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## Lessons from a survey of China's economic diplomacy

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# A G D I Working Paper

WP/18/009

## **Lessons from a Survey of China's Economic Diplomacy**

Forthcoming: Journal of World Trade

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**Lessons from a Survey of China's Economic Diplomacy****Simplice A. Asongu, Jacinta C. Nwachukwu & Gilbert A. A. Aminkeng**

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**Abstract**

Today, the West faces a considerable dilemma in their support for the Washington Consensus as a dominant approach for development because the Beijing model has grown to become an unavoidable process which can only be neglected at the cost of standing on the wrong side of economic history. The Washington Consensus, the hitherto dominant scheme, is being encroached on by the Beijing model. Many African nations are increasingly embracing this later method because the prevailing Western model has failed to deliver on a number of objectives. This is increasingly evident because China's economic diplomacy has been politely and strategically coined to achieve it. A case study is used herein to articulate the different strands of the survey. The paper puts some structure on China's economic diplomatic strategies and discusses lessons for Africa, China and the West. It contributes to existing literature by critically assessing why it is necessary for the West to modify the conception and definition of the Washington Consensus as a counterpart to the Beijing model. In order to remain relevant in the 21<sup>st</sup> century and beyond, the Washington Consensus should incorporate those ideas which are in conformity with Moyo's (2013) conjecture. This postulates that, while the Beijing model is optimal in the short-run, the Washington Consensus remains the ideal long-term development model because it is more inclusive of the rights demanded by individuals at different income categories.

*JEL Classification:* F19; F21; O10; O19; O55

*Keywords:* Economic relations; China; Africa

## 1. Introduction

The desire by independent African countries to seek new relationships in the 21<sup>st</sup> Century with non-Western allies is not a new intriguing development in the international relationship arena. Resource wars fought by white mercenaries, government corruption by Western companies, International Monetary Fund (IMF) Structural Adjustments, Cold War manipulations from the West, Apartheid, colonialism and slavery are all examples of factors that are pushing nations of the continent towards alternative partners. Against this background, China's growing economic and political influence has become an attractive substitute for African governments, leading to substantial increases in this country's investments in Africa (Robinson, 2009). Such is partly explained by the fact that the Chinese government adopted a strategy that is not just nefarious subversion, but masked by altruism. Chinese programs are guided in principle by equitable policies that the West has failed to devise since the late 19<sup>th</sup> century: "*China returns to Africa in the 21st century with not only a need for economic resources but with the cash to play the game dramatically and competitively*" (Lyman, 2005).

Accordingly, the rise of China has recently been subject to growing interest due to its strengthening of South-South relations and its significance for the international system. In essence, Africa's political and economic landscape is increasingly experiencing China's emerging footprint. China's success in Africa has raised the debate in academic and policy making circles regarding the former's strategies. Among the subjects for debate, China's tactic in economic diplomacy has been in the forefront (Asche et al., 2008; Besada et al., 2008; Biggeri et al., 2009; Ortmann, 2012; Asongu & Aminkeng, 2013). This is compounded by the fact that, China has an African policy while most African countries south of the Sahara (with the exception of South Africa and Botswana) do not yet have a plan on China to balance the asymmetry in economic relations with historical Western donors. The present

paper aims to examine China's strategies in economic diplomacy before drawing lessons for Africa, China and the West<sup>1</sup>.

The definition of China's economic diplomacy is multidimensional and complex. While it is defined by Flu (2012) from the Devil's dictionary as a '*patriotic art of lying for one's country*', the Center for International Governance Innovation (CIGI, 2008) conceives it '*as the application of a nation's favourable economic conditions toward particular foreign policy objectives*'. In accordance with Flu (2012), diplomacy these days can be largely reduced to economic gains in which corporate and national interests converge to a degree that both learn the importance of sharing information and working together. Hence, in order to compete overseas every rising power needs to flex its muscles in foreign countries by engaging with the governments of those nations to provide economic security for its domestic firms. A substantial part of China's diplomacy today is essentially concerned with economics: natural resources, new markets for its burgeoning domestic industries and security in energy supply. This has led the Chinese to successfully target business opportunities at the international level in large and small nations alike.

Given the controversial interest that China is demonstrating in its economic relations with African countries, there are intense arguments in the academic and policy-making circles about Chinese motivations and intentions (Taylor, 2006; Asongu & Aminkeng, 2013). The present exposition contributes to the debates by providing some valuable lessons for China, Africa and the West. As far as we have reviewed, the current literature can be improved with updated lessons for all three parties concerned in the debate.

To the best of our knowledge, the growing literature on China-Africa relations which we critically evaluate in the next section leaves space for one key improvement. It relates to

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<sup>1</sup> 'Strategy' as the narrative implies, is a 'foreign policy strategy' aimed at balancing an asymmetric trade relationship while a 'China model' implies the adoption of the Beijing Consensus which prioritizes 'economic rights' over 'political rights'. Hence, in the context of this paper, China's strategy in economic diplomacy is different from the Chinese development model.

the lessons which might be learnt from China's economic diplomacy by all the parties concerned in the growing narratives (Jenkins & Edwards, 2006; Schiere & Walkenhorst, 2010; Chemingui & Bchir, 2010; Brenton & Walkenhorst, 2010; Sanfilippo, 2010; Schiere, 2010; Wu & Cheng, 2010; Biggeri & Sanfilippo, 2009; Wei & Wang, 2009; Ji, 2010; Wang & Zheng, 2010; Fantu & Cyril, 2010; Zhu, 2010; Renard, 2011; De Grauwe et al., 2012; Drogendijk & Blomkvist, 2013; Wei, 2013; Lin & Farrell, 2013; Diaw & Lessoua, 2013; Munemo, 2013; Zhang et al., 2013; Adekunle & Gitau, 2013). The selected articles are dealt with in greater detail in the remainder of the paper.

Accordingly, the plethora of studies which have focused on the move of China into Africa have stressed the growing relevance of multi-dimensional international strategies (Tull, 2006). The investigation assessed: (i) African countries with questionable governance standards (De Grauwe et al., 2012; Tull, 2006; Renard, 2011); (ii) resource-driven ambitions (Kolstad & Wiig, 2011); (iii) the good, bad and ugly faces of China (Babatunde, 2013); (iv) the politics behind Sino-African relations (Taylor, 2007); (v) the association between trade openness with China and standard of living for poor African countries (ELu & Price, 2010); (vi) the diversification of regional economies to mitigate the unappealing effect of trade openness on economic prosperity (Diaw & Lessoua, 2013) and (viii) the need for African countries to be more involved in directing and shaping Sino-Africa friendship in order to tackle current challenges (Olivier, 2014, p. 15). They concluded that: (i) both pull and push factors are responsible for the Chinese entry into Africa (Biggeri & Sanfilippo (2009); (ii) while the relationship is beneficial in the short-term, both parties need to work closely together to reduce the asymmetric and exclusive interest of the liaison (Fantu & Cyril, 2010).

The contribution of this study to existing literature is threefold. *First*, it structures China's economic diplomacy into strands that emphasize the strategies it employs to foster its ties with African nations. *Second*, it discusses the lessons to be learned by African countries,

the West and China so as to render the Sino-African economic relations more sustainable and inclusive. *Third*, it critically evaluates why the Washington Consensus and the Beijing model are complementary development strategies.

The rest of the paper is organized as follows. Section 2 reviews the literature with particular emphasis on China-Africa relations and China's economic diplomacy. Section 3 discusses the lessons from China's foreign policy for herself, Africa and the West. Section 4 presents an illustrative case study, while Section 5 concludes.

## **2 China-Africa Relations and China's Economic Diplomacy**

### **2.1 China-Africa relations**

There has been a growing stream of the literature focusing on the increasing involvement of China and its sisterly Asian countries in Africa (Goldstein et al., 2006; Guerrero & Manji, 2008; Alden et al., 2008; Carmody & Owusu, 2007; Kitissou, 2007; Carmody, 2008; Naidu, 2008; Asongu & Aminkeng, 2013). In this respect, interesting conceptual frameworks have emerged on the effect on Africa of fast evolving Asian economies (like China and India) with emphasis on investment, governance and trade mechanisms in the continent (Carmody, 2008; Kaplinsky & Messner, 2008).

China-Africa relations have progressively been the focus of policy debates because of the growing importance of China in the global economy. In principle, the increasing participation of China in the international arena with a continuing strengthening of South-South relations has led to Africa's politico-economic landscape experiencing China's burgeoning footprint (Asongu & Aminkeng, 2013). Indeed, the growing involvement of China with African countries has raised concerns in the West and several development agencies (Wei & Wang, 2009; Jenkins & Edwards, 2006; Biggeri & Sanfilippo, 2009; Osei & Mubiru, 2010; Zhu, 2010; Fantu & Cyril, 2010; Wang & Zheng, 2010; Ji, 2010; Renard,

2011; De Grauwe et al., 2012; ; Wei, 2013; Diaw & Lessoua, 2013; Drogendijk & Blomkvist, 2013; Zhang et al., 2013; Adekunle & Gitau, 2013; Munemo, 2013; Lin & Farrell, 2013).

Over the years, China has experienced a substantial acceleration of economic prosperity coupled with greater openness of its economy. This has led to the country becoming an important player in the world economy. Such is related to the fact that approximately one out of every five people on earth are living in China and its economy has been growing substantially (Jenkins & Edwards, 2006). Consistent with this narrative, trade as a percentage of GDP grew by more than 66 percent for the country between 1990 and 2002. Though its portion of global trade and output is still behind in per capita terms, their increase has been quite significant nonetheless (World Bank, 2014)<sup>2</sup>. This increasing footprint on the global arena has been the focus of much attention in developing countries, particularly in African nations (Moreira, 2007; Lall et al., 2005; Wei & Wang, 2009; Ortmann, 2012; Wang & Zheng, 2010).

Then too, in addition to the boost in Sino-African trade since the 1990s, China has emerged as a source of considerable foreign direct investment (FDI) over the past years (Diaw & Lessoua, 2013; Fantu & Cyril, 2010; Jenkins & Edwards, 2006). Whereas Sino-African trade experienced a slow-down in the 1990s, it witnessed a sharp reversal on this and increased substantially from 1998 (Jenkins & Edwards, 2006). Hence, relative to Western industrialized nations, Sino-African trade has been rising at a breath-taking pace (Asche & Schüller, 2008)<sup>3</sup>. This description is broadly in accordance with De Grauwe et al (2012, p. 15) who argue that, from approximately below 1 percent in the 1980s, China's portion of commodity imports and exports had risen to about 13 percent and 11 percent respectively by

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<sup>2</sup> According to the World Bank (2014), with respect to GDP per capita, China does not feature among the Top 100 countries in terms of the Atlas methodology or Purchasing Power Parity (PPP). More information on China's GDP per capita progress can be found on the following link: <http://knoema.fr/sijweyg/gdp-per-capita-ranking-2013-data-and-charts>

<sup>3</sup> According to the International Monetary Fund (IMF, 2006) and China's Commerce Yearbook (2007), foreign trade value increased approximately tenfold to \$55.3 billion in 2006 from \$5.5 billion in 1998.



2009. This was above the share of any independent European nation in terms of trade with Africa.

The involvement of China in Africa is increasingly the focus of media attention (Carmody, 2008). While her engagement with the continent has been embraced with much disapproval and fear from Western nations (Mawdsley, 2008), some African scholars have expressed positive sentiments with regard to it as an alternative to the traditional Washington Consensus (Carmody, 2008). To the best of our knowledge, there are two main dominant discourses. *First*, there is a stream that is of the opinion that, China's increasing demand for natural resources in the continent has resulted in two primary outcomes (i) substantial recognition of Africa as an important source of the global market's raw materials and (ii) a growing awareness of the reasons behind the continent's poverty and the new avenues for breaking the persistent cycle of low per capita incomes in the region (Asche & Schüller, 2008; Asongu, 2013a,b; 2014a,b). . *Second*, there has also been a growing feedback from some writers asserting that China's increasing involvement in the continent is indistinguishable from those of Western powers which earlier regarded it as a good market for inexpensive manufactures and a supplier of abundant cheap raw materials (Biggeri & Sanfilippo, 2009). This second stream also maintains that China, by virtue of its non-interference policy, is increasingly willing to engage with African governments that are reluctant to improve their governance standards (De Grauwe et al., 2012).

According to an argument by Asongu & Aminkeng (2013), the engagement of China in Africa has significantly increased over the last decade and today is surrounded by three main schools of thought. *First, optimists and indifferent people* think that it is a tantalizing opportunity, though Africa has little option (Asche & Schüller, 2008; Akomolafe, 2008; Kamwanga & Koyi, 2009; Fantu & Cyril, 2010; Renard, 2011; Freschi, 2010; Diaw & Lessoua, 2013). *Second, a balanced-development* perspective sees the shift in paradigm as an

alternative to the dominant Washington Consensus that has essentially been based on the orthodoxy of the stability and reputation of Western institutions fundamentally taking precedence over economic prosperity in development (Tull, 2006; Wang & Zheng, 2012; Anyanwu & Erhijakpor, 2014). *Third*, there is a *neocolonial stream* consisting of *pessimists* who view the relationship as unstable and very asymmetrical (Clinton, 2011).

*First*, the *Neocolonialist school* is promoted by skeptics of the China model<sup>4</sup> who are predominantly Western nations. They point out that Chinese transactions in FDI, aid and trade are not linked to good governance conditions. Hence, its link with the continent is simply profit-making and leaves little or no opportunities for the poor to enhance their living standards. Therefore, the arrangements with China are not always to the benefit of host nations. This is contrary to a Western engagement consensus like the African Growth and Opportunity Act (AGOA)<sup>5</sup> from the USA, which goes beyond profit-making by seeking to make Africa a better place through the promotion good governance (Clinton, 2011)<sup>6</sup>.

*Second*, the *Balanced-Development School* sees Sino-African relations as a symmetrical development approach (Fantu & Cyril, 2010) provided that Africa can also devise a ‘China policy’ to balance existing unequal economic relations. For example, China’s non-interference foreign policy offers African governments the leverage to assert their sovereignty in bilateral relations. Three points are worth clarifying here: (1) China’s aid without preconditions substantially steers clear of the Western methods of assistance which

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<sup>4</sup>The Beijing development model favors state regulation and prudence in market openness. It lays emphasis on national sovereignty and prudential market reforms (Nijs, 2008). It may also be defined as ‘deemphasized democracy, state capitalism and priority in economic rights’, contrary to the Washington Consensus which is alternatively defined as ‘liberal democracy, private capitalism and priority in political rights’ (Moyo, 2013). Despite some criticisms (Huang, 2010), the Beijing model is being increasingly recognized as more adapted to 21<sup>st</sup> development, compared to the Washington Consensus that champions free trade.

<sup>5</sup> The AGOA offers tangible incentives for African nations to continue pursuing the process of building free markets and opening-up their economies. It is also important to note that China has used the AGOA to temporarily relocate textile production (Eliassen, 2012).

<sup>6</sup> This school could be summarised into three main myths surrounding Sino-African relations: the Chinese not hiring workers in Africa, China targeting African countries which have abundant natural resource wealth and; Chinese companies outpacing other corporations by flouting environmental and social standards (Freschi, 2010; De Grauwe et al., 2012).

are used to patronize African states (Tull, 2006)<sup>7</sup>. Hence ‘colonialism’ as employed by the first school of thought is misplaced in labeling Sino-African relations. The intuition for this misplacement rests on the fact that, the use of ‘investment and trade’ as instruments to influence the ‘decision-making’ processes in African nations by more advanced countries is synonymous to some degree with ‘neocolonialism’, (2) Given that China and Africa faced similar economic predicaments in the 1960s, Akomolafe (2008) thinks there is much to learn from the former because it preferred to chart its own development course and did not follow the prescriptions of the Washington Consensus administered to the latter, (3) China’s foreign policy is consistent with the NEPAD (New Partnership of Africa’s Development) and the African Union, on the conception of African ownership.

The *third* strand is the *Accommodation School*. It argues that even if China has ambitions of neocolonialism, African nations have little or no alternative (De Grauwe et al., 2012). This is primarily because (1) Western powers are no ‘less neocolonialists’ and (2) few feasible options exist beside the West and China. In a nutshell, the strand maintains that China is playing by the very rules of capitalism set by the West. Moreover, despite being good students, there is little evidence that Western prescriptions have enhanced living standards in Africa (Bartels et al., 2009).

The above three schools of thought which are consistent with our own views have been critically used to debunk five main myths surrounding Sino-African relations. These include: “*China targets aid to African states with abundant natural resources and bad government, the Chinese do not hire Africans to work on their projects, Chinese workers and managers live in extremely simple conditions as compared to Western advisors, China outbids other companies by flouting social and environmental standards and there are low linkage levels between Chinese and local businesses*” (Asongu & Aminkeng, 2013, p. 263).

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<sup>7</sup> While it is difficult to distinguish grants-in aid from interest free loans, the fact that loans are interest-free is nevertheless a form of aid. Moreover, China’s aid is not totally without pre-conditions because the recognition of Taiwan as a Chinese province is required from recipients (Gehrold & Tietze, 2011).

## **2.2 China's strategies in economic diplomacy**

As has been said, there has been much discussion of China's economic commitment with Africa. Among them, many studies have tried to comprehend the move of China to the continent. This may be part of a non-intervention and multi-polar international strategy (Tull, 2006). In line with the narrative, debt cancellation, growing investment and the aforementioned burgeoning Sino-African trade have benefited African and Chinese elites for the most part because they have targeted Chinese strategic interests in oil and other natural resources.

China's move into Africa could also be motivated by strategic interactions among three principal mechanisms which could be construed as push factors, *inter alia*: trade, economic co-operation and FDI. On the other hand, the pull factors include, amongst others, market potential and natural resources (Biggeri & Sanfilippo, 2009). But the connection could be mutually beneficial in the short-run. This has led Fantu & Cyril (2010) to propose steps which African governments could take in order to render the relationship more symmetrical, especially through a more informed and stronger negotiation of contracts. Some interpretations hold that China is willing to deal with countries that have very questionable government standards as has been mentioned (De Grauwe et al., 2012). Chinese economic diplomacy is substantially influenced by the poor institutional quality in African countries (Renard, 2011); the availability of natural resources (Kolstad & Wiig, 2011); more affiliation with countries that are facing dire needs for investment infrastructure and a growing need to diversify the economies on the continent (Tuomi, 2011; Asongu, 2012; Darley, 2012; Diaw & Lessoua, 2013). The importance of these ideas for the Sino-African relationship is discussed in greater detail in the remainder of this section.

### *2.2.1 Resource diplomacy (with great emphasis on oil)*

A number of studies have concluded that Chinese investments in the African continent are principally driven by natural resources. For instance, Kolstad & Wiig (2011) have assessed FDI in Africa from the Chinese and found it to be heavily determined by the availability of natural resources in the host-country. The analysis has further postulated that the name of the investment game in the continent is now ‘weak institutions’ because China specifically targets resource-wealthy nations with fragile institutions. Weak institutions here refer to countries with dictatorships for the most part. This is coupled with the fact that Africa urgently needs foreign investment (Tuomi, 2011; Darley, 2012) since the continent accounts for approximately only 1 percent of world FDI flows (Asongu, 2012).

Consistent with Taylor (2006), while China is looking for a wide variety of resources, it is particularly interested in expanding its oil markets. Accordingly, oil is the principal resource motivating Chinese economic diplomacy. Other resources include: bauxite, copper, aluminum, uranium, iron ore and manganese. Hence, the analysis of China’s resource diplomacy in this section will lay particular emphasis on the oil-oriented dimension of the negotiation. Taylor (2006) has argued that the oil diplomacy by the Chinese in Africa aims for two principal goals. On the one hand, in the short-term, it seeks to secure supplies of oil for its rapidly growing domestic economy. On the other, it also wishes for longer term avenues with the ambition of positioning China as a principal player in the world’s international market for oil.

China has used the historic suspicion by African leaders of Western intentions to determine how it engages with the continent. This is the central axis of its oil diplomacy.

### 2.2.2 *Scale of preference in rights*

The postulated Chinese policy of non-interference undeniably aims to strategically steer clear of Western conditionality policies. We discuss the basis for this assertion in two main ways, human versus national rights (Taylor, 2006) and political versus economic rights (Moyo, 2013; Asongu, 2014cd; Lalountas et al., 2011). We begin with the latter.

*First* and foremost, China has understood that she was in the same economic situation as most African nations in the 1960s. While she chose to go her own way, African nations requested the support of Bretton Woods Institutions. Today, China's remarkable success reminds African nations of the need to take decisions affecting their development without Western interference. The Moyo (2013) and the Lalountas et al. (2011) conjectures have led the way. The latter postulates that, at the advent of globalization, poor countries are more concerned with 'economic rights' than with 'political rights'. The supposition has been recently confirmed in Africa (Asongu, 2014a).

The former is the Moyo hypothesis which can be summarized in the 'scale of rights preference' as 'short-run economic rights' and 'long-term political rights'. While the Chinese model can be defined as 'state capitalism, deemphasized democracy and priority in economic rights', the Western model advocates 'liberal democracy, private capitalism and priority in political rights'. According to Moyo and Asongu (2016), a middle class is needed to demand political rights in a sustainable manner and the Chinese model has shown itself to be the most effective at delivering an increasing middle-class within a very short space of time. Hence, once a substantial middle class is in place, political rights can sustainably be demanded because the middle class would not easily fall into the temptation of crony democracy as with the poor. This description is broadly consistent with the view on conflicts over land property rights in Africa (Ghana and Kenya Boone, 2009, 2012) and weak democratic pressures for pro-poor agriculture policies (Poulton, 2014). This is primarily because they would have

surpassed basic needs for food and shelter which the low-income strata is most concerned about.

The Chinese policy of non-interference is also based on hard choices between ‘human rights’ and ‘national rights’. Consistent with Taylor (2006), there is a deep suspicion by African leaders of the frequent Western criticisms of their governance standards, especially the constant articulation of liberal democracy and human rights that are fundamentally ‘western-centric’ norms. China has been strategically polite in tapping into this concern. She has asserted in no uncertain terms that human rights, such as the ‘right to subsistence’, and ‘economic rights’ are the fundamental rights which developing countries need at this initial stage of economic growth. According to the narratives, these rights should take precedence over more “idiosyncratic” issues of individual or personal rights, advocated by the West.

An extension of this description of non-interference insists that ‘human rights’ should not take precedence over ‘national sovereignty’. This implies that sovereign nations do not have the right to criticize other nations that are independent under international law. In this light, the freedom from hegemony and non-meddling in matters of ‘state sovereignty’ have been the main themes governing China’s foreign policy. This is consistent with the ‘Five Principles of Peaceful Coexistence’ that are the bases of China’s foreign relations<sup>8</sup>.

### *2.2.3 Good understanding of the geopolitical outlook*

Consistent with Taylor (2006), China’s engagement with Africa is also based on a geopolitical flavour. While Africa is perceived by the Chinese to be rich in natural resources, Beijing’s dealings with Africa are not merely restricted to the various elements of the region’s economic position discussed in the sections above. Beijing also views Africa as a future instrumental player in global politics. This is consistent with the account that, with advancing

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<sup>8</sup> The five norms are: non-aggression; peaceful coexistence; equality and mutual benefit; mutual respect for the internal affairs of each other and non-interference in each other’s internal matters.

economic prosperity and some positive outlook for political stability, countries on the continent are very likely to have more leverage in decision-making at the international level. As highlighted in the preceding section, the potentially high African stake in future global decision-making bodies is seen by China as a promising trend. This has led to her increasingly asserting that she and the continent share a mutual interest and similar or identical views on predominant international matters. Accordingly, it has become very common for policy speeches from China to emphasise how Sino-African relations are linked by comparable experiences, such as shared levels of economic development and historic views on Western oppression.

The ambition of establishing new and unbiased international economic and political orders has promoted the Chinese to feature prominently in discussions aimed at safeguarding the legitimacy and rights of developing nations. China has also clearly articulated that its 'Five Principles of Peaceful Coexistence' are in harmony with the Charters of the African Union, New Partnership for Africa's Development (NEPAD) and the United Nations. This, in the view of Taylor (2006), has a geopolitical appeal because Beijing is seeking to court African countries within an extended framework of world politics.

#### *2.2.4 No high benchmarks: poor governance and elite diplomacy*

The fact that China does not set high benchmarks in its economic diplomacy with Africa has led to poor institutional governance and elite diplomacy. This issue of poor governance has been substantially documented in recent Sino-African literature. Kolstad & Wiig (2011), Fantu & Cyril (2010), De Grauwe et al. (2012) and Renard (2011) have consistently argued that China is increasingly willing to set low benchmarks that are characteristics of poor governance. Hence, the 'Chinese just come-into Africa and do it'. They don't focus much on environmental impact investigations, governance standards and labour rights. This had led to some strands of the myths surrounding Sino-African relations



postulating that the Chinese are succeeding because they are increasingly willing to overlook the absence of transparency, especially elite corruption (Asongu & Aminkeng, 2013). Such a non-interference approach implies that there are no ‘rogue states’ in Africa. This substantially steers clear of the Western diplomatic approach which has identified many ‘rogue states’ as ‘arcs of extremism’ or ‘axes of evil’ (Taylor, 2006). Much discussion insists that Beijing has a very different approach on such issues.

Whereas the Sino-African relationship is fundamentally historic, its evolution based on the ‘non-interference’ principle with an economic impulse is today widely criticized in policy-making and academic circles. While some observers see ‘state sovereignty’ as being used by China in the consolidation of its diplomatic ties, some historians have debunked this myth by logically arguing that China is playing by the same rules of competitive market norms as were set by the Western colonial powers (Asongu & Aminkeng, 2013). However, the scope of this analysis is not to take sides in the debate, but to highlight the lessons which could be learned by Africa, China and the West from the burgeoning literature on Chinese economic diplomacy.

### **3. Lessons for Africa, the West and China**

China’s economic diplomacy has many lessons with the engaging and/or third parties. Specifically, the lessons to be drawn for African nations are fundamentally different from those for the West. Accordingly, while African countries need to critically evaluate the issues surrounding their worsening asymmetric economic relationship with China (Asongu & Aminkeng, 2013), the West for its part is increasingly losing influence in African affairs as it continues to proliferate the conventional Washington Consensus. It is important to note that Western foreign policies are heterogeneous. For example, consistent with Asongu (2014e, p. 472-473), Western donors have been pursuing multiple objectives which have changed over

time. The literature maintains that, while Japanese aid has been motivated by economic gains, Nordic aid is governed by more global welfare advantages. French aid is essentially based on politico-economic goals while financial assistances from the United States and the UK are motivated for the most part by the need to improve democracy and human rights.

### **3.1 Lessons for Africa**

Many studies on the Sino-African relationship are consistent with the appealing dimensions of the liaison. They include among others: (i) China engaging in sectors abandoned by the West during the global financial meltdown (Kamwanga & Koyi, 2009), (ii) Development assistance and investments in crumbling infrastructure like the building of government offices, dams, stadia and hospitals (Taylor, 2006; Asongu & Aminkeng, 2013). However, these short-term benefits could be overshadowed by long-run serious setbacks. These may comprise: (i) dangers of resource-oriented growth; (ii) issues of democracy, (iii) governance and human rights and (iv) hampering of efforts by multinational organizations to pursue common development policies.

#### *3.1.1 Dangers of resource-oriented growth*

China's burgeoning economy and its corresponding demand for African oil have substantially contributed to stimulating economic growth in oil-rich African countries. Two issues abound here. They are (i) the distribution of wealth among the growing African population and (ii) avoiding the trap of the Dutch disease.

*First*, on the distribution of wealth, despite some recent figures showing that income inequality has declined in Africa relative to other regions of the world over the recent past decade (Fosu, 2015), there is still great concern about equitable distribution of wealth in most oil-rich African countries (Asongu, 2013ab). However, the latest evidence on the increasing capital flight from oil rich nations in Africa indicates that the income accruing from oil-

exports is not being evenly distributed (Boyce & Ndikumana, 2008, 2011, 2012ab; Asongu, 2014f). Hence, while the Chinese's offer of low-cost solutions to African development is to be appreciated, its non-interference with how funds generated from her activities on the continent are managed could substantially backfire if the fruits of her activities are not evenly distributed among the population. Consequently, the unaccounted enrichment of the elite could have adverse implications for both Chinese and African economic interests.

*Second*, the Dutch disease that leads to low competitiveness of domestic industries in the aftermath of oil discovery could also substantially have adverse effects on the domestic economy in the long-term. Such unappealing outcomes include, among others, negative oil price shocks with associated decline in production. Therefore, it is essential for China to join other traditional sponsors in warning African nations on the dangers of: natural resource curses, over reliance on a particular export commodity and the dependence of economies on the primary sector. Thus, broadening the economies of oil-rich nations with funds accruing from Chinese-related activities should go a long way towards benefiting both China and domestic economies. Another important element worth noting about the Dutch disease is the overvaluation of currencies which immediately has a negative effect on the competitiveness of traditional non-oil domestic industries.

### *3.1.2 Issues of democracy, governance and human rights*

China's non-interference on issues of democracy, governance and human rights in host African countries is seen as unusual by most observers. But as we noted earlier, evidence suggests that concerns relating to institutional quality such as political rights may be somewhat irrelevant when most of the population is in the low-income category. Nevertheless, as the middle class evolves and begins to demand greater political rights and more credible institutions, it is important for the Sino-African policymakers to adapt to these changes by supporting genuine anxieties by the local population, especially those that are

directly related to Chinese economic operations. These include, issues of labour rights for local workers, environmental concerns resulting from the activities of Chinese companies and the supply of weapons.

The issue of weapons supplied to African governments, particularly those with questionable democratic standards, is damaging to both the Chinese and domestic interests (Jones, 2012). To be sure, it is evident that the effects of political instability are unpleasant to everybody and/or economic activity in a given country. Hence, it is important for the sponsors of the Beijing model to incorporate in their assessment the supposition that, deterioration in the quality of governance, most specifically political unrest and corruption, are likely to hamper the sustainability of Sino-African relations. Above all, it could keep the African continent at the bottom of global hierarchy because it would potentially be plagued by dictatorial regimes and abusers of human rights.

### *3.1.3 The Undermining efforts of African and International organisations*

As argued by Taylor (2006), Chinese diplomacy on non-interference could also affect efforts by international organisations to administer global consensus. For instance, the NEPAD is a kind of agreement among several African nations on how they wish the continent to advance. Values of democracy, good governance, economic development and human rights are clearly enshrined in its charter. However, some elements of the Chinese non-interference strategy impede efforts by bodies like the African Union to enforce the lofty practices and procedures of the NEPAD. Accordingly, if China's foreign non-interference policy gives leverage to less democratic African governments, this could also indirectly promote corruption and bad governance which are against the tenets of the NEPAD.

The above points should be interpreted in the knowledge that foreign policy from Western nations has been implemented with some degree of hypocrisy. For instance, the USA's dealings with Saudi Arabia are oil-oriented and for the most part do not attach

democratic values to its economic relationship (Fitzgerald, 2013). Another case in point is France, whose foreign policy in Africa has not been accompanied by her values of ‘liberty, equality and fraternity’ (Charbonneau, 2008). More recent literature suggests that the French 19<sup>th</sup> century foreign policy was failing in 2014. According to Wagner & Cafiero (2014), the foreign policy of France in Africa which has been motivated by her demand for African minerals and oil has been characterised by French military presence throughout the continent to protect her entrenched business interests and nationals who are there in the hundreds of thousands.

Above all, while ‘China has an Africa policy’, but for a few countries like Botswana and South Africa, ‘Africa does not have a China policy’ and such is recommended by Asongu & Aminkeng (2013). It is therefore important for African governments to come together and develop mutually beneficial policies based on rational economic arguments in order to balance this asymmetric Sino-African liaison.

### **3.2 Lessons for the West**

Today, Western governments face a great historic challenge in their favoured Washington Consensus as a dominant model of development because the Beijing model has grown to become an unavoidable process which they can only neglect at the cost of standing on the wrong side of economic history. Many African nations are increasingly embracing the Beijing model because the dominant Western approach has failed to deliver on a number of development objectives in the past. This is increasingly evident because China’s economic diplomacy has been politely and strategically devised to achieve just that. In order to remain relevant in the 21<sup>st</sup> century and beyond, the Washington Consensus could find some support in the Moyo (2013) hypothesis. This proposes that while the Beijing model is optimal in the short-run; the Washington Consensus remains the prime long-term development model because it is a more inclusive of population from different income categories.

The short-term relevance of the China model has been frequently discussed in the literature in two main strands. *First*, there is currently a wealth of articles suggesting that poor countries are more concerned with economic rights (or the right to food and shelter) than with political rights (or the right to vote) at the advent of globalization (Lalountas et al., 2011; Asongu, 2014c). Moyo (2013) has joined this debate by emphasising that the primary difference between the Washington Consensus and the Beijing model lies on their dissimilarity in the prioritization of rights; ‘economic rights’ priorities for the latter and ‘political rights’ priorities for the former. *Second*, African colonial history has resulted in its leaders becoming increasingly averse to Western interference (Taylor, 2006). This is a fact that has been strategically exploited by China in its economic diplomacy.

In the light of Moyo (2013), the West should be reassured by the fact that the Beijing model is not sustainable in the presence of the growing African middle classes who are demanding greater political rights. This is principally because the middle-class is hypothetically no longer concerned with basic economic rights to food and housing which are the priorities of the Beijing model. Hence, both the Beijing model and the Washington Consensus can cohabit in the short-term and long-run respectively.

### **3.3 Lessons for China**

Consistent with Taylor (2006), China’s non-interference economic diplomacy may come back to haunt her in the long-run. To be sure, turning a blind eye on less democratic regimes in the continent could substantially harm China’s economic relations, especially if corruption and political instability are rampant. Ultimately, frequent ‘regime change’ in poor and weak States could push new political leadership into power to expropriate materials and resources owned by Chinese corporations. Moreover, changes in leadership could force

Chinese firms to comply with new domestic labour rights and environmental standards which could substantially affect the future interest of Chinese corporations.

The conflict in the Nigerian Delta region has shown how the resentment of the local population could substantially affect the oil-dimension of Chinese diplomacy if a corrupt leadership is indirectly supported (Obi, 2008). According to Obi, all Chinese companies have participated in what the author terms '*a new scramble for Africa's resources*' and this has been facilitated by the Nigerian government's desire to augment its revenues by diversifying the economy from an almost total dependency on Western market actors and oil technology. Local communities of the Niger Delta who have been quick to disapprove Chinese company involvement in the Nigerian oil sector are partly motivated by China's negative antecedents in other African countries, notably in the Sudan where Chinese oil workers and Chinese companies have been repressing local resistance with the collusion of the dominant elite and the government. The author postulates that there is a broad consensus among local communities that relative to traditional Western Multinational oil companies operating in the region, China may be less concerned about environmental protection.

Additionally, Obi (2010) assessed the channels through which 'violent resistance' movements have erupted in the Niger Delta. According to the author, the fundamental motivation behind the violence is because oil-extraction in the Nigeria's oil-rich region has impoverished and dispossessed indigenous people. The main argument presented in the study is that ethnic-minority armed movements are rebelling against the partnership between the Nigerian State and oil multinationals (considered as exploiters and beneficiaries) because of the unequal distribution of the benefits from the nation's oil-wealth. Consequently, in this context both traditional multinational companies like Shell and the Nigerian government represent targets for the militia.

Consistent with Davis (2009), the Movement for the Emancipation of the Niger Delta (MEND) started abducting oil workers immediately when it was formed in 2006. The MEND which according to Ukiwo (2007) is a coalition of: (i) armed groups from the River, Bayelsa and Delta states, (ii) Federated Niger Delta Ijaw Communities and (iii) the Niger Peoples Volunteer Force, also began attacking Shell's installations soon after its formation. Some attacks targeted, the company's flow stations, oil tanker platforms and pipelines, which led to a significant drop in oil production (Obi, 2008, p. 61).

Lubeck et al. (2007) have emphasised that the perceived threats on Western oil installations may be exaggerated and fuelled by the entry of Indian and Chinese companies into oil fields in the rich Gulf of Guinea. This narrative is supported by Obi (2010) who observed that most hostages were released unharmed. Such gives credibility to the thesis that, the MEND actions have also been motivated by the need to draw international attention to the fact that the massive exploitation of oil resources was accompanied by an increasing level of socio-economic deprivation in the Niger Delta region.

The accusation that Chinese firms are colluding with corrupt Nigerian elite is most feasible if evidence shows that gains from Chinese oil exploration with allied economic prosperity are not evenly distributed. A contradictory question that may also arise from the Niger Delta situation is 'the striking of deals with local militias by Western governments'. These appeasement processes substantially violate the principle of state-sovereignty which China promotes. Therefore critics of China's foreign policy have suggested that a test for the credibility of the Beijing model is whether Chinese corporations would simply move out of those countries where they are confronted with such a violent situation as in the Niger Delta, given that their government is unprepared to violate its fundamental principles of 'State sovereignty and non-interference'. Nonetheless, it is important to note that the above description is broadly consistent with terror campaigns by the MEND which were seen by



observers as warning signs to Chinese companies entering the Niger Delta for oil exploration. For example, the MEND has used car bomb explosions to frighten Chinese oil corporations from setting up in the Niger Delta. Moreover, it has cautioned those Chinese companies which have already settled in the region that they will be targeted with more violence and their foreign employees treated as thieves (Obi, 2008).

If China does not take action to address the myths surrounding its asymmetric relations with Africa, there is a likelihood that the repercussions might rebound on her economic interests in the future. These myths have been documented by Asongu and Aminkeng (2013, p. 263). They include, “*China targets aid to African states with abundant natural resources and bad governments, the Chinese do not hire Africans to work on their projects, Chinese workers and managers live in extremely simple conditions as compared to Western advisors, China outbids other companies by flouting social and environmental standards and, there are low linkage levels between Chinese and local businesses*”. Though it is the responsibility of African governments to address these legends, it is also in the interest of China to help in addressing the myths in a bid to avoid potentially negative consequences for its corporations.

China’s engagement with non- and/or quasi-states (especially those under international sanctions) by virtue of its non-interference policy may represent judicial concerns. Accordingly, these states may lack the administrative and legal establishments essential for sustainable business activities. Hence, in those environments where the emphasis on state-sovereignty is likely to be short-lived, the State can decay at any point in time. Hence, securing natural resources may not be easy for China in the long-term. Moreover, if elites in those states have the reputation of ambitiously sacrificing development objectives to remain in power at all costs, the external beneficiary who blatantly supports the milieu is not likely to succeed in the long-term due to political instability.

#### 4. An illustrative case study: Angola

In this section, we present a case study in order to put some illustrative perspective to the arguments provided in the preceding sections. The strands of literature discussed so far are articulated with the case of Angola in four main streams, notably: (i) failure of Western policies, (ii) China's foreign policy aligned with the corresponding failure of the West, (iii) management policies adopted by the domestic government and (iv) updated lessons for Africa, China and the West.

For the *first* strand, in the aftermath of the Angolan civil war, the country was seriously indebted to creditors in more advanced countries like the Paris Club, Russia, and the IMF. Evidence from the literature suggests that some of these creditors clamoured for payment, even attempting to seize Angolan government assets abroad. The IMF and the Western donor government imposed conditions in relation to oil revenue transparency and structural adjustment reforms as bases for foreign debt relief. The Angolan government was reluctant to, among other things, completely liberalize its industries given that it had just come out of a civil war and her domestic industries were still very weak in the face international competition (Asongu & Aminkeng, 2013). With this refusal, the IMF and the West withdrew their loan assistance to the country.

In the *second* stream, China took advantage of the failure by the West, stepped-in and assisted the Angolan government with billions of dollars in unconditional loans and aid. China's engagement without strings offered Angola an opportunity to turn her back on the West after what she judged as a consistent chain of humiliation. It should be noted that, Angola had committed to a host of reforms, among which were the April 2000 program on forty-four benchmarks and conditions including trade liberalization. Moreover, during the period 1995-2004, the country had negotiated four debt relief programs with the IMF, but could not stick to them because of war-related economic problems.

In the *third* element, to the surprise of many observers, Angola with investments from China has used her burgeoning oil revenues to pay off her debts to the Paris Club and transparency in the country has improved. Accordingly, in the absence of conditionalities from the IMF and Western donors, the Ministry of Finance of the Angolan government now publishes a complete account of oil expenditures and revenues on its website. Moreover, in addition to the Oil Reserve Fund set-up in 2004, the Angolan government in 2012 followed the example of Norway in resource management by setting-up a US\$4.95 billion Sovereign Wealth Fund which received the last part of its endowment in June 2014 (Jablonski, 2015). By engaging in long-term investments that potentially have social benefits, the Fund plans to play a substantial role in generating wealth for Angolans and advancing the country's economic and social development<sup>9</sup>. To preserve the real value of its capital while enhancing job opportunities for Angolans, the Fund is invested globally as well as in domestic firms involved in the rebuilding of the country's infrastructure including roads, schools and hospitals. According to Bagnall & Truman (2013, p. 7), who have documented progress on accountability and transparency in Sovereign Wealth Funds, Angola's Fund is important as an African extractive economic model.

In the fourth component, there are obvious lessons for Africa, the West and China. *First*, a lesson for other African countries is that while there is still much corruption in Angola, schools, clinics and roads are being built. Most of Chinese loans have been tied to resource-backed infrastructure in Angola (Alves, 2013, pp. 99) and Africa at large (Bräutigam, 2011a, p. 3). Hence, it is up to the Angolan government to tailor its relationship with China in such a way that there are: (i) skill spillovers and transfer of know-how, (ii) employment of indigenous staff in the projects and (iii) protection of the local domestic industries against very cheap imports from China. *Second*, Western donor governments also

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<sup>9</sup> The interested reader can find more insights on the Angolan Sovereign Wealth Fund's website : <http://www.fundosoberano.ao/language/en/>

have lessons to learn from this scenario. Prior to their imposition of conditionalities, Western banks had offered loans to the Angolan government without such restrictions on transparency and trade liberalization (Bräutigam, 2011b). The 2008 financial crisis and evidence from a new stream of literature on Post-Washington Consensus development models (Fofack, 2014), indicate that it is not in the long-term interests of the West to abandon a poor country in time of need on the pretext that she has failed to fully comply with Washington Consensus-friendly conditions. *Third*, China needs to align its Angolan foreign policy with the concerns of the indigenous population. As Angola grows richer and a sustainable middle-class starts to prioritize political rights, she should have matured her foreign policy to comply with popular demands for institutional reforms and so avoid a Libyan-type scenario where she might lose everything in event of an unprecedented uprising or revolution. The need for China to accommodate requests for political rights with the rise of a middle class in African countries has been advanced by Moyo (2013) and is increasingly being articulated in African foreign policy literature (Asongu, 2014d). The narrative of this paragraph is substantially detailed in Asongu and Ssozi (2016), in particular on lessons and strategies for African governments, as well as some policy syndromes in the Sino-African relations.

## **5. Conclusions**

Today, the Western donor governments face a considerable historic challenge in the Washington Consensus as a dominant approach for economic development. This is primarily because the Beijing model has grown to become an ineluctable process which these traditional Western sponsors can only neglect at the cost of standing on the wrong side of economic history. Many African nations are increasingly embracing the Beijing model because the historical Western model or Washington Consensus has failed to deliver on a number of development goals. This is increasingly evident because China's economic diplomacy has been politely and strategically devised to sow the seed for such doubts.

This paper has provided a critical assessment of China's economic diplomatic strategies with associated lessons for Africa, China and the historical Western donors. It has contributed to existing literature by systematically outlining the reasons for the West to adjust the conception and definition of the Washington Consensus as a complement to the Beijing model. In order to remain appropriate in the 21<sup>st</sup> century and beyond, the originators of the Washington Consensus should emphasize the relevance of those elements which support Moyo's (2013) conjecture that, while the Beijing model is optimal in the short-run, the Washington Consensus remains the ideal long-term development model because it is the more inclusive of the alternative considerations.

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