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China's Africa trade and investment policies: review of a "Noodle Bowl"

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Abstract

Increasing China-Africa economic integration has raised concurrent expectations for 20th Century goals of mutual development and fears of renewed African economic subjugation. Economic policies will be a key determinant of the degree to which either or both evolve. Given that importance, surprisingly few studies explore the composition, distribution and multipliers of African or Chinese economic policies on the evolution and outcomes of China-Africa ties, nationally or intra-regionally. A step toward addressing that shortfall and also serving to highlight the pressing need for more research, this paper reviews China's current set of sovereign-level Africa-related trade and investment policies, their economic context and the associated impacts where known. Related policies are found to be a complicated cross-continental matrix, in turn inspiring us to re-apply the "noodle bowl" phrase that has elsewhere been used to describe bi-lateral policy overlap between

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and within regions. A first attempt in the literature to our knowledge, this paper sheds new light on China's Africa-related trade and investment policies, and offers a useful overview reference for policy makers, scholars and analysts alike.

Introduction

Underlying the extraordinary Sino-African growth story of the early 21st century persist trends comparable to those of Africa's colonial past. China, Africa's largest trade partner since 2009, imports a higher proportion of fuels and mining products from Africa than from other regions (WTO, 2011). Its exports to Africa are however broadly consistent with its exports to the world: mechanical and electrical products within China's commodity exports to Africa reached 45.9 per cent in 2012 (PRC, MOFCOM, 2013a). As did the West for centuries that is, China is swapping its value-added manufactures for low value-added and raw commodities from Africa.

This pattern has produced fears of a repeat failure of Africa's own industrialisation prospects. Former South African President Mbeki in 2007 said:

> *If Africa continues to just export raw materials to China while importing Chinese manufactured goods, the African continent could be condemned to underdevelopment*, (Weidlich, 2007).

Current South African President Jacob Zuma voiced his puzzlement when in 2011 openly asking: "How do we trade with China in a way that benefits us as well?" (Jacob Zuma, South African President: Isa, 2011). Nigerian Central Bank Governor Sanusi Lamido weighed in in *The Financial Times* in March 2013, writing that Africa should:

> *recognize that China – like the US, Russia, Britain, Brazil and the rest – is in Africa not for African interests but its own. Romance must be replaced by hard-nosed economic thinking. Engagement must be on terms that allow the Chinese to make money while developing the continent, such as incentives to set up manufacturing on African soil and policies to ensure employment of Africans*.

Their concerns lie at the core of the pressing challenge of the African research community: the need to better understand rapidly expanding Africa-China relations toward identifying how specific African countries can best maximise related opportunity and minimise related threats (Ademola *et al*, 2009). Despite that rising, even urgent need, detailed studies exploring where and how China-Africa policies apply across countries and regions are few.

That lack is somewhat explained by Li's (2007) view that while China-Africa policies are subject to change, the principles underlying them are not. With that logic his study focused on the two most fundamental principles of the China-Africa relationship: equality and mutual benefit, and correspondingly gave less explicit emphasis to examples of the actual policies that might be attached to realising them. Here we adopt the stance that the efficiency of the economic policies designed to uphold those principles can be improved through having a deeper understanding of them their dynamic impacts, and that this too can better inform decision-making in African countries.

Policies apply to each of the three arterials that define China-Africa economic ties: aid, investment and trade. China's aid is notoriously lacking in transparency, ranking last of 62 donor agencies in a recent aid transparency index (Publish What You Fund, 2014), and also difficult to estimate for international comparison (Brautigam (2011a; cited in Golley, 2011 (13:203-222); Brandt, 2013). One estimate put China's aid to Africa at US$ 2.1 billion in 2010 (Christensen, 2010), a level similar to then Chinese investment of US$ 2.11 billion (PRC, Ministry of Commerce, 2011). At US$ 126.9 billion bi-lateral trade flows however dwarfed those of aid and investment combined that year (PRC, National Bureau of Statistics, 2011).

Of the three economic arterials, in this paper we focus on trade and investment flows, for four reasons: 1) the scale of aid is small relative to trade flows; 2) the expected imminent sharp increase in investment flowing from China to Africa; 3) the fundamental role of trade and investment in recent economic development precedent (*Growth Report*, 2008); 4) to better inform the investment environment since when China invests in Africa this is often associated with sovereign African borrowing. Our choice of focus complements Alden and Hughes' (2009) exploration of the macro China-Africa policy landscape.

The findings of our review include that trade policies are more developed than investment policies, and also that the matrix of bi-lateral agreements in these areas between African countries and China diverges across time, regions and economy types. A "spaghetti bowl" concept was first used by Bhagwati (1995) to reflect complications arising given divergent yet parallel bi-lateral trade agreements. The notion has since been adapted as a "noodle bowl" effect in Asia (*The Economist*, 2009). We apply the phrase to a China-Africa for two reasons: 1) because this captures the identified array of bi-lateral economic agreements between China and more than four-dozen African economies; 2) by implicit extension this also may serve to better mainstream the topic into the academic literature and journalistic debate.

The related outlay and description of trends and impacts of that array of policies where known, in turn provides a newly synthesised aggregation and analysis for economic policy makers in Africa and China - and for researchers at large. It reveals that in spite of the pace at which China plans to speed up investment in Africa, investment-related policies are nascent and lumpy across countries and regions. The "China-Africa noodle bowl" is furthermore of largely unknown static or dynamic domestic, regional and international developmental consequence. This in sum comprises a pressing case for more attention to be directed toward this topic in both the academic and policy literature, while serving also to inform immediate policy-making.

The rest of this paper is structured as follows: the second section examines the stylistic facts and related multipliers of contemporary China-Africa economic ties; the third section outlines the broad set of economic policies in place between China and Africa, their applicability across different countries and types of economy and multipliers where identified in the literature; the final section summarises and offers suggestions for future research and policy.

Africa-China Economics Overview

The year 1995 marked the end of two decades of persistent zero or negative growth rates for most Sub-Saharan African economies (Radelet, 2010:10). Relatively stable macro-economic growth has held since, across all types of economies rather than just selective resource-rich countries (Arbache & Page, 2008). Among factors, this followed the 1994 end of apartheid in South Africa, which was important in allowing sub-Saharan Africa's (SSA) then largest economy to reintegrate with the region (Carmody, 2009).

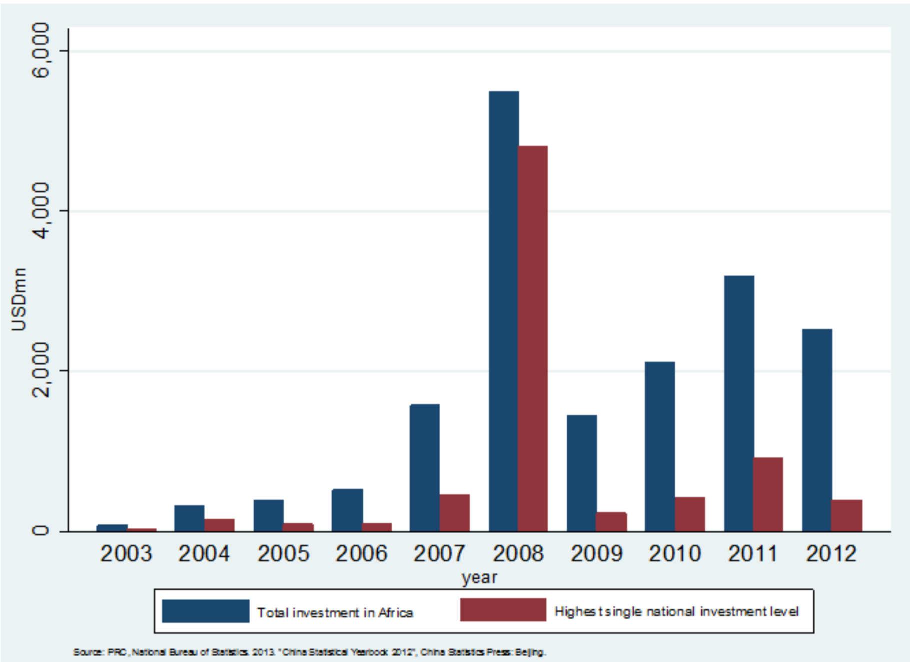
Within that African history, the 1996 visit of Chinese President Jiang Zemin to Africa is regarded as a symbolic turning point in China-Africa relations from being driven by geo-politics to being driven by economics (Alden, 2007). Coinciding with that transformation of ties Africa was a decision of China's State Council to "combine aid to Africa, mutual co-operation, and trade together" (Brautigam, 2009:80). Support for Chinese policies in international affairs and especially with regard to Taiwan; the creation of new markets for Chinese goods and services, the creation of jobs in China and unmet Chinese domestic demand for natural resources were among factors underlying that enhanced outreach by China to Africa (Pannell, 2013; Broadman, 2006:11). China's willingness to invest in Africa's infrastructure and its relative capacity to follow through are also factors explaining deepening economic relations (Brautigam, 2009).

Recent expansion of China-Africa economic ties has reflected the complexity of China's own development contradictions since opening and reform (Jiang, 2009). They have also made China Africa's largest trade partner, since 2009, a shift altering centuries of colonial-centric extra-African trade patterns. Such is the increasing scale of this shift that it has become "inconceivable, from the African end at least, that Africa's economic and political destiny could be discussed without reference to China" (Ajakaiye & Kaplinsky, 2009: 479).

China began commercially investing in isolated small-scale projects in Africa in the 1980s, following its own policy to economically open up. Policy incentives and the shifting structure and development level of the Chinese economy have helped to encourage increasing Chinese investment in Africa over the last decade especially.

Officially launched in 2000, the "Going Out" policy seeks to use China's trillion-US dollar foreign exchange reserves to assist Chinese companies to become global firms, and also to help China to acquire foreign technologies and natural resources. In more recent years, wage pressures and energy constraints in China have added to the push factors underlying the "Going Out" policy in that selective locations in Africa, those offering stability, low wages and fast-growing populations to feed that labour pool tomorrow offer, have become more competitive as long-run investment destinations, such as Ethiopia (Geiger & Goh, 2012b). Annual bi-lateral

Figure 1: China's Investment in Africa



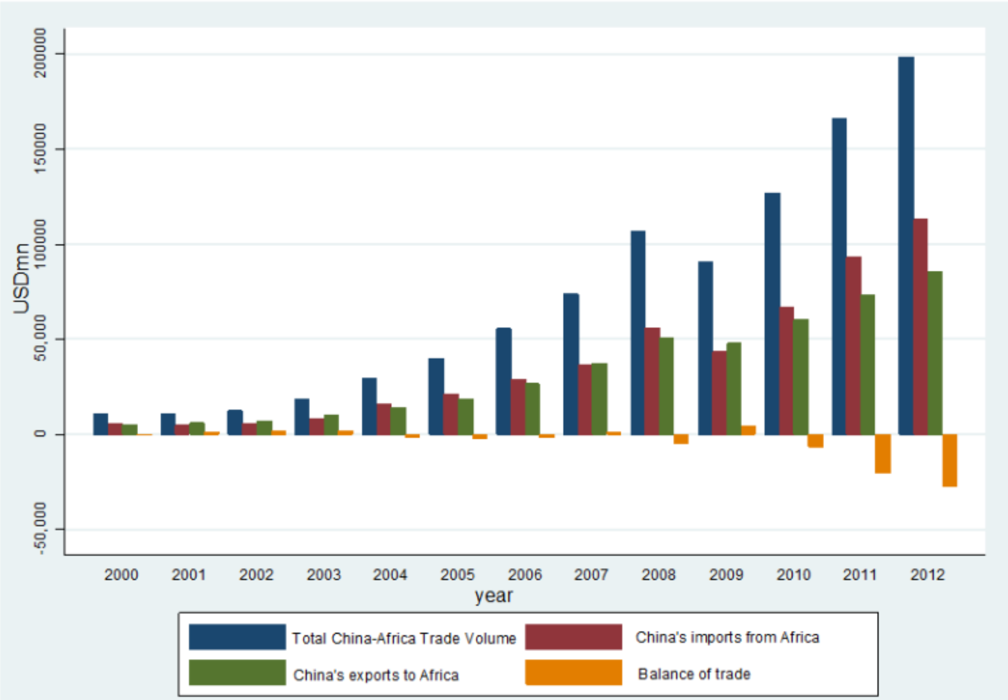
Chinese data on its outbound investment is available from 2003. By 2012 investment levels had reached $US 2.52 billion, reflecting annual growth of over 20 per cent (PRC MOFCOM, 2013a), and as captured in Figure 1. Accumulated direct investment in Africa by China reached $US 21.23 billion in 2012, of which a large proportion is loan-financed (ibid).

Lumpy across countries and time, the data shows that oil and metal exporters have consistently received the largest national share of China's Africa investments: Nigeria in 2003; Sudan in 2004, 2005 and 2011; Algeria in 2006 and 2009; South Africa in 2007, 2008 and 2010; and Angola in 2012 (Figure 1). The established link between commodity wealth and corruption in Africa (see Leite & Weidmann, 1999) may provide some explanation of why, from 2003-2006, China's foreign investment in 26 African countries was biased in favour of natural resources and poor governance (Kolstad & Wiig, 2011). Cheung *et al* (2012) find China's investment in Africa to be driven by the market seeking motive, a risk factor and resources seeking.

Structural factors also explain patterns of Chinese investment in Africa: China became dependent on foreign sources of energy from the early 1990s; African resources serve as ready collateral for investment financing, a model of Chinese investment known as ”Angola terms”. Cheung *et al* (2012) find that resources however affect only the level of investment, but not the decision to invest. The largest single investment by China in Africa was however in mergers and acquisitions, and in the financial sector, when in 2008 China's Industrial and Commercial Bank (ICBC) acquired 20 per cent of South Africa's Standard Bank for $US 5.64 billion (Standard Bank, 2010). Non-commodity investments in general, including in wholesale trade, retail catering and textiles often fall outside China's official investment statistics, the reliability of which generally remain of concern (Rosen & Hanemann, 2009:3).

Within this backdrop, China's investment in Africa is poised to expand rapidly. A central government announcement of late 2013 informed of a decision to provide US$ 1 trillion in financing to Africa by 2025 (Xinhuanet, 2013). That amount will comprise soft and commercial loans (ibid), and be roughly three-quarters directed through China's Import-Export Bank. National and regional macro-economic policies in Africa especially will be fundamental to two-way success amid such potentially large volumes of Chinese outbound investment.

Figure 2: China-Africa Trade



Source: PRC, National Bureau of Statistics. 2013. "China Statistical Yearbook 2012", China Statistics Press: Beijing.

Total Sino-African trade volume reached US$ 198.49 billion in 2012 (Figure 2), reflecting the year-on-year growth of 19.3 per cent (PRC, MOFCOM, 2013a) that is reflected in Figure 2. This was comprised of Chinese imports of US$ 113.2 billion from Africa and exports of US$ 85.32 billion (ibid). In view of that growth rate, China being Africa's largest trade partner and concern for the unbalanced composition of bi-lateral trade, in 2010 then Vice-President Xi Jinping promised to "enlarge the scale of China-Africa trade, and optimize the trade structure" (Pang, 2010).

Africa's trade with China as a proportion of total African trade is more than double the share of Africa in China's total trade, making that promise especially important to Africa. China imported almost 20 per cent of Africa's exports, and was responsible for over 14 per cent of imports in 2012 (PRC MOFCOM, 2013a). Bilaterally however African trade dependencies on China vary widely. In 2012 for example, Angola exported some 40 per cent of total exports to China, and South Africa more than 13 per cent, where island economies such as Cape Verde and Comoros recorded no exports to China at all. Imports from China by African countries as a percentage of total national trade however are far less dispersed between countries (Johnston et al, 2014). As with China's investments in Africa, trade with China is also found to be proportionately more important in African countries with a poor governance record (De Grauwe et al, 2012).

For China, trade with Africa reached 5.13 per cent of total foreign trade in 2012, up from 2.23 per cent in 2000 (PRC MOFCOM, 2013a). Imports from Africa comprise a higher proportion of China's total imports than exports to Africa are of total exports: 6.23 per cent against 4.16 per cent (ibid). China's higher African import dependency relates to its demand for African oil (Thomson and Horii, 2009; Ademola et al, 2009), which has risen significantly in recent years.

Where total trade is less important to China, the basket of goods that China buys from Africa is however strategically very important to China. In 1990 China for example imported no oil from Africa at all. Two decades later roughly one quarter of its foreign oil supply was being sourced from the continent (ibid: 648). Such is the relative scale of oil demand from China against demand for other African exports that half of "Africa's" trade surplus with China accrues to just a single oilexporter, Angola (IMF, 2010). For non-oil or mineral exporters it is much more likely that trade with China produces a trade deficit (ibid).

An emerging body of literature has identified positive and negative effects of rising China-Africa trade flows. Direct trade impacts depend on the extent of mineral resources of a country (Jenkins & Edwards, 2005; Kaplinsky, 2006; Zafar, 2007). Indirect trade impacts include diversion of investment and labour to the extractive sector at the expense of manufacturing, Dutch disease, which is found not only to have adversely affected the horticulture and textiles sectors of copper-exporting Zambia (Bova, 2008), but Africa's resource exporters more generally (Kaplinsky & Morris, 2008). Trade with China has also displaced light manufacturing in selective African countries (Giovannetti & San Filippo, 2009; Kaplinsky & Morris, 2009; Khan & Baye, 2008).

In gains to trade with China, African countries with limited diversification among their dominant primary product exports have experienced broader growth benefits than more diversified exporters (Baliamoune-Lutz, 2011). Countries importing from China on the other hand have shown more consistent growth benefits than have exporters (Maswana, 2010; Baliamoune-Lutz, 2011). Worryingly, and in the face of contrary political commitment, these findings suggest that current patterns of growth between China and Africa are oriented away from sustainable structural upgrade and economic diversification for Africa. They also highlight an inconsistent impact of China across not just importers and exporters, but countries, industries, product lines and time. A generic economic policy script between China and "Africa" may not only be inefficient but could even be counter-productive.

Thanks partly to sheer scale of the sum of sovereign-Africa-China trade and investment ties, and their multipliers, Africa is now home to some of the world's fastest growth rates (Wang, 2007; *The Economist*, 2011). On a visit to the continent in 2014 China's Premier called Africa "a major pole in global economic growth" (Li, 2014). In terms of African economic growth with respect to ties with China, by 2015 it is predicted China-Africa trade will reach US$ 300 billion (PRC, Ministry of Commerce (MOFCOM), 2013a). By 2020 intra-emerging market trade is forecast to have increased ten-fold, with China-Africa trade leading the way (Fletcher & Ahmed, 2012). By 2025 Chinese investment levels in Africa are planned to have reached US$ 1 trillion (Xinhuanet, 2013).

In the face of such growth and theoretical potential for development, finding appropriate policies to steer and stabilise that growth amid varied economic multipliers of China between nations and economic profiles in Africa is arguably one of the most important challenges facing African policy makers today. One starting point for facing that challenge is to understand what policies are in place today, where, and their multipliers where known. This is the aim of the next section.

China's Africa-Related Policies

The following review of trade and investment related policies offers an overview analysis of these policies around five policy framework areas: 1) Inter-governmental institutions; 2) Investment; 3) Trade; 4) Currency Issues; 5) Structural Factors. Excluded however are for example more firm-level and commercial policies, such as incentives offered by China's policy banks for financing commercial projects in Africa. As a basic review of trade and investment policies, we opt to focus on macro policies that help to define sovereign level China-Africa relations and which by definition can theoretically apply consistently between countries. This does not however suggest that there is not also a need for better understanding how all types of Chinese economic incentives apply between African economies and firms, but rather that that is not the choice of focus of our paper.

Inter-governmental institutions

China-Africa ties are co-ordinated through the Forum on China and Africa (FOCAC). Through FOCAC a head of state level forum rotates between China and an African host every three years, alongside more regular ministerial and technical meetings. Burkina Faso, Sao Tome and Principe, and Swaziland are excluded at China's insistence that all participants adhere to the One China Policy. The Gambia is also excluded on basis that while the country has severed diplomatic ties with Taipei since November 2013, it has not since established diplomatic ties with Beijing.

The growing number of Sino-Africa economic deals are under-pinned by "Economic and Technical Cooperation" Agreements. At least 45 bi-lateral "Economic and Technical Cooperation" Agreements have been signed between China and African nations. These are commonly signed between China and a sovereign economic partner to mark a new beginning in commercial and economic ties on the basis of "equality and mutual advantage" (European Commission, 1985:1). Taking that official process a practical policy step further, thirty-three African countries have also established bi-lateral economic and trade joint committees, or at least a committee mechanism (PRC, MOFCOM, 2011).

Investment

There is no coherent multi-lateral framework for governing bi-lateral investment, and thus also no governing institution such as the World Trade Organisation to oversee investment law or disputes. A set of bilateral investment-related treaties and policies commonly and enforceably used to to govern investor-to-state dispute settlement outside of the domestic judicial system (Neumayer & Spess, 2005).

Of these, the Bilateral Investment Treaties (BITs) were commonly used by the North to advance three broad policy goals: 1) to promote and protect investment; 2) to facilitate investment entry and operation; and 3) to liberalize the economies of developing countries (Ofodile, 2013:139). In investment between investor developed countries and recipient developing country hosts, BITs on average are associated with higher foreign direct investment (FDI) inflows (Neumayer & Spess, 2005) - part of the reason why developing countries have accepted their typically extensive conditions (Guzman, 1997). By 2009 South Africa's displeasure with its experience of BITs led to a review of the whole system, that itself left some existing BITs to expire and a near moratorium on future BITs being imposed (ibid:199).

In China's case, as a capital importer in the 1960s, 1970s and 1980s, it largely rejected BITs (Berger, 2008: 1). While BITs signed by China up until the late 1990s were thus characterised by reluctance to imply strong legal protection to foreign investments, since then China has been acting more like a capital-exporter and its BITs correspondingly have been far-reaching in substantive and procedural investment protection (ibid:8). That shift in China's international economic policy, in support of China's integration into the world economy and transition toward market economy status, is so significant some scholars have overtly expressed surprise that it has not received more attention in the literature (for example Schill, 2007).

China's model BIT agreement has been described as comparable to the model used by European countries, with China however retaining reservations toward unrestricted national treatment of foreign investment (Berger, 2008). In its BITS with developing countries China typically includes comprehensive investor-state arbitration procedures (ibid: 11). Generally, China's BITs with African nations as compared to those of developed countries are said to focus more on investment promotion and protection and less on investment liberalisation; have limited transparency clauses; do not entirely prohibit performance requirements; and do not grant free access and establishment (Ofodile, 2013).

China's BIT with Botswana, signed in June 2000, was a first for including stronger provision for compensation for losses due to war and civil strife in granting foreign investors the same treatment as domestic investors in this circumstance (Berger, 2008:11). No African LDC has so far taken advantage of their generally recognised right to shelter their infant industries (Ofodile, 2013).

A large body of literature explores the legal and economic impact of developed-developing country BITs on recipient economies (see Sauvant and Sachs, 2009; Egger & Pfaffermayr, 2004). The body of literature studying Sino-Africa BITs and other types of investment-related agreement between China and developing countries is nascent in comparison. Challenges to such research as including that roughly half of the China-Africa BITs signed are actually in force; many are not available to the public; even where available and in force the details are only available in the language signed (Ofodile, 2013).

The importance of that missing research however is underscored by the suggested presence of "novel mechanisms for the protection of foreign investors," in China's BITs (Schill, 2007); and backdrop of the mixed history of BITs sign between African countries and developed countries. Research that can better comparatively inform African policymakers of exactly what has and has not yet been signed between China and African countries, and what by precedent this might mean for investment relations and economic development, would be timely.

Table 1: Bi-lateral economic agreements signed between China and African countries

Country	Trade			Investment		
	LDC Trade Preferences[1]	Market Economy[2]	Tourism Destination[3]	Bi-lateral Investment Treaty[4]	Double Taxation Treaty[5]	Economic Zone[6]
Central Africa						
Angola	Yes					
Cameroon			2012	1997		
Central African Republic	Yes	2006	–			
Chad	Yes					
Congo, Rep.		2004		2000		
Congo, DRC	Yes			1997		
Equatorial Guinea	Yes			2005		
Gabon		2006	–	1997		
Sao Tome & Principe	No*					
East Africa						
Burundi	Yes					
Comoros	Yes					
Djibouti	Yes		–	2003		
Eritrea	Yes					

Ethiopia	Yes		2004	1998	2012	Yes
Kenya		2006	2004	2001		
Madagascar	Yes		2012	2005		
Malawi	Yes					
Mauritius			2004	1996	1995	Yes
Mozambique	Yes			2001		
Rwanda	Yes		2013			
Seychelles			2004		1999	
Somalia	Yes					
Tanzania	Yes		2004			Yes**
Uganda	Yes		2007	2004		Yes**
Zambia	Yes	2006	2004	1996	2011	Yes
Zimbabwe			2004	1996		
North Africa						
Algeria		2006	–	1998	2007	
Egypt		2006	2002	1994	1999	Yes
Libya						
Morocco		2010	2007	1995	2006	
South Sudan	Yes					
Sudan	Yes	2006	–	1997	1999	
Tunisia			2004	2004	2003	
Southern Africa						
Botswana				2000		Yes**
Lesotho	Yes					
Namibia			2007	2005		
South Africa		2004	2003	2001	2001	Yes**
Swaziland*				1998		
West Africa						
Benin	Yes	2004	–	2004		
Burkina Faso	No*					
Cape Verde		2007	2009	1998		
Cote d'Ivoire				2002		
Gambia	No***					

Ghana			2009	1989		Yes**
Guinea	Yes	2008	–	2005		
Guinea-Bissau	Yes					
Liberia	Yes	2006	–			
Mali	Yes	2006	2009	2009		
Mauritania	Yes					
Niger	Yes	2006	–			
Nigeria		2004	–	2001	2009	Yes
Senegal	Yes					
Sierra Leone	Yes	2006	–	2001		Yes**
Togo	Yes	2004	–			

** Has diplomatic relations with Taipei. For LDCs Burkina Faso and Sao Tome and Principe this prohibits qualification for related trade preferences.*

*** Privately or semi-privately established zone.*

**** Has diplomatic relations with neither of Beijing or Taipei, excluding it from applying for China PRC's LDC trade preferences.*

Sources: 1) Least Developed Country; UNCTAD (2012); 2) Multiple national ministry and news websites; 3) PRC China National Tourism Administration (2014); 4) UNCTAD (2014); 5) PRC State Administration of Taxation of China (2014); 6) Brautigam et al (2010); Brautigam (2011b); Brautigam and Tang (2012); Ng'wanakilala (2013) and Ventures Africa (2014).

China signed its first BIT with Africa in 1989, with Ghana, a country also among first movers in Africa to opt to recognise Beijing instead of Taipei and more recently also to have agreed the use of China's currency, the Renminbi (RMB), within its currency reserves and as a currency of trade (UNCTAD, 2013). A further 13 BITs between China and countries in Africa were signed in the 1990s (Table 1).

The FOCAC summit of 2000 agreed to promote trade and investment "by creating an enabling legal and business environment so that such cooperation will gradually play a leading role in the China-Africa economic partnership" (China.org.cn, 2014). China has pushed for African countries to conclude BITs through the FOCAC framework ever since (Ofidile, 2013:158), though few such BITs have actually been signed since 2005 (Table 1). By end-2012, 32 BITs had been signed between China and African countries according to China (PRC, MOFCOM. 2013a) (Table 1). Between African regions, the highest density of those BIT signings is found in Africa's more economic developed north and south (Table 1).

As a complement to BITs, China has also agreed 13 "Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes and Income" Agreements (Table 1). Excluding that signed with Ethiopia, most of these are more than ten years old. The effects of double taxations agreements on inducing FDI are not studied conclusively. A more recent study suggests these agreements do increase FDI stocks (Barthell *et al*, 2011). The case of China-Africa double taxation agreements is underexplored.

China's policy of establishing Special Economic Zones (SEZs) in Africa is part of its international "Going Out" policy and its effort to help diversify and upgrade Africa's exports to China. These also build upon the successful Chinese experience with similar zones over three decades of reform. China inaugurated three initial domestic SEZs in the 1980s, shortly after China's economy began opening up, in Shenzhen, Zhuhai and Xiamen. Africa too has experience of special economic zones, but so far these have largely failed to reach the levels of physical, institutional and human capital needed to attract global investors (Farole, 2011).

Investment in China's SEZs was encouraged via unique incentives and fast-tracked infrastructural development, as in the case of the zones in Africa. In China however, their locations were proximate to overseas Chinese investor networks in Taiwan, Macao and Hong Kong, who were among their lead investors (Naughton, 2007; Yeung *et al*, 2009). They were also located along China's relatively resource-poor and densely populated former treaty port-rich southern coastline, an economic geography associated with sustainable long-run transformation and growth (*Growth Report*, 2008).

Africa's economic geography is in contrast uniquely lacking density, long in distances and demography diverse (World Bank, *World Development Report*, 2009:283). Relatedly, Africa's collective market lacks regional production networks, presenting a consequential challenge for investment and trade development (Giovannetti & San Filippo, 2009). This also makes replication of East Asia's multi-tiered hierarchical "flying geese" model of development more difficult[1]. Among Africa's core needs as a result is "to enable its coastal, resource-scarce economies to surmount the threshold entry barrier constituted by its lack of agglomeration economies in labour-intensive manufactures" (Venables, 2008: 59). Of the initial batch of China-Africa investment zones however, two are hosted in landlocked countries (Ethiopia and Zambia); three are in resource-rich countries (two in Nigeria and one in Zambia); and one is an island (Mauritius) (Table 1).

Generalised fears have been raised for the sustainability of the zones (Brautigam *et al*, 2010). In the case of the zone in Ethiopia for example, a major partner pulled out early, leaving smaller partners struggling to sustain it (Brautigam, 2011b). In addition government support for the zone has been lukewarm (Brautigam *et al*, 2010). The long-run investment drivers of the zone's viability include that Ethiopia is the world's most populated landlocked country, may enjoy rapid economic growth from a low base, has a large labour force, and ample natural resources including cotton, wood and cattle (Geiger & Goh, 2012b).

Several more independent Chinese industrial parks and free trade zones have recently emerged, in Sierra Leone, Nigeria, Uganda, Botswana and South Africa (Brautigam, 2011b). Tanzania's government has also signed an agreement with China Merchants Holdings (International) Co. Ltd in 2013 to build a new port, special economic zone and railway network, which could exceed US$ 10 billion (Ng'wanakilala, 2013). This marks a shift in Chinese commercial interest to invest in the East African nation - in the initial bidding round for zones in partnership with the Chinese state, Tanzania is said to have sought to host a zone, but no Chinese companies were interested (Brautigam and Tang, 2012: 8). In early 2014 Chinese construction company Huasheng Jiangquan Group announced an investment of more than US$ 2 billion in a new industrial park in Shama, a small fishing port in western Ghana. The zone is intended to create 5000 direct jobs, and to improve that area's infrastructure and port development (Ventures Africa, 2014).

Looking forward, the planned US$ 1 trillion investment by China in Africa over the next decade is reminiscent of the mid-20th century notion of a "Big Push" (Rosenstein-Rodan, 1943). The argument then was that eastern and south-east Europe needed a "big push" to overcome low-equilibrium trade and poverty. The logic of the "Big Push" derives from neo-classical growth models, in which concurrent low savings rates and high population growth produce a poverty trap. A "Big Push" targets increasing the capital-labour ratio toward reaching the minimum level required for a convergence with steady-state economic growth (Sachs *et al*, 2004). Given receptive conditions in Africa, a "Big Push" of Chinese-invested dollars may theoretically serve that type of transformative developmental role. That in turn could help to permanently overcome the continent's hitherto four development traps, these being: the conflict trap, the corruption trap, the primary commodity trap and the fractionalised society trap (Collier, 2006). Effective investment laws and economic policies will be required.

Trade

There are no free trade agreements (FTA) signed between China and any country or customs union in Africa. FTA negotiations began between China the Southern African Customs Union - Botswana, Lesotho, Namibia, South Africa and Swaziland - following the June 2004 visit by then Chinese Vice President Zeng Qinghong to South Africa (PRC MOFCOM, 2013b). Protracted negotiations may reflect a study concluding that South-South trade agreements generate small benefits and greater trade diversion rather than trade expansion effects (Venables, 2003). Collective South-South trade liberalisation however has more recently been found to offer greater welfare gains to developing countries than South-North liberalisation (Fugazza and Vanzetti, 2008).

International trade with China within a World Trade Organization (WTO) framework includes an additional trade policy matter that relates to China's WTO ascension terms. The 2001 agreement included that other WTO Members would treat China as a non-market economy until 2016 (China Economic Net, 2012). Market economy status is significant because it is easy for a market economy to accuse a non-market economy of dumping. As a result it is also easier to impose punitive tariffs on the related goods. Companies from non-market economies are thus "subject to bureaucratic whims that allow the prosecuting country to use, for example, costs in India as a guide to what it cost to make a product in China." (Panitchpakdi and Clifford, 2002: 196).

Non-market economies benefit however from being able to subsidise production in ways that market economies cannot. Since "Filing anti-dumping charges acts to slow down imports and often is used to protect uncompetitive local industries" (Panitchpakdi and Clifford, 2002:195), market economy status would be expected to increase trade flows, theoretically at least especially for the former non -market economy.

Some countries have recognised China as a market economy ahead of WTO stipulations but not major trading partners like Japan, the US and European Union. In Africa, a higher proportion of countries having recognised China as a market economy are resource-rich economies of Africa's North and West (Table 1) (Collier and O'Connell, 2007). By logic this suggests that African economies that are more trade complementary with China are more inclined to recognise China as a market economy ahead of the WTO requirement to do so in 2016. To our knowledge no formal research has been undertaken on the topic directly, though early recognition of market economy status is positively associated with China's import levels globally (Johnston *et al*, 2014).

Trade preferences for African LDCs offered by China began in 2003 as zero-tariff treatment for 190 kinds of commodities. Thirty-three African countries are LDCs[2]. Of these Burkina Faso, Sao Tome and Principe, and The Gambia do not have diplomatic ties with Beijing, and so are excluded from applying for China's LDC trade benefits.

In 2004, China extended its trade preferences to Africa, promising it would negotiate lists of tariff-free goods and the rules of origin on a bi-lateral basis. In 2007 the number of items on the duty-free list were doubled to 440 items. At FOCAC in 2009, China extended tariff exemption to 95 per cent of exports from LDCs (Danchie, 2010). Those exports accounted for 88 per cent of the product categories exported from Africa to China (Minson, 2008:3). The average margin of preference granted is a 10.4 per cent tariff, giving an estimated total value of the preferences of US$ 10 million per annum (ibid:3).

The impact of China's trade preferences is reduced by non-exclusivity. African LDC trade preferences from China are mostly that is, also offered not just to African LDCs but also to all LDCs worldwide. Specifically, 309 of the 440 qualifying products from Africa are also exported from Asian LDCs that similarly qualify for trade preferences from China (Danchie, 2010).

Some African LDC exporters have benefited from China's LDC trade preferences more than others. Angola, Sudan, Congo Rep., Equatorial Guinea and Congo Dem. Rep. provide some 90 per cent of total LDC exports to China. Chad in contrast received no benefit for what it exported at all, while Congo Dem. Rep. received just over US$ 130,000 benefit (ibid). Gravity modelling of China's imports found that on average landlocked and resource-poor countries, many of which are LDCs, 'under-export' to China, meaning they export below the predicted level based on a number of standard trade-related economic variables (Johnston et al, 2014).

The case of the continent's most advanced economy, South Africa, highlights the near insurmountable hurdles facing weaker LDC potential exporters to China. South Africa's fruit exports to China are restricted because of unnecessarily high protocol on quality and hindered by the absence of a bi-lateral phyto-sanitary agreement (Sandrey et al, 2008). China's cold chain sterilisation requirements also damage agricultural products during transhipment, and add to their final cost (ibid).

Trade in services between China and African economies are of rising importance, especially in tourism. Chinese tourists to Africa rose by more than 56 per cent year -on-year in 2012 (An, 2013). In 2012 South Africa, then still Africa's largest economy, hosted the highest number of Chinese tourists, receiving 130,000 Chinese visitors, up more than 10 per cent on 2011 (ibid).

Broader development of tourism ties face the institutional barrier of the need for each African country to bi-laterally agree with China that it become eligible to receive inbound Chinese tourists. At end-2013, 19 countries had permission to receive Chinese tourists. First to recognise Beijing over Taipei, Egypt was also first to formally host Chinese tourists (Table 1). Landlocked Rwanda is the most recent addition to the list.

The prominence of trade among them may explain the 2013 announcement of a "Special Plan on Trade with Africa". The aim of the plan is to expand the scope of zero tariff treatment for African products exported to China, and to increase China's imports from Africa. Emphasis is on improving brand recognition, marketing channels, and customs and inspection services. China's 2013 China-Africa white paper also promises that China will mobilize aid for trade, provide support for trade facilitation, and push forward intra-African trade development. The exact policies that will underlie this "Special Plan" and how and where these will be applied are unclear.

Internationalisation of the Renminbi

A finally issue related trade and investment policies to be explored here are those relating to currency, a matter that facilitates trade and investment exchange. At present most trade between China and Africa takes place in third currencies, including and especially international reserve currencies like the US dollar, Euro, UK Pound and Japanese Yen. Despite the scale of China's economic ties with Africa, since its currency, the RMB, is not yet internationalised, it plays a relatively limited role in trade and investment, so far.

The "internationalisation of the RMB however is thus far proceeding at a measured pace, with China's reform sequence intended to increase the use of the RMB in international trade and investment" (Ballantyne et al, 2013:1). Over the long-term, as the RMB exchange rate becomes more market determined and the capital account becomes more liberal, the RMB may become a major global currency. For African economies, this could shift the speed and characteristics of the development path of trade and investment, and possibly eventually even the price path of commodities - the current export revenues bread and butter for many African economies.

A step in process of internationalising the RMB is the signing of Bi-lateral Swap Agreements (BSA) between the People's Bank of China (PBoC) and certain countries. The PBoC informs that the main objective of BSA's is to promote the RMB's use in trade and investment (PRC, PBoC, 2012). This is different from the traditional use of BSA's, which is as a precautionary arrangement to provide liquidity during a financial crisis (García-Herrero and Xia, 2013).

By late 2014, two African countries, Ghana and Zimbabwe, had agreed use of the RMB as part of the basket of currencies in which they hold foreign currency reserves and in which they settle international transactions (The Africa Report, 2014). Nigeria, Mauritius, Kenya and Zambia are among countries reported to be openly considering expanding the role of the RMB within their economies (ibid). South Africa is the only African country among a select few countries that participate in the China Interbank Bond Market (CIBM) program, which offers an indirect route via which offshore RMB can be invested in China by offering approved investors access to the Chinese interbank bond market (Ballantyne, 2013: 71).

Increasing internationalisation of the RMB introduces a whole new type of noodle into the "China-Africa policy noodle bowl", and is likely to be a dynamic area of policy change in the years ahead. Transparent information about that process across countries and time may help African central banks to make the most of their resources and these changes.

Structural Factors

Beyond economic flows and stocks and their multipliers, structural influences also affect the developmental dividend of China-Africa ties. The growth benefits to trade with China for African countries for example are lower than for trade between African and advanced economies (Baliamoune-Lutz, 2011). More generically, Kaplinsky et al (2010) identify how the rise of a developing country the size of China as a main export market could limit the ability of today's low-income countries to steadily increase the value-added of their own exports.

In 2013 Nigerian Central Bank Governor Sanusi Lamido (Sanusi, 2013) highlighted that the days when Non-Aligned Movement that had united the South after colonialism was gone. China, he argued, unlike most of Africa is now not a "fellow under-developed economy". Instead, it is losing its cheap labour costs, and Africa in turn, he wrote, must follow in China's earlier footsteps, investing in human and physical capital to produce its own value-added goods. Getting appropriate policies in place is fundamental to this goal.

Discussion

To our knowledge this paper is the first systematically outlay China's sovereign Africa-relevant trade and investment policies across countries and regions, and to draw together understanding of the related multipliers.

That survey has served two purposes. Firstly, it provided a newly comprehensive reference for policy-makers, researchers and entrepreneurs to better understand the scope of China's Africa trade and investment policies across sub-Saharan African. Secondly, it has drawn attention to the lumpiness in the relevance and application of those trade and investment policies across countries in Africa, noting also that there is a lack of research exploring how that "China Africa noodle bowl" might be directly and indirectly shaping both bi-lateral China-Africa economic ties and intra-African development.

The conclusion of this review is not however that China-Africa economic policy ties should be developed consistently within policies or between countries in Africa. More likely is that that process will and should take place at the appropriate bilateral and regional pace around national conditions.

It is undeniable though that greater and more continuous knowledge of what and how China-Africa economic policies apply to different African countries, sub-regions and the related economic effects would serve to better inform African policy-making and also mutual China-Africa policy-making. For all that is understood from the literature so far, the nature of the ”China Africa policy noodle bowl” may be having a net adverse effect on intra-African growth, via channels that were not the focus of this study, but which could theoretically include by re-directing intra-Africa economic integration toward bi-lateral economic integration with China; growth stifling effects associated with debt overhang or fears thereof *vis-à-vis* the risks inherent in large-scale sovereign borrowing; the net effect for African labour markets and long-run development of the use of Chinese labour in Chinese-funded infrastructure projects in Africa, among others. Methodological exploration of these and similar topics across countries and time may shed useful light on potential directions for associated future policy-making.

Beyond shedding light on the basic characteristics of China-Africa economics and economic policies questions arising as a result of this review are many. They include what does it mean that some neighbouring economies in Africa have deep institutional ties with China, and others not, yet are otherwise simultaneously seeking to regionally integrate? What varies within BITs between African countries and why? Is there a more efficient process that could help to streamline the institutional framework across countries in Africa ahead of China's planned trillion-dollars of investing in Africa by 2025? Do trade preferences between developing countries work differently to trade preferences between rich and poor countries? Without further research the answers to these questions and how best to devise onward policies for maximised mutual benefit remain unanswerable. And yet the importance of the answers is rising over time.

Future research may thus consider more detailed studies that compare the effectiveness of China's BITs between different African countries and how this impacts investment relations and success and broader economic growth. Research exploring the institutional relations between and requirements of foreign investors in China's own highly successful foreign investment process, including expectations of local ownership, transfer for technology, and training of local staff, might also be re-visited toward relevant application to the African case. The latter could serve to directly and explicitly embed lessons from China's experience of FDI absorption into Africa's own investment ties with China, where and as relevant. Detailed country or sub-regional case studies would also be insightful. The evolution of the use of the RMB on the continent is likely also to be a topic of increasingly policy and economic relevance over coming years.

In 2013 the governor of the central bank of Africa's largest economy, Nigeria, called for Africa to "replace romance with hard-nosed economic thinking" in its ties with China. This paper marks an early contribution to informing that call. Many more, policy-specific or country-specific qualitative and quantitative research papers however are required to better inform fast-evolving China-Africa economic ties, of the type discussed herein. That type of transparent information and research may even be prerequisite for realising goals of improved economic welfare both in and between African nations, and in their respective and collective partnership with China.

Endnotes

[1] The flying geese model (Akamatsu 1961, 1962) describes how industrialization spreads from developed to developing countries: the initial 'goose' (the frontier economy) leads the second tier 'geese' (developing economies), which are followed by third-tier geese (least developed economies) through a process of gradual labour production outsourcing.

[2] LDCs are countries with low GDP per capita, weak human assets and high degree of economic vulnerability (UNCTAD, 2012). LDCs in Africa: Angola, Benin,

Burkina Faso, Burundi, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauretania, Mozambique, Niger, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Somalia, Sudan, Togo, Uganda, Tanzania, and Zambia (Source: UN.org)

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