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Review of a "Noodle Bowl"**

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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).

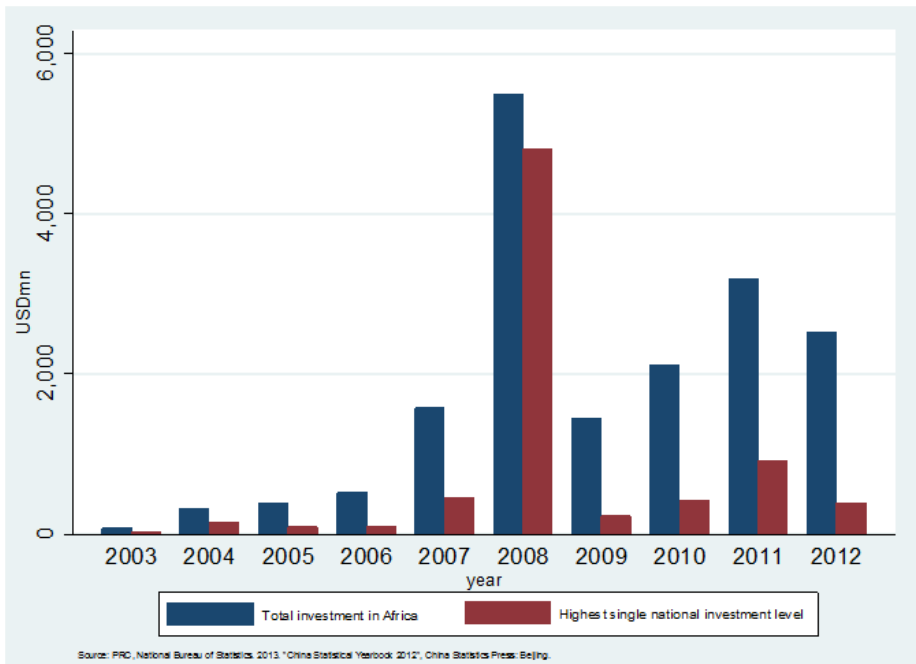
Recent expansion of China-Africa economic ties has reflected the complexity of China's own development contradictions since opening and reform (Jiang, 2009). They have also made China Africa's largest trade partner, since 2009, a shift altering centuries of colonial-centric extra-African trade patterns. 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*).

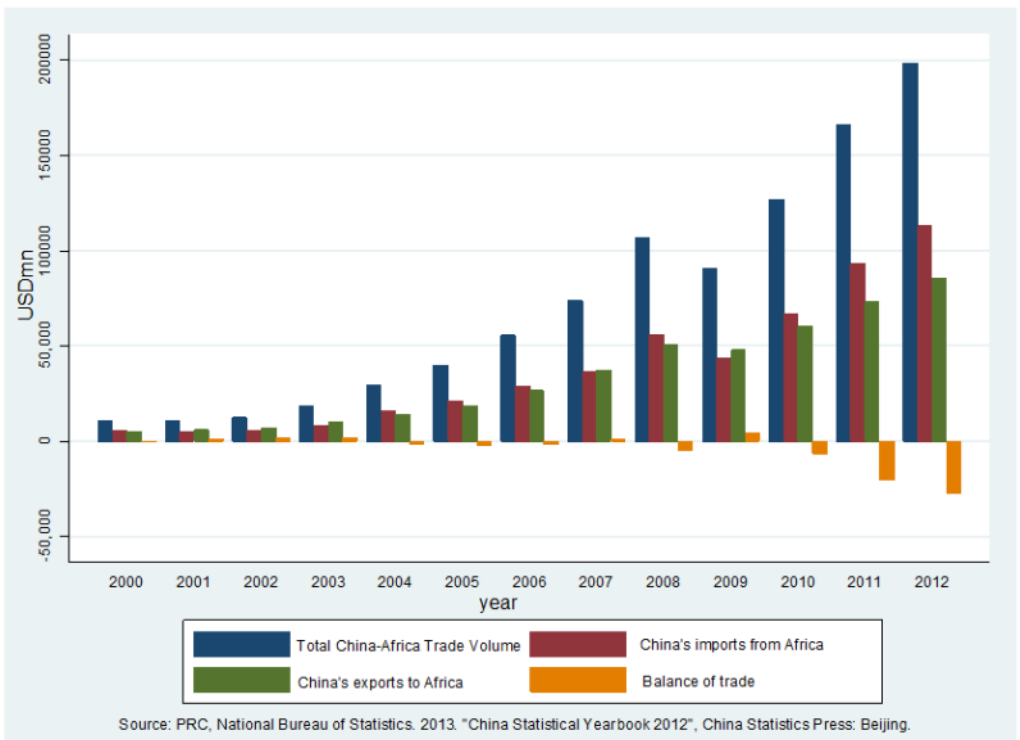
Lumpy across countries and time, the data shows that oil and metal exporters have consistently received the largest national share of China's Africa investments: Nigeria in 2003; Sudan in 2004, 2005 and 2011; Algeria in 2006 and 2009; South Africa in 2007, 2008 and 2010; and Angola in 2012 (Figure 1). 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



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). Bi-laterally 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 oil-

exporter, 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 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 Sauvart 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
<i>Central Africa</i>						
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*					
<i>East Africa</i>						
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					
Mauntius			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		
<i>North Africa</i>						
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	
<i>Southern Africa</i>						
Botswana				2000		Yes**
Lesotho	Yes					
Namibia			2007	2005		
South Africa		2004	2003	2001	2001	Yes**
Swaziland*				1998		
<i>West Africa</i>						
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 FO-CAC 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 difficult¹. 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 Chi-

nese 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 LDCs². 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 transshipment, 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 meas-

ured 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 (Baliemoune-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 effec-

tiveness 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, Mauritania, Mozambique, Niger, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Somalia, Sudan, Togo, Uganda, Tanzania, and Zambia (Source: UN.org)

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China-Malawi relations: an analysis of trade patterns and development implications

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Abstract

As China is emerging as a force to reckon with in the 21st century it has formed economic and political partnerships with a number of countries especially in Africa, including Malawi. There are contending views on China's role in Africa with some viewing it as a neo-colonial power and others as Africa's development partner.

This paper investigates how China-Malawi relationship has contributed to economic development in Malawi. This limits the scope of the study to Chinese Government investments directly dealing with the Malawi Government. The article analyses China-Malawi trade patterns, the number of jobs created by Chinese investments and other contributions by China.

Exploratory research design, aspects of descriptive research and mixed methods of analysis is employed to uncover the nature of China-Malawi relations between 2007 and 2012. Using secondary data sources and interviews with principal trade officers, the study found both positive and negative trends. The level of Malawian exports to China is low compared to Chinese exports to Malawi. This entails trade losses for Malawi which in turn has implications for development and also for the society that

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Malawi is evolving into. Results also suggest that trade gains and losses are affected by the fact that China and Malawi are at different levels of economic development.

Time series analysis shows considerable amount of China's investments to Malawi creating some level of employment for Malawians. Bivariate regression analysis also reveals no relationship between investment levels and employment created. This suggests the importation of Chinese labour into Malawi which leads to economic losses for the Malawian workforce. China is also found to play a positive role in other areas such as: health, education, agriculture and low cost infrastructure.

Overall China has a modest impact on Malawi. China comes out as both a neo-colonialist in some areas and as a development actor in other areas. The study suggests various options that could boost Malawi trade and development gains such as addressing standards, supply and demand constraints and also aligning Malawi's educational system to its current trade and development needs.

Introduction

From the year 2000 African countries had begun to show faster growth rates due to the global shifts in wealth and rise of emerging economic partners namely: South Korea, India, China and Turkey, with China being the most dominant partner [African Development Bank (AfDB); African economic outlook report, 2011; Schiere, Ndikumana and Walkenhorst, 2011].

Trade has been increasing between Africa and emerging partners and stood at US\$ 673.4 billion already in 2011 (AfDB African economic outlook report, 2011). Africa was able to withstand the global financial crisis better than many other world regions, due to an increasing demand of Africa's raw materials that fetched high prices.

From 2005, Africa's per capita income rose faster than that of higher income

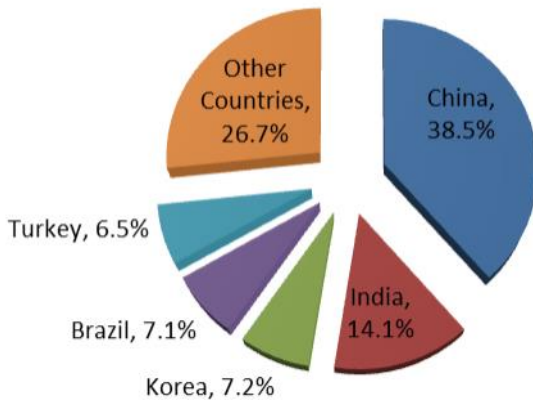
countries for the first time since the 1970s. However, poverty, inequalities and lack of inclusive growth remain as some of the challenges for African countries.

Another issue is the influence emerging partners have on the domestic affairs of African countries. The 2011 African Economic Outlook report with the theme “*Africa and its emerging Partners*” points out that there is no proof that emerging partners are negatively affecting governance, debt sustainability and industrialisation. On the contrary, Oyejide, Bankole and Adewuyi (2009: 486) are of the view that there are both trade related gains and losses from Africa’s relationship with its emerging partners. The impact of the gains and losses vary in terms of availability of natural resources, external environment, inherent institutions and policy choices.

Africa’s relationship with emerging partners has had an effect on wages, interest rates, manufactured goods, price of commodities and investment. This paper sets out to answer three questions:

1. Has the China-Malawi trade relationship benefited both parties?

Figure 1: Africa’s emerging partners and their percentage share of Trade, 2011



Source: OECD Development Centre calculations based on Comtrade in African Development Bank (AfDB: 2011: 104)

2. In what ways has China contributed to employment creation for Malawi?
3. What are the significant strides of development from the China-Malawi relations?

Research methodology and background literature

China-Malawi literature

Giovannetti and Sanfilippo (2009) in a study *Do Chinese Exports Crowd out African goods? An econometric analysis by country and sector* investigate impact of China's trade on Africa via trade channel. Results show that overall trade balance for Malawi is negative and therefore Malawi together with Kenya and Zimbabwe are classified as losing from the trade. A competition analysis of China's relation to Malawi in comparison to Mozambique and Zambia depicted the following results. The level of threat that China presents to Malawi was measured at 64 per cent in comparison to 73.4 per cent and 82 per cent for Mozambique and Zambia respectively

Similarly, Villoria, Hertel and Nin-pratt (2009) explore *the link between China's growth and the agriculture exports of sub-Saharan southern Africa countries namely Malawi, Tanzania, Zambia and Mozambique*. Study reveals that when China reduces its import expenditure of agriculture goods there is up to a 3.58 per cent reduction in agriculture exports of Malawi and Mozambique. This study reveals an important aspect since agriculture comprises 80 per cent of Malawian exports. Furthermore, agriculture is one of the areas highlighted in China-Malawi trade talks (Chinese Embassy in Malawi, 2011).

Chinguwo in Baah and Jaunch (2009) examines the impacts of Chinese investment in Malawi prior to the time Malawi switched diplomatic relations from Taiwan to Mainland China. 19 Chinese firms are used as case studies. Results show that a number of Chinese investors paid less attention to their workers welfare. For example, workers would be considered absent when sick and no provision of protective working gear were made. The study does not show how Chinese investment

and labour are linked with other areas of the economy

Analytical Framework

Since this paper looks at multi-dimensional issues it adopts Kaplinsky, McCormick and Morris (2007)'s *synthetic framework for assessing impact of China on Sub Saharan Africa* to guide the analysis. Trade flows, Foreign Direct Investment (FDI) flows and aid flows are identified as the three main avenues through which China affects countries in sub-Saharan Africa (table 3). However, this does not mean that these are the only channels, since other channels of influence may arise in other countries depending on contextual factors.

The synthetic framework enables analysis of both complementary and competitive aspects of China-Africa relations on some specific dimensions. This helps in assessing the overall impact.

Background of China-Africa relations

China-Africa relations have been evolving with China taking the leading role in the direction of the relationship for both economic and political reasons since 1955.

The 1955 Bandung Conference is a precursor to the current relations as Chinese premier Zhou Enlai encouraged solidarity in the fight for self-government and economic self-reliance (Amphiah and Naidu, 2008; Obiorah, 2007 and Karumbidza, 2007). From that time China was actively involved in supporting liberation struggles by providing arms and ideological support especially in socialist African countries such as Tanzania, Zambia and Zimbabwe. China also built the TAZARA railway connecting Tanzania and Zambia. Its first aid program was launched in 1956 in Egypt (Ndulo in Amphiah and Naidu, 2008). High level exchange visits were and are still an important feature of the China Africa relations. From 1976 to 1999 China-Africa relations was based on practical aspects of the Chinese economy which was directed by China's "outward looking strategy" in which china sought to line up its economy with the global economy (Rutaiwa, and Mkawa,

Table 1: A synthetic framework to assess impact of China on Africa

		Direct	Indirect
Trade	Complementary	Inputs for industries Cheap consumption of goods	Higher global prices for Sub-Saharan exports
	Competitive	Displacement of existing and potential local producers by cheap Chinese products	Competition in external markets-falling prices and falling market shares
Production and FDI		Direct	Indirect
	Complementary	Chinese FDI in sub-Saharan Africa particularly in fragile states Cheap and appropriate capital goods, Technology transfer Integration in global trade chains particularly in clothing Low-cost infrastructure	
	Competitive	Displacement of existing and Potential local producers Less spin-off to local economy than other foreign contactors Use of scarce resources	Competition for global FDI and production platforms. Disinvestment and relocation by other foreign investors (eg. clothing and furniture)
Aid	Complementary	Grants and concessional finance Technical assistance Training	
	Competitive		Chinese aid to Latin America creates productive capacity which competes with sub-Saharan Africa producers and lowers export prices

Source: Kaplinsky, McCormick and Morris (2007)

2011). It is worth noting that Wang (2009) in Borovska (2011) identifies three stages of China’s engagement with Africa namely the political stage, idle stage and commercial stage. This is shown in the table below.

Table 2: Three stages of China's engagement with Africa

Political stage (1955-1970s)	Idle stage (1980-1990)	Commercial stage (1990- 2000s)
<ul style="list-style-type: none"> -Mainly political ties -Infrastructure and medical aid -Determination to find support for the third world 	<ul style="list-style-type: none"> -China focusing on domestic restructuring to participate in the world economy to a larger extent. -Developing a strong position at the global level. -Restructuring China's domestic economy. -Spreading political power less important in this phase. 	<ul style="list-style-type: none"> -China establishes its position as an emerging economic power. -Booming economy increases the need for more natural resources and raw materials such as oil, steel and Cotton found in Africa involving:- State Owned Enterprises(SOE) backed by state to state deals State owned at provincial level -Private owned Chinese firms and small and medium Chinese firms forced out of China by intense competition. These see their investments in low income economies as opportunities to learn about foreign investment in less demanding global markets. -Chinese commercial ties with Africa cemented at the Forum on China-Africa Cooperation (FOCAC). -Growing investments and financial flows to numerous sectors and industries

Source: Borovska(2011) and additions from Kaplinsky (2012)

While China has been evolving the way in which it deals with Africa nothing much is said about how Africa has evolved. This seems to suggest the position of Africa as being that of a passive actor in the relationship. This may in turn affect how the benefits of the relations are shared between Africa and China.

Brief outline of Malawi's economy

Malawi attained its independence from the United Kingdom on the 6 July 1964. Malawi is a land locked country with a population of about 15 million. Malawi is a country with diverse natural resources: land, water, forestry and minerals most of which are still underdeveloped. Since independence, the structure of Malawi's economy has been erratic. Growth rates higher in 1970, lower in 80s and 1990s and

higher again after 2000 (Mbekeani, 2004:215) In 2009 gross domestic product (GDP) growth expanded by 7.6 per cent driven by agriculture, a newly commissioned uranium mine and information and technology.

Malawi economic structure is agricultural dependent with tobacco, tea, and sugar as its most important export crops (UNDP, 2011: 32). As of February 2013, Agriculture represents 29.6 per cent of GDP; the service sector contributes about 53.5 per cent (estimate) up from 35 per cent in 2005 and industry contributes 16.9 per cent. Nearly 90 per cent of the population is engaged in subsistence farming. Recent explorations by foreign mining companies have found deposits of rare earth, uranium, niobium and bauxite (Mshali, 2009; World Bank, 2009).

In 2012 the real GDP growth slowed down due to the contraction of the agriculture and manufacturing sectors. Slow growth is also attributed to a shortage of foreign currency, lack of proper working institutions such as government and other private institutions, drought and weak policies. Poverty, rising inequality and vulnerability to external shocks remain challenges impeding on Malawi's progress (IMF World Economic Outlook, 2012; African Economic Outlook, 2012).

The Malawi government launched its development and growth strategy, the *Malawi Growth and Development Strategy MGDS II* (2011-2016) in 2012 with the objective of wealth creation and poverty reduction. It identifies *six thematic areas* namely sustainable economic growth, social development, social support, infrastructure development, improved governance and cross cutting issues such as capacity development and gender (Malawi Government 2012). The paper will also briefly look at how China has contributed to some of these areas and what it means for the development of Malawi.

China-Malawi diplomatic relations

Malawi first recognised the Republic of Taiwan as representing China in 1967 under the leadership of late Dr. Kamuzu Banda.

However, Malawi established diplomatic ties with China on the 28 December 2007

under the “One China policy” thereby severing its 41 year old ties with Taiwan. (Chinguwo in Baah and Jaunch (2009:273). According to the One China Policy the People’s Republic of China (PRC) is the sole representative of China of which Taiwan is a part. This entails that under the “One China Policy” a country must sever its ties with Taiwan if it is to establish diplomatic ties with China (Chiang, 2004)

The Malawi government justified the new ties on the basis that “China has become an economic giant that a developing country like Malawi cannot ignore” (*ibid*: 273). The Chinese ambassador to Malawi Lin Songtian justified China’s presence on the basis of being able to contribute towards efforts to achieve national development and improve living standards of Malawian people through job creation (Chinese Embassy in Malawi, 2011).

On 13 May 2008 China signed a *Memorandum of Understanding (MOU)* with Malawi with the aim of enhancing investments and trade ties. Four priority areas are identified in the MOU namely infrastructure, agriculture, education and public health as areas of co-operation (Chinese Embassy in Malawi , 2011)

The Malawi China relation reached its climax in 2011 when all the major donors pulled out due to the country’s poor governance and the erosion of democratic principles (Thomas Reuters Foundation, 2011).

Under the circumstances, China was the only partner left after the withdraw of Malawi’s traditional development partners. The 2011 African Development Bank “*Africa Economic Outlook report*” stated that “China is the single most important emerging partner for Malawi” providing grants and concessional loans for various infrastructure projects (AfDB, 2011:13).

China-Malawi bi-lateral relations and development assistance and investment in Malawi

Trading with China with a population of about 1.35 billion could be advantageous for Malawi as China provides markets for Malawi’s agricultural products (MITC, 2012). On the other hand China exports a wide range of manufactured goods and processed products to Malawi (UN COMTRADE in International Trade Centre,

2012).

Most of the studies on the impact of China-Africa trade relations show that there is a trade imbalance between China and Africa, with more benefits accruing to China, except for Zambia.

Ancharaz, Vinaye and Baboo,(2010); Ruitaihwa, Mkwawa and Ramadhan (2011); Adewuyi *et al* (2010) all find that China's exports to Africa has been increasing while African exports to China have been steadily increasing but remain low compared to the volume of China's exports to Africa. For example, in Nigeria Adewuyi *et al* (2010) find that in 2005 Nigerian exports to China totalled US\$ 1.2 million while Nigerian imports from China totalled US\$ 13 million. Similarly, Ruitaihwa, Mkwawa and Ramadhan (2011) finds that in 2010 Tanzanian exports to China stood at US\$ 643 540 while imports from China stood at US\$ 866 040. But they do not interrogate further what the trade inequality between China and Africa could mean for the economic development issues of countries involved. Some of these studies have not questioned how Chinese investments have contributed to employment of the countries studied and whether they are in pro poor areas. Except for studies such as that of Ruitaihwa, Mkwawa and Ramadhan (2011) which looks at sector distribution of Chinese employment in Tanzania. That study finds that Chinese investments are capital intensive but have created jobs for Tanzania mainly in manufacturing sector followed by construction and tourism sectors. Consequently, there has been a positive contribution to economic growth and reduction of income poverty. Nevertheless, the Tanzania study does not show how many Chinese workers are employed in these sectors. This could be due to the difficulty in finding reliable data from the Chinese side on the total number of jobs created for Chinese workers in Chinese investments.

In a nutshell, trade between China and Malawi has been increasing over the years. China's current ambassador to Malawi, Pan Hejun pointed out that the Malawi trade volume with China was US\$ 100 million dollars in 2011 representing a 400 per cent jump over 2010. Furthermore, Chinese foreign direct investment (FDI) to Malawi jumped from "US\$ 0.96 million in 2006 to US\$ 11.25 million by 2009 with over 55

per cent of investments” in manufacturing sector (African Development Bank, 2011).

China pledged aid amounting to US\$ 270 million dollars for a period of 5 years from 2007 to 2012. However, it appears more than US\$ 270 million dollars has been provided. Assistance from China is complementing the traditional donors especially in terms of infrastructure development.

However, some of the projects are funded by Chinese government loans which Malawi government will have to pay back. This in turn raises questions of Malawi increasing its debt burden and its implications for inter-generational debt. On infrastructure projects Chinese companies are the main contractors of the projects. This seems to be the condition that China attached to its assistance to Malawi. These Chinese companies have a significant share of Chinese workers. In some cases construction materials and equipment also comes from China (African Development Bank, Economic Outlook Report, 2011).

As of September 2012, 196 Chinese firms were registered with Malawi Investment and Trade Centre in manufacturing, tourism, services, building and agriculture.

Table 3: Chinese investments by sector as of September 2012

Sector	Number of companies
Manufacturing	132
Tourism	15
Services	37
Agriculture/ farming	8
Import and Distribution	1
Building and bore hole drilling	2
Mining	1
Total	196

Source: MITC, 2012

Heterogeneous nature of Chinese presence in Malawi

Kaplinsky *et al* (2007) and McNamee *et al* (2012) argue that China's presence in Africa reveals different layers: individual Chinese traders, private Chinese investors and also state backed investors all trying to make the most of opportunities in Africa.

There has been a mushrooming of Chinese traders in district trading centres in Malawi as either shop owners or general merchandise traders. This has created tensions with local traders as local businesses are no longer profitable since Chinese traders offer cheaper prices. In response to this, the government of Malawi introduced the *Business Licensing Act of 2012*, which prescribes the types of investments foreigners can engage in the rural areas of Malawi. Foreigners will be allowed to operate only in the main cities and have to apply for permits with a deposit of US\$ 250,000 as initial capital (World Bank Doing Business, 2012; Ngozo, 2012). Chinese ambassador to Malawi pointed out that

It is up to the Malawi government to thoroughly screen the Chinese nationals willing to invest in the country. These are small vendors and why should the Malawi government allow them to do business? They are capitalising on government's failure to screen foreign traders."

Chinese Embassy in Malawi supported the new law. It seems the Chinese traders are not part of China's policy for Malawi as they migrated to Malawi for their own individual business gains.

Analysing the China-Malawi economic relationship

The different economic sizes of the two countries and overall growth have an impact on the relations of the two countries. While both China and Malawi are developing countries, they are not equals. Malawi's economy is largely agriculture based as explained in the introduction while China has grown to become an industry based economy with a strong manufacturing base. China is bigger geographically, population wise, as well as economically. As a result, allocation of resources to various

areas of the economy is also different depending on the peculiar problems faced by each country. Each country could gain or lose from the relationship depending on the capacity of the economy.

In general, exports from Malawi to China have been increasing. But the percentage share of Malawi's total trade with China has been fluctuating from 13 per cent in 2007 down to 8 per cent in 2008 and further down to 7 per cent in 2009. This decline could be due to the global financial crisis of 2008/2009.

There is a trade imbalance which is in favour of China. This is because Malawi exports primary unprocessed products, which are subject to price fluctuations at the global level. On the other hand, China exports manufactured value added goods, which fetch high prices due to the value addition.

On the Chinese side, imports from China to Malawi are mostly value added products. The imports to Malawi from China have also been increasing. In terms of percentage share, China has a higher percentage share of trade with the highest in 2009 at 93 per cent, compared to exports to China at 7 per cent. In 2010, import percentage share fell to 86 per cent, 80 per cent in 2011 and increased by 2 per cent to 82 per cent in 2012. China's larger share of the imports to Malawi is due to more penetration of its products which are diversified and in larger quantities, taking into consideration the large size of the Chinese economy.

Development Implications of the trade imbalance for Malawi

Chinguwo in Baah and Jauch (2009) and the *2011 African Development Bank Economic outlook report* show both advantages of the China-Malawi trade patterns. One of the advantages is that they provide increased employment and economic activities in Malawi. Chinese goods are also relatively cheaper and therefore may increase the consumer welfare especially for the poor who are able to derive benefits from a cheaper version of a product.

However, the benefits from trade are not as significant for Malawi since the balance of trade favours China over Malawi. This state of affairs has implications

Table 4: Value and Percentage share of China-Malawi trade (2007-2012)

2007	Value in US\$	Quantity	Percentage share of trade
Malawi's total exports to China	6,414.08	N/A	13%
Total imports from China to Malawi	41,203.95	N/A	87%
Trade Balance	- 34,789.87		
2008			
Malawi's total exports to China	7,157,598.38	3,087,556	8%
Total imports from China to Malawi	78,228,345.87	82,488,613	92%
Trade Balance	- 71,070,747.49	- 79,401,057	
2009			
Malawi's total exports to China	8,685,121.62	4,509,210	7%
Total imports from China to Malawi	109,019,230.20	136,727,275	93%
Trade Balance	- 100,334,108.58	- 132,218,065	
2010			
Malawi's total exports to China	33,000,012.22	25,488,173	14%
Total imports from China to Malawi	197,115,246.20	308,992,679	86%
Trade Balance	- 164,115,233.98	- 283,504,506	
2011			
Malawi's total exports to China	59,680,972.59	57,496,818	20%
Total imports from China to Malawi	233,477,434.77	224,932,822	80%
Trade Balance	- 173,796,462.18	- 167,436,004	
2012			
Malawi's total exports to China	237,734.33	-	18%
Total imports from China to Malawi	1,066,275.94	-	82%
Trade Balance	- 828,541.61		

Source: Malawi Ministry of Trade, and author's own calculation

Table 5: Disaggregation of some of Malawi Exports to China

COMMODITY	VALUE IN US\$	QUANTITY
Raw Sugar (2008,2011)	344,970.31	1,180kilos
Black Tea: fermented and partly fermented (2009, 2010,2011)	540,394.74	206,274 kilos
Coffee: both roasted and not roasted (2009,2010)	44,016.76	22,300 kilos
Cotton : carded/ combed and Cotton waste (2008,2009,2010 and 2011)	2,714,314.99	3,898,719 kilos
Tobacco: stemmed, stripped and refuse (2008,2009,2010 and 2011)	23,798,331.53	5,952,402 kilos
TOTAL	27,442,028.33	10,080,875

Source: International Trade Centre COMTRADE Database, 2012 and Malawi Ministry of Trade and Industry

Table 6: Disaggregation of some of the Chinese imports to Malawi

COMMODITY	VALUE IN US\$	QUANTITY
Quick lime and hydraulic lime (2008,2009,2010,2011)	5,063.05	18,015kilos
Gases and lubricating oil, rare gases, petroleum oil and oils obtained from bituminous mineral, distilled and other fuels (2010, 2011)	86,208.27	580litres 35,492 kilos
Cigarettes and related (2008,2009,2011)	14,532.65	12,340kilos
Fertilizers, animal and veg fertilizer (2008,2009,2010)	41,959,509.91	44,322,998 kilos
Paving blocks of glass, for building, construction purposes, base metal for building, prefabricated building and its structural components	473,148.85	587,423
TOTAL	42,538,462.73	44,976,268

Source: International Trade Centre COMTRADE Database, 2012 and Malawi Ministry of Industry and Trade and Tralac (Trade Law Centre).

for development and also for the society Malawi is evolving into. Firstly, it implies a replication of the dependency relationship of colonialism which left colonies exploited and poor, thereby leading to exploitation and underdevelopment. The situation could lead to imported inflation and inflationary pressures of unemployment (in primary sectors exporting to China due to low income benefits).

In the long run the trade might inhibit growth of emerging local industries with negative consequences for creation of jobs if Malawi continues to import consumer goods that could be produced locally. Consequently, Malawian society is evolving into a society dependent on manufactured goods from China, which is not able to develop its entrepreneurship and social innovation skills that could develop Malawi. Therefore in the long term, the trade is unsustainable. However, it is worth noting that Malawi has benefited in other non-trade avenues, which will be looked at in detail later.

Reasons for low export penetration of Malawian exports to China

Results of Skype interviews followed by email conversation on 7th February, 2013 with three principal officials from the Malawi's Ministry of Industry and Trade reveal that there are supply constraints, demand constraints and standards constraints for the low export penetration of Malawi's exports to China. On the supply side, the reasons for low export penetration are quality of products and lack of value addition as Malawi exports raw products which fetch low prices on the international market. Low productivity has also affected the supply side in that the final output is either of insufficient quantity or of poor quality. On the demand side one of the trade officers pointed out that:

"Up to now people have no knowledge that their products can be exported and even fewer understand the knowhow." (Banda, 2013)

In terms of standards, poor quality of support infrastructure such as water, electricity and transport, has a negative effect on export penetration. Another officer also highlighted the poor implementation of specific Acts. For instance, the *Malawi Bureau of Standards Act* was developed with the sole purpose of ensuring that products meet the standards and quality in Malawi.

“despite having the Act the challenges are lack of metrological equipment which are meant to test standards of specific imports such as Chinese imports to Malawi.”

In addition, the high cost of production makes most of the Malawian products uncompetitive on the international market. Standards constraints that contribute to low export penetration are the lack of accredited bodies for conformity assessment. This delays exports and also prohibits exports. Lastly, most companies in Malawi do not operate under economies of scale, thereby making access to larger markets difficult and also making their products less competitive.

China’s Impact on the manufacturing sector: the case of the leather shoe industry)

One of the Principal Trade Officer’s in the *Ministry of Industry and Trade* (2013) also shared the preliminary results of an on-going study on China’s effect on manufacturing sector. Preliminary results point to the negative impacts of China on the leather industry in Malawi.

One result is that there is an inverse relationship between shoe production by local shoe companies and the influx of Chinese shoes in Malawi.

“Small and Medium Enterprises (SMEs) in Malawi make less than 1000 pairs of shoes annually compared to 100,000 pairs it used to make 20 years ago. The shoe manufacturing sector used to employ more than 300 people about 20 years ago, and now employs about 50 people. This is linked to the high demand of Chinese shoes and lower demand for locally made shoes” (Malawian Ministry of Industry and Trade, 2013).

Results also reveal that the presence of Chinese investors in the sector has not really helped to improve the situation. This is because the Chinese investors “externalise the raw hides and skins for their companies in China” (Malawian Ministry of Industry and Trade, 2013).

Furthermore, there has been limited technology transferred in some sectors in which

Chinese have ventures. Lastly, Chinese investment in Malawi is characterised by labour importation from China in some sectors such as construction.

What Malawi spends in terms of GDP percentage to import from China

Malawi's GDP in expenditure terms has been mainly used to import goods and services from China. The ratio has increased from 1.23 to 1.42 from 2010 to 2012, providing concrete evidence of Malawi's increased import spending from China. This entails an increasing dependency on Chinese imports which in turn increase the negative balance of trade representing losses for Malawi.

Chinese contribution in job creation for Malawians.

In order to find out how China's investment has contributed to employment creation, two types of analysis were computed. Firstly, time series analysis to show the evolution of Chinese investments from 2005 to 2008 and secondly, bivariate regression was computed to establish whether there is a correlation between investment and employment created.

An interesting trend indicates the largest inflow of Chinese investment, mainly in

Table 7: Ratio of China-Malawi trade as a percentage of GDP

	Exports	Imports	GDP (PPP)	China's ratio to GDP
2010	33,214,000.00	198,391,000.00	13,400,000,000.00	- 1.23
2011	57,566,000.00	224,610,000.00	13,980,000,000.00	- 1.19
2012	59,222,000.00	265,620,000.00	14,580,000,000.00	- 1.42

Source: Ministry of Industry and Trade data

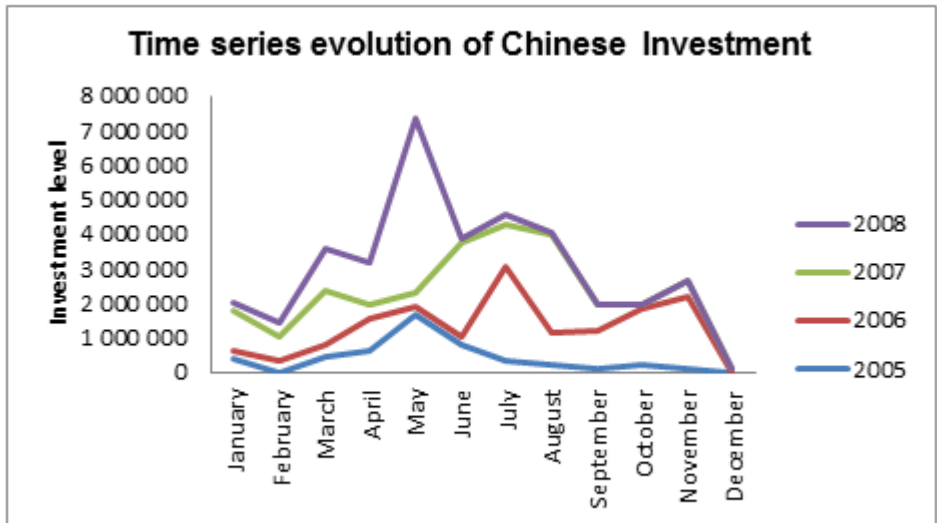
manufacturing. This is in various areas such as shoes, slippers and agro-processing, followed by investments in tourism and services such as photo processing, catering, advertising and Chinese medicine. This implies that manufacturing ventures bring in the highest investment in all the years.

Chinese investments are quite diverse in Malawi, ranging from manufacturing in

various sectors, natural resource extraction, telecommunication, agriculture and services. China has created a total of 13796 jobs from 2005 to 2012 which is a significant number. Nevertheless, considering the total investment by China, the total employment generated has been very low.

In 2008, actual number of jobs created by Chinese investment was 2173, compared to the expected number of jobs at 311 021.

Figure 2: Cross sectional graph on Chinese investments (2005-2008)



Source: Author's own calculations

An interesting observation is that the largest numbers of jobs were created in 2011. This is because the registered firms each pledged to employ a significant number of Malawians. In the manufacturing sector (plastic plates) 3202 jobs were created, in the tourism sector 2000 jobs were created, Agriculture (cashew) created 500 jobs,

manufacturing (bicycles, electronics) 500 jobs and food processing created 600 jobs. However, it is not clear if these figures are a true reflection of the total number of people employed by the Chinese firms. The Malawi Investment and Trade Centre reports that it is difficult to follow up the Chinese firms as most either change location or cannot be traced, indeed a very worrying trend.

Bivariate regression analysis was also computed to establish whether there is a correlation between Chinese investment and the number of jobs created (for 2005 to 2008). It is worth noting that correlation does not imply a causal relationship between the two variables: Chinese investment and jobs created. The value of the correlation is represented by the Pearson's correlation coefficient, R, ranged from 0 to 1. The stronger the relationship, the closer the R will be to 1 and the weaker the relationship the closer to 0.

Table 8: Total amount of Chinese investments and number of jobs created over the years

Year	Total Chinese investments in US\$	Total jobs created by Chinese investment	Expected number of jobs calculated using 2008/2010 urban minimum wage
2005	4,899,000	1116	
2006	10,742,400	1072	
2007	12,383,000	2144	
2008	8,584,189	2173	311021
2009	29,188,036	425	105754
2010	763,000	393	27644
2011	56,874,575	7290	20607
2012	21,420,000	299	77609

Source: computed from data provided by Malawi Investment and Trade Centre, 2012

Correlation values indicate that there is a relatively weak relationship between investment levels and employment for 2005 and 2006. In 2005 there was a relatively weak positive relationship with R value of 0.186 and also positive similar relationship was observed in 2006 with an R value of 0.246.

From 2007 and 2008, there is a more positive relationship with the 2007 correlation value of 0.514. In 2008, the correlation is much stronger with an R value of 0.953. Nevertheless, the correlation is not conclusive but simply reveals a trend that could have been properly followed to 2012 if the data was readily available.

The paper finds that China has contributed to some job creation in Malawi but on a very limited scale as compared to investment size.

China's contribution to infrastructure in Malawi and linkages with Malawi Growth and Development Strategy (MGDS II)

China has been involved in a number of infrastructure projects funded under both concessional loan arrangements and grants. China has funded and constructed roads (Karonga-Chitipa Road), buildings such as Parliament building, an international convention centre, and a hotel which are contributing positively to infrastructure development. However, the question that needs further clarification is whether the infrastructure developed is in the key productive areas of the economy.

African Development Bank (Malawi office) and government officials argue that China is contributing to some of the key areas set out in the Malawi Growth and Development Strategy (MGDS II). The recent development strategy (MGDS II) is the road map for Malawi to reduce poverty through sustainable economic growth and infrastructure development from 2011 to 2016 (Malawi Government 2012). The six broad thematic areas are further broken down into nine¹ key areas. For instance, infrastructural development, one of the key areas identified in the MDGS II. China has contributed to this sector in the form of energy, transport (roads) and also to information and communication as will be explained soon.

According to information published on the *Chinese Ministry of Foreign Affairs website (2012)*, on 26 June 2013, Malawi signed a US\$ 667.233 million energy deal with TBEA Chinese Company. The energy compact will facilitate construction of additional power lines and the upgrade electricity transmission lines in Malawi. The deal is to be financed by the China EXIM bank. This will contribute to addressing one of the challenges facing growth in the industry sector in Malawi that of erratic

electricity supply. The study also finds that one of the four power lines, the Kasungu line, is expected to be in areas with mining prospects: limestone for cement, niobium and other minerals. It can be argued that China displays its strategic thinking in line with those who argue that China is in Africa to satisfy its resource needs. While electricity generation output for Malawi increases, it will at the same time enable China to extract the natural resources for its own needs. Furthermore, China will be contributing to one of the priority areas of the Malawi government: the mining sector.

Another facet of the energy deal is the coal fired thermal electricity project signed between the Malawi government and China Gezhouba group Company (CGGC). The coal project is expected to produce about 1000 megawatts of electricity and use about 400,000 tonnes of coal annually.

The Malawi government, together with China, should have sought to develop other clean sources of energy, such as the geothermal electricity potential that Malawi already has from its 21 hot springs located across Malawi (Dulanya, 2006).

China's role in Malawi's agriculture sector and prospects role in food security

In line with one of the areas of the MOU, China has contributed positively to the agriculture sector. One of the criteria of Kaplinsky's analytical framework, China is complementing Malawi's efforts by using its advantage in agriculture. The study finds that one of the key contributions is the China-Malawi cotton project which is a joint investment from China-Africa development fund. The cotton project involves the China Colored Cotton Group and Qingdao Ruichang Cotton Industrial Co Ltd. It is reported that the project benefits 100 000 local farming households, and provides a significant contribution to the income levels of farming families as their cotton is exported to China. Consequently, this has a positive impact on income levels of the benefiting cotton farmers (Ministry of Foreign Affairs of the People's Republic of China, 2010)

Another aspect of China's role in agriculture is the deployment of Chinese agriculture experts and technicians through the China/Food and Agriculture Organisation (FAO) SOUTH-SOUTH cooperation. As of April 2013, 18 Chinese experts were

Table 9: Chinese Government pledge to Malawi and the projects involved

Project	Amount in US\$	status
*New Parliament Building	40 million (in grants)	completed
*101 Km Karonga Chitipa road	55 million	Completed in December 2012
Construction of a 5 star hotel	90 million (concessionary loan)	completed
Cotton investment Project in Balaka	25 million	Commenced on 25 th June 2012
40,000 seater soccer stadium	65 million (concessionary loan)	Currently being constructed in Lilongwe
University of Science and Technology building structures (recent addition)	80 million	completed
Construction of new Ministry of Defense and Malawi Defence forces headquarters	4million dollar	In the pipeline
Furniture and vehicle for Government of Malawi Ministry of Foreign Affairs (grants and goods)	300 thousand dollars	completed
Kanyika multi commodity project(China Development Bank letter of intent to finance feasibility	220 million dollars	Expression of letter of intent (LOI)
Building of 1,000 megawatts thermal electricity plant	500 million dollars	MOU signed on 30 th August 2012

Source: Chinese Embassy website in Malawi and media compiled by author

involved in field demonstrations and hands-on training. They were also involved in agronomy; farm mechanisation; agriculture production and marketing; animal husbandry; fisheries and aquaculture and also conservation agriculture, to mention a few. The Chinese experts also contributed to capacity building of farmers and extension workers on modern farming practices. Some of the extension workers also went on a study tour to China.

There are prospects that China can help in boosting Malawi's food security. About 80 per cent of Malawian is dependent on subsistence agriculture and a few are involved in commercial agriculture (FAO, 2003) Agriculture is also a source of food and employment for the informal economy. China can extend its expertise to increase the productive capacity of crops like maize, beans and vegetables which form an important part of the diet for most Malawians. China can also look at agri-

business potentials of some crops such as tomatoes and mushroom which can be processed and packed within Malawi for export.

Role of China in Malawi public health sector

Chinese doctors have been working in various hospitals in Malawi. As of 2011, the Malawi Ministry of Health reports that 17 Chinese doctors were working in Malawi. An additional 9 doctors were working on the China-Malawi visual recovery project (mostly cataract surgery) which mostly affects people in the rural areas of Malawi. Chinese volunteers have also been working across the 28 districts of Malawi. (Malawi Ministry of Health, 2013; Chinese Embassy in Malawi, 2010)

China's contribution to Malawi's education sector

Similar to some of the studies, China has been providing study scholarships for Malawians to study at Chinese Universities in various disciplines. The scholarships have been at bachelors, masters and also doctor of philosophy (PhD) levels. The *Embassy of the People's Republic of China in Malawi*, reports that a total of 142 Malawians have benefited from Chinese government scholarships (2012). *China Aid Data* (2011) and the Chinese Embassy in Malawi also report that China has provided about 98 short study scholarships to Malawi government economic officials. As of March 2011, more than 500 Malawian officials and experts have visited China or attended short training programs. How the scholarships have contributed to Malawi's growth and development remains an area that needs to be studied in detail. This could also be an opportunity for Malawi to emphasize scholarships in areas that will match with Malawi's needs of diversifying its economy.

Lastly, unlike other studies, this study finds that China has contributed in addressing the structural problems in Malawi's higher education sector by building the Malawi University of Science and Technology. Construction of the buildings is now complete and the university has been established on 17th December 2012 by an Act of Parliament. The university will offer courses in health and medical sciences, applied engineering and technology, earth and climate change science and also cancer research. Currently, the university has about 153 undergraduate students and 26 post-

Table 10: Framework assessing impact of China on Malawi

		Direct	Indirect
Trade	Complementary	Inputs for Malawian industries Cheap consumption of Chinese goods Providing space for Malawi to improve its competitive advantage Zero tariffs on 65 per cent of certain exports to China Participation in China's international trade fairs	"Higher global prices for Sub Saharan exports"(direct quotation from Kaplinsky et al, 2007)
	Competitive	Displacement of existing and potential local producers by cheap Chinese products. Unequal trade balance as trade is in favour of China Malawi's non-value added exports to China versus China value added exports to Malawi Path dependence: neo-colonialist trade patterns	"Competition in external markets-falling prices and falling market shares" (direct quotation from Kaplinsky et al, 2007)
Investment/ others		Direct	Indirect
	Complementary	Chinese FDI Malawi sectors: manufacturing, construction, agriculture Low-cost infrastructure: roads, schools blocks to mention a few Agriculture expertise, technology and investments study scholarships (short term and long term) and visits to China Chinese doctors in Malawi's public health Jobs for Malawians mostly the poor	Future effects of Chinese investments. Environmental effects Intergenerational effects of Chinese investments
	Competitive	Displacement of existing and potential local producers Less spin-off to local economy than other foreign contactors Use of scarce resources-coal, timber Environmental implications of resource extraction and investments such as coal thermal plant Importation of Chinese labour	
Aid	Complementary	Grants and concessional finance Technical assistance Training Infrastructural financing	
	Competitive	Long term implications of loans: intergenerational debt bondage	

Source: Authors interpretation of Kaplinsky framework

graduate students.

Conclusions and Recommendations

At the individual level, Chinese investments have been a source of income for those employed in Chinese companies. At national level, in some instances Chinese investments have positively complemented the efforts of the Malawi government in terms of low cost infrastructure, agriculture, health and education. This reinforces the viewpoint raised in literature of China's positive role in the development of African countries. However there are negative effects in some instances, such as illustrated by the effect on the development of the leather industry in Malawi and on trade patterns.

Unbalanced trade patterns between China and Malawi are also of concern. Similar to other studies, results of this study show that trade benefits for Malawi are low as evident from the in-balance of trade between the two countries. This is an important issue as shown in the development implications in the areas of creating inequality of trade, import inflation and effects on Malawian society to mention a few. Another observation is the focus on primary products in Malawi's export basket compared to diversified exports on the Chinese side.

Reasons for low export penetration of Malawian products into the Chinese market are also highlighted, namely standards, demand and supply constraints. The Malawi government and relevant stakeholders could consider the following options to address the constraints:

- Firstly, address the limitations that reduce Malawi's benefits from Aid for Trade² such as the lack of alignment with national goals and local ownership (Said and Mcgrath *et al*, 2011). Aid for trade can also be channelled towards building trade infrastructure, local capacity in terms of information, skills and market access. In addition, it can be directed towards efforts to diversify the export basket of Malawi which is currently composed of agriculture products.
- Secondly, there should be increased efforts to link trade development skills

and the education sector from primary through to university level. This will increase the skill base for government and related stakeholders. The education sector in Malawi should also shift towards courses that develop entrepreneurship potential and encourage innovative thinking. Instead of being trained to look for a job after studies emphasis should be on being trained to become social and business entrepreneurs. The Chinese government can provide scholarship in areas in which Malawi is still experiencing gaps. At the same time, standards regulating bodies should be trained on how they can improve standards of Malawian exports. The standard bodies should also be supported with up to date technology.

- Thirdly, Malawi should consider the prospects of interregional trade with other countries in the Southern Africa Development Community (SADC) region. Malawi can use its SADC membership to push for the removal of barriers that still affect growth of regional trade. Malawi can also use economic diplomacy tools (export promotions, investment agency, state visits and embassies) to boost its trade. Veenstra, Yahop and Bergeijn (2010) find a strong relationship between instruments of economic diplomacy and cross border trade, but gains are increased by choosing appropriate instruments for particular markets. Malawi can use the challenges it faces as landlocked country to lobby for preferential trade access to certain markets. However, Malawi has to ensure that its products and services are more diversified and of high quality. Malawi can also use the existing diplomatic relationship with China to negotiate for better terms of trade and more of diversified Malawian products and services in the Chinese market.
- Lastly, as pointed out in the introduction by Oyejide, Bankole and Adewuyi (2009) Malawi should look at how the availability of natural resources, external environment and investment institutions and policy choices have influenced its trade gains and losses with China so that the nation improves its trade potential and benefits.

The research also finds that there is no positive correlation between the amount of investments by China and the number of jobs created. In some years there are more investments but fewer jobs created. This suggests importation of Chinese labourers. A total of 13796 jobs were created from 2005 to 2012 which is a positive contribution considering a large number of those in the informal sector. The Malawi Government could sign an agreement with the Chinese embassy in Malawi outlining how many Malawians could be employed, the specific sectors and the terms of employment. This would secure more jobs for Malawians and ensure transference of skills over time. In addition, there should be a match between the technical school training and skills required for Chinese investments, so that importation of Chinese labour is reduced. Furthermore, there should be a transfer of higher end job managerial skills to qualified Malawians so that qualified Malawians are able to advance and receive promotions.

There is room for China to do more to boost Malawi's food security and encourage local agribusinesses. Initiatives for local processing of products are underway by the Malawi government but the challenge is poor packaging. China can come in to help in this area so that the products meet export standards. Future scholarship can look at the impact of China in each of the areas in details. China has also provided study scholarships to Malawians. However, future studies can also look at areas of study and how it has helped beneficiaries.

The overall conclusion is that China's role in Malawi's development is mixed with both gains and losses for Malawi. But there is room for Malawi to benefit more from the relationship. Malawi needs to have strategic and forward looking thinking so that it benefits more than it currently does. Malawi cannot copy what China has done to achieve economic growth and development. The Malawi government should develop its potential by identifying what Michael Porter (1998) calls "clusters of development" within the Malawian economy. The clusters will be the building blocks that could transform Malawi. They can be identified by conducting research within Malawi so that contextual issues are considered.

The Chinese government also needs to deal with the Malawi government based on Malawi's level of development. This entails helping Malawi develop its potential in the four areas of co-operation. China needs to take responsibility for the role it plays in losses that accrue to Malawi. This will also help in shaping China's international image as it seeks to establish itself as a responsible global leader.

Endnotes

¹ The nine priority areas are agriculture and food security; energy and industrial development; mining and tourism; transport infrastructure and Nsanje World Inland Port; education, science and technology; public health, sanitation, Malaria, HIV and AIDS management; integrated rural development; Green belt irrigation and water development; child development, youth development and empowerment; climate change, natural resource and environment management (Government Malawi MDPC, 2012)

² The Organisation for Economic Cooperation and Development (OECD) defines aid for trade as a tool to strengthen the productive capacity of developing countries to deal with supply side constraints and also fill gaps in trade related infrastructure (OECD, 2013)

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Annex A: Areas of Chinese Investments and Total number of Companies

	2005	2006	2007	2008	2009	2010	2011 ^a	2012(up to July)
Manufacturing ^b	21	23	43	19	4	5	9	6
Trade(Import and Distribution)	1	-	-	-	-	-	-	-
Farming	2	-	-	-	-	-	-	-
Agriculture ^c	-	-	-	-	-	2	2	-
Tourism and Hospitality	1	4	3	4	-	-	2	-
Services ^d	3	10	9	5	2	4	-	4
Infrastructure	-	-	-	-	-	-	-	1
Agro processing	-	1	-	-	1	-	-	-
Mining	-	-	-	-	-	1	-	-
Total	28	38	55	29	7	12	13	11

Source: Authors calculations from data obtained from Malawi Investment and Trade Centre.

^a Few companies registered in 2011 and 2012 because of the political instability that Malawi experienced. Major donors left following poor governance concerns leading to the weakening of the Malawi currency, the kwacha and then the head of state died in April of 2012.

^b Manufacturing over the years has been in the following areas(shoes, textiles, feeds, sandals, cooking oil, soft drinks, disposable paper, plastic plates, furniture, tannery, food processing, detergents and blankets.

^c Also includes agriculture equipment.

^d Services have been in various areas: photographs, photo studio, restaurants, Chinese medicine, construction, advertising, designing, tyre retrade, and pharmaceutical.

Annex B: Sector, Total Chinese investment and employment levels for the year 2012^e

Period	Sector	Investment level (US\$)		Employment level	
		New(approv)	New(NA)	New(approv)	New(NA)
Jan 2012	Services(consulting,designing)	100,000.00	-	100	-
April 2012	Services(Tyre retrade)	-	800,000.00	-	20
May/June 2012	Manufacturing(furniture)	-	300,000.00	-	25
	Manufacturing(leather tannery)	1,000,000.00	-	90	-
July/August 2012	Manufacturing(Textiles and Garments)	-	150,000.00	-	200
	Manufacturing(plastic PVC F.W)	-	20,000,000.00	-	14
	Infrastructure(buildings,roads and boreholes)	200,000.00	-	45	-
September 2012	Services(hardware and general shops)	22,000,000.00	-	30	-
	Manufacturing(Plastic(PVC), footwear)	20,000,000.00	-	14	-
	Manufacturing(textiles and garments)	-	150,000.00	-	200
TOTALS		43,300,000.00	21,250,000.00	279	479

Source: MITC, 2012

^e From January to September 2012, US\$ 43,300,000.00 was approved under the column 'new approved' with a pledge of creating 279 jobs. US\$ 21,250,000.00 with a pledge of creating 479 jobs has not been approved.

Forum: Security and engagement: the case of China and South Sudan

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Abstract

As Chinese engagement in Africa grows, questions surrounding its role in security have become more prominent. The issue of security is a broad one ranging from China's role in regional security with international organisations to the role of securing assets and personnel. This forum piece addresses some of these concerns, with a particular focus on South Sudan. While the Chinese state has been relatively adept at establishing ties with Africa's newest country, due to China's previous close relationship with the Khartoum regime (an enemy of the South), friction has persisted. This is particularly evident at the level of everyday Chinese-South Sudanese engagement, which is fraught with security risks. The piece describes some of these issues by drawing on fieldwork observations and interviews conducted in April 2013, eight months before the country lapsed back into civil war.

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Introduction

China's engagement with Sudan can be situated within China's broader 'go global' drive which has sought to strengthen diplomatic ties with countries possessing resources crucial to its national strategy imperatives (Large 2008; Taylor 2006). Since 1993, China has become a net importer of oil; with its shift toward a market economy, China's manufacturing, development projects and growing consumption have driven the country to secure energy supplies abroad. Its oil companies increasingly operate like those of other developed states, seeking to secure supplies vital to their respective economies. Throughout Africa, Chinese National Oil Companies (NOCs) compete and co-operate with other multi-nationals; while China is the dominant partner in Sudan and South Sudan, there are a host of other actors, many of which are also from Asia¹.

In fulfilling this quest for energy security, China has been obliged to commercially engage in some of the most insecure regions in the world. China's resource search has led it to engage in a number of 'frontier' oil resource regions in Africa, including The Democratic Republic of Congo (DRC), Somalia and Ethiopia. China's interest in such regions has been driven, at least in part, by the fact that various former colonial powers, as well as the United States of America, had already carved out significant oil enclaves for themselves within sub-Saharan Africa (Yates 2012:13-14)². Only beginning oil production in the 1990s, China has been a late-comer. While establishing oil ties with countries (such as Nigeria and Angola) already involved with western partners, China additionally sought partnerships with states either deemed high-risk or having poor relations with the western world. Sudan was one such state: not only did it have a tumultuous relationship with western powers³ but also faced several major insurgencies within its own borders.

A major security challenge which Chinese companies have faced has been the split of Sudan into two countries, with the formal founding of the Government of South Sudan (GoSS) in July 2011. China's infrastructure, which had initially been developed on the basis of a single, unified Sudan, now faced the problem of existing

between two sovereign states. The oil fields which straddle the border of the two countries are where significant Chinese development is located. For instance, the state-owned China National Petroleum Corporation's (CNPC) holds concessions in both the Heglig and Unity oil fields - fragile border regions in the Mugald basin. This oil is then transported over Sudanese territory to the Red Sea in Port Sudan, via the Chinese constructed and operated 1600 km Greater Nile Oil Pipeline (GNOP). As part of the agreement of the split between the two Sudans, the South received roughly 75 per cent of the existing oil fields. Thus, it was crucial for China to establish good relations with the new government so as to secure its investments.

This enterprise has gone hand in hand with targeted and sustained diplomacy. China's engagement with South Sudan at the level of state has been remarkably pragmatic. Beijing supported the Comprehensive Peace Agreement (CPA) which marked the end of the second Sudanese civil war (1983–2005) and which set a timetable for a referendum for South Sudanese independence (Large 2012:11). Additionally, in terms of greater regional security, Beijing contributed Chinese United Nations peacekeeping troops to the Darfur region in 2008. Following independence on July 9, 2011, then Chinese president Hu Jintao sent an envoy to sign a joint communiqué with Southern officials; the new state was recognised, diplomatic relations were established and China upgraded its consulate in Juba into an embassy (International Crises Group 2012: 4). Foreign Minister Yang Jiechi soon visited, announcing plans for future engagement in energy, infrastructure, telecommunications, and agriculture; there was also the gifting of the construction of two secondary schools, a 500 bed hospital, a 'friendship hall' and a national theatre. Additionally, the two governments agreed to maintain the terms of existing oil contracts (Ibid). The South's heavy reliance on oil for its economy coupled with the fact that China already had invested heavily in oil infrastructure made China an attractive partner. Juba insisted that CNPC establish offices in Juba; they initially established a small office in the capital and are presently in the process of building much larger premises.

While China is a dominant player in oil extraction in Sudan and South Sudan, it is

not oil alone upon which the relationship exists. Other industries investing in the country have strengthened China's economic diplomacy with the South. China is in the process of developing South Sudan's mining sector and considering a loan of between US\$ 1 billion and US\$ 2 billion for road, power and agriculture projects (Green, 2013). Chinese Telecommunication giant ZTE, with the backing of China's Exim Bank, is in the process of constructing a 51 million dollar digital communication system (Embassy of South Sudan, 2013). Zhong Hao Construction Company has supplied water and sanitation facilities, government housing, a teaching hospital, roads and a series of multi-purpose buildings; Sinohydro has provided a water plant in Western Equatoria, a thirty seven kilometre road in Malakal and high-way construction linking the North and the South. (International Crises Group 2012: 20). Additionally, the number of Chinese in Juba has grown significantly, including small-traders, shop-owners, and other service industry entrepreneurs. China has also sponsored business trips to China for the South Sudanese business community (Xinhua News, 2013).

China views its particular model of economic engagement within South Sudan - and Africa more generally - as an ultimately stabilising force which will contribute toward greater peace and stability. A government White Paper on the relationship forwards the principles of "Safeguarding peace, promoting development and enhancing cooperation" (People's Daily 2006). The developmental aspect of China's view toward peace is significant, primarily because such a model has contributed toward such massive poverty alleviation within China itself. The Chinese proverb often cited, "to get rich, build a road first" encapsulates a view in which the state enables the population to economically enable themselves. Within Africa, China's extractive industry deals often come in a package form, in which Chinese companies will include the construction of dams, bridges and roads as part of their engagement (Brautigam, 2010; Alves, 2012). In war-torn regions such as Angola, the DRC and Sudan, these infrastructure projects are urgently needed, where they enable citizens to be more productive. Such relationships are complimented by a general increase in trade activity. Coupled with this the Chinese adherence to the non-interference principle, in which China professes not to meddle in the political

affairs of South Sudan and other countries. Thus, China officially views this engagement as a 'win-win' situation, in which both countries stand to benefit. As economic development increases in South Sudan⁴, so, according to this view, do the prospects of peace and security.

Engagement on the ground

At the level of state engagement, the relationship between South Sudan and China has been relatively successful. It has strengthened its relations with GoSS, secured its pre-existing assets and brokered numerous infrastructure deals. However, at the level of daily engagement between Chinese company's and citizens, security remains a major concern. As the Chinese presence has grown on the African continent, so has exposure to political risk. Within Africa as a whole, there have been incidents in which Chinese citizens have faced significant danger. For instance, in 2006, the Nigerian group MEND threatened to attack Chinese workers and their infrastructure projects in retaliation to growing Chinese oil investments in the country (Obi, 2010: 422). In April 2007, nine Chinese and sixty five Ethiopian oil engineers were killed by the Ogaden Liberation Front (ONLF) while prospecting for oil in eastern Ethiopia. China has also faced hostility in Zambia's copper mining region, leading to riots and several deaths; Zambian presidential candidate, Michael Sata, campaigned for the Zambian presidency using anti-Chinese rhetoric (although this was toned down since winning the presidency)⁵.

Despite the good relations between GoSS and the PRC, significant security risks remain for Chinese citizens and companies. There are still significant regions of the country over which the government does not exert control. Certain oil rich regions, such as Abeyi, are claimed by the South and held by the North. Neighbouring territories, such as South Kordofan's Heglig region, where the Chinese have oil investments, have been subject to instability. In April 2012, the region was captured by the South Sudanese army for a period of ten days. In January 2012, the South closed all wells in a spat over pipeline fees, which lasted until March 2013. In interviews with CNPC officials, they spoke of how SPLA soldiers, with very little warning, forced them to hastily shut down their operations, damaging expensive equipment in

the process (Interview, March, 2013). Since re-opening, there have been further threats of oil shutdown. In 2012, twenty-nine Chinese citizens working for Sinohydro on the construction of a highway were abducted by the Sudan People's Liberation Army (North) [SPLA(N)]. GoSS officials have also intervened in the running of corporate affairs. For instance, in 2012, Liu Yingchai, head of Petrodar, was expelled from South Sudan, on grounds of "non-cooperation" (Sunday Tribune, 2013). Following the relapse into civil war at the end of 2013, the situation has deteriorated significantly, with CNPC evacuating staff from many of the oil blocks within which it operates.

Political instability, coupled with the crucial role of oil in the South Sudanese economy, has entailed that the security of oil installations has remained largely in the hands of the SPLA (Sudan People's Liberation Army). In 2013, the SPLA covered the costs of the military presence; a central security department was set up to liaise between the oil companies and the military. Relations between the companies and the military were generally good, although friction arose occasionally over issues of soldiers pay. In order to prevent corrupt relations between soldiers and local communities, soldiers from other regions of South Sudan were frequently brought in to protect installations. This did, however, increase potential for friction between the soldiers and the local communities. While it is common for host African states to offer security to Chinese companies engaging in the resource sector, the GoSS tended to view this measure as temporary. The ideal behind the process was that once there was sufficient stability within the region, the GoSS intended to hand over the role of protecting the oil industry to private security and military firms (Interview, March, 2013). While the SPLA protects the parameters of the production centres, the various companies which constitute a consortium such as the Greater Nile Petroleum Company (GNPOC), of which CNPC is a part, has used private security companies within the compound for further protection. While central processing facilities have protected by the army, various individual wells are not, and are occasionally sabotaged by local communities.

Within the non-oil sector, there also existed numerous risks. In many respects,

Chinese workers face the same general problems as other foreigners working in the region. Water supply issues, malaria and access to fresh food are common problems. From a commercial point of view, there are also issues of procurement difficulties, slow administrative processing and corruption. Due to general crime within the city of Juba, most foreigners live and work in compounds. These are shut off from the surrounding city with high walls and armed security services. At present there are no Chinese private security companies operating in South Sudan. This is reflective of Africa in general, where such a presence is minimal⁶. Only one private security company in South Sudan, Veteran Security Services (VSS), comprised largely of former SPLA regiments, has the legal right to hold arms. Other companies are compelled to contact the police if force is needed. Thus, despite certain arguments suggesting that private security firms challenge and even undermine the sovereign authority of particularly weak states (Verkuil, 2007) in South Sudan, the state is intimately linked to the security companies.

Within recent years, Beijing has itself become more active in securing its citizens abroad. A major turning point in China's commitment to protecting its citizens abroad came during the Libyan civil war of 2011, when China evacuated over 35 000 Chinese citizens. President Hu Jintao issued a statement urging government workers "to spare no efforts to ensure the safety of life and properties of Chinese citizens in Libya" (Embassy of PRC in the US 2011)⁷. Pressure to protect Chinese citizens abroad has also become a domestic priority; on Chinese internet chat-forums such as *Weibo*. During the South Kordofan kidnapping incident in South Sudan in 2011, Chinese 'netizens' complained about the Chinese state's inability to intervene; some even called for PLA troops to be sent into Sudan to rectify the situation (Weibo 2013). In April 2010, with the Sudanese national elections approaching, the Consulate General in Juba urged overseas-funded enterprises to improve security awareness, with exchanges of relevant information between both the consulate and business and sustained close contact between the two parties (Xia 2013: 93). More generally, Chinese embassies abroad are increasingly trying to improve leasing with citizens. In countries such as South Africa and Botswana for instance, Chinese voluntary task forces have been set up which liaise with local police to help

prevent crimes against Chinese citizens (Ibid, 94).

Chinese embassies are active through the Chinese internet messaging system, QQ, which alerts citizens to various dangers. Within Juba, Chinese information sharing and its circulation in Juba is distinct from other parts of the foreign community. The embassy does its intelligence gathering on security via the government but also through Chinese companies which have their own close links to the government. While there is a communal circulation of security updates amongst the foreign community (via various companies, embassies and the United Nations Department of Safety and Security) the Chinese tend to have their own intelligence lines which are distinct from other parties of the foreign community. The large state and private companies receive reports in advance by the government and vice versa. Despite such implementation, there is still much scope for the role of embassies in the protection of Chinese citizens. Chinese commercial actors still lack a clear and formalised system which can contribute to their security (Steineke 2013: 22). Additionally, those who work as traders or in small enterprises tend to have a less intimate relationship with the embassy⁸. Some traders interviewed stated that they had virtually no contact with the embassy at all.

Engagement as a security measure

While there is a perception in some quarters that Chinese citizens in South Sudan have been specifically targeted because their presence is not wanted, this is tempered when we consider the nature of Chinese labour itself. Unlike many other foreign entities working in South Sudan, Chinese companies are often involved in construction in the South Sudanese hinterland, of which many parts remain politically volatile. Additionally, the Chinese bring in large pools of labour from China – usually from China's large migrant class of peasants – to assist in the construction. They shoulder the bulk of the risk as they often work in harsh conditions in the most insecure regions. In certain instances, where Chinese have been kidnapped, they have been engaged in projects with government support but located in regions where the state does not exert full control⁹. Thus, the nature of Chinese labour, coupled with the fact that it is carried out in sometimes highly unstable

political contexts, exacerbates the risk which Chinese citizens face.

Nevertheless, the particular historical trajectory between China and Sudan has entailed a comparatively unique situation in which South Sudanese tend to express a pronounced animosity toward the Chinese presence. Because of China's adherence to the "Mutual respect for each other's territorial integrity and sovereignty", as part of its Five Principles of Peaceful Coexistence, its support for Khartoum entailed a tacit resistance to the separatism in break-away regions such South Sudan and Darfur. China's sale of weapons to the al-Bashir regime and producer of huge oil windfalls to his regime were also contributing factors. Additionally highly visible public campaign waged by western NGO's, such as China's 'Genocide Olympics', lent international credence to their grievances more generally. This historical relationship persisted particularly within the oil sector. CNPC's 1999 development of Northern Unity Province's Block 1, was marred by forced land clearances through violent means. Sudanese Government forces, as well as armed militias backed by the al-Bashir government, launched several attacks on the ethnic Dinka, burning food, houses and seeds and driving them from their land (Human Rights Watch 2013: 125-126). These events were part of a much broader process of violent land clearance, including other multi-nationals such as Sweden's Lundin and Austria's OMV, who were involved in even more severe forms of land clearance in Block 5a. As a consequence, the reputation of China suffered in the eyes of many South Sudanese.

Exacerbating such grievances is the fact that oil industry engagement has, through hyper securitisation, failed to adequately engage with the political and economic contexts in which they are embedded. A recurrent grievance expressed by such communities has been the lack of direct and sustained contact between Chinese representatives and local communities. Several government officials interviewed stated that Chinese companies generally prefer GoSS officials to act as a liaison between themselves and the local communities. Local communities have their own forms of organisation. For instance, communities in the oil regions of Jonglei, Upper Nile and Unity State have set up what are termed "Oil Task Forces". The local County

Commissioner helps organise the taskforce, which ideally consists of about seven members of local communities, including local chiefs, elders (retired government officials) women and youth. The community meetings aim to encourage dialogue among the government, the local communities and the oil companies. However, Chinese oil companies have been slow in reciprocating. One informant interviewed stated that when attempting to approach the public relations offices of CNPC with queries, he was instructed that he should approach the government with his problems, rather than the company.

More generally, a sentiment was expressed amongst the Chinese community that they were being singled out for negative treatment by South Sudanese, because they were Chinese. In certain cases, the Chinese workers in the service sector interpreted the likes of random fines, detainment and extortion as a deliberate targeting. The working relationship between the two communities was exacerbated various other forms of cultural difference. The language barrier (English speaking South Sudanese could not communicate with the Chinese), entailed that interaction between officials and local Chinese was fraught with misunderstanding, frequently ending in the Chinese side paying a fine to resolve a given issue. Chinese work teams expressed reluctance to hire South Sudanese labourers as their work ethic was not considered on par with Chinese expectations; the South Sudanese often quarrelled over money, sometimes threatening violence; if the authorities were brought in to settle a dispute, interviewees claimed that such officials often sided with the aggrieved South Sudanese party. Chinese firms thus preferred to hire more labourers from neighbouring countries such as Uganda and Ethiopia as they are considered to be better disciplined labourers.

Within China, with its authoritarian system and ubiquitous state presence, large companies can engage in projects with little hindrance or protest. Abroad, China has faced greater criticism of its investments and is increasingly integrating a Corporate Social Responsibility (CSR) into their business models abroad. In a shift from its earlier engagement, CNPC has within recent years striven to pay greater attention to Corporate Social Responsibility (CSR) within the Sudanese region¹⁰.

For instance, the company has sponsored South Sudanese students to attend the Chinese University of Petroleum in Beijing and has donated US\$ 700,000 for a computer laboratory to the University of Juba. According to company representative; the proportion of local employees working on oil projects for CNPC globally exceeds 95 per cent (Jiang and Heng 2013: 22). In addition, CNPC developed medical facilities, contributed US\$ 1.6 million toward a sewage treatment plant, and assisted in the reconstruction of Juba's airport. CNPC's branding has shifted, with its new Logo 'Caring for Energy, Caring for You'.

Nevertheless, there remains much to be done with regards to community engagement. As Zhang and Jiang state in their work on community in engagement in South Sudan, 'it is an essential ingredient in obtaining local legitimacy and preventing local populations from feeling marginalised' (Ibid). In this sense, we understand the concept of security not just in securing personnel and assets but also contributing toward a greater secure environment. Such engagement also offers Chinese actors greater insight into the kinds of effects they are having on communities and the possibility of mitigating those effects which are negative. The notion of community engagement fits in with China's wider aims of providing security in Africa through investment.

Engagement and the non-interference principle

A broader issue which has the potential to exacerbate security concerns is China's policy of non-interference, insofar as it can be perceived as insensitive to local context. Within Sudan, this is particularly complicated, not only because Sudan's sovereignty was split into two but also because China was uniquely politically aligned to the Khartoum regime (Large, 2008). Daniel Large has noted with regard to China's engagement with Sudan, that principle of sovereignty as exerting full control over a territory is not suitable to the context (Large, 2012:612). This is reflective of the broader African context in which states, often recent colonial contractions, govern over encompassing wide ranges of religious and ethno-linguistic differences; weak central governance often compounds the issue of exerting sovereign control. The colonial construction of the British designated Sudan is a good example of this, with

Arab-dominated Khartoum struggling to maintain hegemony over vast swathes of the South (present-day South Sudan) and the West (Darfur). Although China was able to reconfigure relations with the new government of South Sudan relatively successfully, the tensions between Chinese and South Sudanese touched on above, indicates a collateral effect of this policy.

Additionally, China's non-interference principle suggests that there is a sharp distinction between political engagement and economic engagement. The principle of the policy emerged during the Cold War period and was implemented as a response to what the Chinese government viewed as imperial encroachment by the United States of America on China's neighbours¹¹. Since then, one of its functions has been to highlight that, unlike the Euro-American sphere, China does not intervene in the affairs of other states. In September 2014 China announced that it would deploy 700 soldiers under the auspices of the United Nations primarily to protect civilian workers in South Sudan (Bloomberg 2014). The move differs from a similar decision to deploy Chinese troops to Mali in 2013 insofar as this latter situation did not involve Chinese oil interests. While media reports quickly pointed out that China was now actively violating its 'non-interference principle', the United Nations Mission for South Sudan quickly dismissed this accusation (Reuters 2014).

More broadly, the non-interference principle fails to address is how economic engagement itself is often inextricably bound up with politics itself. The issue of the 'non-interference' policy as inadequate for China's engagement in the 21st century has not gone unnoticed within China. The political scientist Wang Yizhou, has forwarded the concept of "creative involvement", which envisions a more active China, attaching greater importance to global and regional public goods; such goods not only forward the "friendship" aspect of China's foreign policy but also function as strategic strengthening of China's co-operation mechanisms (2013)

The oil industry, in general, offers a prime example of this. In terms of oil development within the world's least developed states, there is strong evidence that engagement – by China or any other foreign company – leads to an increase in

political and social problems. Michael Ross, in analysing 170 countries and drawing on 50 years of data, concludes that, within the developing world, oil states are, amongst other things, for instance, “twice as likely to have civil wars as the non-oil states” as well as being more secretive, more financially volatile, and more discriminatory towards women (2012:1-2). While it is not inevitable that hydro-carbon development in the developing world will contribute to social and political malaise (Dunn, 2008; Di John, 2011), it is a very significant possibility. In the case of Sudan, the war between the North and the South had been in existence prior to the development of oil. Nevertheless, oil exacerbated the stakes in the war, allowed al-Bashir’s National Congress Party with its petro-dollars, to continue waging war. It also tore communities apart when the establishment of the oil production centres entailed mass forced migration by government proxy militias.

But the exertion of political effects upon local politics are often not so dramatic. For instance, in oil producing states where increased revenues ideally create conditions for increased community prosperity but in reality create political rivalry for access to these revenues. High levels of corruption and the entrenchment of patronage politics entails that contending for state level jobs in such provinces can lead to conflict. This is evident in Unity State, where Governor Taban Deng, who has ruled since 2005, has been accused of favouring certain ethnic groups as well as vote rigging. Subsequently, several armed rebellions have broken out, some of which have targeted Chinese nationals (because discouraging Chinese oil investments directly affects the governor’s access to revenue).

Conclusion

As China continues to engage in Africa, it will need to increasingly develop a new policy language which can better articulate its relationship and thus ensure the long-term security of both Chinese citizens but also those south Sudanese citizens amongst whom they work. China is a relatively late player in Africa and has confronted a steep learning curve. As its presence continues within South Sudan, but also in Africa at large, China will need to increasingly engage with local communities and develop policies which promote such engagement. This will offer a more

secure environment, thus benefiting both parties.

Endnotes

¹ Within Sudan, China extracts oil as part of the multi-national consortium called the Greater Nile Petroleum Operating Company (GNPOC), which includes Malaysia's Petronas, Sudan's Sudapet and India's Oil and Natural Gas Corporation. CNPC holds a 40 per cent stake in the company. Other prominent international companies include Total and Exxon Mobil.

² The British have traditionally exerted a heavy influence in Nigeria, as the French have in regions such as Gabon and Equatorial Guinea. The United States of America have had a heavy presence in regions such as Angola, where the former colonial power, Portugal, did not have sufficient means to develop the industry.

³ The June 1989 coup by the NIF (National Islamic Front) saw Sudan become a haven for various Islamic political groups, including Osama Bin Laden from 1991 to 1996. Sudan also supported Iraq during the Persian Gulf War and had links with the 1993 World Trade Centre bombings, leading the USA to put Sudan on a list of countries which sponsored terrorism; UN sanctions were also imposed (Patey, 2007: 1004)

⁴ When Xi Jinping met David Deng Athorbei, envoy of the South Sudanese government, in 2011, he stated: "China is ready to promote its friendly exchanges with southern Sudan on the basis of the Five Principles of Peaceful Coexistence," A keystone of these five principles is that of 'non-interference'. See 'China expresses willingness to boost cooperation with Southern Sudan, promises further aid' (Peoples Republic of China Embassy in South Sudan 2013).

⁵ For more examples on the dangers Chinese citizens have faced in Africa, see Holslag (2009).

⁶ This situation looks set to change. There are over 4000 private security compa-

nies in China, with many eager to expand their market share overseas (Grimm & Anthony, 2013).

⁷ The evacuation involved the People's Liberation Army Navy (PLAN), the Ministries of Foreign Affairs, Commerce, Public Security, the Civil Aviation Administration and various consular officials as well as co-ordination with large SOEs including CNPC and China Rail Construction; Consulates in Malta and Greece as well as an airbase in the Sudan were also mobilised. The PLAN sent a 4000 ton missile frigate to evacuate citizens and four military transport aircraft were also sent (Anthony & Grimm, 2013).

⁸ For comparative accounts of poor relations between Chinese citizens and their embassies, see Janssen, 2010; Krahl & Su, 2013.

⁹ This can be seen, for instance, in the South Kordofan kidnapping mentioned. The construction of the road was under the auspices of the Khartoum government. However, the road led into territory controlled by the rebel Sudan People's Liberation Movement-North (SPLM-N), where the Chinese were detained, the SPLM-N claims, for their own safety.

¹⁰ Within China, there have been significant policy shifts regarding Chinese companies investing abroad, including the 2006 'Corporation Law' providing a legal foundation for CSR and the 'Guidelines for CSR compliance for Foreign-Invested Enterprises' issued in 2008 by the Chinese Academy of International Trade and Economic Cooperation.

¹¹ The principle was originally forged by Premier Zhou Enlai and Indian Prime Minister, Jawaharlal Nehru to reduce border tensions and improve Sino-Indian relations (Haas and Aidoo 2010: 325).

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Forum: At the Gates of Heaven

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Introduction

Since the Hong Kong SAR handover to China the region has experienced perennial protests, culminating in the ‘Umbrella Revolution’ in September 2014. The majority of observers, reporters and analysts have tended to frame the events as a war between democratic and communist forces. Overlooked is a deeper struggle between two visions of social order, with Hong Kong protesters advocating individual freedoms and the Mainland insisting on ‘unity’ under the framework of a ‘harmonious society’ spanning greater China. At the heart of the protests are the mistrusts laden in the rhetoric each party uses to make its case. The following discussion examines some of the contradictions embedded in Hong Kong’s Basic Law and proceeds to highlight the repository of shared Chinese cultural norms, collectively spanning both Hong Kong and Mainland China, which could potentially function as tools of reconciliation.

The framework for the current Hong Kong SAR – Central Government relations

The legal and political framework for relations between the Hong Kong SAR and the Central Government rely on the ‘One country, two systems’ policy of the PRC promulgated in 1983 by the NPC, adopted to “realise the peaceful reunification of

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the country” and the Hong Kong Basic Law (The practice of the ‘One Country, Two systems’ policy, June 10, 2014, Foreword). The former stipulates the principles based on Article (31) of the 1982 PRC constitution and the latter is the product of the Sino-British Joint Declaration signed in 1984, (Roda, 1997). What does the policy of ‘One country two systems’ policy and the Hong Kong Basic Law entail? Both afford the Hong Kong SAR greater autonomy in all matters of governing a state except for the areas of defence and foreign relations (Section 3(2) of the *Sino-British Joint Declaration*). According to the Sino-British Joint Declaration which stipulates conditions of the handover of Hong Kong SAR to China, the Central Government has a mandate to recommend relevant aspects of governing the region (ibid.). The Hong Kong Basic Law also provides constitutional protection on various fundamental human rights and freedoms. Specifically, the International Covenant on Civil and Political Rights is given a constitutional status through the basic laws (ibid.).

A reading of the two framework documents that serves to govern the Hong Kong SAR reveals possible internal contradictions. The contradictions are highlighted by the following questions: i) what is the discourse that informs the logic of ‘One country, two systems’ policy and ii) how is such policy congruent to the framework of the Sino-British Joint Declaration? In answering these questions the next section analyses parts of the latest publication of ‘The Practice of the “One Country, Two Systems” Policy in the Hong Kong Special Administrative Region.’¹ The publication is the latest edition stipulating the practice of the ‘One Country, Two systems’ policy (June 10, 2014). Furthermore, the document in its conclusion uses similar rhetoric as that applied in response to the recent Hong Kong SAR protests (Chen, 2013). The publication in its conclusion tends to shift the blame of the Hong Kong SAR disturbances on foreign actors rather than provide an outline of the successes and failures of the ‘One Country, Two systems’ policy. It reads as follows:

“It is necessary to stay alert to the attempt of outside forces to use Hong Kong to interfere in China’s domestic affairs, and prevent and repel the attempt

made by a very small number of people who act in collusion with outside forces to interfere with the implementation of “one country, two systems” in Hong Kong.” [‘The Practice of the ‘One Country, Two systems’ policy (June 10, 2014, p. 53)]

The above statement supposes that disturbances and conflicts between the Central Government and Hong Kong protesters are propelled by foreign instigators (‘China Restricts Voting Reforms for Hong Kong ‘Buckley and Forsythe. ASIA PACIFIC, AUG. 31, 2014.). The statement reads as a sign of limited vision by the Central Government in assuming that the Hong Kong people have no ability to galvanize a popular movement unless propelled by ‘hostile’ Western powers. What the Central Government needs to do is to understand the rationale and conditions that constitute the construction of conformity acts of the Hong Kong SAR. The customary defense mechanism by the Central Government manifest in the Mainland does not seem to carry much traction in the Hong Kong SAR.

Analysis of contradictions in the Hong Kong Basic Law framework

The first discernible controversy in the Hong Kong Basic Law framework seems to be based on the source of authority for the Hong Kong SAR Basic Law (Pattie, 2008). Some experts claim that the Basic Law is meant for the domestic rule of Hong Kong, deriving its authority from the Constitution of the PRC while other players argue that it derives authority *directly* from the Sino-British Joint Declaration (ibid.).² Viewed in accordance with the first argument the PRC has a larger share of authority to change the Hong Kong Basic Law (ibid.). On the other hand, the Hong Kong courts have a limited ability to challenge the PRC domestic legislation (Schneider, 2002). In short, the Basic Law is *authorized* by the PRC’s National People’s Congress.

The limited spaces for the practice of the Hong Kong Basic law seem to be exasperated by the bias inherent through the implementation of the ‘One Country, two systems’ policy as far as it favours the Central Government’s veto power. Such is discernible in regard to Article (159) of the Hong Kong SAR Basic Law which stipu-

lates aspects related to the amendment of the Basic Law. Article (159) of the Basic Law assures the Central Government power to veto any amendments that are not in congruence with any of the principles of the 'One Country, two systems' policy. The second example is that stipulated in item (4) of the 'Nine Principles of 1983', which states that "The principal officials (of the Hong Kong Regional Government) would be selected by election through consultations held locally and be appointed by the Central People's Government."³

In the issue of delaying the contents of Article (45), i.e. the latest timetable for electing the Chief Executive in 2017 through universal suffrage, the chairman of the PRC's government Law Committee, Qiao Xiaoyang stated that the decision should be based upon the motto, "love China and Hong Kong" and "not to oppose the Central Government" (Chen, 2013). The meaning of such a statement is fully understandable to those versed in the PRC revolutionary rhetoric but to the uninitiated, it is vague and smacks of arrogance. The issue at hand is not why a government official uttered such a vague statement or how it affects the implementation of universal suffrage in the Hong Kong SAR. Instead, it is how statements of such importance are framed and how they are understood by the Hong Kong populace?

In accordance with how Article (159) on the amendment of Basic Law is handled, it would seem that the honours for aligning the discourse between the two parties are in the hands of the Central Government. The above mentioned article reads as "The power of amendment of the Basic Law shall be vested in the NPC" (see the Constitution of the PRC, Article (32) and the 'One Country, two systems' policy documents). It further states that "No amendment to the Basic Law shall contravene the established basic policies of the PRC regarding Hong Kong" (The statement is made in reference to the 'One Country, two systems' Policy document. Cited from "Interpretation And Amendment Of The Basic Law" (2014). In practice any amendment to the Hong Kong Basic Law needs the Chief Executive to have the final say while all recommendations must first pass the Legislative Council and the NPC. In the case where amendment is initiated in Hong Kong SAR it

must be approved by the NPC. In both cases the decision to amend the Basic Law is in the hands of the NPC (see Hong Kong Basic Law, Article (158)).

A further difficulty in amending the Hong Kong Basic Law, besides those inherent in the veto powers of the NPC, is discernible in the ambiguity inherent in Articles (45) and (68). The above mentioned articles reflect on the possibility of implementing universal suffrage through the “Principle of gradual and orderly progress” and “in light of the actual situation” respectively. The articles lack specifics on conditions and timeframe for implementing universal suffrage in the territory. Such ambiguity was used by law experts in Mainland China when arguing against the 2007 and 2008 universal suffrage election of the Chief Executive (Davis, 2013).⁴ They pointed out that such a move would violate the “Principle of gradual and orderly progress” and “in light of the actual situation” set forth in Articles (45) and (68) respectively (ibid). The Standing Committee of the National People’s Congress eventually ruled against the possibility of universal suffrage in 2007 and 2008 on 26 April 2004 (ibid.). The possibility of universal suffrage was not totally cancelled but was moved to the year 2017 (Tan, 2008). The approaching date for the implementation of universal suffrage, the year 2017, coupled with the previous unfulfilled promises may be the cause of the recent throes and pre-emptive strikes from both sides of the conflict. Viewed in such a manner, it is highly possible that, the nearer the election for the next Chief Executive, the more escalation of the Hong Kong protests. The Annex (1), point (7) of the Basic Law may read as a delaying tactic that is long overdue; it does not seem to hold anymore in view of the current protests in the Hong Kong SAR.

The Annex (I), point (7) of the Basic Law articulates amendments on the election of the Chief Executive as follows:

“If there is a need to amend the method for selecting the Chief Executives for the terms subsequent to the year 2007, such amendments must be made with the endorsement of a two-thirds majority of all the members of the Legislative Council and the consent of the Chief Executive, and they shall be reported to the Standing Committee of the National People’s Congress for approval” (2006)

The annex has so far not been challenged by any other amendment to the Basic Law. The recent protests have to be viewed as part of pre-emptive strikes from both sides with the NPC releasing a document that sets the tone and pace for the methods of electing the next Chief Executive in three years ("NPC decision on Hong Kong's constitutional developments - 2014"). The Hong Kong protesters on the other hand, have launched a pre-emptive attack not awaiting the response of the Legislative Council on the matter but instead resorting to civil disobedience.⁵

The above mentioned articles of the Hong Kong Basic Law are not the only ones that reflect contradictions towards the 'One country, two systems' policy. A fundamental aspect that may be at the heart of conflicts between the Hong Kong SAR and the Central Government is discernible in the arguments of the 'Article 45 Concern Group' (Hong Kong Democratic Foundation, 2014). The group engages the Central Government from within the Hong Kong Legislative Council challenging the ambiguity of both Articles (45) and (68) (Tong, 2013). In engaging the Central Government the group promotes debates on universal suffrage from a legal and constitutional point of view (ibid.). The form of debate as promoted by the 'Article 45 Concern Group' points at the implementation of the 'rule of law' as opposed to the 'rule of men' or 'rule by law'.⁶

The suggestion that there exists distrust between the two parties is apparent in view of the Hong Kong protestors reaction to the suggestions made by the Central Government through the "NPC decision on Hong Kong's constitutional developments – 2014" document of the year 2014. Reading of the document shows that the Central Government merely made suggestions towards the development of the Hong Kong SAR constitution and that the process was to involve public consultation.

"All the Joint Declaration said is that the Chief Executive will be 'appointed by the Central People's Government on the basis of the results of elections or consultations to be held locally [in Hong Kong]." [Summers, (CNN, October, 2014)]

According to the above analysis there exist deep seated contradictions in the language and interpretations of the two documents that serve as framework for the Hong Kong SAR Basic Law. Such contradictions are inherent in the discourses that each party used to articulate its freedoms in ridding themselves of the colonial and imperialist forces.

The making of political discourse – conformity acts in the PRC

The presentation in the previous sections reflects that the crucial component of the conflict is a world view embedded in the Maoist Chinese and British traditions or constitutionalism. The majority of the expressions used to legitimate the party and the Central Government in the Mainland PRC today are those rationalized during the Yan'an revolutionary years, 1936 to 1948 (Selden, 1995; Apter and Saich, 1998). The Mainland population was educated on the use of revolutionary expressions during the continuous revolutionary campaigns of the 1930s to the late 1970s. Greater parts of expressions used during the revolution were borrowed from traditional Chinese language stock (Li, 1957; Hsia, 1950; Chuang 1960). Some of the expressions are used in their original traditional form and others were re-engineered to suit the purpose of the revolution (Ji, 2004). The use of correct language in the Mainland still carries immense political capital which reflects on a society that despite rapid economic growth continues to be mainly, 'logocentric,' (Apter and Saich, 1994) or a society of 'politics in front' (Dittmer, 1986).

During the 1930s to the 1980s the Hong Kong status quo did not tolerate the language used by the Chinese Communist Party as such was regarded as communist propaganda and the 'language of the enemy'. The formalized converted traditional language as used in the PRC's revolutionary discourse was not relevant either for those fighting for independence in the Hong Kong region. While Mainland China was promoting collectivist, all-encompassing slogans such as 'Serving the People' *wei renmin fuwu* and 'Wholeheartedly Serving the People' *quanxin quanyi wei renmin fuwu* for articulating the way forward for the revolution and for establishing a better society, the Hong Kong people were engaged in a fight against the British rule. The fight of the Hong Kong people was articulated in the rhetoric that was in

stuck contrast to that adopted by the PRC revolution. As a result, to this day, the type of the rhetoric that the two parties use in rationalizing and articulating the ideals of their respective societies read to the other as 'the language of the enemy', a persisting manifestation of the Cold War era.⁷

The PRC, having undergone a series of revolutions, had until recently mastered the art of limiting, if not avoiding, the emergence of insurrectionary acts on the Mainland. In the cases where any form of insurrection had arisen, it was countered by the use of the standard tools from the revolutionary era.⁸ The use of these materials continues to this day and serves to counter the rhetoric that is regarded by the Central Government as the language that is not proper. Proper language according to the present status quo in the PRC is that which is framed within the well-choreographed narrative of the Chinese revolution. The latest maxim used for such purposes is that in line with the notion of rejuvenating the Chinese nation under the /slogan 'China Dream', 中国梦 *zhongguo meng*.⁹ Schoenhals (1992), points out that the Beijing Central Government has spared no effort in mastering the production of the 'correct and proper' discourse focusing on perlocutionary acts to ensure 'proper practice' in society and sustainability of the status quo. Such status quo is sustained through prescription and proscription of language in all sectors of society (*ibid.*). As a result, the Mainland populace responds to instructions mapped by such language as second nature. Even in instances when private individuals sometimes recognize the ambiguity of such language they have lived to learn what it means. Bourdieu (1991) terms such awareness as the 'knowledge of the game' that is, when individuals know how to harvest capital even from the most obscured type of local political jargon. The local people always have a way of reading between the lines (Chang, 1991). A reflection of such practice may be read in the contemporary Chinese saying "上有政策下有对策" which loosely translates as 'People can always find a way to cope with the government policies.'¹⁰

However, the Hong Kong populace has a different take on the Central Government's rhetoric in the region. Since the return to the PRC the Central Government

faces problems as the tools used for prescription and proscriptions of language in the Mainland China seem to fail when confronted by the Hong Kong protest movement's rhetoric. Such a scenario may be summarised as that, the Mainland PRC conformity acts, read as insurrectionary acts in the Hong Kong SAR.

The collectivist family value system

While much of the debate on the Hong Kong issue focuses on issues of modern history – British colonialism, Chinese socialism and the legal and discursive battles which have stemmed from them, it is often overlooked that both parties share a much deeper cultural repository, with its own customary laws.

A crucial element in this regard is the Chinese familial value system. Scholars from diverse disciplines and varying perspectives tend to regard China as a collectivist society which adheres to familial value system (Earley, 1994; Gelfand, 1995). In China, the logic of such a family is replicated and used as a model for a centralized form of governance where the state serves as parent and its people as children (Boden, 2009; Varall, 2013; Tembe, 2013). Furthermore, it is difficult if not impossible for an outsider to determine where the lines of a private family and those of a greater national one separate in China. In China it is normal to hear individuals refer to the entire nation as if it were one family.

One specific character of a collectivist society is the preference for inclusion as opposed to exclusion (Hofstede, 1994). What are particular characteristics of the Chinese family that differ from other cultures in its serving as a foundational field of inculcation and transfer of traditions, values and norms of society?¹¹ The answer to the above question is that in China, relationships, values and hierarchies witnessed in traditional and private family are replicated in the practice of governing the entire nation. The above discussed traits are shared by all the regions of greater China including Hong Kong SAR, albeit applied differently in regards to political activism and the running of government. Such traits are embodied in the slogan: 国是大家, 家是小国 “A nation consist of everyone, a family is a small nation”¹¹.

Such definition of the Chinese family is that which lays a foundation for all practice throughout the Chinese cultural realm (Tembe, 2013). The Chinese family serves almost as a philosophical unit where the word family includes other dimensions that signify a (homeland) *guojia* 国家, (individuals) *renjia* 人家, (homestead) *jia* 家, (everyone) *dajia* 大家 and (family members) or (clan) *jiaren* 家人 (Tembe, 2013; cf. Giskin, H. and Walsh, B. 2001). The sharing of the word *jia* 家 by all the above entities may perhaps offer a window into the mind-set of members that constitute the Chinese family.¹³

According to the above description of family, the Hong Kong region handover to the PRC would then translate to the return of long lost child. If so, can a parent (the Central Government), ignore values and patterns of rhetoric Hong Kong inherited during the hundred and fifty years of colonial rule? Viewed in such a manner the conflicts between Hong Kong protesters and the Central Government are merely growing pains of the 'One country two systems' policy. Far from being an expression of 'orientalism' (Said, 1979 & 1994), such a view is an attempt at arguing that, despite the hundred and fifty years of Hong Kong region absence from greater China there are strong cultural and linguistic similarities which favour reconciliatory efforts and understanding between the two parties. However, ignoring the differences manifest in the rhetoric used to articulate the ideals of the two regions would be tantamount to inviting further conflicts and the rise of perennial protests that would do little to benefit the entire China region even when manifest within the context of civil society.¹⁴ In conclusion there is a deeper Chinese tradition shared by both the Hong Kong SAR and the Mainland China. Instead of promoting the Chinese family values in their original sense, the Central Government focuses on the hierarchical aspects of the concepts which translate into an act of bullying.

Praxis of conflict resolution in China

The logic of the above presented family system has potential to resolve the crises

between the Hong Kong SAR and the Central Government. Such a suggestion requires the Central Government to abandon its customary manner in regards to conflict resolution. Conflict resolution in Mainland China is practiced in a top-down manner (Diamant, 2000), while emphasizing the rhetoric of ‘serving the people’ (Tembe, 2013). The practice is reflective of a centralized state system where the final word lies with those highest in the hierarchy (Lam, 2013). Such framework may be functional in a society where the parent child relation manifest in a private traditional family is replicated for the practice of government (Giskin, 2001). The practice of governing a nation using the logic of a parent-child relationship requires unquestioned loyalty and total obedience to one’s social unit where the price of diversion is isolation and shame (ibid.). Such practice when applied to the entire nation translates into the manifestation of the highest order of collectivism where failure to conform to the will of the majority may lead to loss of political, cultural, social and even economic capital (Tembe, 2013).¹⁵ As there is pressure in society to preserve honour and the ‘face’ of the group to which one belongs, be it that of kin or professional nature, individuals tend to adhere to the top-down patterns of practice (Nevis, 1983). In order to navigate such a space an individual requires constant self-censorship and a strong reliance on precedence (Schoenhals, 2007; cf. Munro, 1996). Such precedence may be mapped into three different categories serving the same purpose: that of individuals conforming to the will of the many, in accordance with the notion of *gong/si* (public/private) (Tembe, 2013). The first category is that in which an individual may search for precedence from senior family members, reflecting on the manifestation of the *da/xiao* big/small complementary dualism. In the second category precedence is sought from senior school or work colleagues, a reflection of the *nei/wai* (inner/outer) logic. The third, precedence is sought from the vast trope of traditional Chinese fairy tales, allegories, and idioms and from constantly used four character sayings (Ji, 2004; Lagerwey, 2010; Lee, 1978; Tembe, 2013; Walsh, 1997; Yip, 1982).

Given the above framework for government the claims of fake democracy as cried by many pro-democracy entities in Hong Kong and the world may be impossible to perceive for Mainland China whose value system is dependent on precedence, total

obedience and unquestionable loyalty to a collective. In China, plurality is regarded with suspicion and may as well translate as anarchy which threatens the very foundation upon which the entire society is built (Wang, 2013). The people of Hong Kong SAR on the other hand, have overtime managed to create a space for a private individual without threatening the needs of the collective. China in attempting to prevent the manifestation of Western values in its territory has to avoid coercion but instead attempt to fine tune its tools for co-opting Hong Kong back into greater China. In short, with the colonists long gone from the region the Central Government must bear the brunt of healing the Hong Kong society.

Reconciliation as the foundation for preventing future conflicts

Reconciliation ought to serve as a tool for continued social development, a framework for establishing peaceful relations and co-existence (Lerche, 2000). Such line of thought is particularly relevant to China whose familial value system espouses 'harmony' as the bedrock of society (Callahan, 2012). In Chinese society 'harmony' as a cultural value has acquired the status of an 'empty signifier' where in some instances 'cooperation' is undermined.¹⁶ Under such circumstances conformity is achieved not through consensus but from reverence to the traditional notion of 'harmony'.¹⁷ Such role of harmony may be misleading where its assumed traditional value undermines everyday realities and practices of the greater mass. The tendency may serve to undermine peace efforts to the point of generating conflicts when attempted to regions outside Mainland China. The notion of 'harmony' *hexie* needs to extend beyond the discursive confines of political sloganeering. Instead, it needs to be founded on practical aspects of 'cooperation' *hezuo* in all spheres of society and free from prescription and proscription dictated by the dogma of the status quo.¹⁸

The lexical terms, 'harmony' *hexie* and 'cooperation' *hezuo*, are expressions at the centre of the Chinese family value system and manifest as instruments for 'limiting the game', which serve to perpetuate ethical dualism (Tembe, 2013). It has been observed that notions of ethical dualism tend to profess to one version of reality and events making no room for expression of different views and ideas.

Such tendencies may suggest that only one historical point of view or version of truth is the correct one. In China, the concepts of ‘harmony’ and ‘cooperation’ as manifest in political discourse, act as the ‘end game’ in themselves rather than instruments for peaceful coexistence. Callahan (2012) points out that ‘harmony in diversity’, contrary to that espoused by Confucius encourages different opinions, values and norms giving room for cooperation.¹⁹ Callahan further states that the type of harmony that serves to limit the game is similar to that invoked by China’s political leaders and its public intellectuals as a way of describing Chinese visions of future world order. He concludes that such logic reflects the Sino-centric world order of the future, where peace can become “pacifying,” and harmony can become “harmonizing.” The limitations and connections between ‘harmony’ and ‘cooperation’ as manifest in the Mainland political rhetoric may be discerned in definitions by Keohane (1984). Keohane defines cooperation as “actions of separate individuals and organizations being brought into conformity with one another through a process of negotiation” and warns that pre-existing harmony does not ensure stability (cited in Lerche, 2000.). The definition suggests an extended role of the notion of harmony beyond that of ‘limiting the game’ or serving as a tool for conformity manifest in a top-down manner. Instead, the definition suggests interactive and intersocietal meanings of the concept harmony where consensus is reached through discussion and mass based participation.

Conclusion

The above discussion illustrates that the conflict between the Hong Kong SAR and the Central Government is arrested at differing interpretations of the ‘One country, two systems’ policy and of the Hong Kong SAR Basic Law. It has also suggested an alternative platform for the analysis of the Hong Kong SAR – Central Government conflict beyond the customary framework of a stand-off between the democratic and communist ‘oppressive’ forces. The discussion has suggested a potential solution based on reconciliatory processes in the rhetoric and interpretation of the concepts of ‘harmony’ and ‘unity’ meant for governing the Hong Kong SAR. Such a view is based on the observation that the tools used by the Central Government in the Main-

land do not take in the Hong Kong SAR, as evidenced by the recurring conflicts in the region. The Hong Kong region, although sharing cultural values with the Mainland it has not experienced the string of political education campaigns that frame the type of rhetoric used by its counterpart. Ignoring the current Hong Kong discursive norms as practiced through civil disobedience would only lead to discord and continued unrest in the region.

Endnotes

¹ The document 'The Practice of the "One Country, Two Systems" Policy in the Hong Kong Special Administrative Region. 2014' was released in October in the midst of the on-going Hong Kong protests and may have fuelled further unrest for the protesters.

² Cursive style marks emphasis from the original text.

³ The veto and the delays in the using the universal suffrage as methods for the elections of the Legislative Council members and the Chief Executive have had support from Article (159) with the support of the 'Nine Principles' as stipulated in the 'One Country, two systems Policy'.

⁴ Article (45) reads as follows:

"The Chief Executive of the Hong Kong Special Administrative Region shall be selected by election or through consultations held locally and be appointed by the Central People's Government."

"The method for selecting the Chief Executive shall be specified in the light of the actual situation in the Hong Kong Special Administrative Region and in accordance with the principle of gradual and orderly progress. The ultimate aim is the selection of the Chief Executive by universal suffrage upon nomination by a broadly representative nominating committee in accordance with democratic procedures." (See the Hong Kong Basic Law).

⁵ The Occupy Central Movement did not consult with the LEGCO, instead it demands immediate implementation of universal suffrage, entirely abandoning the premises of “gradual” and “orderly” introduction of rights in the Hong Kong SAR as stipulated in the Basic Law, Articles (45) and (68).

⁶ The scenario might be that which points at tendencies of the “Rule of Man” overriding the ‘Rule of Law’.

⁷ The persistence of the Cold War rhetoric is reflected on the ‘democratic versus communist forces stand-off’ framework used by the majority of the observers and analysts for analysing the recent Hong Kong protests.

⁸ The *Laosanpian*, Traditional Chinese classical tales, Revolutionary speeches and slogans constitute some of the standard tools used for the purpose of quelling dissent in the Mainland China.

⁹ The *Zhongguo meng* China Dream is representative of the current President Xi Jinping time of office.

¹⁰ The expression is reflective of the ever present game of ‘cat and mouse’ manifest in the Chinese art of government. The expression has its origins in the two traditional Chinese concepts, i) saving face and ii) preference to consensus rather than confrontation. See Zhang (2010) on examples how the notion of the ‘middle road’ and ‘saving face’ are practiced by the government and ordinary people in their everyday endeavours.

¹¹ The question is imperative when considering that all cultures of the world use family setting to transmit cultural values, norms, rules and traditions from present to the future. Family serves as a primary field for the processes of inculcation of values and laying foundations for the prevailing *habitus*.

¹² The saying may be encountered in various settings of everyday language used in both institutionalized and popular culture.

¹³ In its macro sense as in 国家 (homeland).

¹⁴ Such logic may sound similar to the Central Government rhetoric that 'The Hong Kong demonstrations are a public nuisance' but in this instance it is meant to show that the protests manifest not as a norm but as representative of the Hong Kong SAR populace result to protect the identity of the region.

¹⁵ Such notion reflects ethical dualism as manifest in the notion of the *gong/si* (public/private) lexical pairs where public takes primacy over the private and doubling as a representative of all that is correct and desirable in society.

¹⁶ The term 'empty signifier' was coined by Lévi-Strauss to explain words that have indefinite meaning, such as 'mana', 'freedom', and 'liberty'. Lévi-Strauss states that these words have meanings that are indefinable in the sense that although they cannot be defined as tangible, they come to take on larger meanings that encompass powerful feelings and values. Ernesto Laclau's study *Emancipation(s)* (1996) uses the idea of the 'empty signifier' to refer to absent social rights and values.

¹⁷ One such example is when the notion of harmony features as a slogan representative of a political ideal, as in the case of '*harmonious society*' 和谐 *hexie shehui*. In China, such use of the lexical term 'harmony' limits its meanings to those of reverence to powers that be, or serves to reflect loyalty to one's country and people.

¹⁸ The lexical term *hezuo* tends to feature as an auxiliary in the rhetoric that promotes the notion of '*harmonious society*' 和谐 *hexie shehui*.

¹⁹ Confucius discusses the harmony/sameness (*he/tong*) distinction that is found throughout classical Chinese literature: "The exemplary person harmonizes with others, but does not necessarily agree with them (*he er butong*); the small person agrees with others, but is not harmonious with them." (*The Analects* 13/23).

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