way trade rose to nearly $600 million, an increase of 32.2% over the previous year (see Figure 2).

China basically sold rice, electrical machinery, textiles and green tea. Meanwhile, Ivorian exports were limited to timber, cotton, cocoa beans and cashew nuts. To formalise its commercial links, China proposed a trade agreement, but the Ivorian government did not proceed with further negotiations due to the ECOWAS and WAEMU provisions stated above.[49] It should be noted that Côte d'Ivoire has not so far experienced market distortions attributed to the Chinese like those in Benin and Nigeria. The situation in the country is largely under control because the Chinese there are believed to operate in a constructive way and their presence in trade is not significant enough to displace major interests.

In spite of the civil war, aggregate FDI did not decline that much. In 2000, FDI flows were $266 million, while in 2005, they were still $235 million. But the sharp increase in China's trade and investments volumes elsewhere in the sub-region did not reproduce in Abidjan until the political environment was stabilised.

Sino–Ivorian joint ventures include sectors such as car assembly, agricultural machinery, drugs manufacturing, garbage processing and oil exploration. In China, Qingke Chocolate Products is the best known Sino–Ivorian joint venture.

Four principles of Sino–African economic and technical co-operation

1. Equality and mutual benefit
2. Practical results
3. Variety of co-operation forms
4. Common progress

These principles were announced by Chinese Premier Zhao Ziyang, in January 1983 in Tanzania at the end of this tour to 11 African countries.

About 30 Chinese companies run businesses in Côte d'Ivoire. In the telecommunications sector, Huawei is making headway in Abidjan. It mostly provides telecom equipment to other operators. ZTE is in partnership with the Ivorian government to develop e-government and rural telephony.

On 23–30 June 2007, the Ivorian Embassy in Beijing organised an Economic Day in Guangzhou in south China, which several Chinese officials attended. The occasion was meant to sensitise Chinese entrepreneurs to the post-conflict reconstruction agenda and business opportunities in the country.

A key organ set up by the Chinese in the economic capital, Abidjan, to enhance business is the Côte d'Ivoire–China Centre for the Promotion of Trade and Investments. The centre was created upon instruction by the State Council of China and seems to be a focal point of the Chinese Ministry of Commerce.

4.3 The economy

Côte d'Ivoire is the second-largest economy in the sub-region after Nigeria. Its GDP in 2006 was $17.5 billion for a population of 18.5 million. Development assistance was $119 million in 2005. Up to 70% of the Ivorian economy is dominated by France. A number of Chinese SOEs are also operating in the country, participating in tenders in road and bridge construction, geological exploration, etc. The Compagnie Nationale Chinoise des Travaux de Ponts et Chaussées with total assets of $5 million is the leading contractor.

However, China and Côte d'Ivoire have not to date reached any agreement on mining. Of particular interest are the preliminary negotiations on manganese exploitation, where the Chinese have expressed their willingness to hold the majority share (51%). Believing that they possessed enough equipment to process the mines and needing Chinese capital, the Ivorians were reluctant to offer this majority share.[50] In the oil sector, the Chinese are in a joint venture with Americans.

China's aid has been notable in the last ten years. Major items are the establishment of 442 hectares of irrigated rice field in Guiguidou, including a processing plant that was completed in May 1997; the construction of the National Theatre or 'Abidjan Pearle', handed over to the Ivorian government in November 1999; the construction of MP's House in Yamoussoukro, which was completed in 2004 and has a built surface of 21,000 square metres; the construction of conference centre of the Ministry of Foreign Affairs; and the fishery project in Adzokpe agreed to in March 2007 for one year aimed at training local people to raise river fish. In 1999, China helped build the research centre for processing and reconditioning agricultural products and technology at the Institute of Technology in Yamoussoukro.

4.4 Governance

As one can expect, China's overall contribution to Ivorian governance is weak, even though Beijing has done fairly well in assisting with state integrity (see Table 6).

i. China symbolically took part in the UN operation in Côte d'Ivoire, and 19 observers were part of UNOCI by the end of November 2006.[51] There are also high-level military exchanges between the two countries.
ii. As for human resources, annual scholarships awarded to Ivorians are the most visible, although moderate in number. China has been hosting Ivorian students since 1985. In recent years, about ten students used to attend Chinese universities annually, excluding the Ivorian share of FOCAC exchanges.

There is not much to say regarding China's contribution to governance in Côte d'Ivoire, not because the impact is weak, but rather because Sino–Ivorian relations are taking time to increase in intensity.

Table 6: China's contribution to governance in Côte d'Ivoire

	Measurements			Overall impact	
Variables	Weak 0–2	Fair >2–3	Strong >3–5	Measurement	Qualification
Safety and security		2.5		1.7	Weak
Rule of law, transparency and corruption	1				
Human rights	1				
Sustainable economic development	2				
Human development	2				

5. Conclusions

China is believed to be a desirable guest in West Africa. If one questions officials, trade unions, retailers, consumers or students, their answers are quite similar: China's arrival is more of an opportunity than a disadvantage. Its overall impact on development is strong, although its impact on the governance sector is weak. Here, it is understood that the outcome of Chinese foreign policy vis-à-vis particular countries along with these countries' own choices account for the discrepancies in China's contribution to governance in the case studies.

However, there is still a category of people who are invariably critical of the Chinese. These are textile wholesalers, particularly importers of Western trademarks such as Vlisco, Super Wax, etc., and local manufacturers. In addition to these people, many civil servants are functionally exposed to the Chinese activities. It is interesting to note that when these people praise co-operation with China, they often make sure to underline the challenges involved. These reflect the potential inability of most countries in the sub-region to comprehensively leverage the Chinese arrival.

The lack of proactivity on the African side explains to a large extent why Africans can become victims of the process of Chinese involvement. During the interviews, we noticed that several key respondents believe that some Chinese development assistance was never asked for, i.e. recipient governments — particularly their diplomatic representatives in Beijing — are not always involved in specific development aid processes. This naturally raises the problem of the displacement of priorities.

We have seen that business has been central to Beijing's move to West Africa. But Taiwan and image building are relevant factors. Development aid actually aims at achieving all three goals. From that standpoint, we can understand why co-operation with China has so little impact on governance: business just needs an opportunity to operate; keeping Taiwan in check needs impressive donations; and image building requires accepting the internal order of a particular country. However, the Taiwan factor is no longer a bottleneck in China's relations with the region. Having built a strong solidarity chain around Burkina Faso and the Gambia, China can now expect these two countries that still have official ties with Taiwan to switch to the PRC very soon.

It is self-evident that so far the Chinese have been unstoppable in their competition with other foreign actors. Being aware of that, several Western, Lebanese, and Indo-Pakistani companies have started co-operating with the Chinese to avoid full-on competition.[52] Then the problem becomes whether such co-operation will result in the displacement of local actors.

However, in dealing with the Chinese presence, it is imperative to discern its variety and unique characteristics. The Chinese government and its MNCs (or 'elephants', as the Chinese research centre Horizon terms it) are trying hard to portray a positive image of China as a benevolent newcomer. Although economic calculation is almost always somewhere around the corner, Beijing has been eager to provide consistent development aid in line with its pursuit of global power. As for private entrepreneurs, or 'ants', they behave more autonomously to the extent that some of the Chinese government's efforts to improve China's image may be jeopardised.[53]

It goes without saying that the challenges and bottlenecks in the Chinese involvement in West Africa are many: the huge trade deficit, which is unsustainable in the longer run for the sub-region; the dichotomy between the Chinese-invested local textile sector and the huge textile imports from China; the problem of counterfeit and sub-standard goods; the security issue; the need to expand Chinese corporate responsibility; the lack of due process that may threaten some of the Chinese interests in the sub-region; the lack of proactivity on the part of West African governments to ensure technology and know-how transfer; and the marginal involvement of sub-regional institutions in the processes of co-operation with China.

Endnotes

Dr Guillaume Moumouni holds a PhD in International Relations/Sino-African Relations at Peking University, People's Republic of China. He holds a Masters degree in International Relations from the same university Guillaume previously worked as general manager for Brothers International Trade in Benin, was the executive director of the Benin-China Friendship Cooperation Centre and also served as an external collaborator for the Ministry of Foreign Affairs in Cotonou.

1 Li Anshan, 'Lun Zheng He yuan hang zai zhong fei guanxi shang de yiyi' (Zheng He's voyage and Sino–African relations), Southeast Asian Studies, no. 6, 2005, p. 85.

2 Xu Yong Zhang, 'Gu dai zhong fei guanxi shi ruo gan wen ti tan tao', IWAAS, no. 5, 1993, p. 65.

3 Guillaume Moumouni, 'Domestic transformations and change in Sino-African relations', Center on China's Transnational Relations (Hong Kong), Working Paper no. 21, 2007, pp. 17–18.

4 Not having diplomatic ties with China does not stop business interactions. In 2006 Burkina Faso exported up to $200 million worth of cotton to China, while importing just $20 million worth of electrical machinery. However, the Chinese deficit shrank to just $10 million in 2008, according to the Chinese Ministry of Foreign Affairs.

5 Xu Dunxin, ed., Shi jie da shi yu zhong guo he ping fa zhan (Major world affairs and China's peaceful development). Beijing: World Knowledge Press, 2006, p. 97.

6 Economic and Commercial Service of the Chinese Embassy in Côte d'Ivoire, 10 November 2006.

7 Malawi resumed ties with China on 27 December 2007 after Lilongwe retained ties with Taipei for 41 years. Apart from Burkina Faso and the Gambia, the remaining two countries with official ties with Taiwan are Sao Tome and Principe, and Swaziland.

8 Jianxi People's Government of Luoyang, <http://www.jxq.gov.cn/gnnews/200809/20080910050117_56349.shtml>.

9 UNCTAD, World Investment Report 2007: Transnational Corporations, Extractive Industries, and Development. Rome: UNCTAD, 2007, p. 37.

10 See figures published by MOFCOM for the years 2006, 2007 and 2008, respectively: <http://xyf.mofcom.gov.cn/aarticle/date/200709/20070905117510.html>; <http://xyf.mofcom.gov.cn/aarticle/date/200802/20080205397352.html>; <http://xyf.mofcom.gov.cn/aarticle/date/200903/20090306106677.html>.

11 Interview with a senior Benin engineer employed by Huawei, January 2008.

12 In Neil Thomas, ed., Adair on Leadership. London: Thorogood, 2003, p. 58.

13 I had the opportunity to witness many cases where a worker's insistence on using his own method in solving a technical problem proved to be more efficient than the method directed by his Chinese boss, during a pastoral dam construction project in northern Benin, 1995–98.

14 Thomas, op. cit., pp. 58–59.

15 WWF International, China's Outward Investment. Switzerland: WWF, 2007, p. 4.

16 MOFCOM, 4 October 2007.

17 The 15 ECOWAS member states are: Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, the Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo. After the Niamey (Niger) summit of the Authority of Heads of States and Governments held on 12 January 2006, the Executive Secretariat was transformed into a commission headed by a president to strengthen the supra-nationality of the organisation. The president is assisted by a vice-president and seven commissioners who report directly to the president. The commissioners are competent in administration and finance; macro-economic policies; political relations and peace and security; human development and gender; agriculture, environmental protection and water resources; trade, customs and free movement of people; and infrastructure. In addition to the ECOWAS Bank for Investment and Development, the organisation has two other major institutions: the Parliament and the Community Court of Justice.

18 Discussion note, meeting of ECOWAS ministers of finance, trade, foreign affairs and regional integration with development partners, Abudja, 28 August 2006.

19 Carol Lancaster in John Harbeson & Donald Rothchild, eds, Africa in World Politics. Boulder: Westview Press, 1991, p. 257.

Article 3 of the Charter reads: 'The aims of the Community are to promote co-operation and integration, leading to the establishment of an economic union in West Africa in order to raise the living standards of its peoples, and to maintain and enhance economic stability, foster relations among Member States and contribute to the progress and development of the African Continent.' Three decades after that proclamation, the organisation is still to complete its customs union and the free movement of persons and goods. As for regional security arrangement, Article 58 of the Charter hinted at the issue, but subordinated its implementation to further protocols.

20 Liu Haibing, 'Ping xi "Zhongguo ze ren lun"' (Analysis of 'China's responsible power advocacy), in Guo ji ze ren yu zhongguo da guo zhan lve (International Responsibility and China's Big Power Strategy), Fudan International Relations Study, vol. 8, 2008, p. 95.

21 Xie Yixian, ed., Dang dai zhong guo wai jiao shi (1949–2001), zhong guo tie dao chu ban she, 1997 nian 8 yue, di yi ban, p. 508.

22 The former dean of the diplomatic corps in China, Togolese Ambassador Nolana Ta-Ama, put it that 'China has not so far transcended the bilateral level of investment' (interview with the author, 6 February 2009).

23 'West Africa invites Chinese investment', <http://zhejiang.gov.cn/zjforeign/english/node491/userobject1ai11257.html>.

24 Advertisement on ECOWAS website, <http://www.ecowas.int>.

25 The total amount of the contracts signed at the forum is variable, however. As CCPIT revealed on Xinhua Net on 25 September 2008, the contracts portfolio was actually $33 billion. Also, some of the agreements may take some time to be implemented due to the lack of funding.

26 Yin He, China's Changing Policy on UN Peacekeeping Operations. Stockholm: Institute for Security and Development Policy, 2007, p. 38.

27 Interview with ambassador of Togo in Beijing, op. cit.

28 It comprises eight French-speaking states: Benin, Burkina Faso, Côte d'Ivoire, Guinea Bissau, Mali, Niger, Senegal and Togo.

29 Created on 14 November 1973, it became operational on 12 January 1976.

30 African Development Bank Group, Annual Report, 2005, published May 2006.

31 Speech by the interim president of BOAD during the opening ceremony of the 'China Economic Day'. <http://www.boad.org/content/chine/Allocution-Pres-BPC-EXIMBANK.DOC>.

32 I wish to thank particularly the following people for their valuable contribution: Simplice Gnanguessy (minister counsellor at Benin's Embassy in Beijing); Mr Odoulami (director of Asia-Oceania at the Benin Ministry of Foreign Affairs) and his collaborators; Claude M. Allagbé (director of the Promotion of Domestic Trade); Pascal Houssou (director of the Promotion of External Trade); and Mouhamed K. Assani (director of Regional Integration at the Ministry of Finance and the Economy).

33 According to figures provided by the Benin National Institute of Statistics, December 2007.

34 Although Chinese customs consider the final destination in calculating import-export fluxes, it is known that a large chunk of the goods imported by Benin are smuggled to neighbouring countries, making it extremely difficult to know exactly Benin's trade deficit with China. As is shown by the structure of Benin export, up to 43.4% of the goods imported between 2003 and 2005 were re-exported. See, Benin State Ministry of Development, Stratégie de Croissance pour la Réduction de la Pauvreté, 2007, p. 67.

35 MOFCOM: <http://bj.mofcom.gov.cn/aarticle/ddgk/zwrenkou/200211/20021100055116.html>.

36 Toussaint Houéninvo, in Garth le Pere, ed., China in Africa: Mercantilist Predator, or Partner in Development? Midrand & Johannesburg: Institute for Global Dialogue & South African Institute of International Affairs, 2006, p. 205.

37 For the director of competition and domestic trade, Claude M. Allagbé, the 'Chinese operate as if they were on a no man's land. One needs to be very patient with them. For instance, some of them just come and start doing business without fulfilling any formalities' (interview, 18 December 2007).

38 Letter no. 531/MIC/DC/SG/DCCI/SCSP/SP, issued on 4 October 2006 and faxed to Phoenix Hitarget in China.

39 Ibid.

40 Interview with Simplice Gnanguessy, first counsellor of the Benin Embassy in Beijing, 13 November 2007.

41 Agence Bénin Presse, 20 January 2009.

42 After the media revealed a scandal of mismanagement of multi-billion CFA francs by the ministers of finance and city planning in the construction of a set of villas for the last summit of the Permanent Interstate Committee on Drought Control in the Sahel in Cotonou in June 2008, President Yayi Boni dismissed his minister of finance, Soulé Mana Lawani, and suspended the minister of city planning, François Noudégbessi. But skepticism remained when Noudégbessi was restored to his position on the ground that he was innocent, which was a different conclusion from that of an initial inquiry by State General Inspection.

43 The same amounts (RMB 70 million) were donated in 2006 and 2007.

44 The top ten aid providers in 2005 are by order of importance: IDA, UE, ADF, Denmark, United States, France, Germany, Belgium, UNDP and BOAD.

45 The Confucius Institute was officially launched in March 2009 at the National University of Abomey-Calavi by the Benin minister of higher education and scientific research, François Abiola, and the Chinese assistant minister of foreign affairs, Zhai Jun.

46 During the Nigerian civil war, for instance, both France and Côte d'Ivoire supported Biafra, and Paris channelled weapons to the Biafrans through Côte d'Ivoire. Côte d'Ivoire even recognised the 'Biafran Republic' and, furthermore, was associated with much French manipulation of several incumbent governments in the region.

47 For the chargé d'affaires of the Ivorian Embassy in Beijing, Antonin Biéké, 'Si la Chine n'était pas là, la France allait faire une bouchée de la Côte d'Ivoire' (Had China not been there, France would have made short work of Côte d'Ivoire) (interview with Antonin Biéké, Beijing, 15 November 2007).

48 <http://www.mfa.gov.cn/chn/wjb/zzjg/fzs/gjlb/1560/default.htm>.

49 Interview with Antonin Biéké, minister counsellor at the Ivorian Embassy, Beijing, 9 January 2009.

50 Ibid.

51 Guo wu yuan xin wen ban gong shi, 2006 nian zhong guo de guo fang, wai wen chu ban she, di yi ban, 2006 nian 12 yue, p. 71 (China's 2006 national defence review, published by the State Council).

52 As we have seen through the case studies, France is still a major actor in the banking system of its former colonies and it still controls consumer goods and infrastructure in Côte d'Ivoire; in Nigeria, the Chinese foray into the oil sector is still limited compared to that of the Anglo-Dutch Shell, etc. For a brief clarification of Chinese and former colonisers' interests in Africa, see Roland Marchal, 'French perspectives on the new Sino-African relations', in Chris Alden et al., eds, China Returns to Africa: A Rising Power and a Continent Embrace. London: Hurst, 2008, pp. 181–96.

53 The concepts of 'elephant' and 'ant' were first introduced by the Chinese research centre Horizon during a conference on Enhancing China's Contribution to African Development, Beijing, 25–26 September 2007.

Insight

Lessons for Africa from the Economic Development of China and India

Mehari Taddele Maru[1]

1. Introduction

Current discussions on Africa–China relations unsatisfactorily focus mainly on China's interests in Africa and its unconditional assistance extended to undemocratic governments in Africa. Therefore, it is important to discuss bilateral trade and China's interests in Africa particularly in terms of the former's energy insecurity and its role as the spoiler in African conflicts. It is also important to criticise the relatively poor quality of Chinese manufactured products and work on infrastructure in Africa. The issue of Chinese migrants to Africa and their impact on local labour markets is also useful. Furthermore, there is a need to study how to improve the transfer of technology and skills from China to Africa. Also, many Africans are interested in the lessons Africa can take from the unconventional development growth that China has registered in the last three decades.

In 1978, China initiated a political strategy to build a dynamic economy. There were three stages to this strategy: doubling gross domestic product (GDP) in ten years to feed and clothe the population; redoubling GDP in 20 years to achieve prosperity; and in 70 years making the Chinese economy a global modern economy.[2] Currently, per capita income has increased fivefold. There are two factors behind this near-miraculous growth: (1) capital asset accumulation through high domestic saving, and (2) the high productivity of China's workforce through training.[3] Traditionally, the main driving element for economic growth was considered to be capital and free competition among market forces. According to conventional economic thinking, productivity was never seen as the prime force for economic growth. This increase in productivity is a distinctive feature of China's economic growth, and the contribution of productivity to China's exceptional economic growth is unparalleled in the history of the growth of the wealth of nations. This is non-traditional thinking in terms of Adam Smith's concept of the invisible balancing of free market forces.

For these reasons, China's rapid economic growth inspires many Africans. The next natural question is therefore, 'How did the Chinese create this impressive productivity record?' Compared to Eastern European and Latin American countries, China grew very fast while they lagged behind or even went into crisis. How did China grow this fast? Can Chinese growth serve as a blueprint for other countries? Broadly speaking, renowned economist such as Jeffery Sachs and Wing Woo believe it is possible to copy the development road map in other countries, whereas others such as Philip Naughton and Ronald Mckinnon believe the opposite. I believe that there are many similarities between the pre-1978 China and many African countries, including large populations with insufficient food and clothing, high levels of illiteracy and a large agrarian population.

Zuliu Hu and Mohsin Khan in their article entitled 'Why is China growing so fast?' point out that state-directed reform began with the formation of rural enterprises, investment in manufacturing, and high- and middle-level training.[4] A series of reforms that were introduced and directed by the state accelerated the increase in productivity. This is the first unconventional characteristic of Chinese economic growth. The second reason for this growth is that it did not come from the forces of the free market, as conventional theories of economic development dictate, but from state-led economic reform. Hence, productivity and the role of the state in economic development are unprecedented in conventional economic growth theory as prescribed by international institutions of financial governance such as the International Monetary Fund and the World Bank. The transformation of the economic base from agriculture to manufacturing and higher prices for agricultural products have moved many people out of the highly congested agriculture sector.[5] The industrial sector has also shown gradual development from a primary industrial base to an advanced one. To achieve a 12% reduction in primary industry, 20% of the Chinese workforce shifted from agriculture to industry.[6] Expanding protection and space for private property, welcoming foreign investment in areas where Chinese cannot effectively participate, tax waivers for foreign investment, enhanced job opportunities, and joint ventures enhanced the competiveness of the Chinese economy at the global level. While the prices of agricultural products were freed, prices of others products were in many ways controlled.[7]

> For countries with a large segment of the population underemployed in agriculture, the Chinese example may be particularly instructive. By encouraging the growth of rural enterprises and not focusing exclusively on the urban industrial sector, China has successfully moved millions of workers off farms and into factories without creating an urban crisis .... As such, they offer an excellent jumping-off point for future research on the potential roles for productivity measures in other developing countries.[8]

In a nutshell, the lessons from China's economic growth could be summarised as follows: (1) Economic growth does not necessarily have to follow one path, that of unchecked invisible free market forces of the Adam Smith type, and there is another path, albeit an unconventional one. (2) Economic growth reduces poverty. (3) Domestic economic policy choices determine the growth of a country. (4) Economic growth should not necessarily lead to the marginalisation of the role the state can play, and the state can make an indispensable contribution to economic growth. For instance, state-directed public–private sector partnerships for strategic national interest-led investment is important even in areas that are not profitable. For many economists, the current (2008–09) global financial and economic crisis has proved the extremely important role of the state in regulating and stimulating the economy. (5) State-led market-friendly incentives particularly in agriculture are the basis for transformation towards a manufacturing and service economy. (6) The productivity of the workforce can be more important than capital. (7) For the urgent developmental needs of Africa, such as infrastructure, health and education, which have quick and visible impacts on the population, the Chinese development model is as equally useful as the China–Africa partnership. For Africa, the partnership with China is free of conditionalities. The traditional Western conditionalities are irrelevant to economic development and thus have undermined the role of the state in the socio-economic life of African countries.

In order to clearly explain the potential of Chinese lessons for Africa, I shall first give some information about the economic performance of China, compared to India and other countries like the United States. Then I shall describe what kinds of constraints are affecting China and India and how they have removed these and could remove the remaining constraints. This, I hope, will help in identifying the main lessons for Africa from China and India, as many of the constraints faced by India are similar to those faced by Africa.[9] By looking at data such as levels of credit in relation to GDP, years of schooling of the labour force, infrastructure indicators, institutional quality, export dynamism, returns to capital, the cost of capital, credit rationing, the cost of financial intermediation, returns to human capital, etc. of China and India, I will try to distil the main lessons from the Chinese and Indian economies for African countries.

For this purpose, I shall use the Growth Diagnostic Tree methodology developed by Ricardo Hausmann, Dani Rodrik and Andrés Velasco.[10] This methodology raises questions as to why growth is constrained. Is it because of the high effective cost of finance or because of the lack of returns to private investment? Is it because of insufficient domestic savings or restricted access to foreign savings? Is it because of poor infrastructure? Is it because of the kinds of exports? Does the country produce 'poor' or 'rich' country goods? Or is it because of the institutional and legal governance of the economy? Is the judicial and legal system functioning effectively to enforce contracts? These are called binding constraints.

To adapt George Orwell's famous expression, all constraints are binding, but some are more binding than others. Most binding constraints are bottlenecks to economic progress causing the highest degree of distortion. The payoff in enhancing the performance of the economy is very high if such constraints or distortions are removed. The higher the return from removing the constraint, the more binding the constraint is to the economy. Some booming economic activities such as the software industry in

India or unusually high savings in China imply that these dynamic sectors of the economy are trying to 'hoop jump' the binding constraints. As we will see in the case of India, the most binding constraint is poor hard infrastructure, whereas in the case of China, low domestic consumption has increased saving due to social insecurity. By looking at the most problematic areas of economic activity, one can diagnose these binding constraints.[11]

Consequently, the kind and priority of reforms a country should take in order to grow faster could be identified by identifying these most binding constraints. The analysis and conclusions in this brief paper are supported by tables, graphs and comparisons.

2. Comparison between China and India and other significant countries

Around two decades and ago, India and China had similar GDP growth. Currently, these countries are among the top ten countries with high growth rates. In 2005, India's GDP reached 8.5% and the average GDP growth rate for 2000–04 was about 6.2%. While India is growing at an average rate of 6–8%, China is growing at a rate of 9–11%. Even if it is developing rapidly, India's GDP growth is lagging behind China's. The reason is summarised by Janson Overdorf: 'Conventional wisdom has always held that India failed to become an export drive dynamo on the Chinese model because its democratic system could not deliver the hard infrastructure and soft labour laws needed to manufacture competitively.'[12]

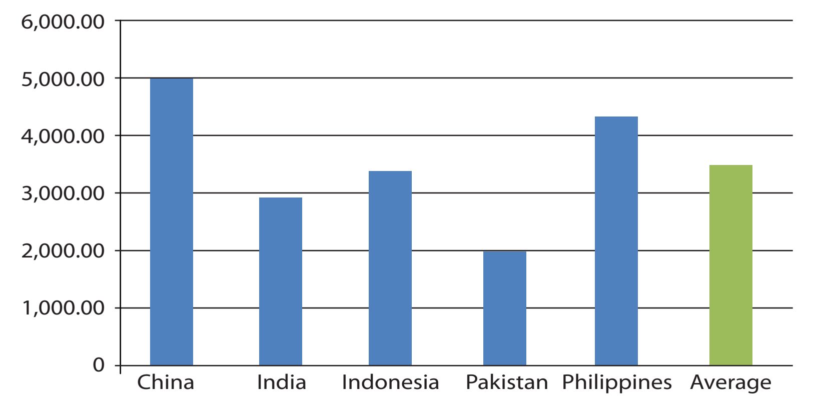
China is the fifth-largest economy in the world and will soon become the fourth largest. For the past ten years, India's unemployment rate has been around 9.15% (see Figure 1). China is richer than the four other Asian countries combined — India, Indonesia, Pakistan and the Philippines. Both China and India, however, have large populations. One of the differences between India's reform and China's is that while India was overly focused on the form of institutions, China's reforms centred on the function of such institutions. Power was devolved to provinces, and city leaders encouraged competition, productivity and innovation. The state also protected state enterprises while genuinely encouraging the private sector.

Comparing their income per capita at purchasing power parity (PPP), China is relatively the richest within the group with per capita PPP income of $4,995. Indonesia and the Philippines are richer than India, which has a GDP per capita ($2,909) that is below the average ($3,512). India is richer only compared to Pakistan, which has a GDP per capita of $1,971. The GDP growth rate of India and Pakistan is far greater than that of Indonesia and the Philippines.

China has the highest GDP per capita compared to the other countries, as shown in Figure 1. We will now examine how this fact correlates with other factors that might affect GDP per capita.

In China's case, the years of schooling of members of the labour force seem to show that it is on par with GDP

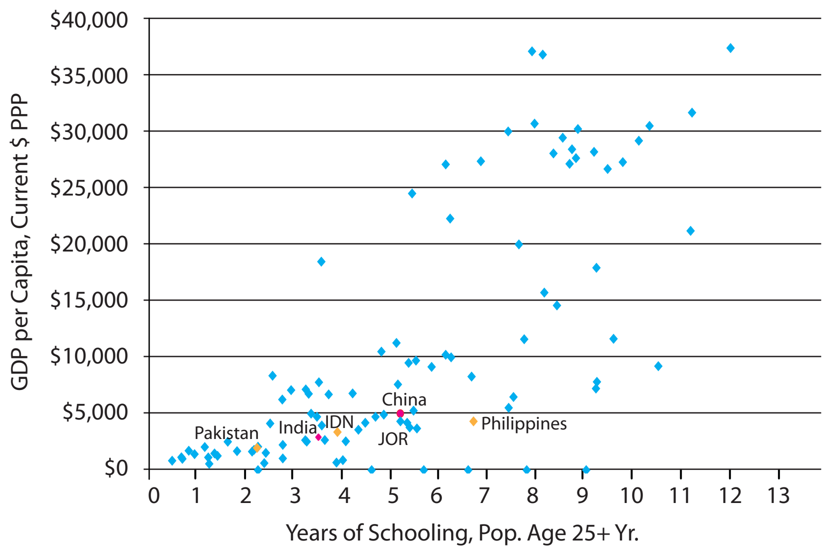
Figure 1: GDP per capita (PPP $)



Source: World Bank Online

per capita. China also has the second-highest number of years of schooling compared to the Philippines, which has about 6.7 years of schooling per member of the labour force, whereas the figure for China is around 5.4 years. With the exception of the Philippines, which has more years of schooling but lower GDP per capita, the rest show a correlation (seemingly a proportional one) between years of schooling and GDP per capita. Indeed, compared to the other countries and with the exception of China, the Philippines has the second-highest GDP per capita. This is inconsistent only if we compare it to China, which has higher GDP per capita than the Philippines, but fewer years of schooling per member of the labour force.

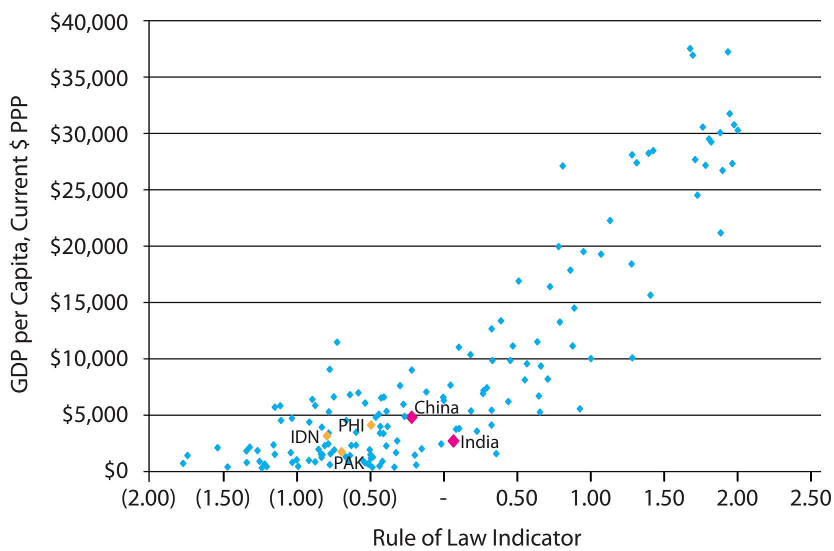
Figure 2: Year of schooling of members of the labour force in relation to GDP per capita



Source: World Bank Online

PHI = Phillipines; IDN = Indonesia; PAK = Pakistan (applies also in other figures given below).

Figure 3: Quality of institutions (the rule of law) in relation to GDP per capita

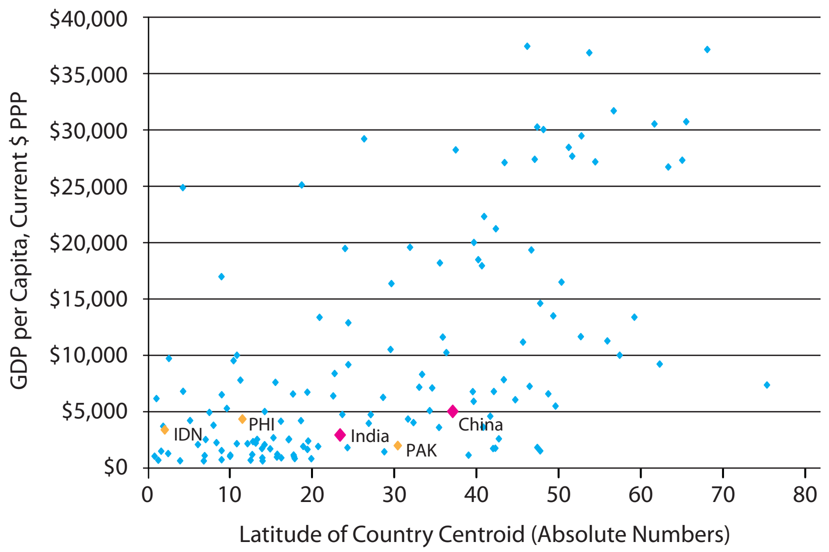


Source: World Bank Online

China and India are ahead of the rest with regard to indicators of the prevalence of the rule of law. Nonetheless, from what these indicators show, even if India has lower GDP per capita compared to China, the Philippines and Indonesia, it is a country where the rule of law is relatively prevalent. Pakistan has lower GDP per capita than Indonesia, but the graph in Figure 3 shows it has better rule of law. It is therefore very difficult to see the correlation in terms of the relationship between the rule of law and per capita GDP.

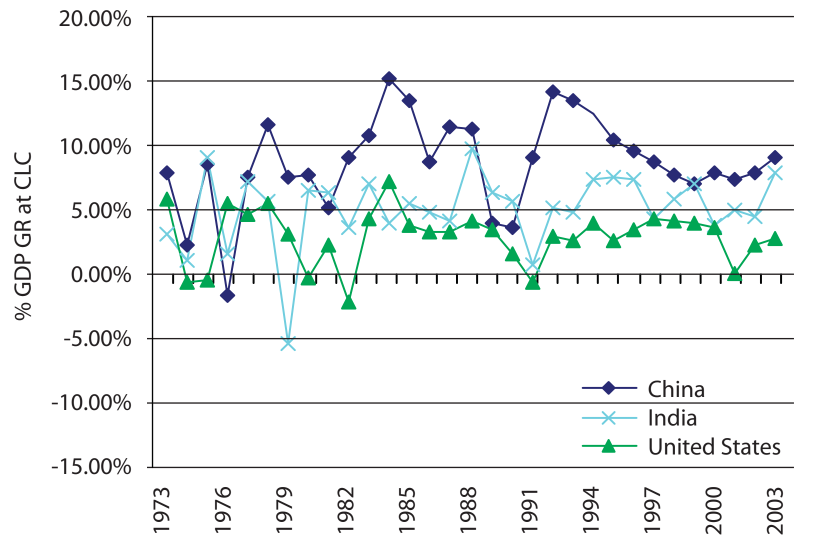
Again, in terms of these countries, the correlation between a country's latitude (geographical position) and its GDP per capita is not clear, or perhaps there is no correlation. China's case shows some consistency. Nonetheless, the Philippines has a lower latitude than Pakistan and India, but it has a higher GDP per capita. Even Indonesia's case is extreme, since while it has the lowest latitude of all the countries compared, it has the third-highest GDP per capita, following China and the Philippines.

Figure 4: The factor of geographical position: Countries' latitudes in relation to GDP per capita



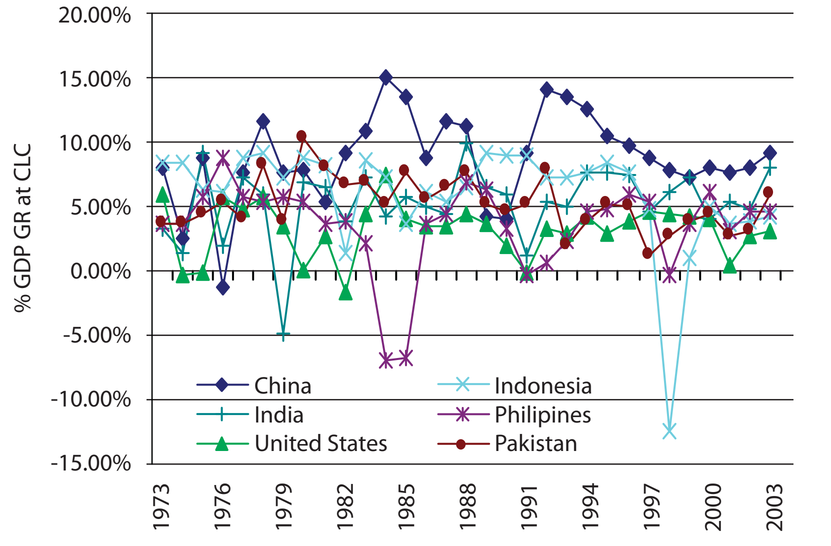
Source: World Bank Online

Figure 5: GDP growth of China and India compared to that of the United States, 1973–2003 (constant local currency — CLC)



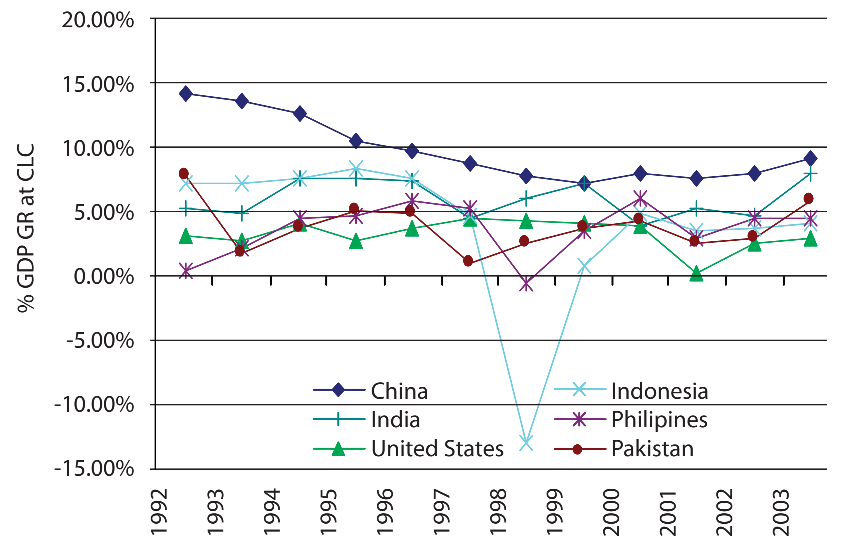
Source: World Bank Online

Figure 6: GDP growth in China and India compared to other significant countries, 1973–2003 (CLC) geographical position: Countries' latitudes in relation to GDP per capita



Source: World Bank Online

Figure 7: GDP growth rate of China and India compared to other significant countries, 1992–2003 (CLC)



Source: World Bank Online

As shown in Figure 5, the GDP growth rate of both China and India is greater than that of the United States in terms of constant local currency (CLC), even if that may not be true in terms of PPP. Moreover, as indicated by Figure 5, India is catching up with China.

China and India, followed by Pakistan, have greater GDP growth rate at CLC. At the end of 1980s and in the early 1990s, Indonesia did better than all of them, and China showed a great increase between 1991 and 1995. In the past ten years, China and India, followed by Pakistan, have been growing very rapidly.

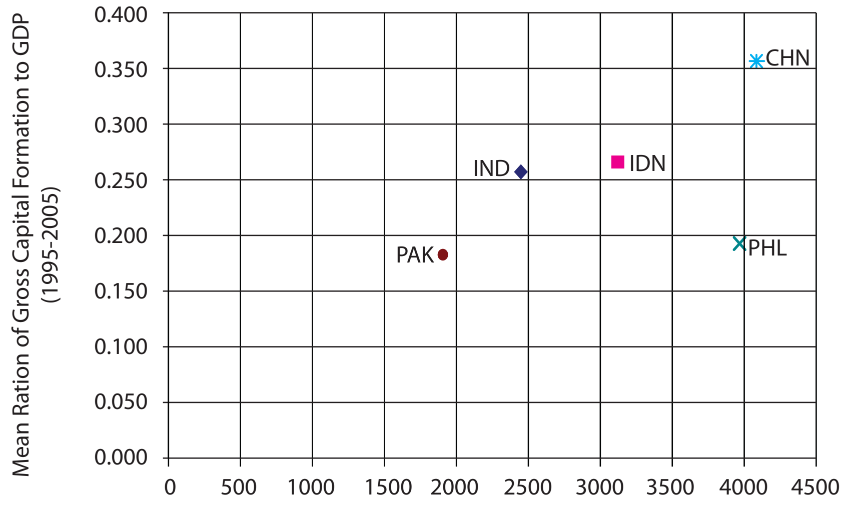
As Figure 7 shows, China and India have a higher GDP growth rate compared to the other countries. China has a higher investment ratio compared to India. As Figure 8 indicates, China has an investment ratio of 32–42%, while India has a ratio of 22–26%.

With the exception of the Philippines, which has a low investment ratio but a higher mean GDP per capita, clearly the investment ratio and GDP per capita seem to show some correlation. China, Pakistan, Indonesia and to some degree India show a positive correlation between investment ratio and mean GDP per capita.

Both China and India have higher secondary school enrolment levels than other significant countries and slightly lower enrolment than that of the Philippines. This figure is consistent in the case of China and higher in the case of India compared to the GDP per capita of other countries. China, as we have seen, is growing faster than the other significant countries. Chinese schooling is not elitist, but rather public and in line with public demand.

Clearly, it is not economic freedom or free market forces that led to the spectacular economic development in China and India. Unlike countries such as Argentina and Brazil that swallowed the prescription of the International Monetary Fund and World Bank to limit the role of the state, as shown in Figure 12, China and India do not have the highest mark in terms of economic freedom, but they have grown faster than the rest of the world.

Figure 8: Investment ratios of China and India compared to those of other significant countries



Source: WDI Online

Figure 9: % of children enrolled in secondary school in China and India compared to other significant countries, 2001–04

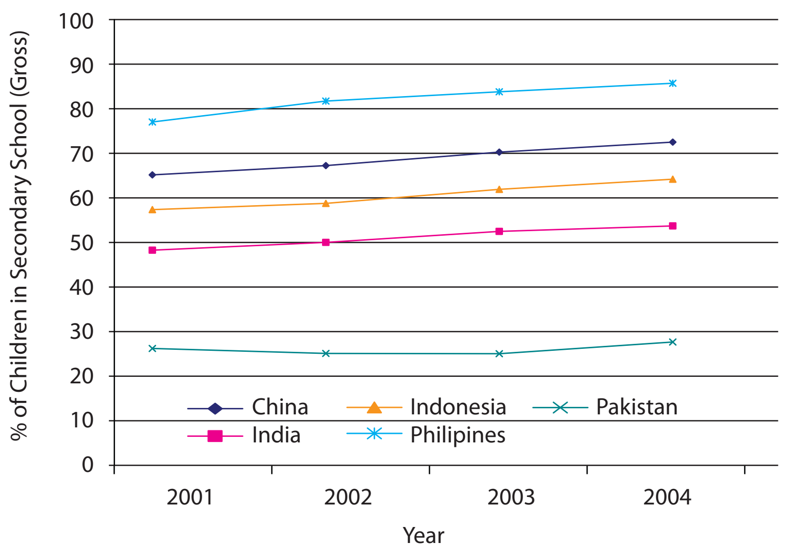


Figure 10: GDP in relation to secondary school enrolment in China and India compared to other significant countries, 1998–2004

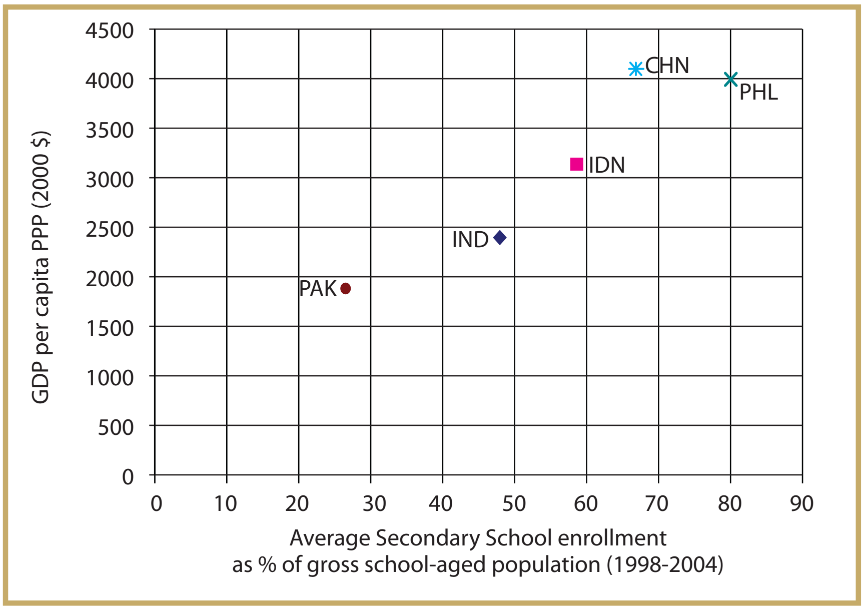
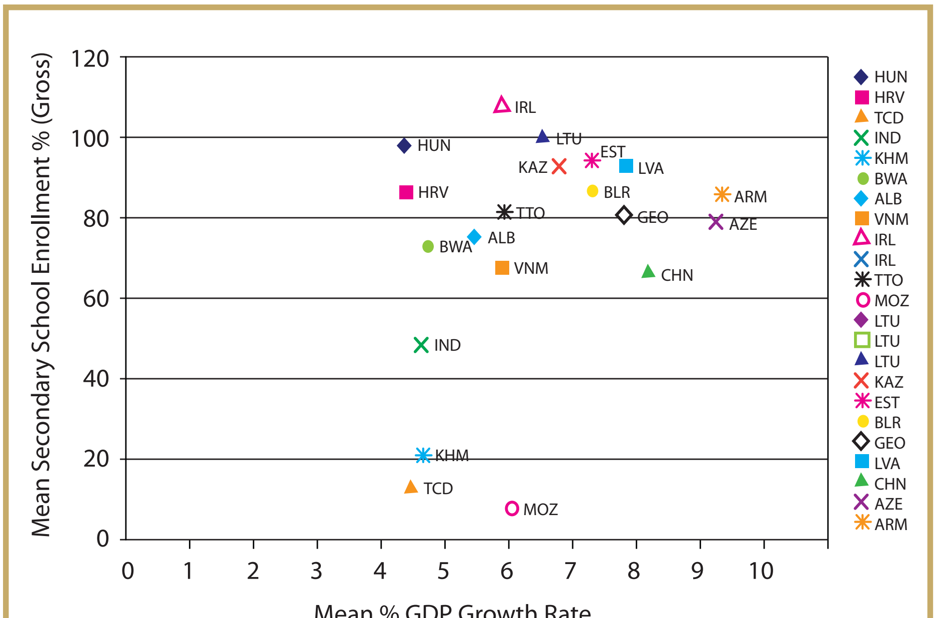


Figure 11: Secondary school enrolement in China and India compared to that in other countries with similar growth rates, 1995–2005



Source: WDI Online

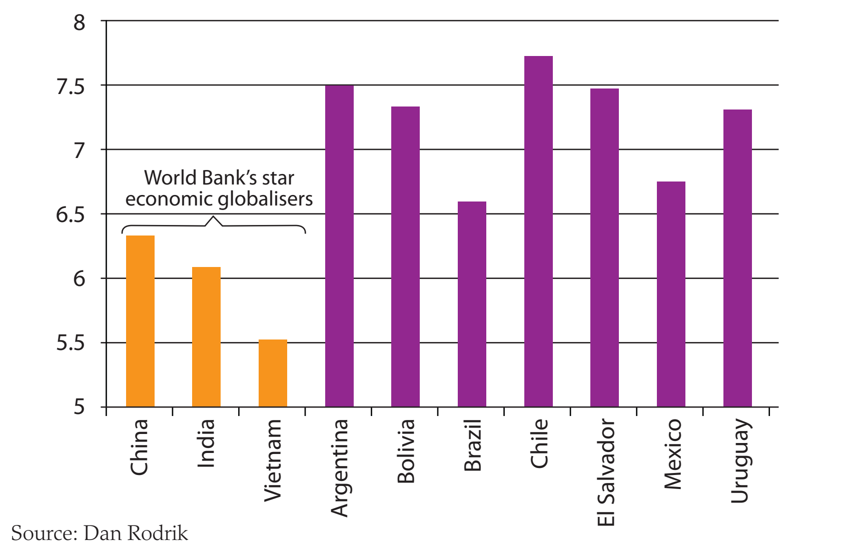
3. Binding constraints on the Chinese economy

There are various constraints on Chinese growth. Low domestic consumption, a weak non-manufacturing sector, and disparities and inequalities are the major ones.

3.1 Low domestic consumption

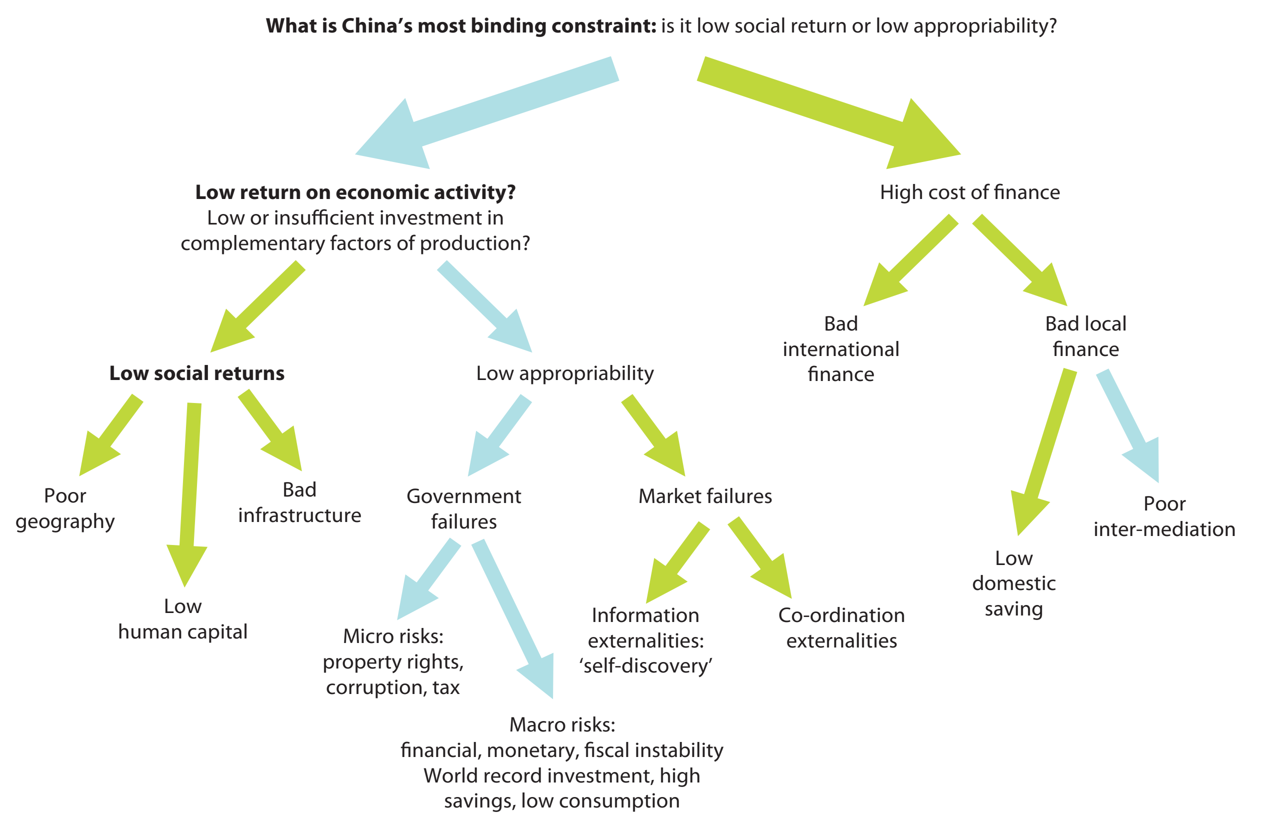
The most binding constraint that China is facing now is excess savings or insufficient consumption. National saving rate reached 50% of GDP in 2005. In the same

Figure 12: Heritage Foundation Index of Economic Freedom, selected countries



Source: Dan Rodrik

Figure 13: The Growth Diagnostic Tree for China



period, household consumption accounted for only 38% of GDP, the lowest share of any major economy in the world. For example, in the United Kingdom, the household consumption share of GDP was 60%, while in India it was 61%. These figures for China have been partially attributed to the nearly non-existent social security system. Therefore, measures to stimulate domestic consumption are very important. These include the creation of social security schemes, a reduction in the saving-investment surplus, and an increase in the efficiency of investment. Some elements of the long-term rebalancing package are also useful in containing investment now, including shifting the composition of fiscal spending away from capital spending towards education, health and social security. The sooner the rebalancing starts, the sooner the short-term challenges will be dealt with. Demand has to be increased by domestic consumption funded by the high savings. Here it is important to understand that the structure of demand and the efficiency of investments are critical for a sustainable growth path in the long run. Rapid growth is more likely to prove sustainable if it is generated more by expanding household consumption nationally and less by surging investment by Chinese companies and a ballooning global trade and current account surplus.

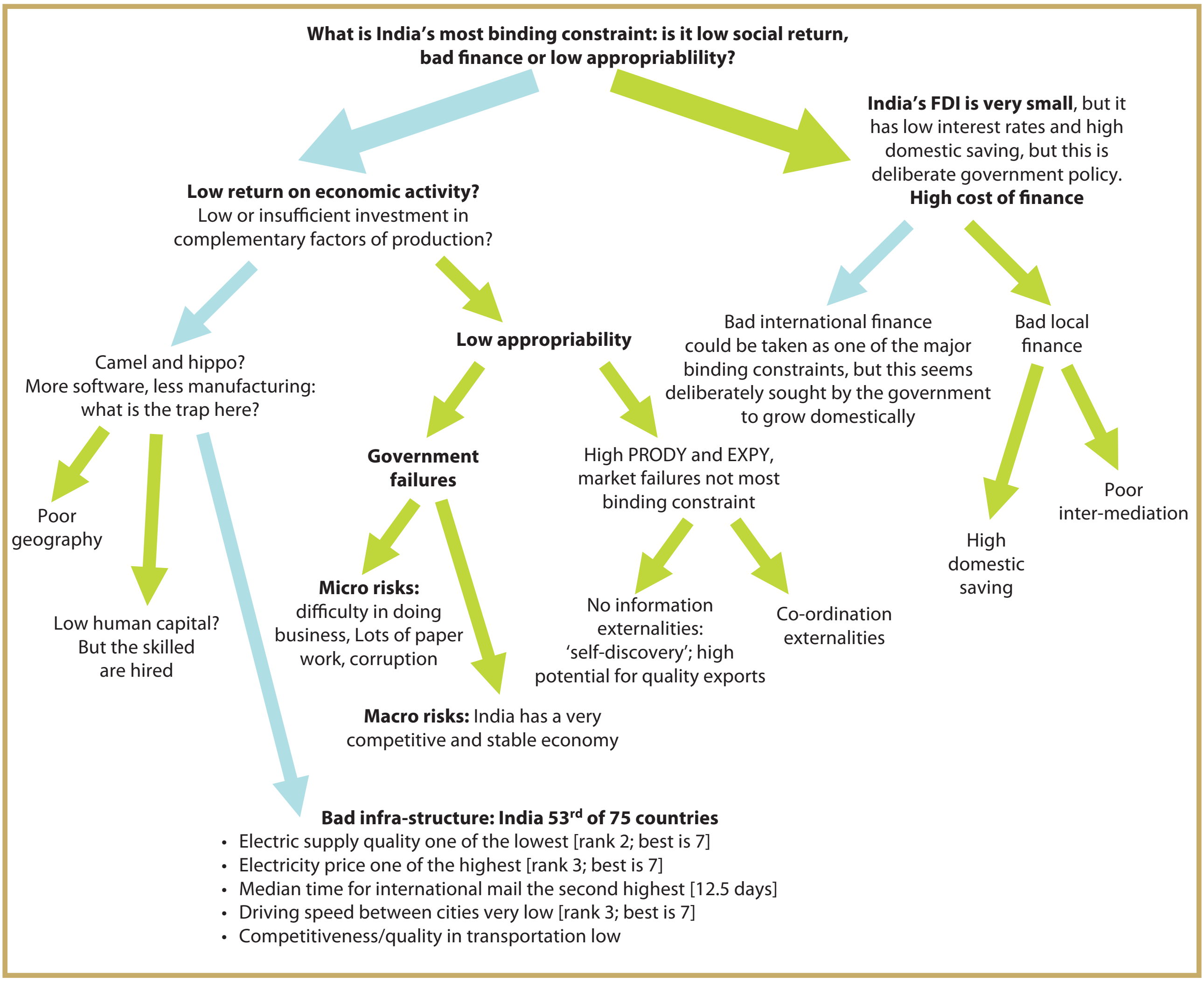
3.2 Imbalance between manufacturing and service provision, and the re-evaluation of the exchange rate

Measures to increase the relative attractiveness of providing services (non-tradables) over manufacturing production (tradables) are other reforms needed to remove some of the constraints. Shifting the composition of growth away from investment and exports towards consumption would help address the short-term challenges that China faces.

3.3 Regional disparities and social inequality

Social peace depends on the equitable distribution of the benefits of economic growth throughout the country. Regional growth disparities and increasing social inequality could hamper sustained growth, as

FIGURE 14: THE GROWTH DIAGNOSTIC TREE FOR INDIA



access to finance increases in areas where there is wealth and assets to serve as collateral: money attracts money. Income is generated in rapidly developing regions, particularly the coastal areas, and talent attracts talent just as capital attracts capital. The government needs to enhance access to finance in areas where less collateral is available to banks.

In summary, several questions related to high trade surpluses and exchange rate re-evaluation need to be dealt with in tandem with fiscal expansion. The challenges need to be addressed by a combination of monetary and exchange rate re-evaluation, fiscal policy, and institutional reforms. Removing these binding constraints could unleash the forces for economic growth again.

3.4 Less efficiency in the use of resources

Multi-factor productivity growth, a critical contributor to economic expansion in all economies, averaged almost 4% per annum in the first years of China's economic reform (1978–93). While still high by international standards, this pace has slowed down to only 3% since 1993. The slowing pace of factor productivity growth can be attributed in part to over-investment and the emergence of excess capacity in a number of important industries such as the ferroalloy industry, where capacity utilisation in 2005 was only 40%. Similar excess capacity has emerged in the steel industry, aluminium, autos, cement, coke and others. As a result, prices are now falling, which has an adverse impact on the profitability of the industries, which presumably has impaired the ability of some of these industries to service their debt. In general, excess investment in some sectors, leading to excess capacity and falling prices, could create a new wave of non-performing loans that would erode the substantial balance sheet improvements of the state-owned banks.

4. The most binding constraints on the Indian economy

The following four constraints are the most binding on India's economy: bad infrastructure, a huge deficit, difficulty in doing business, and low FDI and a weak financial system. The binding constraints are listed in a ranking starting with the most binding to the least one so as to prioritise the reform efforts.

4.1 Low return on economic activities due to bad infrastructure

One very useful means of identifying the most binding constraint is to see if India's economy is trying to evade a trap by 'hoop jumping'. India's economy is specialising in exportable products without acknowledging the need for physical transport facilities or infrastructure. The complementary factors of production (in this case, bad infrastructure in terms of transportation, roads and ports) seem to be the most binding constraint for India. The information technology industry and business outsourcing in software and call centre services have grown faster than the export of manufactured goods and services. These economic activities must have a good return to grow quickly.[13] For this reason, the Indian economy has a skewed growth pattern and a concentration on sectors such as software services. The boom in these sectors seems to be related to their capacity to evade traps related to cost effectiveness. These sectors are skills intensive and employ only those with high professional training. Small and labour-intensive industries are growing much slower, but could be a source of employment and growth.

The high cost of transportation is a disincentive to many export-oriented manufacturing companies. According to a World Bank report, in India electricity supply interruptions cause an 8.4% loss of income for manufacturers.[14] According to WDI, India's infrastructure is ranked 53rd among 75 countries evaluated for the quality of infrastructure (see Figure 16). Its electric supply quality is one of the lowest, ranking 2 out of best possible score of 7. The electricity price is one of the highest in the world and India's median time for international mail delivery is the second highest. The driving speed between cities is very low and competitiveness in transportation is very poor. Bad infrastructure has been the cause of the sluggish expansion of exportable goods that are not infrastructure intensive, and instead, skills-intensive industries like business outsourcing and the software industry have grown rapidly.[15]

Infrastructure shortages have particularly hindered the growth of export oriented manufacturing and value-added agriculture that integrate into global supply chains, and need good roads, ports, airports, and rail-ways as well as reliable power and water to prosper.

Thus, if it was not for infrastructural costs, India could have grown more by exporting 'rich country goods'. Production of exportable goods, including agro-industry products, which are labour intensive, need better and high-quality transportation infrastructure and sustainable supplies of inputs such as electricity and water. Bad infrastructure is attributable to insufficient investment in complementary public goods. Indeed, for this reason, research shows that India needs 3–4% of its GDP to be invested in infrastructure in order to sustain its growth. Infrastructure is one of the most binding constraints on India's economy, which, if not improved, could hold the economy back. Moreover, apart from the highly skewed growth in sectors requiring less infrastructure, regional and income inequality in India is attributable partially to poor infrastructure. Regions in the vicinity of ports gain most of the benefits of growth rather than other regions. Educated and skilled Indians, who only make up 20% of the population, are getting most of the employment. Unemployment of low-skilled people who cannot join the software industry is on the increase. Micro risks (difficulty in doing business) and macro risks (the fiscal deficit) are the other two bottlenecks in terms of government failures that negatively affect economic growth India.

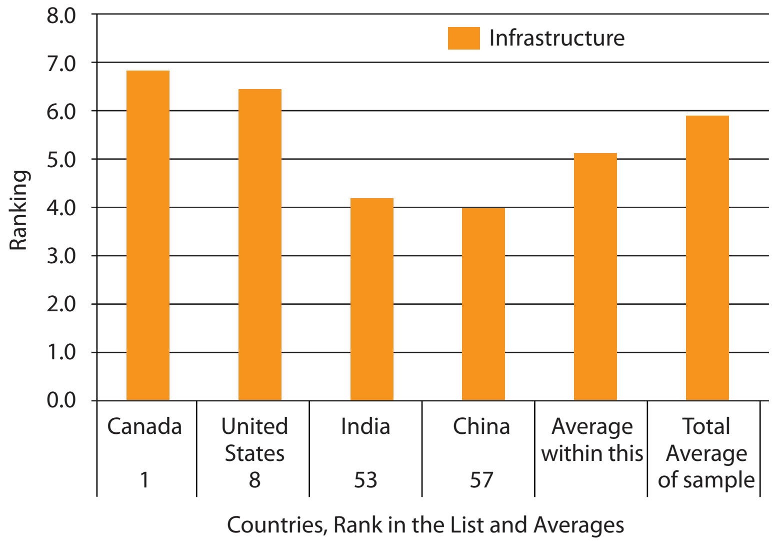
There are at least four times more unemployed people (around 35 million) than are employed in the organized private sector. Firms with more than 100 workers consider labor regulations to be as constraining to their operation and growth as power shortages.

Reference: World Bank, India Country Review 2006, pp. 36–40, <http://www.worldbank.org.in/WBSITE/EXTERNAL/COUNTRIES/SOUTHASIAEXT/INDIAEXTN/0,,contentMDK:20195738~pagePK:141137~piPK:141127~theSitePK:295584,00.html>.

4.2 Fiscal deficit

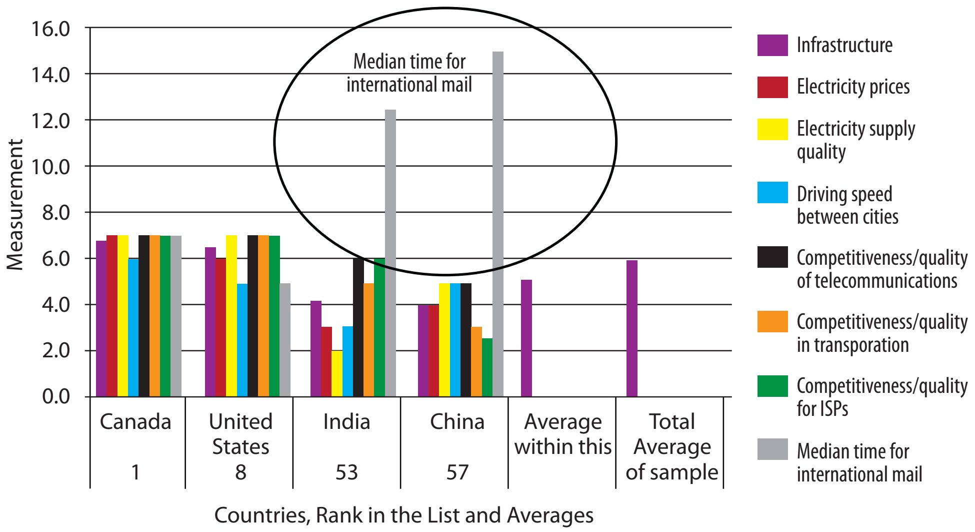
The fiscal deficit is one of the biggest constraints that contribute to the low appropriablility of economic activities. India's fiscal deficit was 10% of GDP in 2005.[16] This is a very high level of public debt. With a high debt-to-revenue ratio, the deficit could have led another country to high volatility and a financial crisis.[17] However, India shows low volatility due to its strict regulation of the rupee, the fixed rates of the financial

Figure 15: Chinese and Indian infrastructure as the most binding constraint, compared with the best (Canada), the United States and the average



Source: World Economic Forum

Figure 16: Chinese and India: Specific indicators of infrastructue



Source: World Economic Forum

market and high foreign currency reserves (more than $160 billion).[18] Nonetheless, for healthy and long-term stability, India has to come to terms with its fiscal deficit and the government has to tighten its belt and ensure fiscal responsibility at all governmental levels of the state.[19] Hence, India is facing a huge deficit that inhibits the government from spending in areas such as infrastructure that are essential in sustaining and accelerating growth. It also dries up the resources accessible to the private sector. As fiscal irresponsibility is a form of government failure, reform of this area is within the realm of government.

Clearly, improvements to infrastructure will be costly, aggravating the deficit. However, such an investment in complementary public goods would pay huge dividends in terms of development. Since any deficit due to investment in infrastructure will accelerate the overall development of the economy, fiscal responsibility should focus on other areas of spending that could be reduced or made more efficient.

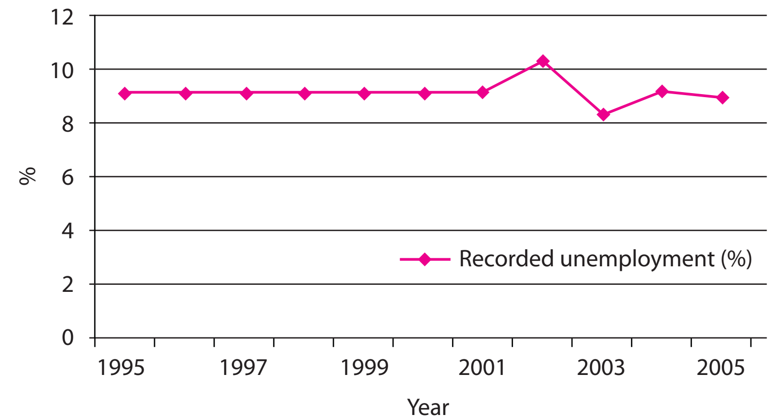
4.3 Difficulty in doing business

India is also notorious for its cumbersome bureaucratic public service and backlog in judicial processes. Under the low appropriablility and government failure branch of the Growth Diagnostic Tree, India's government failure manifests itself in its cumbersome business-related processes and the inflexibility of the labour laws, delays in enforcement of which may take 306 days, and high trade tariff, which is about 22%.[20] In terms of doing business, India has very bureaucratic processes and huge amounts of paper work that take several months to complete.[21] In India, its takes 89 days on average to start a business, which is more than twice that of China and four times that of South Korea.[22] India also has a rigid labour code, with one of the highest scores on the firing index, 90, compared to China's, which is 40, and South Korea's, which is 30.[23] The labour code is applicable to employers with more than ten employees and imposes heavy obligations on such employers. Thus, employers prefer to remain small or break up their function into smaller units to evade these heavy labour law requirements. India's labour code is 'among the most restrictive and complex in the world, protecting only the insiders' and providing security only to those employed and disregarding its adverse effect on job creation.[24]

India had both high average unemployment (about 9.15%) and a high average deficit (about 10%) for the period 1995–2005 (see Figures 17 and 18). The country has a large labour force and people are too poor to leave their employment in the absence of social security, and the army of unemployed serves as a gatekeeper for jobs. Hence, those in employment stick to their jobs.

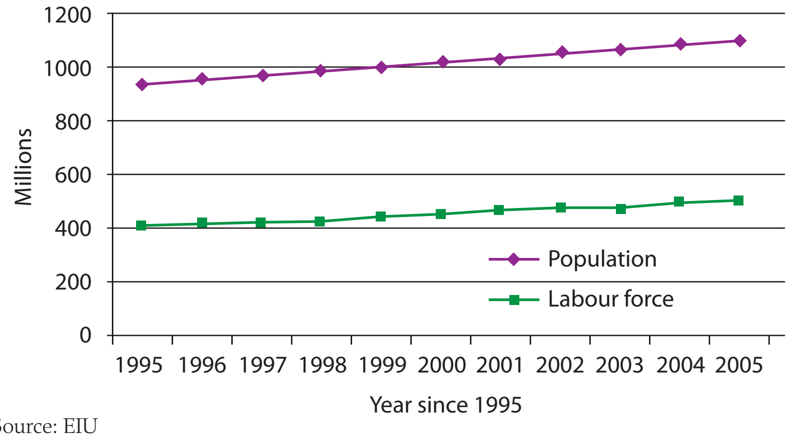
Disputes over land titles and deeds are rampant and the enforcement of contracts particularly related to land takes several months, if not years. The McKinsey

Figure 17: India's recorded unemployment, 1995–2005 (%)



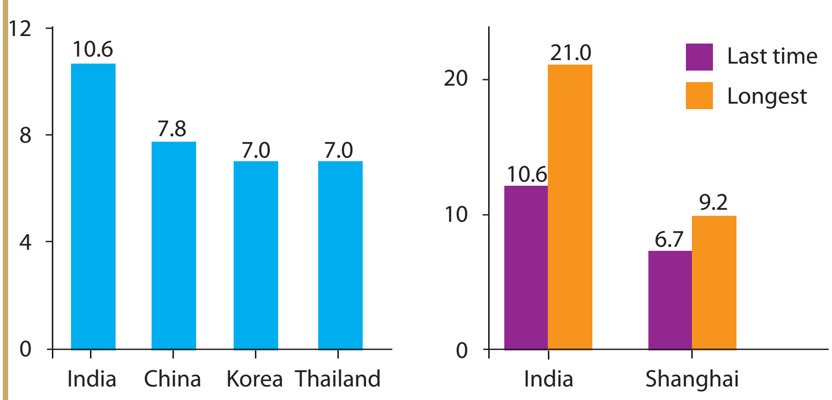
Source: *Economist* Intelligence Unit (EIU)

Figure 18: India's total labour force and population, 1995–2005



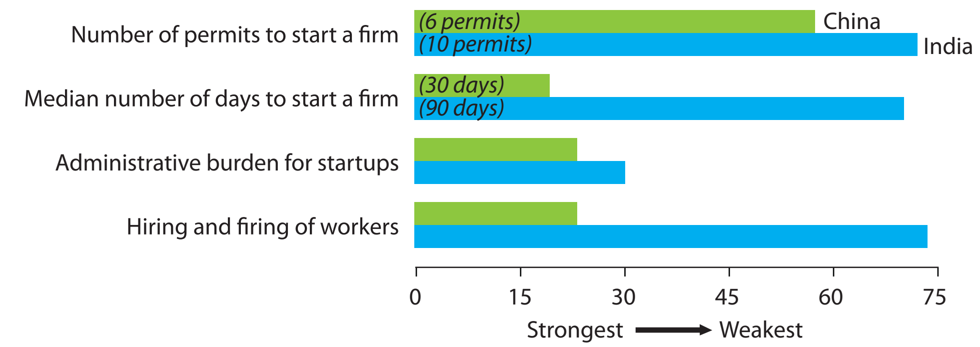
Source: EIU

Figure 19: Difficulty of doing business in India: Days to clear customs



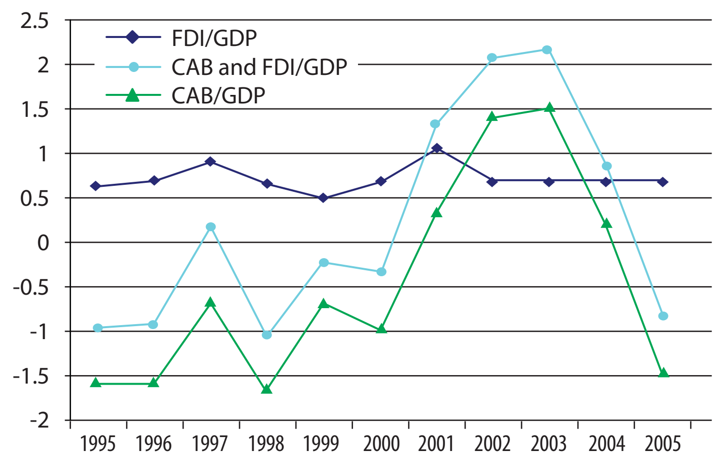
Source: World Bank, World Business Environment Survey 2000

Figure 20: Doing business in India and China, 2001



Source: World Economic Forum

Figure 21: India: Current FDI in relation to GDP, 1995–2005



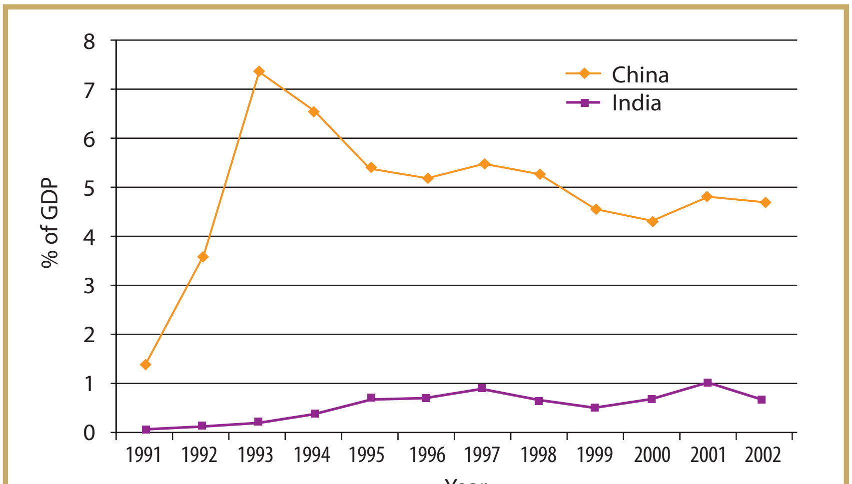
CAB = Current Account Balance
Source: WDI

Global Institute argues that land market distortions account for about 1.3% of lost growth per year.[25] Corruption is found to cause 37% of the difficulties in doing business. Customs processes are very lengthy (see Figures 19 and 20). Difficulty in doing business is therefore a binding constraint associated with government failure. As the Indian taxation system is ineffective, the revenue from taxation is very low. This affects the informal employment sector, which is very large, as it allows employers to evade the rigid requirements of the labour code. This constraint continues to negatively affect India's economic growth. Removing these government failures would not only have a huge payoff in pushing the growth of the Indian economy, but would also help in ensuring the sustainability of the growth that is achieved.

4.4 Low FDI flows and weak financial system

Low FDI flows and a weak financial system is another most binding constraint on India's economy (see Figures 21–24). The country has very weak access to international finance. India depends on domestic saving, local finance and public borrowing, which has led to its huge fiscal deficit. Bad international finance could be taken as one of the major binding constraints, but this seems to be deliberately sought by the government to encourage the growth of domestic financing. Nonetheless, in the long term, India needs to attract more FDI to become and remain more competitive and has to loosen some of its financial regulations.

Figure 22: FDI as a % of GDP in China and India, 1991–2002



Source: WDI

Figure 23: FDI's share of GDP in selected countries, 2000

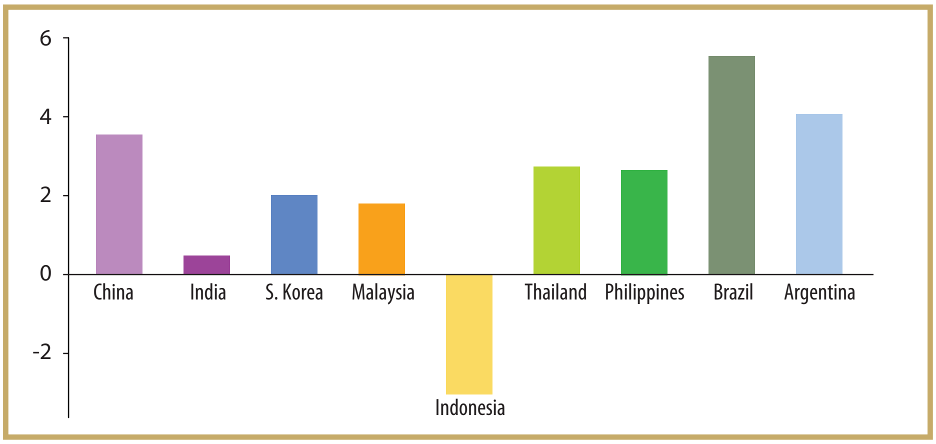
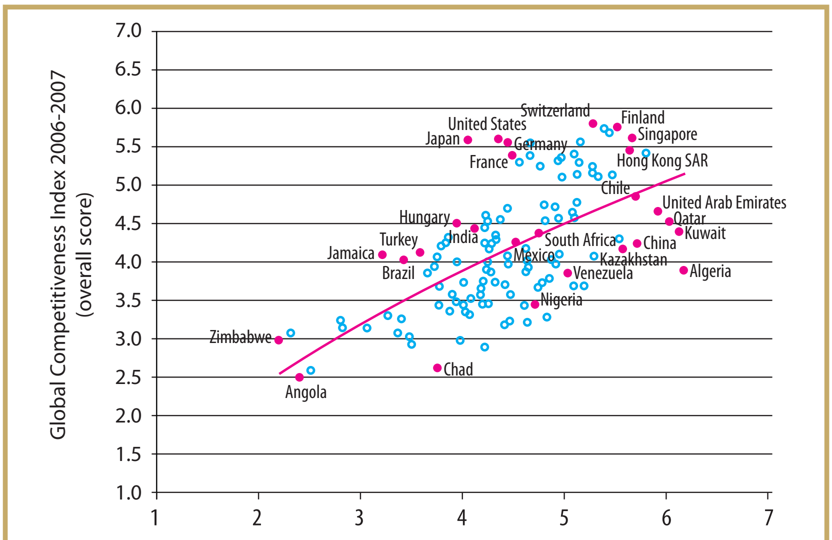


Figure 24: India and China in terms of the Global Competitiveness Index and the macroeconomy, 2006–07



Source: World Economic

5. Recommendations

The bottlenecks listed above are ranked in terms of their distortion effect(s) on the economic growth of the countries concerned. The more distortion a binding constraint causes to the economy and the more its consequences are removed, then the more urgent a priority area it is for change. This ranking of binding constraints is very useful for various reasons, inter alia, to prioritise the areas of reform and to determine the allocation of resources.

It would be very difficult to give general recommendations for a continent like Africa. However, a very general recommendation is that the main lesson from the Chinese and Indian growth models shows the vital contribution of productivity if capital is almost non-existent. Growth both in China and India shows that market-oriented but state-led economic reform can deliver much needed economic growth.

5.1 Concluding remarks and recommendations for African countries

Since the 1978 commencement of reform, China has been the fastest-growing country in the world. Its exceptional growth has been characterised by high savings, high investment, managed urbanisation and internal migration, very low productivity in agriculture, and record levels of productivity in manufacturing. Similar to other growing Asian economies, Chinese economic reforms in education, manufacturing and agriculture were not elitist or selective, and were superior in quality. The urgency of the demand for infrastructure, communications technology and development projects in general inspires Africa to learn more from China, and to work and trade with its enterprises. The spectacular Chinese economic development was based on state-led economic reform rather than political reform. Pragmatic political-economic considerations with regard to state reforms were the drivers of growth. The reforms focused on the effective protection of property and contract enforcement, and strict government control on prices and financial institutions. The reforms were gradual, but well sequenced to remove constraints whose removal would have a multiplier effect. Dan Rodrik says the Chinese focused 'first on agriculture, then industry, then foreign trade, now finance'.[26]

5.2 Areas of priority for reform in Africa based on the Chinese and Indian experiences

Rule for reform: Identify binding constraints, target the most binding constraint, then prioritise and sequence reforms based on potential returns. Since it is almost humanly impossible for the government to simultaneously eradicate all constraints that are holding back a country's development, it is suggested that the top priority for the government should be to focus on those bottlenecks that if removed would give higher payoffs than dealing with the other problems the country is facing. Hence, the recommendations require the allocation of the government's resources according to the degree of distortion a constraint causes to the economy, and the growth return (payoff) of removing and tackling such a constraint. Note that potential gains of removing such bottlenecks and performance gaps are mutually reinforcing. The following areas of reform could be identified as priorities for Africa.

Africa has to invest 3–4% of its GDP on infrastructure to sustain around 8% growth. As discussed above, the lack of infrastructure is the leading constraint on rapid growth and spreading this growth more widely. Bad infrastructure has usually resulted in a skewed pattern of growth that may not be sustainable. If infrastructural constraints are removed, several estimates show that an economy will grow 4.5% faster. Governments have to spend more in sectors such as infrastructure to expand exports. The cost of investing in infrastructure would increase the fisical deficit, which itself is a constraint. To mitigate this side effect, the government has to invite public and private investments in infrastructure. Whatever the case, the return from public expenditure to remove the infrastructural constraint would be greater than the cost.

To effectively and efficiently improve the infrastructure, governments should build up the implementation capacity of authorities in charge of infrastructure. To remove these constraints, it is essential to build the implementation capacity and efficiency of the public services. This is particularly relevant to the improvement of infrastructure. The implementation capacity of those authorities in charge of infrastructure should be enhanced. The process of outsourcing and contracting works and the bidding process have to be re-engineered. In general, governments have to design a comprehensive public service reform programme of all civil service institutions in charge of infrastructure.

Consolidate a plan for comprehensive reform of the public service. This could be the relatively easiest of all reforms, as it is entirely within the government's will and competence. The reform of public services to eliminate cumbersome bureaucracy and corruption is essential to improving doing business in Africa. It should aim to make doing business very easy. Court backlogs and proceedings have to be reduced markedly so as to make disputes over land titles and deeds as well as enforcement of contracts short and efficient. Through civil service reform, it should not be difficult to remove constraints related to difficulty in doing business if this is set as a priority of government programmes.

Reform of the taxation system would assist in balancing the fiscal deficit, but would also allow the government to spend on essential public investments with high social return. Basically, to cover the cost of investment in infrastructure, African countries have to reform their taxation and revenue architectures. Since African taxation systems are almost non-existent and ineffective, the institutional architecture for revenue collection and culture is absent. The informal employment sector, which is also very large and evades the rigid requirements of the labour code, has to be drawn into the taxation system.

Endnotes

1 The researcher is currently serving as programme co-ordinator at the African Union Commission and executive director of the African Rally for Peace and Development. He holds an MPA from Harvard University, an MSc from Oxford University and an LLB from Addis Ababa University. This article is a revised version of a course paper submitted to Harvard University in 2007.

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Information & key figures

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SEPTEMBER 2009
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The China–Africa Development Fund (CAD Fund), one of President Hu Jintao's eight measures aimed at forging a new type of strategic partnership announced at the 2006 Beijing Summit of FOCAC, was officially launched in June 2007 with an initial capital o $1 billion. The fund has now reached $5 billion, all provided by the China Development Bank, with the aim of financing the market entry of Chinese firms into the African economy. The CAD Fund will promote economic co-operation between China and Africa by investing directly in Chinese enterprises that have set up operations in Africa or plan to invest on the continent. Its target industries and fields are agriculture and manufacturing, infrastructure and underlying industries (electric power and other energy facilities, transportation, telecommunications, urban water supply and drainage), natural resources, and industrial parks set up by Chinese firms. Access for African enterprises to this fund can only be achieved through joint ventures with their Chinese counterparts, which will then apply on their behalf.

To date, $90 million have been invested in four projects: a glass factory in Ethiopia, a gas-fired power plant in Ghana, a chromite project in Zimbabwe and a building material project. Co-operation deals for these initiatives were signed with China National Agricultural Development group, China Machinery and Equipment Import and Export Corp. and others. The CAD Fund opened an office in Johannesburg in 2009.

China–Africa Trade Relations

FIGURE 1: CHINA–AFRICA TRADE, 1995–2008 ($ BILLIONS)

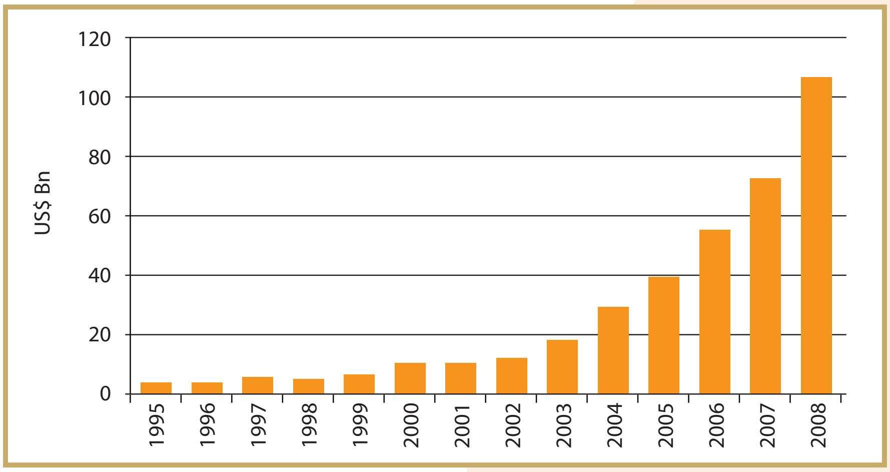


FIGURE 2: CHINA'S FOREIGN TRADE BY REGION, 2008

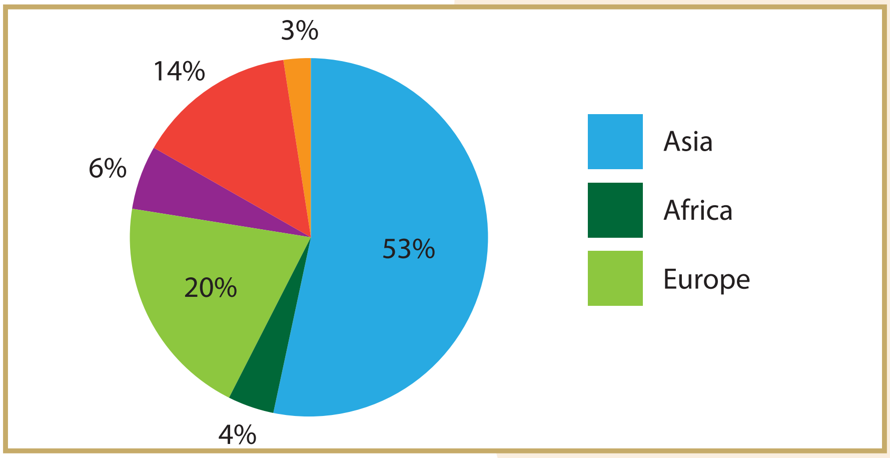
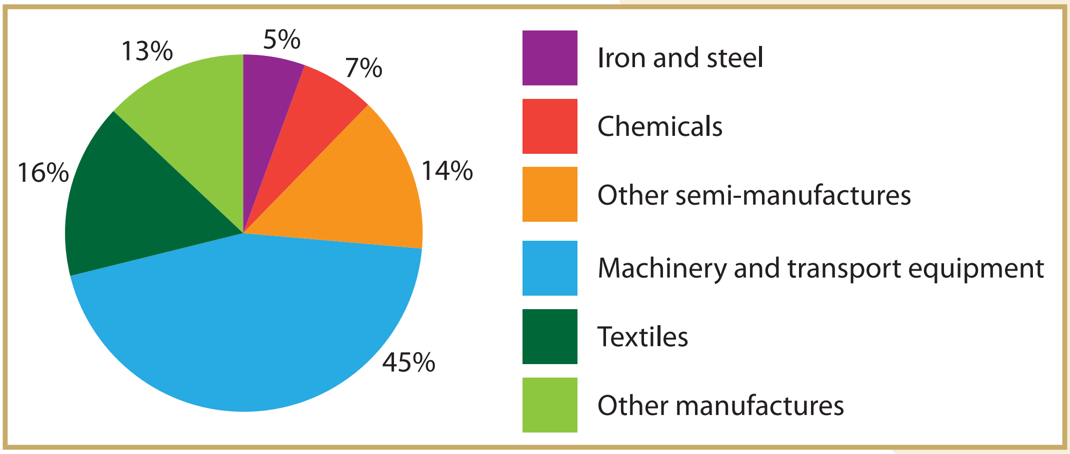


FIGURE 3: STRUCTURE OF CHINESE MANUFACTURING EXPORTS TO AFRICA, 2007



Main Trading Partners

FIGURE 4: CHINA'S TOP TEN TRADING PARTNERS IN AFRICA, 2008

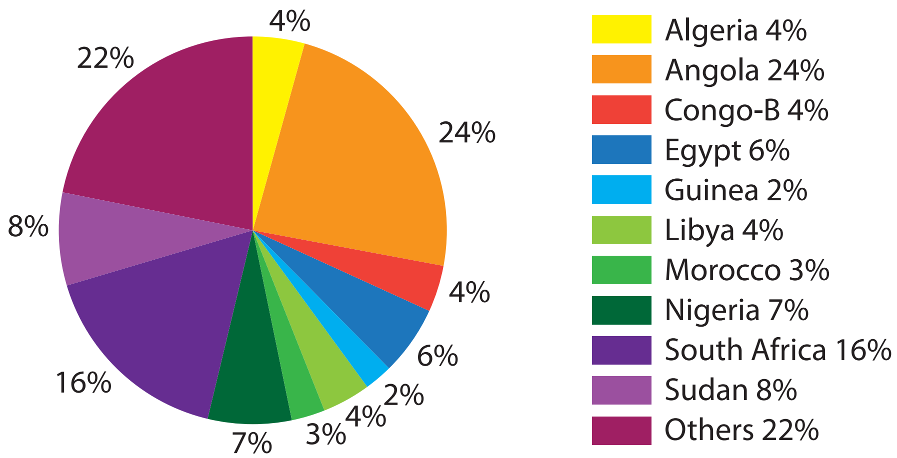
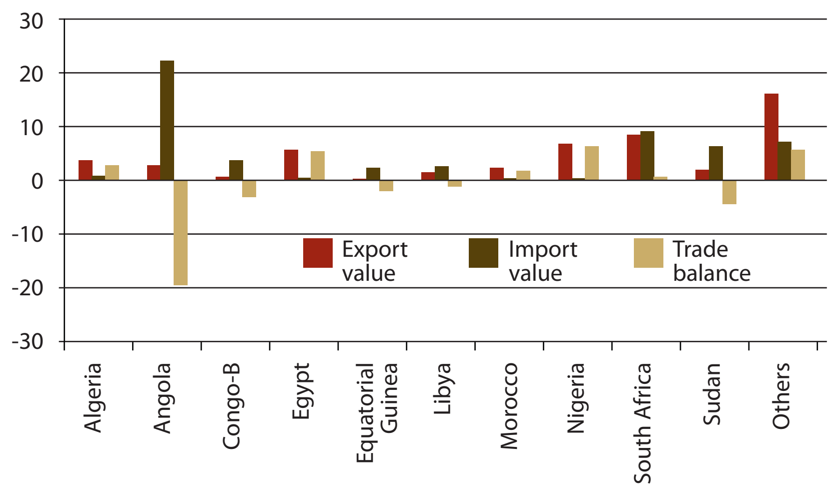


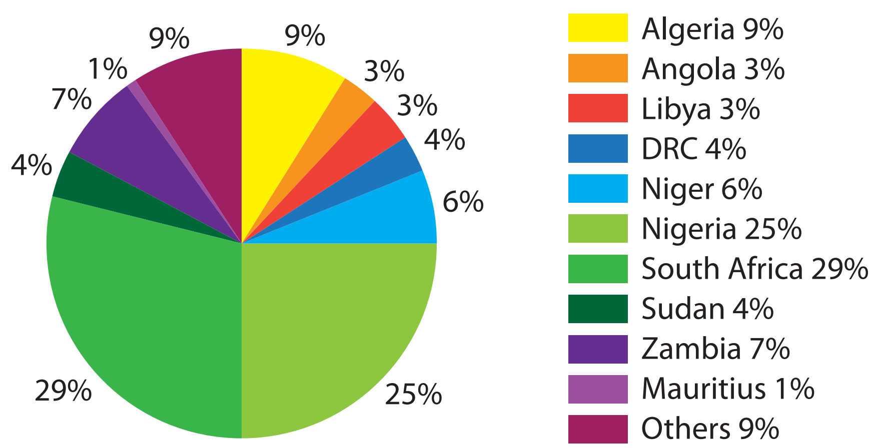
FIGURE 5: CHINA'S TRADE BALANCE WITH ITS TOP TEN AFRICAN TRADING PARTNERS, 2008 ($ BILLIONS)



*Source: WTO, World Trade Data statistics online, 1995–2007; MOFCOM, English website of Department of General Economic Affairs, Jan.–Dec. 2008

Chinese Investment and Co-operation in Africa

FIGURE 6: CHINA'S FDI IN AFRICA, 2003–07 ($ MILLIONS)



*Source: MOFCOM, 2007 Statistical Bulletin of China's Outward FDI

FIGURE 7: TOP TEN AFRICAN DESTINATIONS OF CHINESE FDI, 2003–07 ($ MILLIONS)

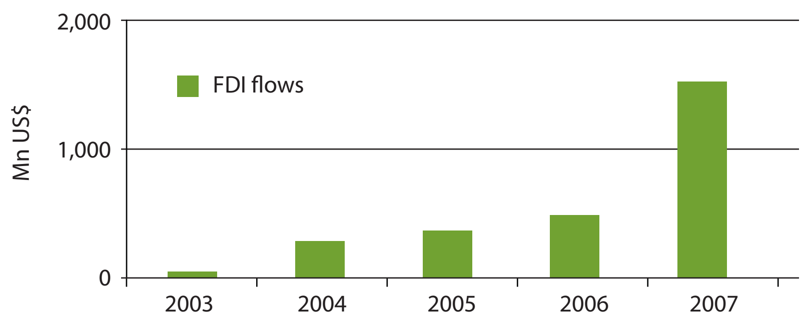
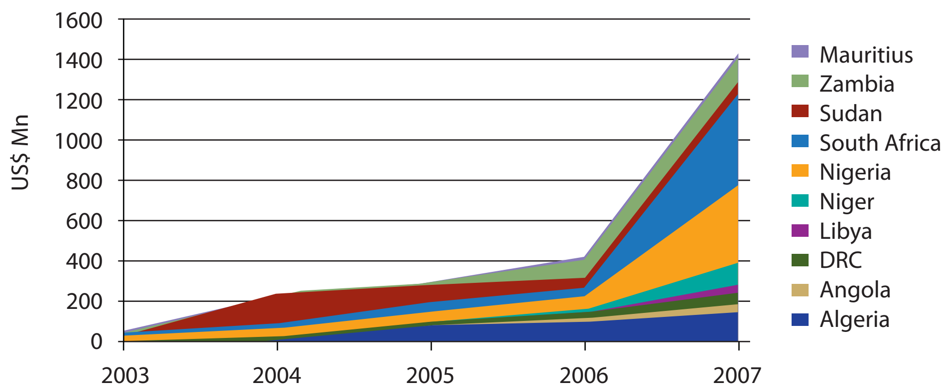


FIGURE 8: TOP TEN AFRICAN RECIPIENTS OF CHINESE FDI, 2007



Opening of the Extraordinary Conference of African Ministers of Economy and Finance (CAMEF)

Statement by
Dr Maxwell M. Mkwezalamba
COMMISSIONER FOR ECONOMIC AFFAIRS
AFRICAN UNION
17 DECEMBER, 2009
ADDIS ABABA, ETHIOPIA

His Excellency Ato Mekonnen Menyazewal, State Minister of Finance and Economic Development of the Federal Democratic Republic of Ethiopia

Excellencies Ministers of Economy, Finance and Planning

Excellencies Ambassadors and Members of the Diplomatic Corps

The Representative of the UN Under-Secretary General and Executive Secretary of the Economic Commission for Africa

Senior Officials of Ministries of Economy and Finance and Planning

Representatives of Regional and International Organisations

Distinguished Ladies and Gentlemen

On behalf of the Chairperson of the African Union Commission, His Excellency Mr. Jean Ping, and indeed on my own behalf, I wish to welcome you all to Addis Ababa, Ethiopia, and of course to the African Union Commission. I also wish to sincerely thank you all for making it to attend this Conference despite your very busy schedules and the fact that we are approaching the Christmas festivities.

For us at the African Union Commission, we feel greatly honoured with your presence and can confidently argue that your presence signifies the importance you attach to your pan-African organization, the African Union, including its programmes and activities. Further, it signifies the importance you attach to the items on the agenda for this Extra-Ordinary Conference, namely, Alternative Funding Sources for the African Union; Annexes to the Statute on the African Investment, one of the three pan-African financial institutions as per Article 19 of the Constitutive Act of the African Union; and Micro-Finance Finance Policy Framework and Road Map.

Please allow me also to take this opportunity to thank the Government and the People of Ethiopia for the warm and fraternal welcome extended to all the delegations since their arrival in this beautiful and historical city of Addis Ababa.

Further, allow me to convey apologies of His Excellency Mr. Jean Ping, Chairperson of the African Union Commission, who, owing to the on-going Climate Change Summit in Copenhagen, could not join you at this auspicious occasion marking the official opening of this very important and crucial Extra-Ordinary Conference of Ministers of Economy and Finance. He regrets not being in your midst, wishes your Conference great success, and looks anxiously to its outcome.

Excellencies, Distinguished Ladies and Gentlemen

The holding of this Extra-ordinary Conference has been necessitated by the need for African Union Ministers of Economy and Finance to discuss some very important issues that are key to the promotion of poverty reduction, regional integration and sustainable development in our continent, in line with the vision of African Union Heads of State and Government.

You may recall that the last Extra-Ordinary Conference of African Ministers of Economy and Finance held in this Conference Room in January this year requested the Commission to undertake further consultations with Member States on the Study on Alternative Sources of Financing the African Union and the Study on Microfinance Policy and Action Plan. And in Cairo, Egypt, in June this year, the Joint Conference of African Union Conference of African Union Ministers of Economy and Finance and Economic Commission for Africa Conference of African Ministers of Finance, Planning and Economic Development adopted the Statute on the African Investment Bank (AIB) and requested the African Union Commission to prepare the Annexes to the statute relating to contribution formula, contribution table, and voting rights pertaining to decisions of the General Assembly and Board of Directors.

I am pleased to report that the Commission, in compliance with Decision of the last Extra-Ordinary Conference, has undertaken further consultations on the two items and prepared Annexes to the statute of the AIB. Of course, it must be mentioned that not all the Member States were able to provide their inputs to the Study on Alternative Funding Sources, as well as the Micro-Finance Policy Framework and Action Plan. This was despite adequate time having been set aside for this and reminders having been sent to them.

Excellencies, Distinguished Ladies and Gentlemen

You may recall that the study on Alternative Sources of Financing the African Union has been ongoing since 2001, when the Heads of State and Government of the then Organization of African Unity (OAU), at their Lusaka Summit of 2001, directed the then OAU General Secretariat to, inter alia, "undertake studies, with the assistance of experts, on alternative modalities on financing the African Union and to make appropriate recommendations on the subject" [Decision AHG/Dec.160/(XXXVII)]. The Durban Summit, which was held in July 2002, in South Africa, took note of the Lusaka Summit Decision and authorized 'the interim Chairperson to prepare the necessary consultations with member states prior to submitting them to the Executive Council and ultimately to the Assembly in July 2003' [ASS/AU/Dec.1(1)].

In February 2004, the Executive Council requested the Commission to further explore the proposals of the experts and submit a report to its Sixth Ordinary Session in March 2005 [DOC. EX.CL/87 (V)]. In May 2005, the first Conference of African Union Ministers of Economy and Finance held in Dakar, Senegal, considered alternative options for financing the African Union, including those made by His Excellency Abdoulie Wade, President of the Republic of Senegal. Following the recommendation of the First Conference of African Union Ministers of Economy and Finance, the African Union Commission convened a meeting of experts on the subject in May 2006. The report of the meeting of experts was submitted to the meeting of the Executive Council held in Banjul, The Gambia, in June/July 2006.

The Executive Council took note of the report and mandated the Commission to undertake further analytical work to evaluate the impact of the various proposals on African economies. Further, the Executive Council decided that the report on the analytical work be submitted to the Conference of African Ministers of Economy and Finance for consideration and appropriate recommendations to the Executive Council to be made in July 2007 (DOC. EX. CL/285). The Report of the High Level Panel on the Audit of the African Union chaired by Professor Adebayo Adedeji published in 2007 and the Accra Declaration (Assembly/AU/Decl.2) of the African Union Assembly of Heads of State and Government held in Accra, Ghana, in June/July 2007 made at the end of the Grand Debate on the Union Government also highlighted the need to identify additional sources of financing the African Union. In fact, the Report of the High Level Panel recommended a levy on airline tickets for immediate implementation.

During your Extra-Ordinary Conference of January 2009, you examined the analytical report on the impact of the various options of financing the African Union on African economies. In addition, you agreed to examine it further in your Capitals and submit your observations and comments to the African Union Commission by September 2009 to enable the holding of this Conference. But indicated earlier on, only a handful of the Member States were able to provide their observations and comments, which have been incorporated in the report before this Conference.

From the foregoing, one can comfortably conclude that there has been commitment at the highest political level within the African Union to pursue alternative funding sources to finance activities and programmes of the African Union. Further, there have been several studies, analyses and consultations on the matter which justify its early and timely conclusion. I, for one, strongly believe that time has come for the African Union to take a firm decision on this matter. We cannot continue to talk and talk and talk on the subject matter to which our Leaders have committed themselves and for which analytical justifications exist, at least to ensure that the financing of our supreme continental organization is reliable, sustainable and does not largely depend on partners, as is currently the case. As Africans, we should be able to finance our development and integration agenda, which has been adequately and well elaborated by our Leaders through the various decisions taken during their Summits. It is time to be bold and take a bold decision on the matter whose conclusion we have been postponing for the last few years.

At this juncture, please allow me to sincerely thank and commend all the Member States, the experts, as well as Staff of the African Union Commission for their hard work and diligence that has taken us to where we are today. I believe we all can now see some light at the end of the tunnel!

Excellencies, Distinguished Ladies and Gentlemen

The African Union Commission in April 2007 began a study on the elaboration of a Roadmap for the development of microfinance in Africa, with a plan of action to help Africa improve access to microfinance for the majority of its low income populations and a roadmap towards raising the level of investment and trade on the continent. As we might all be aware, microfinance is one of the development tools for fighting against poverty and the links between microfinance and Millennium Development Goals are obvious.

The impact of microfinance on hunger and poverty MDG No. 1 – is perhaps the strongest of all. Microfinance has also been shown to widen access to education, improve women's and children's health and empower individuals, particularly women. Poverty reduction through growth requires a focus on the indigenous private sector, which in Africa is composed of a myriad of micro, small and medium enterprises that are the primary sources of jobs and economic opportunities. In addition, access to credit and other financial services is important to growth and investment, yet few small businesses or individuals are able to get the access they need.

It is important to note, therefore, that an improved access to finance for the low income population segment in Africa, where thousands of cash strapped small scale farmers and enterprises provide the bulk of total employment, in addition to contributing about a fifth to a third of the Gross Domestic Product, could lead to significant increases in new jobs creation, increased incomes, and poverty reduction. We must, therefore, see the role of microfinance institutions beyond their initial goal of credit for job creation and improvement of incomes.

Excellencies, Distinguished Ladies and Gentlemen

Following your recommendation that the Annexes to the Statute on the establishment of African Investment Bank be prepared, the African Union Assembly of Heads of State and Government held in Sirte, Libya, from July 1-3, 2009, mandated the African Union Commission to prepare the said Annexes. The Assembly further mandated the African Union Commission to submit the Annexes to experts for their validation before consideration by this Extra-Ordinary Conference and subsequently the January/February 2010 Assembly of Heads of State and Government.

Consequently, the Commission of the African Union held a validation meeting of the Annexes to the Statute of the African Investment Bank on 6 to 7 October, 2009 in Addis Ababa, Ethiopia. The outcome of the validation meeting and the proposed subscription formula, member contributions, voting rights and table of subscriptions will be presented to this meeting for consideration and recommendation to the January/February 2010 Assembly of African Union Heads of State and Government to be here in Addis Ababa, Ethiopia.

Please allow me to sincerely thank and commend The Great Socialist People's Libyan Arab Jamahiriya for the technical and material support rendered, to the African Union Commission and its Technical Steering Committee on the African Investment Bank based in Tripoli, Libya, which has contributed greatly to accelerating work on the establishment of the African Investment Bank. In this connection, I wish also to acknowledge the significant role played by the Governor of the Central Bank of Libya and Chairperson of the Technical Steering Committee on the African Investment Bank, His Excellency Farhat Bengdara, in the work leading to the establishment of the said Bank.

Further, I wish to express my gratitude to the Independent Experts who met from 6- 7 October 2009 to consider the Annexes to the Statute for their hard work, commitment and dedication. I salute these sons and daughters of Africa!

Excellencies, Distinguished Ladies and Gentlemen

Once again, on behalf of the Chairperson of the African Union Commission and indeed on my own behalf, I welcome you to Addis Ababa, Ethiopia, and the African Union Commission, and thank you for responding positively to our invitation. Finally, I wish this Extra-Ordinary Conference of African Ministers of Economy and Finance fruitful and successful deliberations.

I thank for your kind attention.

'Own Resources for Funding the African Union: Some Facts on the European Model' CAMEF

Prepared by the
Department of Economic Affairs, African Union
December 2009
Addis Ababa, Ethiopia

NOTE[1]

The EU as we know it today, is the combination of three communities, in fact of three treaties.

i. The ECSC Treaty (European Coal and Steel Community) signed in Paris on 18 April 1951. This treaty came into force on 24 July 1952 with a period of validity limited to 50 years. The Treaty expired on 23 July 2002 after having been modified several times.

ii. The EEC Treaty (European Economic Community) signed in March 1957.

iii. The EAEC Treaty (European Atomic Energy Community, better known as EURATOM) of 1957.

NB: The 'Rome Treaties' were therefore signed in March 1957 and came into force on 1 January 1958.

- From 1958 to 1970, the budget of the European Economic Community (EEC) and the budget of the European Atomic Energy Community, EAEC, (as well as from 1965, the ECSC's administrative budget) were funded by a system of state contributions.
- Thus the EEC Treaty established as follows the 'key for distribution' applicable to financial contributions from Member States, independently of any other revenue:
  - 28% for Germany, France and Italy
  - 7.9% for Belgium and the Netherlands
  - 0.2% for Luxemburg
- The EEC Treaty recommended that the Commission should submit proposals to the council to replace the contributions from Member States with the community's own resources, in particular with revenue coming from the common customs tariff.
- The system of own resources was thus introduced for the general budget as from 1971, by the decision taken on 21 April 1970, with the progressive replacement of 'financial contributions by Member States with the communities' own resources'.
- These own resources included:

  i. Customs duties, whose collection was progressively put in place from 1971 to 1975;

  ii. Agricultural levies, collected in full by the community from 1971;

  iii. Revenue based on Value Added Tax (VAT) – with the initial levy at a ceiling of 1%. But progressive progress was made with respect to harmonization of the tax base.
- But until the full introduction of this new system (its introduction was completed in 1979), Member States were still obliged to pay the financial contributions needed to ensure the communities' budgetary balance.
- Therefore article 4 of the decision taken on 21 April 1970, provided that from 1 January 1975, the communities' budget would be totally financed by the communities' own resources, without prejudice to other revenues.

- Thus the decision on non-modifiable own funds taken without unanimity from the council, created a stable foundation for financing the Union.
- Henceforth, the general budget no longer depended on contributions from Member States, which were likely to put the community in a state of budgetary and political dependence with respect to the latter.
- Finally, during the period 1971-1978, the Member States made provisional contributions to balance the general budget, then minimal residual contributions from 1979 to 1981, and refundable advances, non-refundable only in 1984 and 1985, before the balancing by own resources based on the GNP/gross national product was introduced in 1988.
- The existence of Own Resources is thus specific to the European Union which, in the budgetary domain, establishes the originality of European integration which is structured around the following elements:

  i. Establishment of the internal market;

  ii. Implementation of common policies; and

  iii. Affirmation of its autonomous status with regard to third countries.
- All these factors imply that the EU has its own means of funding, independent of the Member States.

NB: However, subsequent decisions with respect to own resources have modified the system several times.

- The main components of the current system are:

  i. Traditional own funds originating directly from the existence of a unified customs area. They include: 'sugar' contributions, agricultural dues and customs duties. Here Member States retain 25% of the total of traditional own funds collected in the form of taxes.

  ii. VAT own resources, resulting from a rate applied to a VAT tax base uniformly determined by the States according to community regulations.

  iii. Own resources from GDP, resulting from the application of a call rate on the total EU GDP (1.24% of the EU's GDP); a rate calculated so as to make the total volume of resources correspond to expenditure.

  iv. A correction mechanism that gives certain Member States a reduction in their contributions to the EU budget.

The features of the current system.

Established since 1988, and mainly based on the GDP, the system meets three fundamental objectives:

i. It henceforth automatically ensures the collection of financial resources equal to expenditure decided upon.

ii. At legal level, it guarantees the own nature of the EU's resources.

iii. At economic level, a certain number of measures have been taken. Thus 'if necessary, any Member State carrying an excessive budgetary loan in comparison with its relative prosperity, is likely to be granted a correction'.

- Therefore, the EU's general budget revenues fall under two main categories: own resources and other receipts.
- This distinction is listed in article 269 of the EU Treaty: 'the budget is without prejudice to other revenues, fully financed by own resources'.
- The main part of budget expenditure is financed by the system of own resources, set up in 1970. Other revenue only represents a small part of the total funding. For example, from 2000 to 2006, other revenue represented 3% of total receipts.
- Today there are three categories of resources:
  - traditional resources (15% of the total of own resources from 2000 to 2006);
  - VAT income (created from 1970 onwards), has become the main source of funding at this period;
  - GDP funding.

NB: These three categories are supplemented by various correction mechanisms.

However, from the middle of the 1980's, revenue from VAT proved to be insufficient to cover community expenditure.

- That is why, by a decision taken on 24 June 1988, a new financial resource was created, based on the wealth of Member States, (initially on the GNP, later replaced by the GDP). The latter resource, called' residual' income, is determined in a way so as to balance total income and expenditure.

In turn, GDP resources progressively became the main source of funding for the EU Budget, and represented on average 60% of the total of own resources payments.

Methods of deduction

Traditional own resources

These are customs duties, agricultural levies and contributions on sugar and isoglucose.

- They were introduced from 1970 and are collected from economic operators by Member States on behalf of the EU. The Member States retain 25% of the total revenues collected as collection charges.
- The allocation of customs duties to financing community expenditure has the logical result of freedom of movement of the merchandise within the EU.

VAT income

- Payments come from the application of a fixed call rate on the VAT tax base of Member States, according to harmonized regulations.
- The harmonized VAT tax base is calculated by the Member State according to the so-called 'Revenue' method. This method consists in dividing the total net annual revenue collected by the Member State by the weighted average VAT rate; that is to say an estimate of the average rate applicable to the various categories of taxable goods and services, in order to obtain the intermediate tax base.

GDP funding

- Since 1988, this resource is the keystone of the system for funding the EU budget.
- It constitutes a 'residual' financial resource intended to provide the revenue needed to cover expenditure, in a particular fiscal year, which is in excess of the total amount collected from traditional own resources and VAT income.
- Implicitly, the GDP resource ensures ex-ante the balance of the EU budget.
- It guarantees the stability of budgetary revenue in the medium term, by respecting the overall ceiling set for the total of own resources able to be contributed to the EU budget, that is to say 1.24% of the EU's GDP.
- It allows for equitable improvement of the gross contributions made by Member States, making payments by each State proportional to its contributing capacity.

Endnotes

1 For additional and more detailed information, see: Public Funding of the European Union, Fourth Edition.

'Les Ressources Propres Pour Le Financement De L'Union Africaine: Quelques Données Sur L'exemple Européen' CAMEF

Preparer
Department des Affaires Economiques, African Union
Décembre 2009
Addis Abeba, Ethiopie

RAPPEL[1]

L'UE que nous connaissons aujourd'hui, est l'agrégation de trois communautés, voire de trois traités

i. Le Traité CECA (communauté européenne due charbon et de l'acier) signé a Paris le 18 avril, 1951. Ce traité entre en vigueur le 24 juillet 1952 avec une période de validité limitée à 50 ans. Le Traité a expiré le 23 juillet 2002 après avoir été modifié plusieurs fois.

ii. Le Traité CEE (communauté économique européenne) signé en mars 1957.

iii. Le Traité CEEA (communauté européenne de l'énergie atomique plus connue sous le d'EURATOM) de 1957.

NB : Les « Traités de Rome » ont donc été signés en mars 1957 et sont entrés en vigueur le 1er janvier 1958

- De 1958 á 1970, le budget de la Communauté économique européenne (CEE) et le budget de la Communauté européenne de l'énergie atomique CEEA (ainsi que depuis 1965, le budget administratif CECA) ont été financés par un régime de contributions étatiques. Ainsi le traité CEE établit « la clé de répartition » applicable aux contributions financières des Etats membres comme suite, indépendamment de toute autre recette :
  - 28% pour l'Allemagne, la France et l'Italie
  - 7,9% pour la Belgique et les Pays - Bas
  - 0,2% pour le Luxembourg
- Le traité CEE, indiquait que la Commission devrait soumettre des propositions au conseil pour remplacer les contributions des Etats membres par les ressources propres de la communauté, notamment par des recettes provenant du tarif douanier commun.
- Le système de ressources propres a ainsi été introduit, par la décision du 21 avril 1970, pour le budget général à partir de 1971. Avec le remplacement progressif « des contributions financières des Etats membres par des ressources propres aux communautés.
- Ces ressources propres comprenaient :
  - i. Les droits de douane, dont la perception a été progressivement mise en place en 1971 et 1975 ;
  - ii. Les prélèvements agricoles, perçus intégralement par la communauté depuis 1971 ;
  - iii. Les recettes basées sur la taxe sur la valeur ajoutée (TVA) – avec prélèvement initial plafonné à 1%.Mais progressivement des progrès en matière d'harmonisation de l'assiette ont été accomplis.
- Mais jusqu'à l'introduction totale de ce nouveau système (son introduction été complétée en 1979), les Etats membres restaient tenus de verser les contributions financières nécessaires pour assurer l'équilibre budgétaire des communautés.
- Ainsi l'article 4 de la décision du 21 avril, 1970, prévoit qu'à partir du 1er janvier 1975, le budget des communautés était, sans préjudice des autres

recettes, intégralement financé par des ressources propres aux communautés. C'est ainsi, la décision sur les fonds propres non modifiables sans l'unanimité du conseil, a créé un fondement stable pour le financement de l'Union.

- Le budget général ne dépendait plus désormais des contributions des Etats membres, susceptibles de mettre la communauté en état de dépendance budgétaire et politique pour rapport à ceux-ci :
- Finalement, sur la période 1971-1978, les Etats membres ont versé des contributions transitoires pour équilibrer le budget général, puis de minimes contributions résiduelles de 1979 à 1981, et des avances remboursables (et non remboursables exceptionnellement en 1984 et 1985), avant que l'équilibrage par des ressources propres basées sur le PNB/revenu national brut ne soit introduit en 1988.
- L'existence des Ressources propres est donc une spécificité de l'Union européenne et consacre, dans le domaine budgétaire, l'originalité de l'intégration européenne qui se structure autour des éléments suivants :-
  - Réalisation du marché intérieure ;
  - La mise en œuvre des politiques communes ;
  - Et l'affirmation de sa personnalité autonome vis a vis des pays tiers.
- Tous ces éléments n'impliquent que l'UE dispose de moyens de financement propres et indépendants d'Etats membres.

NB. Mais des décisions ultérieures relatives aux ressources propres ont modifié le système à plusieurs reprises.

- Les principales composantes du système actuel sont :

  i. Les ressources propres traditionnelles et qui procèdent directement de l'existence d'un espace douanier unifié. Elles comprennent : les cotisations « sucres », les droits agricoles et les droits de douane. Ici les Etats membres conservent 25% des montants des ressources propres traditionnelles recouvrés au titre de perception.

  ii. Les ressources propres TVA, résultant d'un taux d'appel à une assiette TVA uniformément déterminée par les Etats selon des règles communautaires.

  iii. Les ressources propres sur le RNB, résultant de l'application d'un taux d'appel au RNB total de l'UE (1,24% du RNB de l'UE), Taux calculé de façon à faire correspondre le volume total des ressources a celui des dépenses.

  iv. Le mécanisme de correction qui accorde à certains Etats membres, une réduction de leurs contributions au budget de l'UE.

La caractéristique du système actuel.

- Mis en place depuis 1988, et principalement fondé sur le RNB, le système répond à trois objectifs fondamentaux :

  i. Il assure désormais automatiquement le recouvrement d'un montant de ressources en adéquation avec les dépenses décidées.

  ii. Au niveau juridique, il garantit le caractère propre des ressources de l'UE ;

  iii. Au niveau économique, un certain nombre de disposition ont été prises. Ainsi « tout Etat membre supportant une charge budgétaire excessive, au regard de sa prospérité relative est susceptible de bénéficier, le moment venu, d'une correction. »

- Donc, les recettes du budget général de l'UE relevent de deux catégories principales : les ressources propres et les autres recettes.
- Cette distinction est inscrite à l'article 269 du Traité UE : « le budget est sans préjudice des autres recettes, intégralement financé par des ressources propres ».
- L'essentiel des dépenses budgétaires est financé par le système des ressources propres, instauré en 1970. Les autres recettes ne représentent qu'une petite partie de l'ensemble du financement. Par exemple, en 2000-2006, les autres recettes ont représenté 3% des recettes totales.
- Aujourd'hui il existe trois catégories de ressources :-

- les ressources traditionnelles (15% du total des ressources propres en 2000-2006) ;
- la ressource TVA (crées dés 1970), est devenue la principale source de financement à cette période ;
- la ressource RNB.

NB : Ces trois catégories sont complétées par différents mécanismes de correction.

Les recettes en provenance de la TVA se sont cependant révélées insuffisantes pour couvrir les dépenses communautaires dés le milieu des années 80.

- C'est pourquoi, une décision du 24 juin 1988, a crée une nouvelle ressource basée sur la richesse des Etats membres, (d'abord sur le PNB, par la suite remplacé par le RNB). Cette dernière ressource, appelée ressources « résiduelles » est déterminée de marnière à équilibrer les recettes et les dépenses totales.

A son tour, progressivement la ressource RNB, est devenue la principale source de financement du Budget de l'UE, et a représenté en moyenne 60% du total de versements de ressources propres.

Modes de prélèvement

Les Ressources propres traditionnelles

Ce sont les droits de douane, les prélèvements agricoles, et les cotisations sur le sucre et l'isoglucose.

- Elles sont introduites depuis 1970 et sont perçues auprès des opérateurs économiques par les Etats membres pour le compte de l'UE. Ces Etats membres retiennent 25% des montants des recettes perçues aux titres des frais de perception
- L'affectation des droits de douane au financement des dépenses communes est la conséquence logique de la liberté de mouvement des marchandises dans l'UE.

La Ressource TVA

- Les versements proviennent de l'application aux assiettes TVA des Etats membres d'un taux d'appel fixé en fonction de règles harmonisées.
- L'assiette harmonisée de la TVA est calculée par l'Etat membre selon la méthode dite des « Recettes ». Cette méthode consiste à diviser le total des recettes nettes annuelles encaissées par l'Etat membre, par le taux moyen pondéré de la TVA, C'est-à-dire une estimation du taux moyen applicable aux différentes catégories des biens et services imposables, afin d'obtenir l'assiette intermédiaire.

La Ressource RNB

Depuis 1988, cette ressource est la clé de voûte du système de financement du budget de l'UE.

- Elle constitue une ressource « résiduelle » destinée à fournir les recettes nécessaires à la couverture, lors d'un exercice particulier, des dépenses excédent le montant perçu grâce aux ressources propres traditionnelles et aux recettes TVA.
- Implicitement, la ressource RNB assure l'équilibre ex-ante du budget de l'UE.
- Elle garantit la stabilité des recettes budgétaires à moyen terme, dans le respect du plafond global fixé pour le total des ressources propres pouvant être apportées au budget de l'UE, c'est-à-dire 1,24% du RNB de l'UE.
- Elle permet d'améliorer l'équité des contributions brutes versées par les Etats membres, en rendant les versements de chaque Etat proportionnels à sa capacité contributive.

Endnotes

1 Pour des informations complémentaires plus détaillés voir : les Finances Publiques de l'Union européenne-Quatrième édition. Ce texte y est intégralement tiré.

NOTES

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To obtain further reading materials regarding China–Africa relations, you can visit the following websites:

www.africa-union.org
www.africabookcentre.com
www.focac.org
www.pambazuka.org
www.saiia.org.za

'Fridays of the Commission' are trimestrial conferences/debates on current socio-economic and political issues affecting Africa.

« Les Vendredis de la Commission » sont des conférences/débats trimestriels sur des problématiques sociales, politiques et économiques africains.

Organised by the Department of Economic Affairs in collaboration with the Communication and Information Division. If you have any questions or suggestions, please contact:

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