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CHINA'S ENGAGEMENT IN AFRICA: FOREIGN POLICY AND ECONOMICS

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In today's globalized world, the People's Republic of China, like other countries, faces a dilemma: to fuel domestic development, it must look abroad—but in doing so, it must satisfy domestic demands. For China, a one-party system, failing to meet the needs of its domestic populace means potentially compromising the Chinese Communist Party's (CCP) claim to legitimacy: its ability to provide for the Chinese people. As China continues to expand and entrench its reach abroad, the paradox of looking abroad to enable domestic development is becoming more prescient for its foreign policy.

Africa falls under what some consider to be the fourth concentric ring of China's view of the world, sitting at the very edge of Chinese influence.[1] Although the relationship between China and Africa may not be a natural fit, Africa provides several key opportunities for China in both economic growth and international influence. In its quest to achieve these two objectives, China's foreign policy toward Africa has played a pivotal role in shaping this relationship, but its efforts on the continent may prove extremely difficult to sustain.

Chinese Foreign Policy and Africa

For China, Africa provides opportunities to improve access to critical resources needed for development and to act as a role model and leader for the developing world. This duality can best be described as a Chinese push for building soft power abroad and a pull by domestic demand for development through access to resources and returns on investments. Following these push and pull trends in Chinese foreign and domestic policy, Sino-African relations have seen dramatic growth and increasing interconnectivity in the past 40 years.

Modern Chinese engagement in Africa began in earnest during the CCP's leadership transition between Mao Zedong and Deng Xiaoping in the 1970s.[2] Following the extremely violent and turbulent Great Leap Forward (1958–62) and Cultural Revolution (1966–76) periods and toward the end of Mao's life, China was starved for economic development, challenged by the geopolitical realities of the Cold War, and facing cooling Sino-Soviet relations. During this time, Mao chose to champion a "Three Worlds Theory" that divided the world into three camps: the United States, the Soviet Union, and developed countries being the "First World"; the Global North and "in-between" countries being the "Second World"; and China, the Global South, and developing countries being the "Third World."[3] The soon-to-be paramount leader Deng embraced Mao's concept and further defined the Third World as the developing countries of Asia, Africa, and Latin America. Mao and Deng saw an opportunity for China to act as a moral leader and model for Third-World countries. During this first generation of Chinese leadership, China established formal diplomatic ties with

many African nations through "South-South cooperation" and "principles of sincerity, real results, amity and good faith [*sic*] and the principles of pursuing the greater good and shared interests," which formed the cornerstones of Chinese policy toward Africa.[4]

However, beyond ideology, Deng, known as the "architect of modern China," saw the potential economic benefits that the Global South offered. In particular, Africa's resources were needed to fuel the CCP's continued economic growth during the coming decades.[5]

The Belt and Road Initiative in Africa

CCP general secretary Hu Jintao (2002–12) further championed the vision of China as a model and leader for the developing world through foreign engagement and his approach to "peaceful development" abroad. Influenced by the 2007–8 global financial crisis, Hu sought to provide the Third World with the "China Model" of development, which was different than the "Western Model." As part of this strategy, money began to flow into Africa in support of projects aimed at building this image of China.

In the early 2010s, Hu and Xi Jinping, Hu's heir apparent, contemplated how to further expand Chinese economic growth and bolster China's international image. The answer came through tying Hu's "Develop the West" strategy for domestic development to an even grander international strategy: the Belt and Road Initiative (BRI). The BRI came with sweeping implications for Africa. Between 2003 and 2013, when the BRI was first announced, Chinese foreign direct investment in Africa rose from $75 million to $3.37 billion.[6]

The BRI provided physical infrastructure backed by Chinese banks to countries, literally building China's image as the leader of the Third World. However, this forced China to walk a fine line with its investments. If China only financed projects aimed at Chinese security goals, it could be viewed as exploitative, but financing African infrastructure for purely altruistic purposes would forego the fundamental goal of BRI: to bring more development back to China. Striking this balance came in the form of implementing a series of minerals-for-infrastructure deals galvanized by the BRI.

Chinese Resource Extraction in Africa

One aspect of China's current strategy in Africa is guaranteeing access to resources that are not available in China. In the 1990s, steel was critical to fuel China's massive domestic construction projects. However, China has no natural deposits of chromium, a key component in manufacturing steel; Kazakhstan, Turkey, and South Africa control most of the world's chromium resources.[7] To solve this problem, among the first Chinese investments in African mining was the China-owned Sinosteel Corporation's acquisition of the South African Dilokong chromite mine in 1997.[8]

Another example of this strategy is China's acquisition of mining rights—specifically cobalt and copper—in the Democratic Republic of the Congo (DRC). Like chromium, China has little access to cobalt, a critical component in the manufacture of lithium-ion batteries. Strategically, China saw cobalt as a means through which to jump-start a domestic revolution in science and technology that was being called for by Hu Jintao.[9] In 2007, the DRC and China signed the Sino Congolaise des Mines (Sicomines) infrastructure deal, which gave mining rights to Chinese companies while promising that a portion of mining revenue would be spent on developing Congolese infrastructure.[10] At the time of signing, the deal seemed to satisfy the DRC's need for critical infrastructure and promised to bring benefits to China's domestic developmental needs. Nevertheless, the deal ultimately missed the mark, as Sicomines-generated mining operations only began in 2015 and infrastructure funding that was promised by the deal has been significantly slower than anticipated. More recently, reports indicate that the Sicomines agreement was secretly amended in 2017 to increase profits slated for Chinese companies.[11] Despite its shaky development, China still heralds Sicomines as a tremendous success and demonstrative example of China's ability to provide African "win-win" development through the BRI.[12]

Resources such as oil, cobalt, copper, and chromite are all scarcely available in China, but they are abundant in certain African countries. Seeking so-called "win-win cooperation," China seems to establish projects on the basis of a minerals-for-infrastructure trade, pushing a narrative with African countries of China as the leader for an alternative development model. As projects develop and the true cost of doing business in these countries sets in, China seeks to restructure the projects to provide return on investment to justify the project's existence in Beijing.[13] This may result in African countries feeling that they receive the short end of the stick. Under the BRI, projects targeted at resources can quickly expand to include building operations supporting infrastructure. Today, Chinese loans to African countries are primarily aimed at transportation, electricity, and information and communications technology (ICT), possibly serving as an attempt to first set conditions for support infrastructure and eventually guarantee access to resources.[14]

African Market Access

Africa also offers China an opportunity to expand its home

manufacturing base and build markets targeted for Chinese exports. China's growing economy is causing the average wage of Chinese laborers to rise.[15] In fact, Chinese labor costs have risen so much that a significant portion of labor is being exported to lower-cost countries in Asia, such as Vietnam and India.[16] For China, this poses a problem. The comparative advantage of lower labor costs in China formed the bedrock of its tremendous economic growth that began in the 1980s. Moving forward, China will need to find ways to transition away from the dependence on low-cost labor and develop alternative methods to fuel its growth. Domestic policies such as "Made in China 2025" and "dual-circulation" are attempts to solve this looming problem by capitalizing on high-tech manufacturing and the domestic consumer base, but it will take time for China to transition away from its lower-end manufacturing. African markets offer outlets for alleviating pressure during this transition.

Between 2002 and 2020, trade between China and Africa skyrocketed, increasing from $12 billion to $176 billion. Trade reached a peak of $203 billion at the height of the BRI in 2015.[17] Chinese imports to South Africa and Nigeria, two of China's largest trade partners in Africa, include ICT, clothing, intermediate metal goods, chemicals, rubber products, furniture, and many other goods.[18] With demand for a broad product mix, the African market represents the sixth largest importer of Chinese goods and a potential growth area for China.[19] China also holds the status of largest trading partner with many African countries. Trade may provide China with greater influence over African countries as dependence on Chinese goods continues into the future.

For China, the African market may diversify reliance on trade with the West, which could be interrupted by sanctions in the event of conflict, and China-Africa trade will likely continue to grow as African consumer markets mature. These export markets may work to fuel China's transition away from low-end manufacturing toward high-end manufacturing. In particular, African imports of Chinese ICT may help China establish leadership in international ICT standards. Beyond this China-Africa trade, Chinese companies may also use the lower labor costs in certain African countries to fuel their growth abroad.

China-U.S. "Win-Win" Trade in Africa?

Through BRI-enabled industrial zones, Chinese companies have created roughly 3,800 enterprises in 52 African countries.[20] Among the most successful of these enterprises is the Huajian Group in Ethiopia, which began in 2011 in the town Dukem and later expanded to the capital of Addis Ababa.[21] Huajian specializes in the manufacture of high-end women's shoes and sells to famous brands, including Gucci, Tory Burch, Coach, and Nine West. Annually, Huajian produces roughly 2.4 million pairs of shoes in Ethiopia for export to U.S. and Western markets.[22]

While Huajian has provided thousands of jobs for local Ethiopian workers, there are underlying issues with its model that should raise concerns. Chinese media heralds Huajian as the BRI incarnate by bringing win-win cooperation to China-Ethiopia relations and jobs to Ethiopians. However, Huajian's factories in Ethiopia employ Ethiopians for manual labor and the factories' management is dominated by Chinese nationals. Oftentimes Ethiopian laborers do not receive livable wages, with some employees reporting a monthly salary of only $35 or $51.[23] Huajian offers a management track for Ethiopian employees, but the transition from Chinese to Ethiopian management is slow coming.

Part of the impetus for Chinese manufacturing in Africa lies in U.S. policy. For example, Huajian took advantage of Ethiopia's involvement in the United States' 2000 African Growth and Opportunity Act (AGOA) to capitalize on 10- to 20-percent artificial margins created by the program. The AGOA provides duty-free access to U.S. markets for goods produced in eligible Sub-Saharan African countries, but in doing so it also artificially creates favorable markets for Chinese manufacturing in Africa.[24] Furthermore, by displaying "Made in Ethiopia" on Huajian products, the company is able to evade U.S. tariffs imposed on women's footwear imported from China.[25] Huajian is not the only company exploiting the AGOA and other favorable European Union-Africa economic policies. Chinese media acknowledges this tactic as part of China's strategy for manufacturing in Africa.[26] Deliberate gaming of U.S. policy toward Africa not only facilitates China's access in Africa and strengthens China's domestic economy but also weakens American efforts to promote U.S.-Africa cooperation.

Conclusion

Chinese foreign policy and economic engagement in Africa is not one-sided. African nations have agency in their decisions to adopt minerals-for-infrastructure deals and whether or not they engage with China. Furthermore, African countries have a legitimate need for infrastructure, and China has shown that it is willing, with conditions, to satisfy this need. Contrasted against U.S. policies that are focused on providing financial aid without physical projects to Africa, it is not hard to see how Chinese infrastructure projects are viewed positively by African countries. The devil is in the details, however, and Chinese projects seem to be falling short of their intended goals. Nevertheless, the influence that China

gains through African dependence on Chinese infrastructure and its role as creditor to these countries provides China with exceptional leverage in Africa. It is this leverage that China can bring to bear to effect regional security issues—and even United Nations decision making.

ENDNOTES

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2. Chinese engagement abroad began as a concerted effort following the founding of the People's Republic of China in 1949. Prior to this, China had taken a largely isolationist or suzerain model to international affairs.
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4. "China and Africa in the New Era: A Partnership of Equals," Ministry of Foreign Affairs of the People's Republic of China, 26 November 2021.
5. The "Opening up and Reform" period in modern Chinese history led to the dramatic transformation of the Chinese economy. This includes a series of economic policies put in place by Deng Xiaoping to bring China's economy into the modern era.
6. For the purposes of this article and audience, all values shown are assumed to be U.S. dollar equivalents. "China and Africa in the New Era."
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13. Many factors contribute to the cost of business for these projects, but some of the critical factors include internal stability in the African country involved and the existence (or lack) of infrastructure such as electrical, road, or railway to support mining operations.
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15. "Labor Cost Index (LCI) of China (2010–2021, Base Year 2010=100)," GlobalData, accessed 27 February 2023.
16. Lori Ann LaRocco, "China, 'Factory of the World,' Is Losing More of Its Manufacturing and Export Dominance, Latest Data Shows," CNBC, 20 October 2022.
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18. "China-Nigeria Bilateral Trade Historic Data, 2020," Observatory of Economic Complexity, accessed 27 February 2023; and "China-South Africa Bilateral Trade Historic Data, 2020," Observatory of Economic Complexity, accessed 27 February 2023.
19. Daniel Workman, "China's Top Trading Partners," World's Top Exports, accessed 27 February 2023.
20. "Zhua Huarong, the Builder of the Belt and Road," *Seetao*, 2 March 2022.
21. Of note, labor costs within Africa are not necessarily less than those in China. Only a few countries, such as Ethiopia, offer relatively lower labor costs than China. For more information, see Tilman Attenburg, "Migration of Chinese Manufacturing Jobs to Africa: Myth or Reality?," Brookings Institution, 5 March 2019.
22. "About Us," Huajian Group, accessed 27 February 2023.
23. Erika Kinetz and Elias Meseret, " 'Amazing China' Documentary More Fiction than Fact," *Associated Press News*, 2 May 2018.
24. Elissa Jobson, "Chinese Firm Steps up Investment in Ethiopia with 'Shoe City'," *Guardian*, 20 April 2013; and "African Growth and Opportunity Act (AGOA)," Office of the United States Trade Representative, accessed 27 February 2023. It is worth noting that Ethiopia was removed from AGOA in January 2022 due to ongoing human rights abuses in its Tigray region. See "U.S. President Terminates AGOA Preferences for Ethiopia, Mali and Guinea," African Growth and Opportunity Act, 24 December 2021.
25. Stephen Garner, "AAFA, FDRA & More Release Joint Study Detailing 'Detrimental Economic Impacts' of China Tariffs on Americans," *Footwear News*, 17 January 2023.
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Forthcoming in *MES Insights*: In an upcoming second article in *MES Insights*, Daniel Rice will analyze the expansion and evolution of Chinese military operations and security business investment in Africa and the CCP's strategy of extending its soft power influence in the United Nations through establishing cooperative relationships with African member states.

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