Towards More Balanced Trade within the Framework of the Forum for China-Africa Cooperation: The Impact of China on Africa's Trade

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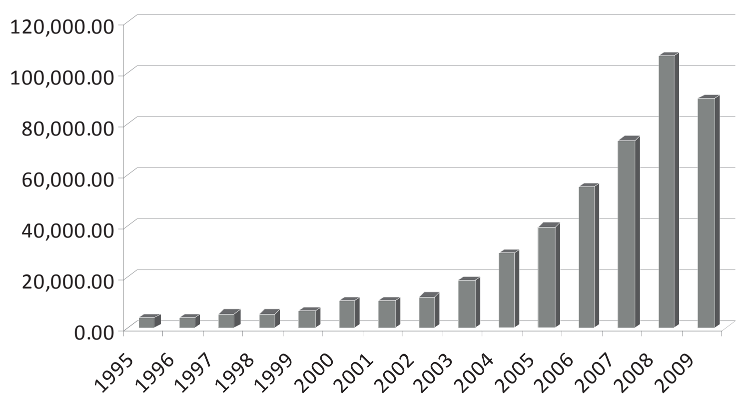
The renewed importance of Africa in China's foreign policy became apparent in the mid 1990s during Chinese President Jiang Zemin's tour of Africa. On this visit, he announced the creation of the Forum for China - Africa Cooperation (FOCAC), ministerial level meetings to be held every three years between China and African countries with diplomatic ties with China. The first FOCAC meeting was held in 2000, and indeed this marked the launch of a new phase in Africa - China cooperation (Alden, 2010). FOCAC provides the framework for Africa - China relations. Since 2000 especially, trade between African countries and China has grown at a phenomenal rate[1] (Figure 1). China's transformation from an agricultural producer in the 1970s to an industrial economy, a dominant producer of manufactured goods and the fastest growing consumer of commodity products (ACET 2009a) has necessitated China's massive demand for Africa's commodities to fuel its economic growth. Subsequently, by 2009, trade between China and Africa was valued at just over \$90bn (although a drop of 16% from its high in 2008 at \$106bn). Trade is the largest dimension in economic engagements between China and Africa, as it eclipses total investment and economic and technical cooperation (ACET 2009a).

Figure 1 China-Africa Trade, 1995–2009 (\$billions)



Source: Tralac, 2010

1 Therefore, this paper will focus on China-Africa relations between 2000 and 2009, when data is available

This paper seeks to explore the impact that increased relations between China and Africa within the FOCAC framework are having on Africa's trade. The paper will highlight that China's trade-specific FOCAC commitments will merely serve to facilitate increased trade between Africa and China however, this is not sufficient for balanced trade, as it will still be dominated by Africa's exports of low value primary commodities in exchange for China's higher value manufactures imports thus widening the trade imbalance. Although both China and Africa have implemented protectionist post financial crisis trade measures that will negatively impact the level of China-Africa trade, there are other interventions that could potentially improve Africa's capacity to trade. Cooperation in other areas has greater potential to ensure that the increased trade will be more balanced by increasing Africa's capacity to produce and trade more value-added exports. Further cooperation as outlined in the FOCAC process will provide Africa with an opportunity for greater value-added export production to take advantage of emerging developments in China and shifts in global production.

Section one will look at general trends in China-Africa trade, between 2000 and 2009. Section Two will look at specific trade-related FOCAC commitments made by China to improve Africa-China Trade and assesses their impact. Section Three looks at other areas of cooperation within the FOCAC framework that already have and will have the potential to impact Africa-China trade. And Section Four will look at emerging developments for Africa to take advantage of that could provide opportunities for "more balanced trade" with China. The final section will conclude.

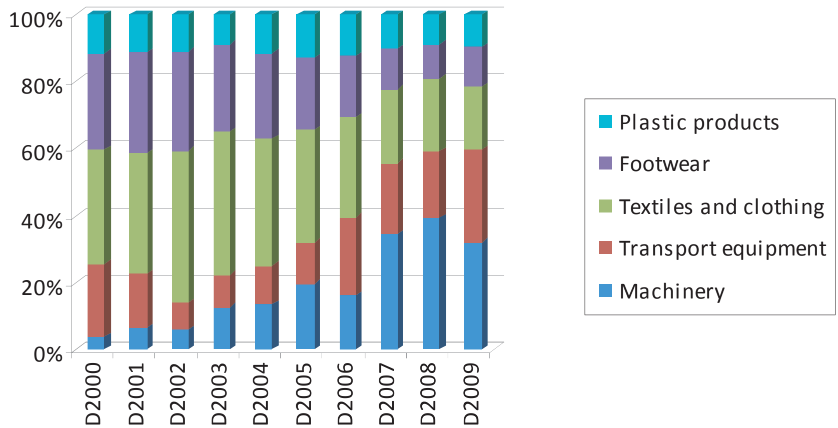
This paper will draw on primary and secondary research undertaken by the African Center for Economic Transformation (ACET) during 2009 as well as a review of up to date literature on China-Africa relations.

1 Trends in Africa-China trade

This section will look at emerging trends in Africa-China trade. It will highlight that China-Africa trade has grown exponentially, more than both sides' traditional trading partners; it has provided affordable manufactures for African consumers and industry and a welcomed capital injection to fuel Africa's growth especially during the global crisis when relations with Africa's traditional partners declined. However, increased Africa-China trade has grown in an unbalanced way - the gains from trade are limited to a few African resource rich countries exporting oil and mineral products to China which have proved vulnerable during the commodity price bust in 2008. Indeed Africa's trade surplus with China reversed to an overall trade deficit by 2009. The majority of African countries are suffering from mounting trade deficits and Africa continues to depend on exports of low value primary products. China Africa trade has become more and more unbalanced and thus unsustainable.

China-Africa two way trade between 2000 and 2009 has risen by an unprecedented 750% (at its peak in 2008, it rose by just over 900%) using data from China Customs (Tralac 2010). China-Africa trade represents an opportunity for both to diversify their export partners. During the global recession, China was especially hit hard as its exports to its top six trading partners represented 70% of its exports in 2007. All of these partners experienced economic contraction and thus decreased import demand

Figure 2 Africa's top imports from China



during the global financial crisis (Hong Kong Trade and Development Center 2009). Similarly for Africa, after the global crisis, in 2009, China overtook the US to become Africa's top trading partner of the year with trade volumes of $90.8bn compared to the US-Africa trade volume of $88.9bn. This dropped a dramatic 39%. According to the Global Trade Alert database, 20% of its total trade policy measures were "red" measures which "almost certainly discriminated against" African exports and 80% of the EU27's measures implemented were red[2] thus negatively impacting African exports. Meanwhile, the drop in Sino-Africa trade was only 15% (International Trade Centre data). Manufactures constitute the largest share of African imports from China 86% (Tralac 2009), with machinery the fastest growing component. Chinese imports provide affordable manufactured exports and thus welfare gains for the African consumer and for African industry. Machinery imports have become increasingly important among Africa's imports from China over the last decade (figure 2), compound average growth rate of 62% between 2000-09, more than any other category of manufactures imports. Dominated by machinery and other light industrial products, these imports build up Africa's production capabilities.

However, the gains from increased Sino-African trade over the past decade, have been limited to a few African countries. Using data from China Customs (Tralac 2010), China's top ten African trading countries (two-way trade) include; Angola, South Africa, Sudan, Nigeria, Egypt, Algeria, Congo, Libya, Morocco and Equatorial Guinea. Trade is highly concentrated among these countries, accounting for nearly 77% of total China-Africa two-way trade during 2000 - 2009. Furthermore, China's top ten African exporting countries (these include Angola, South Africa, Sudan, Republic of Congo, Equatorial Guinea, Libya, Gabon, Algeria, Nigeria and the Democratic Republic of Congo) account for almost 90% of Africa's exports to China. Just four African countries account for 93% of China's oil supply from Africa - these countries include; Angola (51%); Sudan (18%); Republic of Congo (13%); and Equatorial Guinea (11%). Other minor sources include Nigeria (3%); Gabon and Chad (1% each) (Alden and Alves 2009).

2 Global Trade Alert database accessed 18 May 2010)

China is becoming more and more dependent on Africa's supply of oil and mineral exports from a few African countries. Africa is China's second largest oil supplier (supplying 26% of China's oil) after the Middle East (which provides a 39% share). Similarly, China is Africa's second largest major destination for its oil exports (19%) after the US (37%) (Alden and Alves 2009). Similarly in minerals exports, China's imports of mining products from Africa have increased from $286m in 2000 to $2.6bn in 2006. In some cases, China has become dependent on Africa's mineral exports. These include manganese from Gabon, South Africa, Ghana and Zambia which provide 40% of Chinese import needs and cobalt from the DRC supplies 80% of China's needs (Alden and Alves 2009). Thus Africa is an increasing important source for China's insatiable demand for natural resource products.

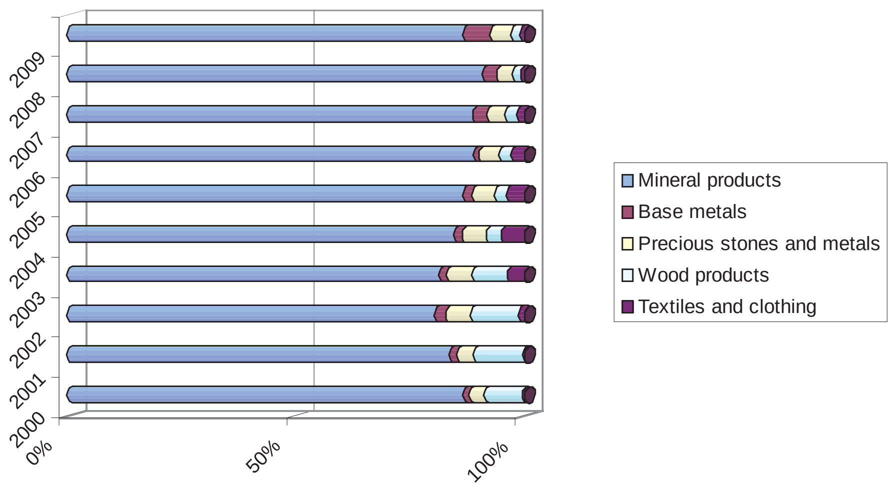
Although Africa ran an overall trade balance surplus with China during the period, (in 2000, 2004, 2005, 2006 and 2008), the surplus is dominated by only 13 African countries that run a trade surplus with China. Also, the size of these surpluses is reducing. Indeed, Africa's trade surplus in 2008 of $5, 014m was almost completely reversed into a deficit for Africa in 2009 into -$5, 442.48 (Sandrey et. al 2010). But the majority (just over 80%) of African countries is running worsening trade deficits with China, that have increased on average by almost 1500% between 2000 and 2009. In the case of Cameroon, China's share of its trade deficit was more than 80%. The "Asian-induced" oil price boom, (which China has contributed significantly to) has exacerbated trade deficits for African net oil importing countries, fueled domestic inflation, severely compromising the competitiveness of African firms.

The vulnerability of the structure and composition of China-Africa trade was exposed following the global economic crisis and the subsequent commodity price decrease in 2008. While Sino-African trade has grown substantially, the composition and structure of exports have not changed, reinforcing Africa's low value primary commodity production as this mirrors Africa's trade with its traditional trading partners (ACET 2009b). Africa overwhelmingly exports fuels, minerals and metals to China. During 2000 - 2009, these products accounted for more than 84% of total exports to China (Tralac 2009 and 2010). Additionally, these products have become more and more important in Africa's export basket to China - figure 3 shows the increasing importance of mineral products during the period. Moreover, Africa's export of primary commodities to China made up 86% during 2000 - 2009. These products experienced a boom in 2008, thus Africa's top exporters to China saw a much welcome increased injection of capital. However, Africa's exports to China were severely impacted by the commodity price decline in 2009, when the value of African exports to China declined by $25.9bn in 2009. The price of Africa's main commodities to China - crude oil and minerals decreased on average by -39.18 (Sandrey et. al 2010).

2 Trade-related FOCAC commitments

Section two looks at trade specific FOCAC commitments. It will evaluate their impact on Africa-China trade. It concludes that these pledges will merely serve to, at best, increase Africa China trade, however, Africa-China trade will remain unbalanced. The granting of preferential access to exports from least developed countries with

Figure 3 Percentage share of Africa's top exports to China, 2000–2009



Source: Tralac, 2010

diplomatic relations with Africa represents the most direct measure aimed at improving Africa-China trade. This section will highlight that even this measure has resulted in limited gains for preference recipient countries and has only really facilitated the export of primary products again from resource-rich LDC countries. Although the preferences provide the opportunity for access to more value added exports, the export supply response from LDCs has been limited due to more binding non-tariff barriers. Other measures are "best-endeavor" pledges and subsequently indirect measures that will also only at best facilitate increased rather than more balanced trade.

Since the first FOCAC in 2000, China has made commitments to Africa focusing on Sino Africa trade with the aim of increasing it. These commitments have included the following; "*grant[ing] zero-tariff treatment to some commodities of African LDCs for access to Chinese market. The Chinese side will, starting from 2004, negotiate lists of tariff-free goods and the rules of origin with the countries concerned on a bilateral basis*." At the end of the second FOCAC in 2003, the Chinese Government announced that it would give zero-tariff treatment to 190 kinds of commodities imported from least developed countries in Africa having diplomatic relations with China with a view to increasing Chinese imports from Africa (Yafei 2005). And in the last FOCAC, the Sharm El Sheikh Action Plan has promised to; "*to further open its market to African countries. ...in a phased manner, grant tariff exemption treatment to 95% of exports from the least developed countries (LDCs) in Africa having diplomatic relations with China. As the first step, the goal of zero tariff treatment for 60% of products originating therefrom will be met in 2010*." Preferential treatment to exports from Africa's LDC's represents China's most direct effort to increase Africa-China trade.

The impact of the preferences is at best limited to a small group of resource-rich LDC exporters. Since 2005, when the preferences came into effect, just six out of the 31[3] eligible African LDCs provided 92% of the total exports from African LDCs. These countries include; Angola, Sudan, Congo, Equatorial Guinea, Libya and the

Democratic Republic of Congo. The total value of exports from African preference recipients was just over $130, 000 (using data from Tralac 2010). Again their exports were overwhelmingly petroleum and crude oil products - these accounted for almost 9x% of total exports. Minerals take second place - accounting for x% of total exports.

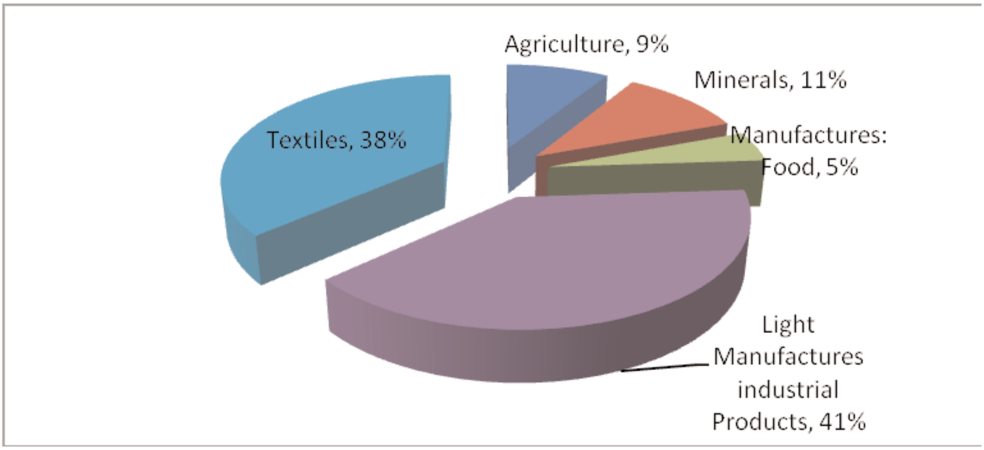
There has not been a significant export supply response to the preference receiving products. Since the preferences came into effect, there has not been a significant export supply response from the preference receiving countries as pre-preferences, exports from LDCs had a compound average growth rate of 25% between 2000 and 2005, since the beginning of the preferences until 2009, the CAGR only increased slightly to 28%. From 2000 to 2005, without any preferential treatment, 93% of the African LDCs' exports to China were entering China duty-free anyway as China had already drastically reduced or eliminated Most Favored Nation tariffs on these exports. Moreover, these exports were largely primary products essential for fueling China's economic growth (Minson 2007). Interestingly, as the Chinese ambassador in Chad pointed out, Chad exports none of the products on the list (Minson 2007).

Furthermore, despite including a wide range of products, LDC exports have remained primary products thus underutilizing the preferences. The preferences have failed to transform the structure of exports from African LDCs. They remain primary. Based on LDCs current export capacity, the most economically valuable Chinese preferences are for primary products, including sesamum seeds, cocoa beans, cashew nuts and cobalt materials (Minson 2007). African LDCs have not been able to take advantage of the diversity of the products receiving preferences, characteristically, still only exporting a few products. The preference receiving products include; agricultural products - food, plants, animals; minerals - precious stones, raw and simply transformed; manufactures - processed foods, light consumer manufactures, light industrial products and textiles. Figure 4 shows the percentage share of the main category of products. The list includes a larger proportion of manufactures, almost three-quarters. However, the manufacturing export supply response has been negligible.

The ability of LDCs to benefit from the preferential access to China has been hindered by a number of non-tariff barriers (NTBs). Several African stakeholders both private and public have expressed their difficulty in obtaining the list has thus hindered their ability to benefit. African LDCs manufacturing capacity is low also. Further NTBs include China's inaccessible sanitary and phyto-sanitary (SPS) requirements; cold chain sterilization requirements; and cultural differences. Discretionary import prohibitions could also potentially hinder an export response, given African LDCs low levels of health and sanitation capacity (Freemantle et. al, 2010). African LDCs face competition from Asian LDCs who export 301 of 440 products for which China has afforded special treatment to African LDCs (Alves 2008). The Chinese rules of origin are stricter than for AGOA, they state that at least 40% of the value must be added in the country as compared to AGOA which allows for 35% regional value added. Thus the Chinese preferences impede intra-regional production for manufactures especially.

3 African LDCs with diplomatic ties with China include; Angola, Benin, Burundi, Cape Verde, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Guinea, Guinea-Bissau, Lesotho, Liberia, Madagascar, Mali, Mauritania, Mozambique, Niger, Rwanda, Senegal, Sierra Leone, Somalia, Sudan, Tanzania, Togo, Uganda and Zambia

Figure 4 Share of preference receiving groups (%)



Source: Authors own calculations using the list provided by Standard Bank, 2010

However, with support to address the NTBs and investment, preferential access to China would be more advantageous for LDCs. There are some significant advantages to be maximized from these preferences. Without considering SPS requirements, China's NTBs are much lower in agriculture than for the US or EU or even other Sub-Saharan African countries. The average margin of preference for the products exported by the African LDCs is quite significant at 10.4% (Minson 2007). Textile products such as yarn, thread etc. provide higher valued opportunities with a 9.4% margin of preference and even represents tariff de-escalation as China scandalously has not included cotton in the list - a vital export for many African LDCs (Minson 2007). As mentioned above, at the last FOCAC held in Egypt, China has offered to increase this list, within the next three years to 4, 700 products, this is almost ten times the current amount. However, the extended list should be better tailored to address LDCs supply-side constraints.

Other trade-specific commitments are focused on increasing trade through greater trade facilitation. The last FOCAC in Egypt provided the most trade-specific measures thus far with the main aims of facilitating greater Africa-China trade. China has pledged to establish an African Commodities trade Center in China to promote export of African commodities to China. The Sharm El Sheik Action Plan 2012 states that "*Preferential policies such as fees reduction and wavering will be adopted for participating African enterprises*". This will provide a good opportunity for resource rich African countries to market themselves as a credible alternative source for China's rampant commodity demand. Africa has still a lot of Chinese market share to gain as currently Africa holds a small share of China's global demand in agriculture - between 2000 and 2008, it held just 1.7% (ACET 2009b); in forestry the share is 2.9%; in oil and gas it is 26% behind the Middle East. However, this would merely increase trade in primary commodities, not necessarily allow it "to grow in a more balanced manner" for Africa. Further pledges are "best endeavor" measures, aimed at "greater cooperation" in "customs, taxation, inspection, and quarantine"; "establishment of three to five logistic centers to help improve business facilities in African countries"; and greater bilateral trade dispute settlement mechanisms.

3 Other areas of FOCAC cooperation

This section will look at other areas within the FOCAC framework, which are impacting and have the potential to impact China-Africa Trade. It will highlight that these developments are and have greater potential than the trade-specific FOCAC measures to not only increase Africa-China trade, but also more importantly, these have potential to enable China-Africa trade to "grow in a more balanced manner" if sufficient local content requirements be included. These other areas include investment and economic and technical cooperation and interventions in Africa's infrastructure, agriculture and tourism sectors. These interventions are focused on the production of value-added exports; import substitution; and represent a diversification of China's interest beyond Africa's natural resources into manufacturing and services. Thus an opportunity for resource-poor African countries to benefit from the continents' increased relations with China. Thus African governments should encourage greater cooperation in these areas.

Chinese investment is becoming more significant, driven not only by resources, it is also market seeking and increasingly private investment is more significant As well as trade, investment is playing an increasing role in the China Africa partnership. FOCAC 3 China declared a $5bn China-Africa development fund, established to encourage Chinese companies to invest in Africa and a further $3bn in preferential loans, as well as investment credit and export buyer's credit. Subsequently, Chinese FDI flows into Africa, although small (as a share of China's global investment, Chinese FDI to Africa was just 7% between 2003 and 2008), FDI flows have grown rapidly by over 7,000% to reach almost $5.5bn by 2008. Similarly, Chinese FDI stock in Africa rose by over 7,000% (just 3% of China's global FDI stock between 2003 and 2008) and reached $7.8bn by 2008 (MOFCOM 2008). As with trade, Chinese FDI flows are concentrated in a few African countries, the top ten recipients account for 92% of total FDI flows between 2003 and 2008. These include; South Africa, Nigeria, Zambia, Algeria, Sudan, Congo DR, Niger, Madagascar, Mauritius and Egypt. The presence of non-resource rich countries within the top recipients such as Mauritius and Egypt suggests that China's interest in Africa goes beyond Africa's natural resources. In 2008, by volume, manufacturing and services together accounted for 86% of Chinese investment (46% and 40% respectively). China's "landmark" investment of $5bn in South Africa's Standard Bank represents one of China's largest single investments in Africa. China's Exim Bank conservatively estimated that in 2006, 85% of Chinese enterprises in Africa were private investors thus looking for market opportunities, fleeing intense competition within China.

Chinese market seeking investment is also largely export orientated and could impact positively on Africa's trade balance Special Economic Zones (SEZs) are designated geographic areas with liberal policies and tax incentives to attract foreign enterprises. First established in China during the late 1970s and early 1980s, they are said to be the "backbone" of China's phenomenal growth over the past 20 years (Davies, 2008 and Freemantle et. al, 2010). At FOCAC 4, China committed to establish five zones across Africa and later in 2007, China committed to establishing a further five zones. The World Bank states that, the zones are seen as a key facilitator to creating employment opportunities and generating greater foreign exchange reserves through more diversified sources of income. Five projected zones have been announced and are currently at differing stages of progress and are expected to focus on value-added industries (Sandrey and Edinger 2009). Table 1 provides information on Chinese-initiated SEZs across Africa and shows how these could substantially contribute to local job creation; skills, knowledge and technology transfer; infrastructure development; and production for local, regional and international export markets. China has also made various other continent-wide investments in production of manufactures for the local and regional markets.

The Chinese are also investing in Africa's agriculture which could potentially increase its exports of agricultural products and improve African countries' food import bills Country-level data suggests that China is increasing investment in agri-business across Africa for production for export and for the local market (ACET 2009b). There is more evidence that China's investment interest in agriculture is orientated towards gaining a foothold in the local market or regional markets through Africa's duty-free trade arrangements with the EU and the US. Table two provides some examples of typical Chinese investments across the continent. There is less evidence of investment in agricultural goods for export back to China thus that China is a part of the "land grabbing" phenomenon of land and water constrained economies of Middle-East and South East Asia (Keely 2008). Indeed, Africa runs a trade deficit with China in agriculture, between 2001 and 2007, Africa imported three times the value of agricultural products from China than it exported (ACET 2009b). China has also diversified its interests and begun investing in Africa's agriculture for bio-fuel production, securing the right to grow palm oil for bio-fuel on 2.8 million hectares in the Republic of Congo, the world's largest palm oil plantation (The Economist 2009). China is also negotiating with Zambia to plant 2 million hectares of jatopha for bio-fuel (Sandrey and Edinger 2009).

Sufficient local content requirements must be included in the terms and conditions of investment agreements to ensure that economic benefits accrue to Africa Chinese private firms with financial backing from the Chinese government are emerging as the key drivers in Africa's manufacturing and to a lesser extent agriculture (ACET 2009b). The local equity content in joint ventures varies in African countries. For example, in Ethiopia the two largest Chinese investments are in manufacturing in joint ventures in 50%-50% share and a 49% Ethiopian owned; in Nigeria, there is an example of a joint venture of equal equity among the Nigerian government, a Chinese electronic firm and a US investor. While local equity has been very low in some countries - for example in Ghana, foreign equity and foreign loans account for 95% of costs; and 100% in Kenya thus the benefits of such foreign investments do not accrue to the recipient African countries, profits are expatriated back to China (ACET 2009b).

Chinese cooperation in Africa's agriculture and infrastructure sectors is significant for building Africa's long-term trade and production capacity At the last Forum on China-Africa Cooperation, China committed to greater cooperation in these sectors. China's provision of economic and technical cooperation to African agriculture over the past decade has occurred against the backdrop of declining support from

Table 1 Chinese initiated Special Economic Zones in Africa

Recipient Country	Status	Focus of Activity	Details of Engagement	Expected Outcomes
Zambia	February, 2007, Construction began 2007 to be Completed by 2011	"Industrial and economic development in the manufacturing sector	$250m-$300m Copper smelter constructed by China Nonferrous Metal mining company	For domestic and export-orientated business Secure China's supply line of copper and other minerals, to facilitate the transport of goods
Mauritius	Announced mid 2007 Construction began in September, 2009	Textiles and apparel, light engineering, some key high tech operations.	$500-$750m investment	Production for export to South Asia, COMESA and SADC 34,000 new jobs
Egypt	Construction began in 2007	Light manufacturing, logistics and value-added services also an area dedicated to	A joint venture to be developed and managed by the Chinese Tianjin Economic-Technological Zone and the Egyptian General Authority of Investment and Free Zones.	A strategic chance for China to showcase its work to African governments in Egypt during FOCAC IV and to create a regional hub for trade with the European Union and the Middle East. Expected to triple bilateral trade between China and Egypt to $10 billion by 2010, to attract $2.5 billion in foreign direct investment and to attract 100 Chinese firms with investment of $100 million.
Nigeria	Announced in 2007	Manufacturing and assembly operation hub for Chinese firms		Expected to produce goods for local, regional and EU markets.
Ogun State, Nigeria	Announced in 2007.	Free trade zone for about 100 Chinese firms	Co-financed by China Development Bank and Nigeria's United Bank of Africa	Production of goods for local, regional and EU markets.
Sierra Leone	In operation.	Economic and cooperation zone that has so far attracted 20 Chinese small and medium-sized enterprises	Established by the Guoji Group, which is based in China's Henan Province.	Produces manufactures of "necessities" as spring mattresses, roofing tile, hair lotions and other light manufactures
Tanzania	Under construction.	Trans-shipment hub for commodities mined in the Chambishi copper belt.		Considered highly strategic for Tanzania and Zambia as well as the whole Southeast African infrastructure corridor because it will reduce dependence on Southern Africa for transport.

Source: ACET (2009b) and Sandrey and Edinger (2009).

traditional donors (ACET 2009b). Aid from traditional donors to African agriculture fell from $1,450 million in 1982 to $713 million in 2003, and over 1980-2005 the share of official development assistance to agriculture declined 35% (Cabral 2007). One of Africa's main traditional aid sources, the United States Agency for International Development, slashed its agricultural aid to Africa 75% over the past decade (CCS 2008). Even African government spending in this sector has declined, though not as dramatically (Cabral 2007). Many African governments spend less than 1% of their national budgets on agriculture (CCS 2008). Meanwhile, China has provided $600 million in assistance since 2002, and according to the Chinese Ministry of Commerce, 1,134 Chinese agricultural experts are working across Africa. Its support includes cooperation in land development, agricultural plantation, breeding technologies, food security, agro-processing machinery, experimental and demonstrative projects, and training (table 3) (Ministry of Foreign Affairs of the People's Republic of China 2006). The Chinese Ministry of Agriculture has pledged to assist Africa in creating a "green revolution" (Horta 2009).

Recognizing the importance of infrastructure in aiding Africa's development, FOCAC III's Beijing Plan pledged to make infrastructure "a key area of cooperation" Support to infrastructure lowers the cost of doing business, and facilitates trade. The seminal World Bank study on Africa's infrastructure (World Bank 2010) highlights China's substantial contribution to addressing Africa's infrastructural deficit. The World Bank puts Africa's infrastructure spending needs at $93bn a year and the funding gap is $31bn a year mostly in the power sector. Chinese investment in Africa's infrastructure peaked at $22bn in 2006, thus at 22%, it is contributing to addressing the gap. The report highlights the power and the transport subsectors as the most deficient, the majority of China's infrastructure financing to Africa is concentrated in power and transportation, between 2001 and 2007 these were 34% and 33% respectively of total Chinese infrastructure financing (Foster et al 2009). China is financing 10 major hydropower projects with a combined capacity of 6, 000 megawatts, which will increase SSA's total hydropower generation capacity by 30%. Chinese firms are rehabilitating 1 350 km of existing railways and building 1 600 km of new railways to add to Africa's 50 000km of railways (Alden and Alves 2009).

China-Africa Tourism has seen an increase during the period largely thanks to FOCAC commitments Since FOCAC IV, China announced that it would grant "Approved Destination Status" (ADS) to African countries. To date around 27 African countries[4] have been granted this status. Since then the number of Chinese tourists travelling to Africa has increased to 322, 000 by 2008, up by almost 200% since 2005. Although still small compared to Africa's traditional tourists from Britain and North America, Chinese tourists are growing at a faster rate than traditional tourists - at about 30%, (China.org, 2005). Similarly, Chinese embassies increased the number of visas granted to Africans to go to China. South Africa is the most successful African country to attract Chinese tourists. In 2008, Chinese arrivals shot up by 11%, making South Africa one of the fastest growing tourist destinations for Chinese tourists (VOAnews.com, 2008). For South Africa, this is revenue of almost $1bn (China.org 2005). "Business tourism" is a prominent characteristic of China-Africa tourism. The

4 Some of the African Countries under the ADS scheme include; Algeria, Benin, Botswana, Cape Verde, Cameroon, Egypt, Ethiopia, Gabon, Ghana, Kenya, Lesotho, Madagascar, Mali, Mozambique, Namibia, Nigeria, Rwanda, Seychelles, South Africa, Uganda, Zimbabwe

Table 2 Examples of Chinese agricultural investments across the continent

Country	Details of investment	Target market
Angola	A $40 million investment is expected to relaunch a 5,000-hectare irrigated cotton productino plant in Kwanza. During the post-colonial period the area produced 21,835 hecatres of cotton a year and was the second most productive province	Local market and export markets
Ethiopia	Although there are several planned investments in agriculture, only one Chinese company is engaged in agriculture, in the production of charcoal	Pivotal energy source for the domestic economy
Guinea-Bissau	Chinese investors pledged $60 million in the country's cashew nut industry – one of the biggest on the continent	Increased production for export to international markets
Tanzania	China transferred some of its best technology to rehabilitate 5,900 hectares of sisal farm	Local market and export markets
Zambia	Chinese investments from 25 companies total $10 million, mainly for market gardening and poultry farming projects around Lusaka	Mainly for local market
Other African countries	In Ghana, South Africa and Togo, 11 agricultural production, processing and sales projects and 16,000 hectares of farmlands have received Chinese investment	Production for local and regional markets

Source: ACETb 2009

Table 3 Country examples of Chinese cooperation

Country	Type of support	Details
Angola	Technology transfer	Donation of $1 million worth of agricultural equipment to the government.
Benin, Cameroon, Republic of Congo, Ethiopia, Liberia, Mozambique Rwanda, South Africa, Sudan, Tanzania, Togo, Uganda, Zambia and Zimbabwe	Skills transfer	Establishment of agricultural centers focusing on seed technologies; one in operation in Madagascar, 16 in progress. Some 10,000 agricultural experts are reported to have been dispatched to African countries to train local farmers.
Cameroon	Technology transfer	Supply of tractors to Ministry of Agriculture.
Gabon	Skills and knowledge transfer	Chinese agricultural experts sent to assist small-scale farmers in improving crop and crop and animal production.
Guinea	Skills and knowledge transfer	Chinese experts sent to introduce high-yield hybrid rice. Establishment of a hybrid rice cultivation center in Guinea to alleviate grain shortages.
Kenya	Technology transfer for agro-processing	Advanced coffee processing equipment.
Nigeria	Skills and knowledge transfer	Deployment of 400 (out of pledged 500) Chinese experts to help with food production and water conservancy.
Uganda	Skills and knowledge transfer	Aid to Kibimba (now Tilda) and Doha rice schemes.

Source: ACETb 2009

growth of China Africa business cooperation with a subsequent increase in investments by Chinese companies, as well as Chinese and Africa government officials seeking to consolidate their cooperation consequently there has been an increase in visitors on both sides (ACET 2009b). Also the number of people-to people-youth-women and cultural and technical exchanges has gone up as the China-Africa relationship has intensified since 2000. These will continue to increase.

4 Emerging developments that could impact Africa-China trade relations

There are a number of emerging developments that could increase Africa-China trade if Africa with greater cooperation with China or indeed other partners could position itself to take advantage of. Although both Africa and China have implemented a number of post financial crisis protectionist trade policy measures, there are a number of developments that could potentially see more balanced trade. Just some of these salient developments include; an unprecedented rise in China's internal consumer demand and a continued rise in Chinese investment to establish business in Africa by enterprises seeking to take advantage of more competitive labor costs in Africa than in the maturing economy of China.

Post financial crisis, Africa has implemented more protectionist policies than China and China is less protectionist than Africa's traditional partners Both Africa and China have implemented a number of post-financial crisis trade policy measures which are having an impact on Africa-China trade. According to the GTA database, the majority of trade policy measures implemented by African countries have been highly discriminatory - red measures - 53% while green liberalizing measures only totaled 20% (26% amber). South Africa represents one of the most protectionist African countries as it had implemented the highest amount of red measures - 80, moreover, 65% of its total trade policy measures implemented were red measures. Other relatively protectionist African countries included the more developed African countries such as Egypt which implemented 56 red measures (70% of its total policy measures were red); Morocco which implemented 33 (73% of its total policy measures were red) and Tunisia which implemented 40 red measures (75% of its total policy measures were red). While China implemented 19 red measures (45% of its total policy measures were red). Africa's traditional partners are more protectionist - EU27 has implemented 140 red measures (84% of its total policy measures were red). And although the US only implemented 14 (only 22% of its total policy measures were red) it has implemented 44 amber measures which represent 70% of its total policy measures (Ogunleye 2010).

The PRC government recognizes that China's next phase of economic expansion requires internal structural transformation given the nature and scale of its impressive export-driven growth which has caused a number of macroeconomic imbalances. This transformation will involve (*inter alia*) the reduction in reliance on exports for GDP. In 1978, the total value of imports and exports was 9.7% of GDP by 2009 the ratio skyrocketed to 80%. The transformation will also require the reversal of China's low consumption and high savings rate. In the past, China's economic policies emphasized investment and export rather than consumption, consequently, its ratio of consumption to GDP fell from 50% in 1978 to 35.3% in 2007 and has risen slightly to 38% currently. Additionally, domestic savings has increased by just over 50% since 1979 to reach 49% in 2009.

"Natural and policy induced consumerism" (Freemantle et. al 2000 p. 1) is set to increase as incomes grow rapidly in China - an annual growth rate of 8% for the next two decades; the gradual appreciation of the national currency to an estimated 10% by 2011 will further empower Chinese consumers; also with financial deepening and credit growth as the share of credit cards to bank cards is set double to 15% by 2013. Subsequently, Chinese consumption is expected to expand by over 700% by 2020 to $15tr, thus increasing China's global consumption share from 5% to approximately 15% - the world's largest consumer in just a decade. This economic restructuring presents a number of opportunities for Africa (Freemantle et. al 2010).

Given that China's wages are expected to increase and subsequently there will be a rise in production costs in China, China is expected to become less competitive. Many expect that could result in the need for production to shift to more competitive environments - this is the "flying geese" theory (Brautigam 2009). Coupled with the continued state-backed "encouragement" to invest abroad from the announcement at the last FOCAC to "*increase the size of the China-Africa Development Fund to $3bn to support the expansion of investment from Chinese businesses to Africa*", this could be Africa's opportunity to take advantage of the shift in global production.

African countries should begin to position themselves as potential destinations for Chinese investment to take advantage of opportunities to produce for the local market and preferential access to regional and international markets This will enable China to take advantage of preferential access afforded to African countries into international markets, which China traditionally face barriers to developed country markets. As this investment is market-seeking, joint ventures with African firms will ensure that trade gains will accrue to the local economy and local content requirements for knowledge and technology transfer will help to build local capacity and ensure a more mutually beneficial gain from Chinese investments in Africa. This provides an opportunity for resource-poor African countries to benefit from China's growing presence in Africa. Furthermore, LDC African countries can market themselves to countries wanting to enjoy preferential access to export to China.

Conclusions

The structure of China-Africa trade is growing more unbalanced with gains mainly limited to a few resource-rich African countries, dependent on exports of a few primary commodity exports vulnerable to volatile global price fluctuations. Section one looked at emerging trends in Africa China trade. Despite increasing trade relations than Africa's traditional partners during the crisis, this section demonstrated that China-Africa trade is unfortunately dominated by Africa's export of a few low value primary exports and Chinese imports of higher value manufactures. The vulnerability of the structure and composition of China-Africa trade was exposed following the global economic crisis and the subsequent commodity price decrease in 2008. Furthermore, the majority of African countries are experiencing widening trade deficits with China. Thus the current structure of Africa-China is unbalanced and unsustainable.

The impact of China's trade-specific FOCAC commitments will only increase Africa-China trade thus reinforce the unbalanced structure of trade. Section two considered China's trade-specific FOCAC commitments to improving Africa-China trade. The granting of preferences to African LDC exports represents the most direct commitment to improving Africa's exports, however, given more prohibitive non tariff barriers to trade such as LDCs low capacity to meet health and sanitation requirements, LDCs export supply response to these preferences has not been significant, limited to resource-rich LDCs exporting oil and mineral products. Therefore preferences only facilitate de facto primary oil and mineral products that are currently in the LDCs export supply capacity, thus reinforcing the unbalanced structure of trade. The preferences provide preferential access to export more value-added products such as manufactures, and simply transformed minerals, and represent tariff de-escalation on cotton and textile products. Thus investment in addressing the NTBs would make the preferences very advantageous for preference receiving LDC exporters as they offer a significant margin of preference. The other trade-specific FOCAC commitments are less direct than the preferences, best - endeavor measures aimed at facilitating trade thus will only increase Africa-China trade rather than make trade more balanced.

Other areas of cooperation within FOCAC have greater potential to make Africa-China trade more balanced as they are focused on value-added export production and represent a diversification in export production beyond primary production of Africa's oil and mineral commodities and thus opportunities for resource-rich countries. Section three looked at other areas within the FOCAC framework for Africa-China cooperation such as investment and economic and technical cooperation. In investment cooperation, following FOCAC commitments to support Chinese business to invest in Africa - through for example the China Development Fund, Chinese FDI to Africa has also grown rapidly in the last decade. Section three highlighted that Chinese investment is diversifying beyond natural resources, increasingly in manufacturing, services and agriculture also (albeit to a lesser extent), thus providing opportunities for non-resource rich countries to benefit from Africa-China relations, unlike China-Africa trade. Similarly, FOCAC commitments in tourism provide an opportunity for resource-poor African countries. In manufacturing, investment is largely focused in value-added production for the local, regional and international markets and seeks to take advantage of Africa's preferential market access arrangements. Similarly investment in Africa's agribusiness provides an opportunity to reduce Africa's high food import bills. However, as investment is largely private and market-seeking sufficient local content requirements that increase and build the capacity of local participation must be put in place to ensure that economic benefits are accrued to Africa and that profits are not only expatriated by Chinese businesses. FOCAC commitments on economic and technical cooperation in agriculture and infrastructure contribute to building the foundation for the structural transformation of Africa's production capabilities and thus enhancing Africa's trade capacity.

With greater cooperation with China, Africa can position itself to take advantage of emerging developments in China and shifts in global production Section four provided some examples of opportunities for enhancing Africa's trade. Although

China and Africa have implemented a number of protectionist post crisis trade policy measures, other emerging developments in the relations could positively impact Africa's trade. China's internal structural transformation which requires an increase in Chinese consumerism; the expected rise in China's wages provides a huge potential market for African products. Furthermore, given the rise in production costs in China, and the continued "state-backed encouragement" to invest in Africa, African countries can position themselves as potential destinations for investment. Given the margin of preferences provided to value-added exports from LDCs, African countries are an attractive opportunity for investors who want to take advantage of preferential access to China.

This paper sought to look at the impact that increased Africa-China relations within the FOCAC framework is having on Africa's trade. The paper provided evidence of the unbalanced trend in Africa-China trade and highlighted the need for it to grow in a more balanced way. The paper further highlighted that China's trade specific commitments will only serve to increase China Africa trade and thus reinforce the unbalanced trend. Africa-China trade will be negatively impacted by protectionist post-crisis trade policy measures, however, other areas in the FOCAC framework such as in investment, economic and technical cooperation and interventions in tourism, infrastructure and agriculture sectors should contribute significantly to enhancing Africa's trading capacity to take advantage of the emerging trading opportunities in China and shifts in global production and thus maximize opportunities for value added export production in China and globally.

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