Does China and Africa South-South cooperation lead to economic development in Africa?

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Abstract

Since a few decades now Chinese enterprises’ investments abroad have seen a continuous and steady ascension. At first cautious and just across the Chinese national borders, these investments, slowly but surely, spread like a sheet of water that seeps into the heart of each continent on the globe. This global infiltration of Chinese companies coincides with the popularity in the use of the expression “South-South Cooperation” to characterize a type of relations between countries categorized as being “developing”. Accordingly this paper seeks to examine the role of the use of this concept as a “channel to achieve common development” in the context of Chinese enterprises’ outward direct investments in Africa adopting insights from international business production theories combined with an historical analysis of the notion of South-South Cooperation. Drawing on primary data gathered during my fieldwork in China in the period stretching from December 2011 to February 2012 and secondary data sources, it is argued that these Chinese investments supported by the Chinese government rhetoric on South-South cooperation, cannot lead to significant economic development in Africa like it has happened in China in the eighties. Rather and at most Chinese investments in Africa show some “trickl-down” effects characterised by very limited economic development in scattered localities throughout the African continent.

Keywords: South-south cooperation, China and Africa, Infrastructure, Technology transfer

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1. The normative question of Chinese engagement in Africa

The growing presence of China in the world but most specifically in Africa triggers divergent reactions from Western as well as African intellectuals and the media arena. The Chinese penetration in Africa is considered by some as an opportunity for the development of the continent while some others assert that it is a new form of colonialism. But central to the debate of Chinese penetration in Africa is also the controversy concerning China’s non-interference policy. While Li Anshan, head of Peking University’s Centre for African Studies, argues in favour of this policy and sustains that “Past experience has led China’s foreign policy to embrace the principle of non-interference in the internal affairs of other sovereign countries” (Anshan, 2007:74-75), other scholars assert that many African governments are pleased with China’s non-interference policy (Zafar, 2007:106; Thomson, 2005:21; Qiao, 2011:15).

However this reliance of China on its principle of non-interference in sovereign affairs of African countries led some other scholars to advance that Chinese stance reinforces corruption in Africa instead of diminishing it. It is argued that the Chinese tactic of non-interference combined with its appetite for natural resources makes China appear as any classical imperialist in pursuit of self-interest (Marks, 2006). In this sense Moeletsi Mbeki, deputy chairman of the South African Institute of International Affairs declared that the economic relations between his country (South Africa) and China are no different from the old well known trade relations with Europe. Just like with imperialist Europe, in a context of imbalance of trade in the favour of China, South Africa has to export its raw materials to China and import Chinese manufactured commodities which compete with locally produced goods and undermine local industries (Marks, 2006). Indeed the current scholarly literature abounds with examples showing how the last decade saw trade between African countries and China increased tremendously (Tull, 2006:463; Versi, 2006; Bennet, 2007; Lammers, 2007; Jakobson, 2009:404).

To the question why Beijing is so much interested in Africa, Marks argues that this new Chinese presence in Africa is an attempt to bring about a model of globalization still under construction and that benefits China which is now focused on acquiring natural resources and creating markets for its products while consolidating its influence (Marks, 2006). Bennett (2007), on the other hand, plainly asserts that China wants African oil and natural resources since the country became the second consumer of fossil energy and urgently needs raw materials to support its booming economy. Hence the economic growth forces China to seek for ores and oil in Africa and it does so by exchanging the raw materials for “aid” to African countries and by not meddling in the political affairs of the concerned countries (Bennet, 2007). Accordingly, this tactic causes China to be criticized by some Western scholars of undermining Western efforts to promote good governance in Africa. Chinese “aid” to Africa with no strings attached to it is said to annihilate Western attempts to advance accountability, sustainable development and environment friendly projects in Africa. Even more Chinese economic, political and military support to African countries is said to back up political regimes with no regards to human rights issues (Taylor, 2006:949-950; Bosschard, 2007; Rogers, 2007:25). Nevertheless there are also scholars who assert that China is changing and these include among others (Brautigam, 2009:281; Mawdsley, 2007:406).
Against the perspective which considers China as a new imperialist in Africa with no regards for good governance and human rights, there are scholars who argue that the Chinese penetration in Africa constitutes on the one hand a development opportunity for African countries and on the other hand it strengthens their bargaining power position. According to Dambisa Moyo the new Chinese emergence in Africa with its focus on trade, investments and construction of infrastructure is a “golden opportunity” (Moyo, 2009:120) which offers the continent a win-win alternative to development and this in comparison to Western neo-liberal approach underpinned by the World Bank (WB) and the International Monetary Fund (IMF) which have dominated in that world region for decades (ibid).

In her endeavour to deconstruct various misconceptions of Chinese engagement with Africa, Brautigam seems somehow to have reconciled to some extent the pros and the cons of the Chinese presence in Africa (Brautigam, 2009:273-306). In fact this normative debate concerning the fact whether Chinese presence in Africa is bad or good for the latter, has always made me want to ask a high ranked Chinese personality what his or her stance is about it. Hence when in December 2011 I found myself face to face with a Chinese chief executive officer (CEO) of a Chinese state-owned enterprise which makes yearly billions of turnover, I could not help but placing my question before I got into the heart of the matter of my interview which has got nothing at all to do with the debate.

So when I asked the CEO "what is your reply to the Western criticism about the Chinese presence in Africa", in an attitude which conveys something like “this doesn’t keep us awake”, his answer felt short and powerful to my greatest surprise. It was the kind of astonishment which comes close to the feeling of disappointment.

We reply to western criticisms with facts. We don’t need to use language but we do our best to finish the projects. We bring beautiful projects to Africans (Interview Beijing 22 December 2011).

Well, since a few decades Chinese state-owned enterprises like the one of the CEO of my interview operate all over the world including Africa. But how did these Chinese multinational corporations come into being? How did they emerge, these transnational enterprises, one of the symbols of the Chinese engagement with Africa, which are now a matter of heated normative debates concerning the question whether the Chinese presence in Africa is good or bad for the continent? What is the role played by the Chinese state rhetoric on South-South Cooperation in the emergence of the Chinese transnational corporations which now “bring beautiful projects to Africans”?

Certainly the Chinese multinational corporations did not come out of the blue. For instance in the pre-reform era and under the reign of Mao Zedong, we barely could speak of Chinese transnational corporations. But nowadays they swarm all around the world supported in their spread by diverse rhetorical speeches of the Chinese government. One such a rhetorical speech is the “stand of China on South-South cooperation” which will be scrutinized further in this work. For the time being, it suffices to point out that the role of the South-South cooperation in the main argument of this essay becomes clear when one considers the fact that
former colonial powers and the United States’ multinational corporations are already well established in Africa at the image of an emperor comfortably settled and ruling over its empire.

Thus how could Chinese multinational enterprises break through and conquer a part of this empire which is the market and natural resources represented by the African continent? To grasp the emergence of the Chinese multinational enterprises and the role of the South-South discourse herein, insights from the international production lens and a historical analysis of the South-South conceptualization, will serve as a framework. The understanding of these two factors, mainly the coming into being of the Chinese multinational enterprises and the South-South cooperation rhetoric are central to the main argument of this essay. Accordingly putting aside the normative question whether Chinese engagement with Africa is good or bad for Africa, my argument and research question is as follows:

While the Chinese government rhetoric on South-South cooperation disagrees with the historical evolution of the concept, this discourse aims at facilitating the foray of Chinese state-owned companies into Africa. I therefore argue that the activities of Chinese state run enterprises, supported by Chinese government rhetoric on South-South cooperation, cannot lead to significant economic development in Africa like it has happened in China. Rather and at most Chinese investments in Africa through Chinese companies show some “trickle-down” economic effects characterised by a very limited economic development in scattered localities throughout Africa. I further sustain that in comparison to other discourses in the same vein like the “win-win” rhetoric, the South-South cooperation rhetoric is much more appealing and much more convincing because of the history of its inception.

The essay begins with an overview of Chinese enterprises outward investments in the world with a particular focus on the state-owned enterprises’ investments in Africa because in 2008 for instance the state-owned companies’ investments worldwide represent 70% of the total of Chinese outward investment (Huang and Wang, 2011; Cheung et al., 2011). This will allow later to better assess to what extent these investments could either or not lead to economic miracles in Africa. Next the analysis of the emergence of Chinese transnational corporations followed by an historical overview of the evolution of the “South-South Cooperation” (SSC) will help us grasp the role of the SSC rhetoric in the expansion of Chinese enterprises’ activities overseas. Finally before concluding, it will be argued that the magnitude of the Chinese enterprises’ investments in Africa and the shape that these investments take, will not lead to a significant economic development of the continent.

But first I would like to point some methodological issues out. I was set to conduct a fieldwork in Beijing, China with the aim to study the organisational culture from the perspective of a Chinese state-owned enterprise’s elites which I came across in my previous research and the role this company plays in the biofuels production in Benin, West Africa. But since studying elites in general and business elites in particular being a challenge on its own, I found myself in interview situations where the respondents define the topic of the interview.
Hence instead of talking about organisational culture, my interviewees were eager to discuss their investment projects in Africa as a whole but specifically in West Africa. As a result, I decided to place this work in the broad debate about the role of foreign direct investment (FDI) in the economic development of African countries and the role of the South-South cooperation rhetoric held by Chinese government herein. However I found myself quickly partly handicapped by the very limited availability of economic data like FDI stocks on the sub-region of West African countries specifically and the whole African continent in general. Therefore because reliable and consistent economic data on African countries are scant, I had to draw on examples from all over Africa.

Furthermore, this essay does not equate Chinese state-owned enterprises to their state, the Chinese government. Rather here state-run companies are conceived of as being a tool, an instrument at the disposal of the government to which the enterprises belong. In that sense Chinese enterprises are seen here as being the instruments through which the Chinese government achieve some aspects of its policies.

2. Magnitude and geographical distribution of Chinese enterprises’ overseas investments

Before the start of the Chinese economic reform in 1978 and under the reign of Mao Zedong, Chinese state-owned enterprises’ cross border activities were very limited because the national economy was fenced off from the world’s economy. Imports and exports were controlled by a dozen of state enterprises and were carried out for the most part with Soviet Union and East European socialist countries. Imports with non-socialist states were limited to grain imported from Canada, Australia, and Argentine while technology equipments came from Japan and Europe. Export on the other hand was essentially conducted with Hong Kong (Naughton, 2007:379-380).

However with the outbreak of the economic reform era which opened up the Chinese economy to the world economy and brought changes about in agricultural, industrial, commercial and financial sectors, Chinese companies have undergone drastic transformations that made them fit to undertake cross border activities. Hence the promulgation of the Company Law of 1993 set the legal framework up which enables private ownership of state-owned enterprises’ shares although in most of the cases the Chinese state remains major shareholder. The law also changed SOE structure into corporate organizations with a flexible juridical form that limits SOEs’ liability and makes them more suitable to the global market economy (ibid. 100-106).

Otherwise worded, most of the SOE became a Limited Liability Company (LLC), a juridical construction in which investors would lose in the worst scenario at the most up to the totality of their investments. Besides their statutory reorganization, state run enterprises became subject to regulatory agencies which regulate the relationship between stakeholders (like shareholder, debt holders, employees and others) and the society at large. This is the so called corporate governance which aims at assuring return on investments. Now endowed with corporate governance organs, some of these SOEs are allowed to be listed on stock exchange markets and hence they are able to amass funds on these kinds of markets and finance projects like acquisitions, mergers or other forms of foreign direct investments with the financial means gathered on stock markets (ibid., Hong and Sun, 2006:627-631).
Restructured in such a way to fully function in the global economy and backed up by Chinese government’s policies which give incentives to enterprises to invest abroad, Chinese SOEs became ready to set off and conquer world markets. The Go Out policy adopted in 1999 is one such a policy which encourages Chinese companies to go and invest overseas. This policy created a favourable environment for Chinese companies to engage in foreign trade which was till then trusted to only a handful of state run enterprises. It thus gave incentives to both state-owned enterprises and private companies to engage in foreign direct investments of any kind going from mergers and acquisitions via cooperatives to joint ventures.

As a result the Chinese outward foreign direct investments (further referred to as COFDI) grew steadily from the eighties on and spread to every continent on the face of the earth. At an initial stage the volume of the COFDI was low because only a few state-owned enterprises were allowed to engage in foreign trade (Naughton 2007:380) while private enterprises could barely access foreign currency and invest abroad (Buckley et al., 2008:724; Rodriguez and Bustillo, 2011:717). However with the adoption of the Go Out policy, a sharper increase of the Chinese foreign direct investments became obvious especially in the period between 2003 and 2009 (ibid.).

Hence in 2008 while the world was going through a general recession as a consequence of the financial crisis, Chinese outward foreign direct investments grew by 15% against a worldwide decline of 14% in foreign direct investments (Rodriguez and Bustillo, 2011:717.). Davies also points similar findings out with more optimistic figures. He asserts that in less than a year between the second quarter of 2008 and the first quarter of 2009 while the world was under the grip of the financial crisis, Chinese foreign acquisitions were estimated to amount 28% of all Chinese acquisitions while globally the volumes of acquisitions fell by 36% (Davies, 2010: 7-9).

Regarding the spread of Chinese outward foreign direct investments, overall and in the first place before the launch of the Go Out policy Chinese investments were directed to developed countries such as the United State and Canada (Cheung and Qian, 2009:315-318; Buckley et al., 2008:722, Rodriguez and Bustillo, 2011:724; Blanchard, 2011:93; Hong and Sun, 2006:621-622) before expanding to Australia and New Zealand and to the developing countries in South East Asia and Latin America. The largest shares went to the Asia Pacific countries of South Korea, Australia and Singapore. After the Go Out policy of 1999, Chinese foreign direct investments skewed towards developing countries with those ones in Asia enjoying the highest volume of Chinese investments followed by Latin America in the second place and Africa as third preferred destination of Chinese outward foreign direct investments in the Third World (Sanfilippo, 2010:600).

Chinese outward foreign direct investments in Africa are singled out from the general overview briefly discussed here above because this paper focuses on Chinese investments in Africa by Chinese state-owned enterprises. So doing the attempt is made to highlight the importance of this type of investments in Africa in relation to its weight in the economic development of the African continent. Besides at the moment of the writing of this essay, the available officially approved COFDI data ends in 2009 according to the UNCTAD report of 2010. So concerning Africa the SOEs realise most of the COFDI in South Africa and other African resources endowed countries of Angola, Nigeria (Kolstad and Wiig, 2011:10). Thus shortly after the turn of the twenty-first century, China’s investments in Africa have shot up placing the continent in the third place of
Chinese preferred destination of outward foreign direct investments in the Third World. While in 2003 Chinese investments in Africa only amounted 2.6% of the totality of the country’s investments worldwide, in 2008 investments in Africa by China have grown to reach 9.8% (Cheung et al., 2011:1).

Buckley’s study of Chinese foreign direct investments draw on data which are based upon approved overseas investments by the Chinese government and hence they exclude informal investments but it does reflect the Chinese government’s policy underlying its investments abroad (Buckley et al., 2007:4). His analysis shows that Chinese outward investments in Africa have been through an overall growth both in terms of percentages and values in the period stretching between 1990 and 2004. In the same span of time Chinese overseas investments have more than doubled growing from 4% to over 9% of China’s total investments worldwide while in terms of values the growth was from $5 to $10\textsuperscript{1} billion. Also in terms of number of investment projects implemented by Chinese enterprises there was an increase from 111 to 642 between 1990 and 2004. However the average value of those projects did not multiply by six-fold as the increase of the projects did and thus they lie between a bit less than $0.5 million and over $1.5 million (Buckley, 2008:6).

Disregarding the variations of Chinese foreign direct investments within both developed and developing countries and within Africa while drawing on the overall investments in those regions, it is remarkable that the volume of Chinese investments in Africa remained low in the period under consideration. As illustrated in Table 1 with data drawn from Berkeley’s article “Historic and Emergent Trends in Chinese Outward Direct Investments” of 2008, in the early nineties Chinese investments in the developed countries represented 69% of the total cumulative approved Chinese outward investments against 31% in the developing world made up of Africa, Latin America and the Caribbean and Asia. Of the 31% of the COFDI Africa’s share was only 4%. A decade later, that is in the period between 2002 and 2004, the shares in percentage of the investments dropped considerably in the developed countries to represent 22% of the total of the Chinese overseas investments, while in the developing countries Chinese overseas investments shot up to reach 78% of which once again Africa represented the mere portion of 9% a little bit less than the 9.8% found by Cheung et al. (2011:1) as shown here below in Table 1.

Still in Table 1, one notices that the percentage of the Chinese overseas investments in developed countries is reduced by more than a half to end up at 22%. In terms of value as shown in Table 2, of which the values are calculated based upon Buckley 2008’s data, the sums invested in this part of the world far exceeded those ones invested in developing countries and in Africa specifically in the time period between 1990 and 1992 to drastically fall in the time span between 2002 and 2004 showing the shift of focus of Chinese investments from richer to poorer countries. Hence while in the developed countries Chinese investments grew from about $1 to over $2.6 billion (Table 2), in the developing countries the increase was from a bit less than $0.5 billion to over $9.3 billion of which Africa’s share grew from over $53 million to over $1 bn (Table 2). These figures for Africa are substantially the same as those ones advanced by the UNCTAD that found for Africa 49.2 million for the year 1990 and 1.5 billion for 2005 (UNCTAD, 2007:56-61; Besada et al., 2008:3).

\footnote{\$ refers to American dollars}
Table 1. Percentages of the annual average cumulative approved Chinese OFDI in developed and developing countries. Data taken from Buckley et al. 2008 (Table 3 on pages 726-728)

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<tbody>
<tr>
<td>Developed countries</td>
<td>69%</td>
<td>22%</td>
</tr>
<tr>
<td>Developing countries</td>
<td>31%</td>
<td>78%</td>
</tr>
<tr>
<td>Africa</td>
<td>4%</td>
<td>9%</td>
</tr>
</tbody>
</table>

Table 2. Author’s calculations of the annual average cumulative values of approved Chinese outward FDI stock in developed and developing countries and Africa. Outcomes to be multiplied by $ 10000. (Data taken from Buckley et al. 2008 (Table 3 on pages 726-728): the numbers are rounded)

<table>
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<tbody>
<tr>
<td>Developed countries ($ 10000)</td>
<td>92,355²</td>
<td>263,290</td>
</tr>
<tr>
<td>Developing countries ($ 10000)</td>
<td>41,493</td>
<td>933,482</td>
</tr>
<tr>
<td>Africa ($ 10000)</td>
<td>5,354</td>
<td>107,709</td>
</tr>
</tbody>
</table>

Only when Chinese outward direct investments are considered from the perspective of the numbers of investments projects realized overseas, then the share of Africa in the whole picture overtook those ones in the developing continents taken together. Between 1990 and 2004 as shown in Tables 3 and 4, in the developed countries the number of investments projects doubled while the average values of these projects grew from about $2.5 to about $3.5 million. In developing countries in the same period of time, the number of investments projects grew by eight-fold while their average values increased only from over $0.5 to over $1.6

²The numbers are obtained as follows: (133,847.53/100) * 69 = 92355; (1,196,772.09/100) * 22 = 263290; (133,847.53/100) * 31 = 41493; (1,196,772.09 /100) * 78 = 933482; (133,847.53/100) * 4 = 5354; (1,196,772.09 /100) * 9 = 107709
million which represented a bit more in the nineties and a little bit less in 2004 of the average values of Chinese investments projects in Africa where the projects grew by approximately six-fold.

Table 3. Numbers of investments projects implemented in the three regions of interest. (Data taken from Buckley et al. 2008 (Table 3 on pages 726-728)).

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<tbody>
<tr>
<td>Developed countries</td>
<td>384</td>
<td>759</td>
</tr>
<tr>
<td>Developing countries</td>
<td>673</td>
<td>5652</td>
</tr>
<tr>
<td>Africa</td>
<td>111</td>
<td>642</td>
</tr>
</tbody>
</table>

Table 4. Average values of investments projects implemented in the three regions of interest. Outcomes to be multiplied by $10000. (Data taken from Buckley et al. 2008 (Table 3 on pages 726-728))

<table>
<thead>
<tr>
<th>Regions ($10000)</th>
<th>1990-1992</th>
<th>2002-2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developed countries</td>
<td>240.5³</td>
<td>346.89</td>
</tr>
<tr>
<td>Developing countries</td>
<td>61.65</td>
<td>165.15</td>
</tr>
<tr>
<td>Africa</td>
<td>48.23</td>
<td>167.77</td>
</tr>
</tbody>
</table>

This snapshot of the Chinese investments overseas shows that when Chinese enterprises go shopping in the developed countries they spend on average twice as much per investments project than in the developing countries and in Africa most specifically. Furthermore the distribution of these investments under African countries is highly uneven. In the time span from 1990 to 2004 in Africa, Chinese outward foreign direct

³ The numbers are obtained as follows: (92355 / 384 = 240.5); (263290 / 759 =346.89), (41493/673 = 61.65); (933482/5652 =165.15); (5354/111 = 48.23); (107709/642 = 167.77).
Investments were rather concentrated in the first place in Southern Africa with countries like Zambia, South Africa and Tanzania getting a substantial share of the investments (Buckley et al., 2008:730).

A more recent literature shows that Chinese investments were the highest in Sudan (US$288.6 million), Algeria (US$197.4 million), Nigeria (US$191 million), South Africa (US$114.8 million) and Zambia (US$105.2 million) with investments values varying respectively between $288 million in Sudan and $105 million in Zambia (Kolstad and Wiig, 2011:35-36 and Table 1). The Chinese overseas investments’ distribution in Africa is approximately in accordance with the world foreign direct investments to the continent which received in 2009 $58.6 billion of FDI as highlighted in one of the latest report of the UNCTAD on the topic. According to this report Southern Africa with $21.6 billion received the highest share of the world FDI followed by Northern Africa with $18.3 billion. East Africa lags behind with only $2.9 billion. West Africa and Central Africa received respectively $10 and $5.7 billion (UNCTAD, 2010:32 Table B).

What is here the importance of getting some insights in the magnitude and the spread of Chinese foreign direct investments in the world and specifically in Africa? For clarifying the main argument of this work, this section shows that the volume of Chinese investments in Africa is, on the one hand, too low in comparison to China’s investments in other parts of the world and, on the other hand, these Chinese investments are highly unevenly spread over the African continent. These are already precursory signs which indicate that Chinese investments in Africa will not lead to spectacular economic development but rather and at most these Chinese investments show some “trickle-down” economic effects characterised by a very limited economic development in scattered localities throughout Africa.

Further the Chinese state policies as described above have created the adequate institutional and legal frameworks and have encouraged Chinese companies to go and invest abroad. This is an analysis from an economic perspective which rather highlights the role of the Chinese government’s policies in the emergence of overseas activities of Chinese national enterprises. The economic viewpoint thus attempts to explain how the cross borders activities of Chinese companies became a real fact mainly because of the state policies but it fails to explain what the motives are which push Chinese enterprises to expand their activities over their national borders and become so doing transnational companies.

As such the economic lens undermines the role of the enterprises themselves in the coming into being of their cross borders activities. That is to say how the needs of Chinese enterprises to invest overseas came about and led to the emergence of Chinese multinationals. Therefore in the next section it will be drawn on the international production theory as conceived of by Dunning (2001; 2002) to explain the overseas expansion of Chinese enterprises.

2.1. Constructing Chinese transnational corporations: drivers of overseas investments

The emergence of multinational corporate organisations is a process that reflects the needs of national enterprises which are understood as companies whose activities are confined within the boundaries of a country. At a given moment in the trajectory of a company, the top management comes to the conclusion that to be more competitive the company must expand and operate across its national borders. Chinese
enterprises and most specifically the state-owned ones also have gone through similar process of development.

In the pre-economic reform era Chinese enterprises barely participated in overseas trade and investments. Trade was conducted essentially with socialist countries of which the Soviet Union was a major partner for a short period of time. On the other hand imports and exports were trusted to only a dozen of state-owned enterprises (Naughton 2007:379-380). As for foreign direct investments both inward and outward FDI’s were almost nonexistent so that one could not qualify Chinese enterprises as multinational corporations operating overseas. Nowadays however the global markets swarm with Chinese multinational enterprises defying scholarly ability to explain the Chinese phenomenon of the ever-growing companies which are operating across China’s national borders. How do we make sense of the emergence of Chinese transnational corporations and their overseas investments?

2.1.1. Chinese enterprises viewed through the eclectic paradigm

The investment development cycle also known as the investment development path (IDP) is a concept coined by Dunning and Buckley in the seventies and which designates the proclivity of countries to receive foreign direct investments or to engage in outward investments according to the phase of their development trajectory Dunning (2001:188 and footnote 13). In the first stage or the pre-industrial phase of its development a country in all likelihood neither receives nor engages in investments because on the one hand as location, the country barely has attractive advantages for foreign companies to come and invest and as a result it does not receive foreign direct investments. These location-linked advantages (L) as it is called in the eclectic paradigm are thus inherent to a country and as such they cannot be transferred from one country to the other.

On the other hand, enterprises in the country which is evolving in this initial stage lack ownership advantages that should allow them to invest overseas. The ownership-specific advantages (O) in the eclectic paradigm refer to the qualities inherent in an enterprise. These qualitative properties are transferable to the companies’ subsidiaries located either within or outside of its national boundaries (ibid). Does the lack of L and O advantages in the first stage of development path of a country imply that China was a pre-industrial state in the pre-economic reform era and after it had become a people’s republic in 1949?

I don’t think so. Under the reign of Mao Zedong from 1949 until his death, China was already engaged in an industrialization process under the guidance of the big socialist brother, the Soviet Union. Even if this undertaking had not been an overall success, it did not make China a pre-industrial country. Accordingly this primary stage could be said to coincide with the pre-reform era in China under Mao Zedong reign and it can be argued that the quasi absence of inward and outward investments of both foreign and Chinese enterprises was a “voluntary” political choice of the leaders of communist China. Since the national economy was closed to most of the countries in the world except for few communist ones, China as location for foreign investments was unattractive and pre-reform Chinese companies were not either endowed with that much of ownership advantages.
Nonetheless the disappearance of Mao Zedong and the coming to power of a new type of leaders allowed for economic reforms to set off. Hence in December 1978 Deng Xiaoping introduced policy reforms during the Third Plenum of the Eleventh Central Committee. These policies which promote market socialism and free enterprise were first applied in the agricultural sector in the rural areas and later they were extended to urban areas after the Twelfth Central Committee meeting in 1984 and covered the industrial, trade and finance sectors (Mackerras et. al., 1994; Naughton, 1995; Naughton, 2007). The Open Door and the Go Out policies are such reform strategies which led among others to the setup of export zones along the southeast coasts of China and the emergence of Chinese outward foreign direct investments.

These economic zones, well insulated from the mainland China’s national market, were meant to attract foreign enterprises to displace parts of their operations to the newly setup export zones with attractive conditions. The ensuing consequences are a surge of FDI flows into China. Between 1983 and 1991 the share of FDI into China toggled around 1% of the country’s gross domestic product (GDP) to peak at 6% in 1994 before stabilizing around 3% in 2005 (Naughton, 2007:402-406). Drawing on the data of Naughton (2007:403), the estimations by the author of this work, show that in terms of value the received FDI by China grew from about $2.5 billion in 1987 to amount approximately $63 billion in 2005. Over the span of these 19 years the average inward FDI into China toggled between $3 and $4 billion per year.

In the eclectic paradigm it would be asserted that a reconfiguration of the major components of the paradigm had taken place in China to allow for a surge of inward FDI. The location and the ownership advantages, formerly absent in China, have been created through state policies which now make China an attractive location for investors and allow its national enterprises to acquire ownership advantages which they internalize. As a consequence they begin to invest overseas.

The act of internalizing or internalization (I) is the third and last component of the eclectic paradigm which stands for the set of choices enterprises make in deciding how to organise the creation and the use of resources and skills within their national boundaries and those resources and skills they can access overseas. These are advantages enterprises choose to exploit internally (Dunning, 2001:175-176). Hence companies internalise their ownership advantages and decide either or not to invest overseas based upon the strategy they have chosen to adopt. If so, according to this paradigm, Chinese enterprises now endowed with ownership advantages gained thanks to their government Open Door and the Go Out policies, internalise these advantages and decide to engage in overseas investments.

In short, Chinese enterprises in the pre-reform era were not fit to either receive FDI or to engage themselves in overseas investments because they lacked ownership and location advantages and they therefore could not internalize some of these advantages. However with the economic reforms launched by the Chinese state, policies were adopted with the aim to support and stimulate outward FDI by the national enterprises which perceived these foreign direct investments as strategically important. Hence the eclectic paradigm accounts for the genesis of Chinese companies’ displacement of parts of their operations overseas and the emergence of transnational corporations.

In the second stage of the Investments development cycle the economy of a country has become ripe enough to the point that its enterprises start investing overseas depending both on their strategies and the...
support of their government’s policies. At last the final stage of the development path breaks out in the context where two situations occur. In the one situation the economic development of a country barely can be distinguished from its economic structure like it is the case in the western developed countries.

In the other situation the enterprises of that country engage in foreign direct investments either in order to make use of their ownership advantages abroad or in order to increase their existing advantages through access to new markets or through acquisitions. In this stage the equilibrium between inward FDI and outward FDI breaks as inward FDI may become more or less important than outwards FDI. Chinese enterprises investing abroad can arguably be crossing the second stage of the IDP and growing toward the final stage. Anyway the Chinese economy must have reached a certain maturity that allows the country's companies to engage in overseas investments based on their strategies and supported herein by the various policies of their government.

Furthermore Dunning also argues that the act of engaging in foreign direct investments demonstrates the perceived need of companies of a given country to both gain access to technological and marketing know-how of enterprises abroad and also to exploit the assets of foreign agents such as enterprises, customers, or educational and innovatory systems of the alien countries in order to increase their competitive advantages (ibid: 182). I would argue one step further in relation to the perceived need of companies according to Dunning and sustain that these perceived need of enterprises actually reflect their weaknesses which they seek to mitigate through overseas investments.

In that sense Chinese companies now endowed with ownership advantages which they have internalized, seek to alleviate their weaknesses that have become motives to invest overseas. Rightly the next step is to wonder what kind of weaknesses Chinese enterprise attempt to mitigate by engaging in foreign direct investment which transforms many of the country's companies into multinational corporations? However before answering this question, I would like to first point out that Dunning uses the IDP in order to illustrate one of the many possible applications of the eclectic paradigm’s concepts of ownership-specific and location advantages and internalisation. However a drawback of the IDP paradigm is its evolutionist character which suggests that the economy of a country has to go through different stages from a simple to a complex one. This thesis does not adhere to the evolutionist conception of the IDP based on the OLI advantages of the eclectic paradigm.

The reason for this is that the economy of a country does not necessarily have to go through sequential phases of development as an economy may organize differently leading to a different economic structure than the actual dominant capitalist economic structure we know about nowadays. The economic structure of a country like Cuba is one such an economy with different ambitions and a certain degree of industrialisation organized differently and which did not have to go through these stages advanced by the IDP. Thus it is in a non-evolutionist understanding that the OLI advantages’ perspective is used here in order to explain the motives of Chinese firms' outward direct investments and thereby the emergence of Chinese multinationals. On the other hand against the just mentioned drawback stands the benefit pointed out by Dunning that the OLI in the eclectic paradigm framework is pertinent for explaining the emergence of outward investments by Third World countries (Dunning, 2001:182).
2.1.2. Mitigating Weaknesses: From National Companies to Multinational Corporations

Between the start of the economic reforms in China in 1978 and the first decade of the current century, various policies have been adopted to foster both inward foreign direct investments into China and Chinese overseas investments. These policies include among others the Open Door strategy (1979), Deng Xiaoping southern tour of 1992 to encourage Chinese enterprises to get rich, the Go Out policy (1999) and the ascension of China to the World Trade Organization (2001). The adopted policies, which led to changes in the institutional environments, have in some way or another influenced the behaviour of Chinese investments abroad. As a consequence varying studies attempted to explain the motives which push Chinese enterprises to engage in overseas foreign direct investments.

For instance, Cheung and Qian’s (2009:321-323) findings reveal that contrary to Chinese enterprises’ investments in developing countries which are motivated by the search for natural resources, for low costs and markets for the export of Chinese cheap goods, their investments in developed countries are rather driven in the first place by the need to secure advanced technologies and western managerial skills. These outward investments also seek to access developed countries’ markets for the low volume of Chinese high quality goods through investments in trade and trade services’ sectors. Further motives for investing in developed countries include the acquisition of trademarks (Salidjanova, 2011:8-9; Buckley et al., 2007:11-13; Hong and Sun, 2006:622-623).

Profit seeking is also one such motive for Chinese outward foreign direct investments which Wong and Chan highlight. Regardless of their country of origin, enterprises’ basic right of existence depends on profit making. In that sense the profit seeking motive of Chinese companies engaged in overseas investments is not exceptional (Wong and Chan, 2003:284). Overall Chinese enterprises’ drivers to invest abroad are motivated by reasons similar to those of companies in other countries and they include access to energy, raw materials, markets for export of Chinese products and as a way to get around trade barriers.

As an example in the textile sector the relocation of parts of the production to Africa allow Chinese companies to get around the trade barriers imposed on them by the Agreement on Textiles and Clothing of the Uruguay Round which ended on 31 December 2004 (Tull, 2006:471). Also the acquisition of the latest marketing and management expertise and manufacturing know-how are among the motives for investing abroad (Buckley et al., 2008:740; Ramasamy, et al., 2012:24-25; Cheung and Qian, 2009:323; Wong and Chan, 2003:278-279; Deng, 2007:74-75).

Throughout scholarly writings, the natural resources and markets seeking motives by Chinese enterprises are recurrent whether the destination of the investments are either in developing or developed countries. In the developed countries the investments for the search for natural resources were concentrated in Western countries such as Canada and Australia while the investments for the acquisition of advanced technology, brand name and managerial skills are directed mostly towards the United States.

Strikingly two key factors characterising Chinese foreign investments are recurrent in the mainstream research on Chinese overseas investments. Most of the scholars agree on the traditional motives of market and natural resource seeking aspects of Chinese FDI. Next it is found that the political and institutional context of recipient countries do not discourage Chinese overseas investments. With other words corruption,
for instance, in destination countries does not seem to scare Chinese companies away from investing in these countries (Rodriguez and Bustillo, 2011:724; Berkley et al., 2007:23; Kolstad and Wiig, 2009:13).

The resulting effects of Chinese enterprises engagement overseas are thus the birth of Chinese multinational corporations operating outside of China's national borders after the economic reforms era began. The perceived need of Chinese enterprises which also reflect their weaknesses led them to invest abroad with the support of their government. Hence the motives to invest overseas going from the need to secure natural resources to the search for access to markets, technology, managerial skills and profits led to the fact that Chinese national companies became transnational corporations which now operate all over the world.

According to Dunning (2001:182) the motives of enterprises to invest abroad are the expression of their perceived need which it is here argued that these sensed needs reflect the weaknesses of the investing companies which seek to mitigate their weaknesses through foreign direct investments. In the same way Chinese enterprises' investments overseas, reflect their perceived need and thereby their weaknesses which they seek to mitigate through FDI.

Since it is also argued here that companies are tools for states to deploy when needed in order to achieve certain policy goals, it is logical to advance that the Chinese state-owned enterprises' overseas investments reflect their weaknesses which conversely are the expression of the Chinese government weaknesses which the state seeks to alleviate through the FDI of its enterprises. This last explains to some extent the Chinese government policies to support its enterprises and the government rhetoric like the one on South-South cooperation aiming at aiding Chinese enterprises to break through African markets already dominated by western powers.

In an attempt to understand the Chinese government's role in the decision of Chinese enterprises to invest overseas, some scholars considered as being the Beijing as Puppeteer advocates basically argue that the Chinese government not just defines the destination countries and the sectors of Chinese overseas investments but it also steers the motives for which overseas investments have to be made (Wang, 2002:192-196; Wong and Chan, 2003:279; Hong and Sun, 2006:615-620). Proponents of this perspective such as Wang (ibid) and Wong and Chan (ibid) claim that the sources of Chinese outward FDI were in the first place state-owned enterprises and companies in which governmental institutions were major shareholders. As such the government defines the strategies of the investments overseas.

In the same vein the ministry of the foreign economic relations and trade drafted a policy document which defines the requirements of Chinese outward FDI. Hence Chinese government favours its enterprises' investments overseas and promulgates rules for the approval of these investments. It also defines host countries receivers of Chinese investments (Hong and Sun, 2006:615-620). Furthermore besides the fact that many SOEs' chief executive officers are linked to the government, the appointment of Chinese multinationals companies' directors and executives is carried out through the organizational organ of the Chinese Communist Party (Morck et al., 2007:12).

Yet against the advocates of the Beijing as Puppeteer camp stand the proponents of the Business of Business is Business (BBB) camp whose major defender Rosen and Hanneman state that: "... the image of agents from
the Politburo commanding state enterprises to “go buy the world” is largely fictitious” (Rosen and Hanneman, 2009:11). The BBB advocates assert that the loosening of Chinese economic reform policies led to a greater role of the market in defining the requirements of Chinese overseas FDI.

Hence the choice of beneficiary host countries or sector of the Chinese FDI is no longer dictated by Beijing but it is rather guided by market motives such as the acquisition of managerial experience and the purchase of brands like IBM, the winning of market shares and as Deng put it, the spread of risks on investments or diversification by Chinese enterprises which also go abroad in order to profit from “superior investments environment” (ibid., Deng, 2004:12 and 2007:72).

Both Beijing as Puppeteer and the BBB camps advance facts that are acceptable but contestable. Blanchard argues against the Beijing as Puppeteer camp that there are Chinese companies which make foreign investments decisions independently from the Chinese government. Besides Chinese enterprises which make use of the facilities for outward FDI provided by the government policies can be said to be the ones profiting from Beijing rather than the other way around (Blanchard, 2011:100). The mainland Chinese company Hua Lien asserted in the context of a joint venture deal that the joint venture:

... Would avail the Company [Hua Lien and its subsidiaries] of an opportunity to further develop its business in Africa taking advantage of the PRC government’s policy in Africa [my stress] under the current global political and economic conditions (Hong Kong Stock Exchange, 22 November 2010, quoted in Nonfodji 2011:12).

The assertion of Hua Lien, confirms two key points. On the one hand it justifies the position of Blanchard who argues that Chinese companies knowingly make profit of their government policies. On the other hand it also shows that the Chinese government indeed does take diplomatic steps in foreign countries to advance the case of the China’s enterprises and so doing it does indirectly steer to some extent the destination countries of Chinese enterprises overseas investments.

Thus independently from the arguments of both camps, it remains a fact that the Chinese government does use its diplomatic charms and hold rhetorical discourses to back the expansion of its enterprises overseas up. One such rhetorical move is the discourse on the South-South Cooperation in which the Chinese government expresses its stand (Ministry of Foreign Affairs of the People Republic of China 2003). At this stage, in order to grasp how the South-South cooperation rhetoric held by the Chinese government is used to support its enterprises’ expansion overseas, we want in the first place to understand how the conceptualization of the South-South cooperation notion evolves through time and what it does consist of.

Does the present conceptualization of the notion agree with Chinese government rhetoric of South-South cooperation? What role does it play in the outward investments strategy of its state-owned enterprises? In the following two sections, first a close look will be taken at the historical evolution of the concept of south-south cooperation. And then in a subsequent section, it will be argued that the Chinese government’s South-South cooperation rhetoric is one such strategy which serves to help the new Chinese multinationals to foray into African markets already dominated by former colonial powers and the United States; and that this
Chinese breakthrough into African markets will not lead to significant economic development of the continent.

3. South-South cooperation in a historical perspective

I would like here to take the argument of Morais de Sá e Silva as my starting point. She asserts that the South-South cooperation has existed for quite some time now and its historical trajectory can roughly be divided into three phases starting from its occurrence in the Cold War period. Thus the inception of the notion of SSC can be situated in the times of the formation of three major events namely the Non Aligned Movement (NAM), a term coined by the former Indian minister of defence, Vengalil Krishnan Krishna Menon in 1953, the conference of Bandung in Indonesia which took place in 1955 and the creation of the G77 group in 1964 (Morais de Sá e Silva 2009:42). The members of these groups and at the same time the promoters of the SSC were essentially developing states, also called the Third World states, which were experiencing varying degrees of poverty in their countries.

In its initial stage which Morais de Sá e Silva situates between 1949 and 1979, the concept of SSC was institutionalized and associated with most of the countries geographically lying in the southern hemisphere of the globe, that is the Third World. In this period, at the economic level, the main objective of member states practising SSC was to achieve collective economic self-reliance vis-à-vis the rich developed countries (also designated as the North or the West) with which it was believed that the economic exchange was asymmetrical and therefore the Third World must engage in an alternative development trajectory different from the one of the West (ibid:43). In this sense, the dependency theory perspective argues that economic cooperation between developing countries in the context of the SSC could free these latter from the exploitative relations in which they are engaged with the West.

Concerning international negotiations, the SSC was supposed to reinforce the negotiation position of developing countries to allow them to defend their common interests and bring forward a New International Economic Order (NIEO) whose ambitions Mahbub ul Haq expounds on in his article “Beyond the Slogan”. In his perspective what is needed is a radical change of the current economic and financial systems dominated by the wealthy nation-states in the North. The rules of the market which are until now shaped by the financial powers and the multinational corporations in the West have to go through a total restructuring whereby the Third World would have a greater say in the “international economic decision making and in the management of the international financial institutions” (Haq, 1980:145).

Furthermore the Third World has to break with its political and economic dependency on the West. Hence the transformation of the current economic system dominated by the North is not utopian under the condition that the poor southern countries set a compensatory power up by taking concrete steps such as the formation of a “Common fund for Commodities”. To achieve the goal of counterbalancing the economic power of the West, the Third World countries need to unite and team up with groups in the rich countries which aspire for a structural change. (ibid:145)
While a New International Economic Order for Mahbub ul Haq aims at restructuring the international economic and financial system and setting up a “countervailing power” vis-à-vis the economic dominance of the North, Samir Amin points out the need for a profound transformation of international labour division and he highlights the rationale behind the NIEO. For the export of its natural resources to the rich countries, the Third World wants a higher price than what it gets at the moment. It aspires for an industrialization based on export to markets in the West and a quick transfer of technology at a low cost.

According to Amin (1980), the transfer of technology as it is happening will not allow poor countries to access complete technologies but rather pieces of unconnected technology. Hence in the current common scenarios rich countries’ multinationals displace unconnected pieces of their activities to the poor countries. To illustrate this, let us consider for instance the framework in which relocation of activities of multinationals take place in the manufacturing sector. The transnational enterprises maintain control over their displaced subsidiaries while they transfer only parts of the technologies involved in the manufacturing processes to the host countries. As a consequence the poor countries, host of these subsidiaries, are prevented from benefiting from a full technology transfer in the manufacturing sector. For this reason the NIEO demands a “horizontally integrated and complete manufacturing processes rather than a collection of partial units without local-level linkages” (Amin, 1980:153-155).

At the level of international negotiations, the SSC also seeks on the one hand to restructure the international economic and financial systems and on the other hand it pleads for the reforms in the international labour division. That way the south-south cooperation among developing countries hopes through its understanding of the New International Economic Order to force upon the West a better balanced power relationship between the Third World countries and the developed ones. Finally in the social domain the SSC mobilized independent professionals of whom an international repute example is the Brazilian thinker Paulo Freire (in de Sá e Silva, 2009:43 ) who designed policies for the educational system that aimed at fighting illiteracy among adult population in Africa.

Besides the support of the General Assembly of the United Nation, socialist countries also were active in participating in cooperation among poor countries at the governmental level. The most outstanding example was Cuba which provided not just troops to countries fighting for their independence but most importantly, it sent out large contingents of teachers and doctors to countries in the South which politically are close to the socialist ideology. Remarkably throughout the time Cuba continue this later practice with its allies as pointed out in the economist of January 2007 that “...one in three of Cuba’s doctors is working abroad at any given time” (Morais de Sá e Silva, 2009: 43-45 ).

In this first phase of the SSC, China’s engagement with Africa after the coming to power of Mao Zedong in 1949 started off with the Asian-African conference which took place in Bandung, Indonesia in April 1955 (Pisani du and Kwang Su, 2007:6). At this conference Zhou Enlai, then the premier of China and the president Gamal Abdel Nasser of Egypt agreed to set the basis for a cooperation marking thus the beginning of China’s engagement with Africa.

Thus against the background of the Cold War China identified itself as a developing country in opposition to the United States and the Soviet Union. The former considered China as an enemy while the latter broke its
diplomatic relations with it in the early sixties. In this context China’s cooperation with African countries took on the one hand the form of a political instrument to challenge western imperialism in Africa. Western influence in Africa was overwhelming in comparison to Chinese influence on the Continent. Besides as much as the West dreaded communist China, this latter portrayed the West as an imperialist power which was to be fought not just in China but also in Africa.

On the other hand, China’s cooperation with African countries also aimed at both countervailing the popularity and influence of the Soviet Union in Africa and spreading communist ideology on the African continent. In terms of ideology and economic cooperation during the Cold War, China lagged behind the West and the Soviet Union. As such its cooperation with Africa was a politico-ideological and economic tool intended to catch up on its rivals which were playing out their power on the African continent. However this Chinese tactic proved to be ineffective and will be replaced by a more flexible form of cooperation without political demands and with generous terms for loans.

Giving a helping hand in the economic field to African countries was placed in the framework of the *Eight Principles of Chinese Aid-Giving* among which are equality and mutual benefit, respecting the sovereignty of recipient countries, self-reliance and independent economic development, and low investments projects with quick yields. In that context, assistance took the form of sending out doctors and experts together with equipment and building roads, railways and telecommunication infrastructure. Chinese assistance which also covered the agricultural sector and infrastructure projects such as dam, hydro-electric, airport and stadiums, generous terms for loans without interests and any political requirements, was already common practice in the Cold War period (ibid:6-7,18-21). This indicates that the nowadays Chinese “aid” and “loans without any strings attached” do not constitute a new political strategy adopted by Chinese government.

South-South cooperation conceived in the light of Chinese involvement in Africa in the Maoist era contrasts with the aspirations of New International Economic Order. While the latter aspires for a radical restructuring of the international labour division and the economic and financial power relations, the former is rather oriented to fighting western imperialism and Soviet revisionism in the attempt to undermine notably the United States and the Soviet’s influence in Africa. Furthermore Maoist China also attempted to bring developing countries under its leadership in an effort to place China in the centre from where the struggle against western imperialism would take place. Actors in this first phase of the SSC were besides the head of the states of developing countries, academics like Mahbub Ul Haq, Samir Amin and autonomous professionals.

According to Morais de Sá e Silva’s phasing of the historical evolution of the SSC, the second phase of the notion is situated between 1980 and 1999. Contrary to the first phase in which the SSC was political, economic, academic and ideological in its thinking, in the second phase SSC conceptualization turned away from its primary issues of concern such as the program of the New International Economic Order and fell into a more or less profound state of oblivion. A number of factors contributed to the fact that the SSC has been put in the background. During the seventies the debt of the developing countries has considerably swollen.
Accordingly when in 1980 the United States decided to raise interest rates, the Third World countries found themselves with the quasi-impossibility of servicing their debts while concurrently at the national level they were facing severe economic ordeals. Furthermore they were subjected to severe economic reforms under the structural adjustment program which weakened the role of the state in controlling its national economies.

Hence the New International Economic Order so dear to the Third World was put in the background. While facing economic hardships, the developing countries had also to lose an important part of their identity as Non-Aligned Movement. Indeed this movement which defined the Third Word vis-à-vis the two opposing superpowers (the US and the URSS) and as not taking sides of either the United States or the Soviet Union, became outdated with the end of the Cold War marked by the disintegration of the Soviet Union early in the nineties (Morais de Sá e Silva, 2009: 45-46).

The South-South cooperation, in this phase landed in a sort of apathy with the disinterest of major actors from the first phase. This in spite of the little renewed interest shown in the mid nineties with the publication of the South Commission (1990) Report which was the work of 26 members among whom a few were at the time either past or present head of states notably Julius, K Nyerere former president of Tanzania, the premier of Jamaica Michael Norman Manley, the president Carlos Andrés Pérez of Venezuela. Noteworthy is that the SSC initially had over a hundred members.

Relying on Morais de Sá e Silva, we are still living the third phase of the SSC at least at the moment of her article in 2009. The setup of the Global Development Network (GDN) in 1999 by the World Bank marks the beginning of this current phase in which the SSC is evolving. Hence the coming to power of left-wing head of states in developing countries combined with the failure of the extreme economic measures imposed on the developing countries by the structural adjustment program insufflates a new life into the South-South cooperation concept with the huge difference however in the meaning the notion has taken lately. At its inception during the Cold War, SSC was supposed to be the tool that would allow developing countries to push a more balanced power relationship with the West through. Its members were also exclusively from the Third World.

Nowadays hijacked by international agencies from the West such as the Global Development Network which sets itself the goal to promote the transfer of “best practice” programmes between countries of the Third World, the initial conceptualization of the SSC is extended to mean “the transfer of best practice policies and programmes” (Morais de Sá e Silva, 2009:47). That is to say that the international agencies spot policy programmes which have succeeded according to their criteria of success in some developing countries and then they replicate them in other Third World countries.

The question remains how much of SSC’s original meaning is still valid. In that sense Morais de Sá e Silva rightly remarks that

*As in an epidemic, one could say that South-South cooperation has now reached the “burnout point”: It went global and is no longer rooted in the political mobilization of the South. It is not an exclusive feature of specific countries [...], leaders, [...], scholars [...] or organizations. It is*
increasingly owned by international agencies [my stress] and, in fact, has been adopted as a cooperation tool even by the North [my stress] ...”

Indeed in this phase actors promoting the SSC have changed. Head of states from developing countries refrain from participation although they still show some support for the concept. Academics and autonomous professionals are also conspicuous by their absence.

At this point let us wonder how the Chinese government deals with the concept of South-South cooperation. On the internet site of its ministry of foreign affairs⁴, the Chinese state places its “stand on South-South Cooperation” which dates back from 2003 and covers exactly just one printed page for a topic that caused a lot of ink to flow on hundreds maybe thousands of pages. Indeed a very dense version of which the main ideas are highlighted in the following and are summarized in the table here below.

According to the Chinese state’s “stand on SSC”, the more than three quarters of the world population living in the developing countries with enormous concentration of resources, together constitute a considerable market. In section 2 here above in this work, it has been mentioned that Chinese foreign direct investments skewed from developed countries where they dropped from 69% to 22% to developing countries where they shot up from 31% to 78%. This shift can be understood in the perspective where China realised the huge size and potential of the markets the developing countries in Asia, Africa and Latin America all together represent for its expansion and its needs for natural resources.

As a result South-South cooperation becomes a rhetorical tool to facilitate the penetration of Chinese enterprises in other developing countries till then dominated by Western powers. Hence the Chinese South-South cooperation rhetoric further asserts that these countries “may support one another and draw on each other’s strong points to achieve common development for mutual benefit”. SSC is thus an essential element in “bilateral and multilateral international cooperation”. Furthermore developing countries have the right to participate in defining the “rules of the game” in international economic field”.

Furthermore China considers itself as a developing country which is willing to cooperate with other poor countries in various domains and on the ground principles of “equality and mutual benefit”. It also will provide to its counterparts and within the limits of its possibilities “aid” “without any conditions attached” [to it]. The above mentioned ground principles for cooperation and unity are the bases for a better balance of power for developing countries during talks with the North and they help preserve the interests of the South.

With its stress on themes such as solidarity, unity, reform of international economic and trade systems, in 2003 the Chinese government seems to have adopted the progressive tendency of SSC as it was in its first phase back then supported by eminent scholars like Samir Amin, Mahbub ul Haq or the former president Julius K. Nyerere. However later in 2011 the position paper of China, released at the 66th session of the United Nations General Assembly⁵, neither did do more justice to the topic by the space it occupies on paper. Also striking is the deep change in tone from a progressive tendency on SSC adopted earlier to a more vague and ambiguous position with much more rhetorical expressions such as SSC being a “form of win-win

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⁴ http://www.fmprc.gov.cn/eng/wjdt/wjzc/t24884.htm#
⁵ http://www.fmprc.gov.cn/eng/zxxx/t857763.htm
cooperation”. Nevertheless China did reiterate its stance on the fact that developing countries may rely on each other’s “strengths to achieve common development” via South-South cooperation.

Thus I argue that the shape the South-South cooperation has taken in its current phase will not make the goal of achieving “common development” more realizable. In fact the context in which the concept of SSC is conceived, gives it a great force of persuasion that speaks to and moves people from the Third World. From there stems the power of the South-South cooperation rhetoric of the Chinese government as strategy to help its newly born multinational corporations to foray into African markets dominated by former colonial powers and the United States which are already well established in African markets for decades.

Accordingly the investments brought into Africa by these Chinese transnational enterprises will not lead to substantial development of the African continent like it has happened in China. Rather and at most these Chinese investments in Africa show some “trickle-down” economic effects characterised by a very limited economic growth in scattered localities throughout Africa. Hence the next move is to demonstrate the above argument in the following section by analysing the factors of economic development consisting of FDI, debt and trade.

4. The fortuitous trickle-down effects of economic development in Africa

4.1. Do multinational corporations and foreign direct investment bring economic growth to the host countries?

Having in mind the goal to capture the role of the Chinese enterprises’ activities on the economic growth of sub Saharan African countries, I wish to open this section by asking the following questions: in general does FDI lead to economic growth of the host country? Most specifically what can be said of Chinese FDI in Africa?

Many governments across the world and specifically governments of developing countries put together all kind of measures often in the form of tax incentives and subsidies in order to attract foreign investors. The logic behind the decision of policymakers of these countries is that FDI promotes economic growth which is a view also supported by academic studies.

In that vein it is argued that FDI creates for the receiving country spillover effects such as technology transfer, business know-how, the increase of productivity of domestic firms and more (Haskel et al. 2002:18; Keller and Yeaple, 2004:2; Girma et al., 2001:125-131). In short this view implies that FDI impacts positively on the economies of the host countries. Taken into account the fact that the productivity of enterprises of a country is one of the sources of its economic growth, let us further consider at the micro-level to what extent FDI contributes to the productivity of domestically-owned firms.
Table 5. Changing position of the Chinese government on South-South cooperation

<table>
<thead>
<tr>
<th>China’s unchanged position on SSC through time</th>
<th>2003</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Achieving “common development” through SSC</td>
<td></td>
<td>Reiterated</td>
</tr>
<tr>
<td>Search for alternative SSC paths</td>
<td></td>
<td>Reiterated</td>
</tr>
<tr>
<td>Coordination among developing countries and cooperation in international affairs</td>
<td></td>
<td>Reiterated</td>
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<table>
<thead>
<tr>
<th>China’s Changing Position on SSC through Time</th>
<th>2003</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unequivocally statement that China is a developing country</td>
<td></td>
<td>No clear statement from China whether it still considered itself as a developing country. Hence ambiguous position of China left open for all kind of interpretations.</td>
</tr>
<tr>
<td>SSC is essential element in bilateral and multilateral international cooperation</td>
<td></td>
<td>SSC not “assistance”; SSC is a “form of win-win cooperation” among developing countries. SSC is “mutually beneficial, voluntary and unconditional”. SSC is not North-South but it is complementary to it.</td>
</tr>
<tr>
<td>Solidarity on international affairs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Participation of developing countries in defining the “rules of the game” of the world economic system</td>
<td></td>
<td>Not any more reiterated</td>
</tr>
<tr>
<td>Push for the reform of world financial and trade systems</td>
<td></td>
<td>Developing countries “should work for an equitable and just international political and economic order</td>
</tr>
<tr>
<td>Equality and mutual benefit as ground principles for cooperation in the fields of trade, technology, culture</td>
<td></td>
<td>Not any more reiterated</td>
</tr>
<tr>
<td>“win over the right to equal development”</td>
<td></td>
<td>Not any more reiterated</td>
</tr>
<tr>
<td>Unity among developing countries to empower the South during talks with the North</td>
<td></td>
<td>Not any more reiterated</td>
</tr>
<tr>
<td>China is willing to assist other developing countries without “conditions attached” [to it]</td>
<td></td>
<td>Not any more reiterated</td>
</tr>
</tbody>
</table>
Empirical evidence from Morocco and Venezuela shows that the establishment of foreign enterprises in these countries neither did boost the productivity of the domestic firms (Harrison, 1995:173-182) nor did it lead to technological transfer from foreign to domestic enterprises in Venezuela (Aitken and Harrison, 1999:606-614). Kathuria’s empirical findings about FDI in India suggest that domestically-owned firms do not profit as much as foreign enterprises from the know-how of these latter (Kathuria, 2000:358-363).

Although one set of studies advance that the presence of foreign enterprises in a host country contribute positively to the domestically-owned firms and another set of research suggests the opposite, there is no clear-cut, unequivocal answer whether host countries’ firms gain from the presence of foreign companies as suggested by the findings of Hu and Jefferson about Chinese firms in China. According to these authors in the short term the domestically-owned firms did not profit from the presence of foreign companies in China. On the contrary domestic enterprises which couldn’t cope with the competition created by FDI between FDI receiving companies and domestically-owned firms went broke. In the long term however the domestic enterprises which survive the competition could increase their productivity (Hu and Jefferson, 2002:1063-1064).

The mixed findings concerning the impact of the presence of foreign enterprises on the domestically-owned firms are due to methodological issues such as for instance the sets of data on which these studies draw. Hence in general cross-sectional studies find positive impact and panel data most of the time end up with negative impact. However panel dataset is more reliable and therefore it leads to the plausible conclusion that there is little evidence of the positive impact of the presence of foreign enterprises on the host countries’ firms (Görg and Strobl, 2001:F730).

Apart from the fact that panel data tends to find negative impact of the presence of foreign enterprises on the host countries’ firms, there are also situations that reinforce this finding. Let us consider the case of technology transfer from foreign enterprises to domestically-owned firms. Samir Amin asserts that capitalist monopolies aiming at inflating their profits relocate unconnected bits and pieces of production processes to the Third World (Amin, 1980:154-155). If so is the case then full technology transfer from relocated foreign enterprises to the host countries’ domestically-owned firms barely occur and therefore these latter would hardly profit from the presence of the former.

Furthermore secrecy undermines complete technology transfer. A renowned example is the secret formula of Coca-Cola6. It is now over a century that the formula of the drink Coca-Cola of the company with the same name is discovered and yet the enterprise jealously keeps secret the formula code for preparing the drink while this giant of beverage has factories across the world. So doing domestically-owned firms of the countries where Coca-Cola is present do not benefit from the transfer of the technology of manufacturing the original Coca-Cola drink. The role of secrecy in the transfer of technology may explain to some extent the existence of corporate espionage (for an historical account of industrial espionage see Harris 1998).

Anyhow at this point what can be said of the presence of Chinese state-owned enterprises’ presence in Africa? Does their presence advance technology transfer from the SOEs to the domestically-owned African

6 http://www.dailymail.co.uk/news/article-2072067/Coca-Colas-secret-recipe-goes-display-museum.html
firms and does it boost productivity? With other words do African’s firms profit from the presence of the Chinese enterprises in Africa?

Empirical evidence from over 1800 sub-Sahara African manufacturing firms shows that in the period between 1991 and 2004 the growing opening of sub-Sahara African markets to the Chinese FDI does not just lead to no technological transfer from Chinese enterprises to the domestically-owned firms but worst it decreases the productivity of these latter due to competition stemming from Chinese imported manufactured goods. Accordingly the ever growing presence of China in sub-Saharan Africa neither does increase economic growth nor does it advance the living standards (Elu and Price, 2010:595).

Another factors which does not advance technology transfer is the tendency of Chinese multinationals most specifically those ones in the infrastructure business to let their workers, Chinese nationals, come from China and to exclude African workers from gaining access to management and other important positions kept for Chinese workers. So doing the African workforce does not get the opportunity to learn the dominant technology in infrastructure construction and therefore the diffusion of that kind of technology becomes severely limited.

Furthermore the import of Chinese workers does not foster the employment of Africans among which the rate of unemployment is already very high (Alden and Davies, 2006: 93-94). Just like the findings of Elu and Price on the impact of Chinese enterprises in the manufacturing sector does not ameliorate the living standards of Africans (Elu and Price, 2010:595), the low wages paid to African miners in Zambia (Alden and Davies, 2006:93) adds to the factors which deteriorate Africans’ living standards.

So far the micro level analysis shows that the presence of foreign enterprises barely advances the economic growth of host countries through factors such as the increase of the productivity of host countries’ firms, the occurrence of technology transfer and the enhancement of living standards. Equally Chinese enterprises investments have a very limited positive impact on the domestically-owned African firms.

However it remains interesting to consider, at the macro level, what the impact of FDI is on the economic growth of the FDI receiving countries. After having grasped the relationship between FDI and economic growth, it will be questioned to what extent Chinese FDI in Africa leads to economic development on the continent. Hereby I will also draw on my fieldwork data concerning the investments strategies of two Chinese SOEs.

The question whether it is FDI which causes economic growth or is it the growth within a country which attracts FDI from investors in search of new sources to make profit is a matter of a heated debate with a very mixed outcome. Rodrik (1999) asserts that it is the economic growth of a country which attracts FDI but most studies maintain the opposite.

The empirical findings on a pool of countries reveal that as much as FDI stimulates growth, this latter also attracts FDI although the impact of FDI on growth remains questionable (Choe, 2003:45). Another pool of countries shows for some countries two way causal relations between FDI and growth and for some others a one way relation from FDI to growth (Chowdhury and Mavrotas, 2006:10-19). But most studies find that FDI stimulates growth (Hansen and Rand, 2006:35; Zhang, 2001181-184; Dees, 1998:187-190) and hence they comply with the conventional wisdom according to which FDI is growth-enhancing.
However Carkovic and Levine argue that at the macro level FDI in itself does not stimulate growth in the long term (Carkovic and Levine, 2002:8-13), a stand which suggests the necessity of the existence of other growth-enhancing factors to enable FDI to have a positive impact on the economy of the recipient country.

It is not just the causal relation between FDI and economic growth which shows divergent results but the association between the two factors is also divisive in the sense that a multitude of conditions is found under which FDI is supposed to beget economic growth. A set of studies argue that the recipient country's wealth in terms of high gross domestic product or per capita income (Blomstrom et al., 1994:15-18) and technological degree of development define to what extend FDI stimulates growth (De Mello, 1997:5-6; OECD, 2002:10). Another set of studies suggest that the level of education of the working force (Borensztein et al., 1998:123-133) and the countries' openness to export (Balasubramanyam et al., 1996:98-103) are necessary preconditions for FDI to enhance economic growth.

Otherwise worded in order to be able to absorb the potential advantages of FDI, the recipient countries must fulfil a number of conditions which range from the openness of their economies to international trade, a certain degree of development of their infrastructure and financial system to a minimum threshold about their national wealth. Also their labour force must have reached a certain level of education. In short most of the pools of countries studied shows that FDI may cause economic growth under various conditions and this seems to be a consensus.

Hence the diverging empirical outcomes on the relationship between FDI and growth are said to be caused on the one hand by methodological issues linked to research design and on the other hand, the environment of FDI receiving countries and the characteristics of the received FDI (in the sense whether the FDI is resource seeking or efficiency seeking). These two factors are said to lead to the differences in the studies conducted.

These differing views suggest that the relationship is equivocal although the conventional wisdom wants us to accept that FDI fosters growth. As a result it is fair to admit that the relationship between Chinese SOE’s FDI in Africa and economic growth in the receiving African countries is not a clear-cut matter of fact. However an analysis of Chinese FDI in conjunction with other growth-enhancing factors can allow us to make a statement on how far Chinese investments can lead to economic growth in Africa.

4.2. Chinese state-owned enterprises and foreign direct investment and trade in Africa

As has already been underlined in section two, Africa is only the third preferred destination of Chinese outward foreign direct investments in the Third World with a share of about 9% out of 78% of the total COFDI to the developing countries. In terms of values in the period between 2002 and 2004, of the total COFDI stock received by the developing countries in Asia, Latin America and Africa amounting to $9.3 billion of COFDI, the African continent received only 1 bn. In 2005 Chinese overseas investment to Africa was estimated to amount $1.6 bn (UNCTAD, 2007:2).

Further disregarding the factor concerning the size of economic growth, the degree of the current economic development of China is diverse and unevenly spread across the country just as it is the case in
Africa. As such China, a country with continental dimensions can be compared, in terms of volume of foreign direct investment, not to the individual African countries but to the African continent as a whole.

Thus according to a report of the UNCTAD, while in 2005 the world total FDI flow to Africa was $31 billion of which China’s part to Africa amounted a mere $1.6 billion, the world’s FDI volume into China was largely over twice the world’s FDI volume received by Africa and amounted $72 billion (UNCTAD, 2007:62). Even with the less optimistic finding of Brown of $60.3 billion of FDI into China also in 2005 (Brown 2008:50), the FDI stocks received by China remain a lot higher than those received by Africa.

Looking at more recent data shows that in 2011 FDI stocks to China grew to the exceptional level of $124 billion while in Africa, in the same year FDI level dropped to reach the modest value of $42.7 billion (UNCTAD, 2012:xvi). Besides the fact that China receives far more FDI flows worldwide than Africa, China’s outward FDI to Africa is mainly in African resource rich countries and in infrastructure such as government buildings, stadia, dams, roads and so on. In point of fact, these Chinese investments in African infrastructure create for the most part new debt situations for African countries as shown by the case of road construction and rehabilitation in Tanzania.

In Tanzania, at the moment of writing, out of the 52 ongoing road projects, 31 are carried out by 11 Chinese state-owned enterprises. The road projects are financed for a major part by loans coming from among others the African Development Fund whose loan is spread over 50 years and for a minor part by the Japanese International Corporation Agency. The Tanzanian government and the Millennium Challenge Corporation Fund (MCCF) are also financiers of the projects (Project Appraisal Report, 2009).

These kinds of infrastructure projects barely generate foreign exchange reserves which African countries desperately need to service their foreign debts. Further, in some cases when the quality of the work is not questionable it is a lack of funds or mismanagement that does wrong to the quality of the projects as exemplified by the infrastructure projects in Zambia (see the Zambian parliament, 2010; Mulenga et al., 2010; BBC, 2010).

Next to the quasi impossibility to generate foreign exchange reserves, these types of projects create new debt situations for African countries while they inflate the turnovers of the contractors and thereby generate profits for these latter. Hence except for the buildings or stadiums “donated” by Chinese government to African countries, Chinese state-owned enterprises, acting as contractors of infrastructure projects in Africa, push their turnovers up by creating possibilities for themselves to make profits. At the same time, on the other hand, for financing such projects, African countries have to take loans for which African nationals at large act as surety for the debts contracted by their governments.

Hence the so much praised Chinese investments in infrastructure in Africa which are said to bring jobs to Africans (jobs whose quality is barely questioned), actually create new debt situations for African countries which already are sinking under the weight of their foreign debts without any perspective on a way out. As a consequence African people are exposed to all kind of vulnerabilities stemming from austerity measures

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which their governments take whenever these latter risk to fail servicing their debts since the people are the guarantee underlying these foreign debts.

The findings during my fieldwork in Beijing, China point towards similar conclusions, notably that Chinese investments in Africa do not constitute an exception which would lead to significant economic development in Africa. The state-owned enterprises of my research show preference to projects registered in African countries’ annual development programmes or projects the World Bank or the African Development Bank are planning to finance in the sub-region of West Africa.

Such projects may include dams, high ways or transformers for electricity. Whether the projects relate to their direct field of expertise or not does not matter to these Chinese SOEs because they were ready to involve other Chinese state-owned companies with the right specialism. Furthermore these SOEs are willing to finance the projects provided that there are reliable repayment banks in Africa. The terms of repayments are linked to the height of African governments’ foreign income and their budget deficit (Interviews Beijing 20 and 22 December 2011).

Projects in African countries as categorized here above can be eligible for the Chinese SOE - in question in this research - investment schemes even when the deficit of the country is considered to be too high but this latter is endowed with mineral resources. In this scheme, the Bank of China would be providing up to 85% of the value of the projects in the form of loans insured by China Import Export Insurance Company and backed with mineral resources of the countries. The bank would also finance mineral exploration costs where the need arises. The other 15% has to be financed by African governments themselves which are required to disclose to the Bank of China their sources of funding (ibid).

What are the possible implications of the just described scheme of investment? The zeal of the Chinese SOEs to spot projects which are part of development programmes of African countries and their willingness to give loans through the Bank of China for the realization of these projects at first sight may seem a profitable compromise for both the Chinese SOEs and African countries. But a closer look shows that the natural resources backed loans are highly questionable. First the projects financed by Chinese loans create new situations of debt for African countries and thereby the former (that is the loans) increase the dependency of the latter (the African countries) on the foreign lenders while at the same time the foreign debts of African countries continue to soar.

Since lenders in general define the rules of the game, there cannot even be a semblance of equality during negotiations of the conditions of the loans between African countries and the Chinese SOEs through their bank. Therefore African countries would be forced to a continuous position of dependency. Furthermore the construction whereby the Chinese SOEs, through their bank offer the loans for the projects, leads to the fact that the debts of African countries will continue to grow while the projects contribute to inflating the turnovers of the SOEs and thereby creating the possibility for them to make profits.

Second the price of natural resources which are considered primary commodities on the world markets are highly volatile. As a result incomes from natural resources for repaying the Chinese SOEs’ resource backed loans also fluctuate highly which can influence the time length in which the loans can be repaid. Besides goods manufactured out of these commodities have almost always higher market price than the
primary commodities used as input for their fabrication. As a result when through Chinese export to Africa the manufactured goods are sold on African markets, African consumers have to pay more for these manufactured goods than they got for their natural resources. Hence the deal of resources backed loans become highly unbalanced and in the disadvantage of African countries.

In this section until this point, a comparison of the volume of foreign direct investments received by China and Africa has shown that the flows of FDI into China from all over the world are over twice the volume of FDI received by Africa. It also became evident that Chinese investment into Africa is minimal in comparison to its investment on the Asian or Latin American continents. Furthermore the scheme of Chinese investment in Africa in infrastructures projects and alike with natural resources backed loans exacerbate debts situations of African countries and do not create foreign exchange reserves for these latter. In what follows a close look is going to be taken at Chinese trade with Africa.

China’s trade activities in terms of its import and export with Africa have greatly increased in a quick pace from a mere $10.6 billion in 2000 to $73 billion in 2007 (Besada et al., 2008: 6). In 2005 with a value of $13 billion, China has become the third export partner of sub-Sahara Africa behind Europe and the United States. Remarkably sub-Saharan Africa’s export to China consists essentially of oil and natural resources (ibid:6, Tull, 2006:465-466; Renard, 2011: 14-15).

On the other hand Chinese export to Africa has also soared as exemplified by Nigeria whose import of Chinese goods grew from $1.76 billion in 2003 to $2.28 billion in 2004 (Tull, 2006: 464). In spite of the spectacular growth of trade activities between China and Africa, Africa’s share represents less than 4% of the total of Chinese trade worldwide (Renard, 2011:13).

China’s trade with Africa is highly unevenly spread. Around 60% of China’s exports go to only six African countries (South Africa (21%), Egypt (12%), Nigeria (10%), Algeria (7%), Morocco (6%) and Benin (5%)) while over 70% of China’s import come from four resource rich African countries notably Angola (34%), South Africa (20%), Soudan (11%) and Republic of Congo (8%).

Pertaining to the pattern of African countries imports from China, it is comparable to the imports’ structure of Africa with the West in that African countries import for the most manufactured products, machinery and transport equipment from China. Next in 2008 the higher import of Africa from China led to a trade deficit of $10 billion for African countries with the exception of a few oil and gas exporters. Surprisingly is the fact that even oil and gas rich countries like Nigeria and Algeria’s trade with China is in deficit (ibid:12-17).

Hence considered the volume of Chinese FDI into Africa and its highly uneven spread over the continent, considered the forms Chinese investments in infrastructure in Africa take and the new debt situations these investments create and finally considered the imbalance of trade between African countries and China, Chinese investments in Africa cannot lead to significant economic development in Africa like it has happened in China. Rather and at most Chinese investments in Africa through Chinese companies show some “trickle-down” economic effects characterised by a very limited economic development in scattered localities throughout Africa.
Accordingly the winds of high fevers blowing around the debate about the presence of China in Africa constituting a “golden opportunity” for the development of the continent can now drop and social scientists’ scrutinizing gaze can be set on investments in Africa from not just China but also from the West, the rest of the Global South and within the African continent itself.

5. Concluding thoughts

The uncertain outcomes of foreign direct investments and the origin of these investments as Western or Chinese undoubtedly present African elites with a conundrum they have to solve. There is no clear-cut answer as to the question whether foreign direct investments are economic growth enhancing for the host countries. But when one recalls the second statement with which the BBC documentary entitled “When China met Africa” (BBC, 2010) opens:

Despite decades of western influence and aid, Africa still remains the poorest continent in the world.

The feeling is raised that the viewer is about to discover a better option for the African continent, notably that the Chinese investments in Africa would achieve results Western powers failed to materialize. But after having shown, on the one hand that the Chinese government’s discourse on South-South cooperation disagrees with the historical evolution of the concept and on the other hand after having come to the realization that the Chinese rhetoric played a role in facilitating the penetration of Chinese enterprises on the African continent, it has been argued that the ensuing Chinese enterprises’ investments in Africa cannot lead to substantial economic growth in Africa. Reasons for this conclusion are as follows.

First, China’s investments in Africa are relatively small in size and highly unevenly spread over the continent. In the developing world, Africa is only the third preferred destination of Chinese investments after Asia and Latin America. As such the volumes of Chinese foreign direct investments in Africa are far less important than those ones invested in the rest of the Third World. Within Africa itself, about three quarters of the Chinese investment flows to the continent are poured into the very few natural resources and oil rich African countries.

Furthermore when the flows of foreign direct investments into China from all over the world is compared to the flows into Africa, it is plain for all to see that China receives almost every year since its opening reform policies two to four times (this last in 2011) the volume of foreign direct investment into Africa. It is partly thanks to these investment flows into China that the east coast shows such astonishing economic growth while some of its other regions lag behind. Thus these two facts (the size of China’s investments flows into Africa and their concentration in few African countries) combined suggest that eventually the resources and oil rich African countries may show some signs of economic growth.

Second, the highly uneven spread of trade between China and Africa also seems to confirm the argument that few African countries may experience some economic growth as a result of China’s presence in Africa.
China’s trade is concentrated in African resource and oil rich countries. Besides the majority of the African countries including few oil rich countries which conduct trade with China experience trade deficit vis-à-vis this latter. Most striking is the fact that the African trade structure with China is very similar to African trade pattern with the West.

Third, most of the infrastructure projects realized by the Chinese state-owned companies barely generates foreign exchange reserves for African countries while they create new debt situations for these countries since they have to take new loans to finance these projects. At the same time the projects inflate the turnovers of the Chinese enterprises and so doing they generate for them the possibility to make profits. Noteworthy is the new debt situations exacerbate the already existing debt burden of African countries and thereby the possibility of creating economic growth in Africa is seriously reduced.

Hence drawing on the facts pointed out here above it is deducted that the Chinese state-owned enterprises investments in Africa will lead not to significant economic development in Africa. Rather and at the most these Chinese investments let see and will show some “trickle-down” economic effects characterised by a very limited economic growth scattered throughout the African continent.

Within a few decades as the geopolitical order is shaken once again and new powers emerge, maybe we are going to get another similar documentary with a statement in the style of:

*Despite a century of western and chinese influence and aid, Africa still remains the poorest continent in the world*

But I do not think so. The various African elites at the right places do not have to take side as for the fact whether Western or Chinese involvement on the continent is a better choice. They do not either have to wait for some investors to “bring beautiful projects” to them. Rather they just have to assume the destiny of their continent and maybe they must turn more towards each other in order to break the vicious circle of dependency towards the outside world.

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**References**


**Appendix**
### List of Abbreviations

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<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>BBB</td>
<td>Business of Business is Business</td>
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<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
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<td>COFD</td>
<td>Chinese Outward Foreign Direct Investments</td>
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<td>FDI</td>
<td>Foreign Direct Investment</td>
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<td>FIOA</td>
<td>Freedom Of Information Act</td>
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<td>GDN</td>
<td>Global Development Network</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>I</td>
<td>Internalization</td>
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<td>IDP</td>
<td>Investment Development Path</td>
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<td>L</td>
<td>Location-linked advantages</td>
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<tr>
<td>LLC</td>
<td>Limited Liability Company</td>
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<td>MCCF</td>
<td>Millennium Challenge Corporation Fund</td>
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<td>NIEO</td>
<td>New International Economic Order</td>
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<td>O</td>
<td>ownership-specific advantages</td>
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<td>SOE</td>
<td>State-Owned Enterprises</td>
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<td>SSC</td>
<td>South-South Cooperation</td>
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<td>TW</td>
<td>Third World</td>
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